

**M. Phil. Thesis**

**ANALYSIS OF STARTUPS – SCALABLE BUSINESS**

**MODELS:**

**A NEW HORIZON FOR PAKISTAN**

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**Master of Philosophy in Public Policy**

*Submitted By*

**Sibtain Raza**

**Registration # PIDE2017FMPHILPP35**

*Supervisor*

**Dr. Iftikhar Ahmad**

Assistant Professor

*PIDE SCHOOL OF PUBLIC POLICY*

**Pakistan Institute of Development Economics**

**Islamabad (PIDE)**

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**CERTIFICATE**

This is to certify that this thesis entitled: **analysis of start Ups-Scalable Business Models: A new Horizon for Pakistan** submitted by **Mr. Sibtain Raza** accepted in its present form by the School of Public Policy, Pakistan Institute of Development Economics (PIDE), Islamabad as satisfying the requirements for partial fulfillment of the degree in Master of Philosophy in Public Policy.

Supervisor:

**Dr. Iftikhar Ahmad,**  
Assistant Professor,  
Pakistan Institute of Development Economics,  
(PIDE) Islamabad.

External Examiner:

**Dr. Muhammad Tariq Majeed**  
International Development, Economic Growth and  
Governance, QAU, Islamabad.

Head,  
PIDE School of Public Policy:

**Dr. Abedullah**  
Chief of Research/HOD  
Pakistan Institute of Development Economics,  
(PIDE) Islamabad.

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## **Declaration**

I, Sibtain Raza, hereby declare that this thesis, which I submitted to the PIDE School of Public Policy ( PSPP) at Pakistan Institute of Development Economics (PIDE) for the partial fulfillment of M. Phil Public Policy, is my own personal effort. I have not already obtained a degree in this institute or elsewhere based on this work. Furthermore, I took reasonable care to ensure that the originality in work and compliance of intellectual property right laws.

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Sibtain Raza

**Reg. No: IDE2017FMPHILPP35**

## **Dedication**

*“This thesis is dedicated to my beloved Parents who stood by me and offered motivation, encouragement and unconditional support in every walk of my life.”*

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In the name of Allah, the most Gracious and the most Merciful

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## **Abstract**

The objective of this research was to analyze the opportunities and challenges and projected outcomes for startups. This analysis helped us to consider the current condition of Pakistan's business climate. It also enabled us to determine the real and planned success of current and prospective start-ups. The research also concludes that the influences which can help and lead to the growth of agile businesses when streamlined in the company environment context. Government should adopt holistic approach and frame new entrepreneur and startup policy for social and economic development. The research also concludes that new projects, technologies and inventions need to be implemented in a manner where sustainable prosperity and human progress be accomplished.

The paper suggests that attention should be extended to when, how, why and how entrepreneurship is concerned. The researchers' challenge in contextualization is basically, the theory of entrepreneurship and suggests alternative paths for the various contexts and their effect on businesses.

It is also evident that incubation centers have facilitated, promoted and created a forum for the community of beginners, who can connect and facilitate a cross-provincial information exchange. The ages and needs of the NICs are rising, and advanced incubation centers. This analysis aims to forecast the market intent, considering the absence of research on the subject. This analysis, however, is not limitless, unregulated or restricting.

**Key Words:** Startups, Ecosystem, Entrepreneur, economic development

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## **List of Abbreviations**

|             |  |
|-------------|--|
| <b>AIs</b>  | Angel Investors                          |
| <b>BIC</b>  | Business Incubation Centre               |
| <b>CAGR</b> | Compound annual growth rate              |
| <b>CEO</b>  | Chief Executive Officer                  |
| <b>CFA</b>  | Chartered Financial Analyst              |
| <b>CVC</b>  | Card Verification Code                   |
| <b>DFID</b> | Department for International Development |
| <b>EoDB</b> | Ease of Doing Business                   |
| <b>EIC</b>  | Established Incubation Centre            |
| <b>FBR</b>  | Federal Board of Revenue                 |
| <b>FDI</b>  | Foreign direct investment                |
| <b>FWO</b>  | Frontier Works Organization              |
| <b>GDP</b>  | Gross Domestic Product                   |
| <b>HEC</b>  | Higher Education System                  |
| <b>HSAB</b> | Pearson acid-base concept                |
| <b>ICs</b>  | Incubation Centers                       |
| <b>ICT</b>  | Information Communication Technology     |
| <b>ISPs</b> | Internet Service Providers               |
| <b>IT</b>   | Information Technology                   |
| <b>IBA</b>  | Institute of Business Administration     |
| <b>KPIs</b> | Key Performance Indicators               |

|                |   |
|----------------|---|
| <b>KPK</b>     | Khyber Pakhtunkhwa  |
| <b>LUMS</b>    | Lahore University of Management Sciences                        |
| <b>NLC</b>     | National Logistics Cell   |
| <b>NGOs</b>    | Non-Government Organizations                                    |
| <b>NIC</b>     | National Incubation Center                                      |
| <b>NUST</b>    | National University of Science & Technology                     |
| <b>NICSC</b>   | NIC Startup Community   |
| <b>ORIC</b>    | Office of Research, Innovation & Commercialization              |
| <b>PSDP</b>    | Public Sector Development Program                               |
| <b>P@SHA</b>   | Pakistan Software Houses Association for IT                     |
| <b>PSX</b>     | Pakistan Stock Exchange   |
| <b>PSD</b>     | Payment Systems Dept  |
| <b>PUBG</b>    | Player Unknown's Battlegrounds                                  |
| <b>PITB</b>    | Pakistan Information Technology Board                           |
| <b>R&amp;D</b> | Research & Development  |
| <b>SECP</b>    | Security Exchange Commission of Pakistan                        |
| <b>SBP</b>     | State Bank of Pakistan  |
| <b>SZABIST</b> | Shaheed Zulfikar Ali Bhutto Institute of Science and Technology |
| <b>VCs</b>     | Venture Capitalists   |

# Chapter 1

## INTRODUCTION

### 1.1 Background of the Study

The term startup has become synonym to growth, entrepreneurial traits, vision and futuristic approach. It is something to do with new product/process for the entire market or fraction of the market. Startups must not be confused with small business, as the distinctive difference is the innovation. Recently both Public & Private sectors have launched a number of initiatives to foster/support and encourage start up efforts in Pakistan. It appears that new startups are often being welcomed within Pakistan, specifically those which allowed new markets to grow in terms of competition. The very nature of startups in Pakistan is technology based which young IT and Business's graduates as the patterns of startups in Pakistan fuel.

Entrepreneurship analysis has increasing awareness that economic behavior, given the possibilities and constraints for individuals' jobs, can be best interpreted in their historical, time-, structural, and space-related and social contexts. Context may be an advantage and a weakness for the existence and extent of business, but it may also have an impact on startups. The paper suggests that it is necessary to consider where, how and why entrepreneurship is taking place and who is involved. Exploring the multiplicity of contexts and their influence on industry, it addresses researchers' difficulties in contextualizing the philosophy of entrepreneurship and proposes new ways forward.

The important question remains, how startups are shaping the very structure of business ecosystem in Pakistan or elsewhere. The overall impact of startups is very visible initially then, only those ideas persist which are smartly implemented. All stakeholders

are constantly trying to create an environment which is both conducive as well as optimum for startups. The reason is very simple, startups are necessary for the entrepreneurial and innovative growth of any nation. There are nations which are smaller than ours and less naturally equipped than ours, but made tremendous growth and advancements in the field of economy and overall development. The secret of their success is nothing but an appetite for innovation (Al-Mubaraki, 2013). It can be proposed that the future economic growth for Pakistan specifically lies within the development and further promotion of IT based innovative startups. Fortunately, Pakistan is endowed with youngest population that is primarily required for setting up startups. With the growing inclination towards “Having something of my own” attitude is also helping in bringing new ideas into successful implementation. Pakistan has produced some of the leading startups in the world, which are working as the lighthouse for the rest (Ahmad, 2010). The prominent examples are *Daraz.com*, *Rozee.com*, *Goats for water* and *pakwheel.com* etc.

In short, the startup scenario is looking very convincing and bright as the investments from worldwide investing bodies (both organized and individuals), is growing in Pakistani startups. The recent example of such investment (being the huge multibillion-dollar investments in various startups functioning in Pakistan) includes Zameen.com, Daraz and Food Panda. In a way, startup era has started in Pakistan and it is the time to give its due push.

**Figure 1.1: Startup Ecosystem**



The development of this specific figure, representing the startup ecosystem and how it continues to operate is conceptualized through a thorough understanding of the argument and the concepts presented by Krajcik and Formanek, 2015.

## **1.2 Problem Statement**

Scalable business models got currency in last ten years and a number of Startups have succeeded both horizontally as well as vertically. Though, some startups failed to see their first anniversary, nevertheless, their survival rate and scalability are still being questioned. Although, stakeholders are trying to create awareness among the local



investors regarding scalable businesses but the framework itself did not mention any particular objectives related to startups within the country. Moreover, Government Policy is not even aligned with the methodology of scalable business models. It is important to sensitize the domestic industry especially IT industry, and attention be given to new startups otherwise, Pakistan cannot achieve its economic goals. Therefore, it is important to explore and learn about the opportunities, threats and expectation for scalable businesses so that the potential for scalable businesses could be efficiently harnessed.

The two thirds of population in Pakistan is under the age of 30 and majority having the urge of ‘something own’. According to the UNDP, 23% of young people want to start their own company in Pakistan, but the present scenery, procedures and specifications prohibit the introduction of innovations.

In Pakistan, entrepreneurship practices have risen in recent years and new organizations, funds and entrepreneurial funding programs are on the rise. The biggest concern is a shortage of effective outputs, the lack of ready-to-use local buyers, and the absence of international investors. Daily contact and coordination between the startup community is important for the advancement of startups, both nationally and internationally. A start-up ecosystem can't be built by start-ups alone; they need active engagement and participation from academics, investors, etc.

### **1.3 Scope of the Study**

The objective of this research is to study the opportunities, threats and expected outcomes for startups. This study will help us to understand the current situation of business ecosystem of Pakistan explaining where they are standing right now. It will also help us to assess the existing capacity and expected potential of current and future

startups. This study will also explore the factors that can be supportive and helpful in the expansion of scalable businesses if they are streamlined in the framework business ecosystem. New initiatives, innovations and ideas must be utilized in such a way that the economic growth and human development takes place not only at local level but also at national level. It can only be achieved if the domestic investors or local human capital are developed to their optimal potential and if the new startups initiatives are taken into consideration while seeking long term sustainable development. For this, it is necessary to assess that whether: the local investors are well aware of the emerging opportunities in the age of technology, whether they are planning anything for the export-led growth and whether they are confident about the opportunities or feel threatened due to increased competitiveness after IT revolution.

#### **1.4 Research Objectives**

Following factors are important to investigate within the course of this research and thus, it becomes important to identify these objectives as significant aspects for this research. These inquiries serve to be significant to identify the following objectives of research:

- i.** Identify whether, the incubation centers are successful in helping new startups to realize their full potential through facilitating them.
- ii.** Identify any challenges or threats for the startups that are being anticipated by the local investors.
- iii.** Identify whether government policies are helping or hampering business ecosystem in the country.
- iv.** Identify whether, the government is aware and prepared to benefit from the opportunities attached with startups-scalable business models.

## **1.5 Research Questions**

Following are identified as the research questions that may be considered within the course of this research to achieve the objectives of this research:

- i.** How effectively do the incubation centers help new startups in realizing their full potential?
- ii.** What are the practical issues faced by startups?
- iii.** How effectively does the Pakistan government realize the potential and benefits of startups – scalable business model?
- iv.** How effectively do government policies help the business ecosystem in Pakistan?

## **1.6 Policy Relevance of the Study**

We have witnessed Pakistani young entrepreneurs are developing and running a number of startups that have a potential to bring economic progress and prosperity in the country. However, this sector failed to get the due attention the Pakistani policymakers. Consequently, the country is losing its highly skilled, and innovative young population in the form of brain drain and slow economic progress and high unemployment rate have been observed in recent years.

Despite the fact, successive governments have introduced some policy measures and launched few schemes for startups. For instance, in recent past government policy initiative “allowing single member companies, Tax holidays and Loan schemes,” got very positive response (Khan, 2015) and subsequently, growth have been witnessed in startups. Whereas, it is also true, a number of startups faced sustainability threats because of communication gaps between SECP, FBR and Banks. It is need of the hour that policy makers should make tangible and entrepreneurial friendly policy

intervention in SECP, FBR and Banking regimes in order to help out startups as still there are gaps and hurdles in registration, running, transfer of shares and closure of any startup. Furthermore, lessons should be learnt from foreign best practices and policies be made to attract foreign investment and collaboration, to set up venture capitalists funds in order to promote entrepreneurial ecosystem in Pakistan for higher economic growth.

Policy intervention is required particularly in amending Banking Companies Ordinance, Public Offering Regulation and generally in innovation, branding and effective funding. Building fruitful partnerships is also important, especially in the early stages, and there is also a need to minimize the risk for start-ups to enter into the mainframe. In this regard, it is required to ease the barriers for payments, along with a simplification of the registration process, so that more start-ups can be registered. The requirement of a skilled labour force is essential for enhancing the success rate of start-ups, for which training institutes can play a vital role. The taxation policy for start-ups also needs improvement to ease the financial burden on these initiatives.

## **Chapter 2**

### **LITERATURE REVIEW**

The literature being reviewed for the study has highlighted the fact that startups have significant impact on the economic development of developed North. The history and development of scalable business models has been discussed in different studies and these initiatives have been facilitated by the Government.

#### **2.1 Plan of the Study**

The study's plan was to put entrepreneurs together with industry experts, to recognize the obstacles in achieving dimensions, and establish a strategy to overcome these challenges by building an atmosphere for Pakistan's start-up ecosystem. There were four broad-based classes of participants, including awareness / curriculum, incubator / accelerator funding, corporate law and exit strategy for these fields. Every group's respondents indicated common problems facing startups and suggested ideas and tactics to solve them.

#### **2.2 Start Ups in Pakistan**

Theoretically, young energetic, and skilled professionals who have the business acumen got inspiration from scalable business models. The first incubation model was introduced in private sector and that this effort encourages universities to replicate the incubation model. As a result, entrepreneurship received attention from academia as well. At present, 20 universities across Pakistan have set up incubators (Harris, 2018).

Pakistan with population of over 200 million out of which 126 million people are less than thirty years of age, and more than 55% are educated but unemployed. Whereas presently only 65 million work force is available in the market (Rasool, 2016). Shahid

has rightly commented that “the situation becomes worse due to the fact that the growth rate and changes in the population are not proportionate. Today, with a population growth of 1.95% and the economy growing at 4.24%, one million jobs need to be created annually to fill the gap (Shahid, 2017).

### **2.3 Pakistan – Transforming Industry**

Currently, Pakistan has the population 217 million in the Muslim majority world and consumption spending of 257 billion dollars (as of 2018). This is very close to Indonesia in 2009. Pakistan today is not on the forefront of the world's VC radars, attaining just hundreds of millions of dollars a year in VCs, fewer than a venture in its B sequence in sunny Silicon Valley. That has improved with the first fund in Asia by First Round Capital heading a \$12 M series in for a ten-year span. The unified mass transport infrastructure is being developed by the Pakistani project, Airlift.

Pakistan is today's biggest unexploited sector and the greatest hope for start-ups and early stage VCs. And that is why the next big trend are Pakistani companies. Pakistan's 217 million population render it marginally ahead of Brazil's as the 5th largest nation (McCartney and Zaidi, 2019). The demographics within Pakistan is relatively younger; 114 m, more than that in the US, are younger than 25. During the next 2 decades, three young people should enter the workforce against every elderly citizen. The efficiency multiplier would likely be higher than 3 because the younger Pakistanis are better qualified and more technically equipped (McCartney and Zaidi, 2019).

The detrimental consequence of such a young demographic is that per capita GDP and strong band participation are understated in contrast with other nations, since the denominator contains a slightly higher proportion of youth (McCartney and Zaidi, 2019).

## **2.4 The Startups in Market Economy**

*Startups are generally defined by entrepreneurs as a new company, which combines business ideas and resources* (Park & Yang, 2014). Blank described a startup as a temporary company to look for a repetitive and scalable business strategy (Blank, 2012). On the other hand, while underscoring the significance of scalable business models, Ries comments on startups that entrepreneurs accept the challenge and take the risk in an unfavorable situation to provide services to the people. While defining the startup, he said that a start-up is an entity initiated in extreme uncertainty to develop new products or services (Ries, 2011). David argued that when innovative goods or services are produced under intense complexity, they may all fall into the entrepreneur group, as separate business divisions of states, big corporations, non-profit organizations and business projects (David, 2001). Unlike small businesses that are classified according to the size of their work, the above definitions imply that new companies with a new idea based on the knowledge industry can be called a venture, startup, or entrepreneurship. A start-up requires the likelihood of communication with other industries, which is fewer than a large manufacturing plant; it also stresses that specific tasks should be integrated (Jeon, 2016). Similarly, Lee commented that When a corporation insists on an creative method of technology growth and depends on foreign capital, such as Venture Capital, it develops separate operating structures and seeks sources of distribution. (Lee, 2014). Smith and Miner classified startups as artisans and technical entrepreneurs who are interested in implementing their own functions and technologies and as opportunistic businesses whose initiatives are motivated by market opportunities (Smith & Miner, 1983) .

Whereas, Low and Macmillan work is on socio-psychological aspect of startups. They are of the view that the startup motivations can be determined by the level of desire for

achievement as motive for survival and success. The former shows how a contractor wants to keep a minimum living whilst doing what he or she wants to do. The latter, by contrast, means how high the financial performance and reputation of an entrepreneur are. (Low & MacMillan, 1988).

## **2.5 Encouraging Entrepreneurship in Pakistan**

Without the development and expansion of enterprises, economic progress becomes unlikely to a large degree. When it delivers essential resources and brings technologies into the industry, businesses are developed and develop (Alam and Ansari, 2020). Through wages, procurement, capital investment, investments and tax payments successful enterprises return revenues to the economy. Unless the State offers the resources needed for economic growth and corporate advancement to become a continuous activity (and probably foundations supported by philanthropy), there is a virtuous loop.

## **2.6 Role of Start Ups in Economic Growth**

The startups are contributing a tangible share in any national economy regardless size of economy. For example, the Skype software was developed in Estonia, a small Baltic country with a population of 1.3 million people (Marker, 2016). The promising landscape it offers for entrepreneurs has earned it the title of ‘Europe’s new start-up hub.’ Besides Skype, which today has 74 million users, multiple billion-dollar start-ups, including *TransferWise* have emerged from Estonia (Marker, 2016). In this regard, the Estonian Government has also facilitating the startup industry by introducing number investor friendly policies.

Startups, as the beginning to the world of entrepreneurs, gave opportunities to the nascent businessmen to come up with innovative ideas and developments in the market.



Scalable businesses build technical capacity of the economy. They are termed as ‘engines of growth’, ‘building blocks of growth’, ‘source of innovation’ and ‘job creators’ (Aris, 2007); (Hussain, 2012), (Savlovski & Robu, 2011)

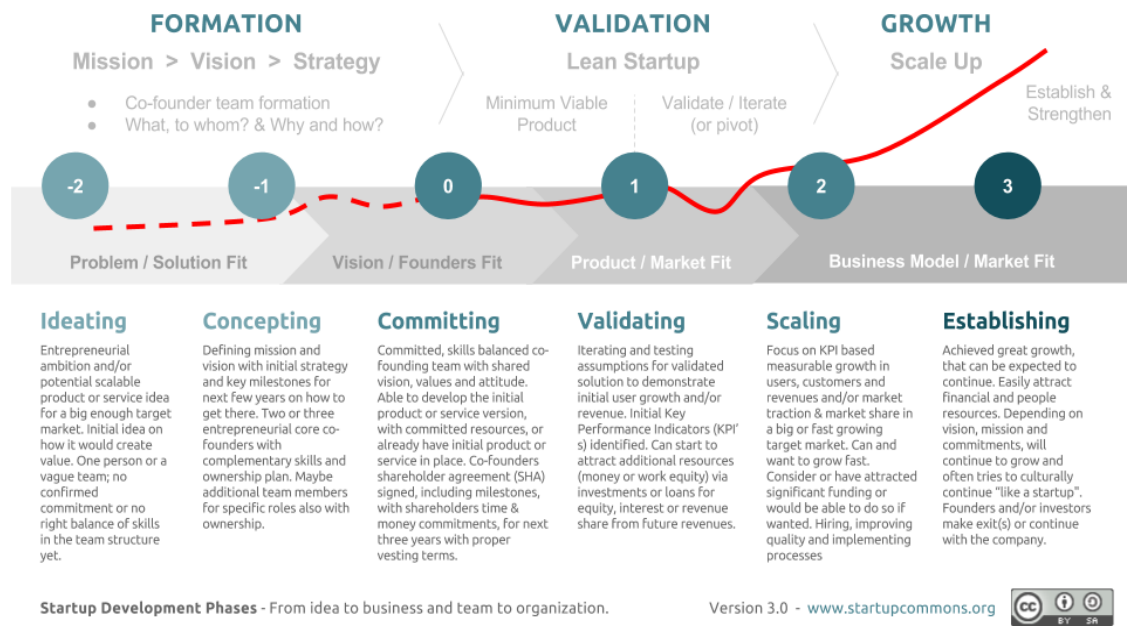
Khurram Shahzad, while commenting on startups in Pakistan and their role in national economy is of the view that “by increasing productivity, stimulating entrepreneurship and encouraging innovation, Pakistan can be one of the best countries in the world to establish and develop a company. In short, the policy makers have to put in place a structured, coherent and measurable pathway for the industry to follow” (Shahzad, 2017).

## **2.7 Startup Scalability**

A “**scalable startup**” takes an innovative idea and searches for a **scalable** and repeatable business model that will turn it into a high growth, profitable company. Not just big but huge. It does that by entering a large market and taking share away from incumbents or by creating a new market and growing it rapidly.

A standard scalable business model, free framework for historic view and for building common language and mutual understanding among all key actors in startup ecosystem, about how great companies are created anywhere in the World from “**idea to product, to growing business**” and from “**talent to team, to real organization**” in balanced manner.

**Table 2.1: Startup Scalability**



## 2.8 A Durable Economy

Pakistan confronted and conquered war and tragedy for six decades. The country's economy has slowly expanded amid several obstacles. At crucial moments, successive governments have implemented measures that are relevant to the conditions of today and, thanks to these well-conceived programs, the country has gradually matured (McCartney and Zaidi, 2019). Nevertheless, the structures of government are based upon focusing on initiatives rather than approaches to support progress, considering the reactive complexity of policy formulation and execution. The political and business leaders of Pakistan should not only fulfill the demands presently created, but should also – and maybe more critically – build space in the future in order to recognize Pakistan's capacity as a 21st century (McCartney and Zaidi, 2019).

To build a market for the future for the government means eliminating barriers to progress and enterprise — long-term commitments which will deliver the facilities that are required for the young, rising population. This implies empowering entrepreneurs

to create high-growth creative companies – even though they threaten the domination of traditional businesses. It ensures that the communities of the country are fundamentally reorganized so that they are focal points for innovation and not for confrontation (Weiss, 2019). It includes developing structures to fund and encourage elected representatives who oppose dominant forces and resolve bureaucratic inertia.

To build a room for the future industry implies finding profit, not in regulatory provisions that hinder social growth, but in technological developments that drive it. This includes creating innovative goods for the global markets, which is under-represented by marketed Pakistani manufacturers and for the domestic industry, which under-serves Pakistani customers (Weiss, 2019). This requires going past short-term ambitions and local advantages and then creating the foundations for businesses with the ability to succeed everywhere in the world in the long term.

Conditions that enable economies to work properly, namely to require economic actors to operate, competitively and compete on a level playing field, provide the atmosphere required for companies to prosper and to achieve optimum output performance through privately held initiatives. This significantly contributes to economic development and growth (Weiss, 2019). A competition beyond government interference and secured from anti-competitive activities is necessary if production efficiency, creativity and entrepreneurship are to be achieved.

## **2.9 Enhancing Competition**

Markets are the portion of the economy in which product assignments are decided by demand and supply factors and the resultant costs. State, military and large corporations are working simultaneously outside the sector. Across such regions, services are distributed by the institutional process, not a competition system — for instance through

the Public Sector Development Program. To represent the public interests of consumers, the customer demand and competitiveness challenges must be accountable, particularly from new competitors joining the sector (Ullah et al., 2019).

The guarantee of competition in markets should be an urgently needed priority of the government because markets which operate properly can meet the critical need for business opportunities and essential services and products such as reliable and affordable energy, affordable financial instruments and low - cost housing within Pakistan. At present, Pakistan's economy is not properly productive and do not effectively provide economic incentives and essential products and services (Ullah et al., 2019). The key explanation is that strong business practices and policy policies in related sectors – in particular finance, cement and building, energy generation and transmission – have stifled competitiveness and innovation. In such regards, Khurram Zafar (Member of PM Task Force on Information) states that, “Make it easier for investors to find promising opportunities in sectors of their interest through trade shows, road shows, national scale investor summits marketed globally, online directories, R&D and tech transfer conferences”.

The government of Pakistan must shift its role from practical engagement to facilitator of private action in the development process. In the face of decades-long donor fund inflows, policy roles in Pakistan themselves have grown into a strong dedication to establishing and distancing themselves from core government magisterial roles, including the management of law and order, property rights regulation and implementation of judicial processes (Ullah et al., 2019). That technology strategy has worked for a while (almost 40 years), but it doesn't work today. As a result, the level of national governance, particularly in civil service professional standards, has deteriorated. The quest for benefit and greed was intensified.

Furthermore, Leaders within the private sector have been dependent on an atmosphere that is systemically higher than longer-term gains by finding and leveraging significant economic benefits in the near term. As transfers of capital will be rendered by policy licenses, regulations and guidelines, the activities of companies can depend on the transfer of wealth. Economic agents will spend efforts to try and directly affect government actions to build up wealth (Ullah et al., 2019). Examples are the conferring of monopolies via a license, resourcing below market prices, competitive protection and manipulation of government subsidies, duties and tax policies, given that transfers are supplied by such government. Throughout all such situations, the government decree or regulation also grants person resources at the detriment of the rest of society. Thus, policy programs encouraging rent and short-term income serve as a reverse tax of a type levied on the whole of society by a privileged party. If set up, the chosen party is able to invest actual resources — including innovative marketing activities, deemed "unproductive enterprise." If returns on pay become high enough, future productive businesses become dragged away from industry and supported up by the government (Ullah et al., 2019).

Finally, it can be proposed that the biggest adverse impact of rental activity on the economy is to weaken the opportunities to develop and investors' ability to take risks. It is a significant example of this trend by the banking sector in Pakistan. Pakistan is the least financial country in the region. The Pakistani banking industry, based on the steps taken, is one of the most competitive and profiting in the world owing to spreads that is 2-3 times that feasible in the US and other developed manufacturing nations (Ullah et al., 2019). At the same period, the Pakistani banking sector has been recognized to be within the most efficient and skilled in the Asian region.

## **2.10 Government Interventions**

Not all business structures have been developed similarly, as there continues to exist a continual competitive dynamism within the market. In fact, the very presence of the economy itself does not mean that competitive dynamism occurs. Competition is boring and economies are stagnating in communities where significant public intervention distorts the business signals (Alam and Ansari, 2020). Of this purpose, upgrading the competitiveness atmosphere is not a question of a political aesthetics or whim — it is utterly necessary for Pakistan to be innovative and to be successfully competitive as is the case with every nation in the 21st century. For this purpose, an enhancement in competition environment is not the duty of political esthetics.

Firstly, the total import tariff arrangement ranges considerably between raw products, the intermediate inputs and no specific reason for achieving the targets is discernible. The end outcome was systematic exploitation of dumping and illegal goods as a consequence of the heavy tariffs. In the meantime, the government is reliant on and hesitant to rationalize its duties as a critical stream of income (Alam and Ansari, 2020). Furthermore, tax holidays and duty-free zones have become as *modus operandi* in Pakistan as elsewhere in order to encourage foreign direct investment (FDI).

Third, in Pakistan today the government is often forced to subsidize the production and sale of staples in household budgets and in wheat flour and sugar. Nevertheless, the real effect of assistance is always volatile on output and costs, and the condition in an inflationary setting is made much more complex (Alam and Ansari, 2020). Finally, public procurement procedures in the country have a huge effect on competitiveness. Prime indicators of this are the two organizations that regulate road building and road transport and are largely regulated by the Government i.e. the Frontier Works Organization (FWO) and the National Logistics Cell (NLC).

In order to revitalize trade in Pakistan it would take a commitment to rationalize and streamline the import duty system, the tax law, the government's active involvement in product markets, and the government's procurement strategy (Alam and Ansari, 2020).

### **2.11 Transition towards Business Families**

Generally, family companies with a history of spiritual reciprocity have followed a gradual growth course to the new, professionally run business. This process was focused on confidence in the judiciary and legal framework, including protection for contracts and exclusive privileges where this transformation took place. This transition is gradually occurring in Pakistan. Professional management are not just disregarding the inadequacy of the justice and regulatory processes, they are often disregarding the restricted capacity to deter theft, extortion and abuse of company knowledge through established administrative frameworks (Rashid and Ratten, 2020).

It is where the policy will play a significant position to promote an environment of confidence. In order to achieve domestic and external growth in its industries, Pakistan's family businesses must be transited through business families that are centered on growth through management creation, succession planning, organizational effectiveness, administration and ownership change. Typically, the problems faced by families vary based on the size and growth of the business and this is no different in Pakistan (Rashid and Ratten, 2020). The positive thing is that some of Pakistan's big families have worldwide purchases. We also took the switch from family-owned businesses to corporations or business families. We also made their management skilled, established professional committees, diversified holdings and given common market securities.

Ironically, more professionally run corporations are seeking to foster ideals of the family in their operations so as to create the dedication and confidence that are distinctive features of family businesses. That is why the nature of family companies and the social wealth they have created is not lost. As family firms diminish, corporations are thus attempting to recreate the close social links that connect families (Rashid and Ratten, 2020). Therefore, the main issue is not regarding the existence of family businesses itself, but whether families should handle and adapt to situations adequately. Family businesses that actively engage in the concept of the enterprise are also catching innovation and entrepreneurial potential in their companies' domains by a concentration on skilled management guided by productivity and development.

## **2.12 Rural Entrepreneurship in Pakistan**

In Pakistan, agriculture represents 25% of GDP. This statistic alone, though, underestimates rural business; non-agricultural industry produces substantial profits and employment among non-farming populations in rural areas. Rural agriculture policies and plans ought also to concentrate on both non-agricultural and small-scale producers (Gaddefors and Anderson, 2019). Rural entrepreneurship also leads to expanded economic prospects, workforce growth, earnings and food protection within rural areas of Pakistan. Yet training and assistance is also crucial in both improving small entrepreneurial skills and strengthening their connections to business opportunities — in Pakistan and especially in Balochistan and North-East Pakistan. Competitive agriculture is the long-term approach to sustainable agricultural production (Gaddefors and Anderson, 2019).

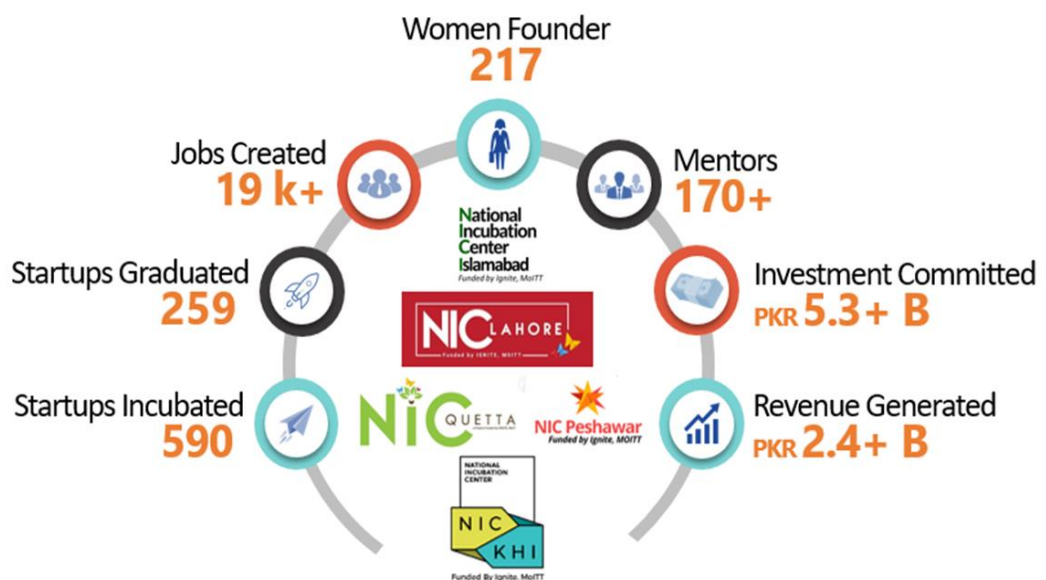
Public-private collaborations between states, NGOs, academic institutions and the private industry can be advantageous to Pakistan's agricultural entrepreneurship within the rural parts of Pakistan, to further develop the potential and business ecosystem.



Many academic universities in Pakistan develop innovations that can improve the competitiveness in rural areas (Gaddefors and Anderson, 2019). Nevertheless, the commercial prospects of many of the innovations produced by universities remain undeveloped because of the insufficient construction of institutional infrastructures to facilitate the transformation from discovery to commercial-ready innovation.

### 2.13 Business Incubation

Business incubation idea got attention of the business aspiring individuals as well as the investors and both stakeholders got the dividends. Saeed defined business incubation as the “process aimed at supporting the development and scaling of growth-oriented, early-staged enterprises” (Saeed, 2013). According to Burger “the process provides entrepreneurs with an enabling environment in the start-up stage, helps reduce the costs associated with launching an enterprise, increases the confidence of the entrepreneur and helps link them to the resources and networks required to scale their enterprise”, (Burger, 1999). In this context, Khurram and Shahzad right said, “business incubation accelerates enterprise growth, saving time and money and generating social and economic benefits than would otherwise be the case” (Shahzad, 2017).



## **2.14 Business Incubation Centers in Pakistan**

In order to promote the scalable business model, government took the policy initiatives and encouraged public and private sector to establish incubation centres. For instance, Ignite financed five NICs one at Federal and four at provincial level . Punjab and KPK governments also took initiative in IT sector and set up technology parks in different cities.

On the other hand, the private sector showed positive response after assessing the feasibility of start-ups in IT sector, stepped up and is contributing enthusiastically. While highlighting the participation of private sector, Khan is of the view that “ corporate players such as Mobilink and Telenor have powered business incubators, whereas academic institutions, such as LUMS, have set up centres for entrepreneurship that provide research input as well as practical, hands-on facilities to budding entrepreneurs” (Khan, 2015). However, Harris believed that the start-ups are changing the business landscape and said “Initiatives such as Basecamp, Invest2Innovate, DotZero and Dastarkhwan highlight the thriving entrepreneurial culture in Pakistan. The Nest I/O in Karachi, powered by P@SHA and Google for Entrepreneurs is changing the game in Sindh and has made a plausible contribution to cementing the landscape with Punjab” (Harris, 2018).

## **2.15 Challenges & Response**

Despite the fact, the overall trend shows a growing shift with more support players, more initiatives, and more investors resulting in increased startup activities in Pakistan for the past few years. Nevertheless, all the stakeholders from public as well as private sector are required strengthen the entrepreneurial ecosystem locally, to make Pakistan ‘Asia’s next start-up hub.’

The challenges of serious dearth of angel investors, seed funds and venture capital need the attention of all stakeholders as there was a significant increase in number of startups in 2015, but due to lack of efforts and quality initiatives number of startups observed a declining trend in 2016. Hence, some policy initiatives be taken not only to provide support to the existing initiatives but also policy measures be introduced for angel funds, crowdfunding and private equity players. Besides, investors also are encouraged to invest in scalable businesses.

Blank, the start-up guru while commenting on the significance of start-ups said, “The entrepreneurial age will be as important as the industrial age and the information age. In the industrial and information ages, physics and information was put to great use. Physics and information were also the basis for an organization’s differentiation and victory” (Blank, 2012). ‘In the entrepreneurial age, physics and information will be replaced by entrepreneurship: the ability to serve a customer at the highest level of quality and scale, simultaneously’ (Anokhin, Wincent, & Frishamma, 2011).

This InfoTech age is indirectly not only providing support but also strengthening the small business. It is rightly commented by Blank that “with access to the Internet, small businesses can now compete with big brands via social media engagement, clever online marketing, and efficiently delivered advertising. Even in markets where there is a mismatch between available capital and the start-up community, an entrepreneur can raise money by crowdsourcing from the public” (Blank, 2012)’. Similarly, Park and Yang were of the view that “Rather than leasing an expensive office, a start-up can find a home in a local co-working space and often outsource functions” (Park & Yang, 2014). Talent, Density, Culture, Capital, and Regulatory Environment – composition of these five factors will make a right ecosystem for a start up to thrive.

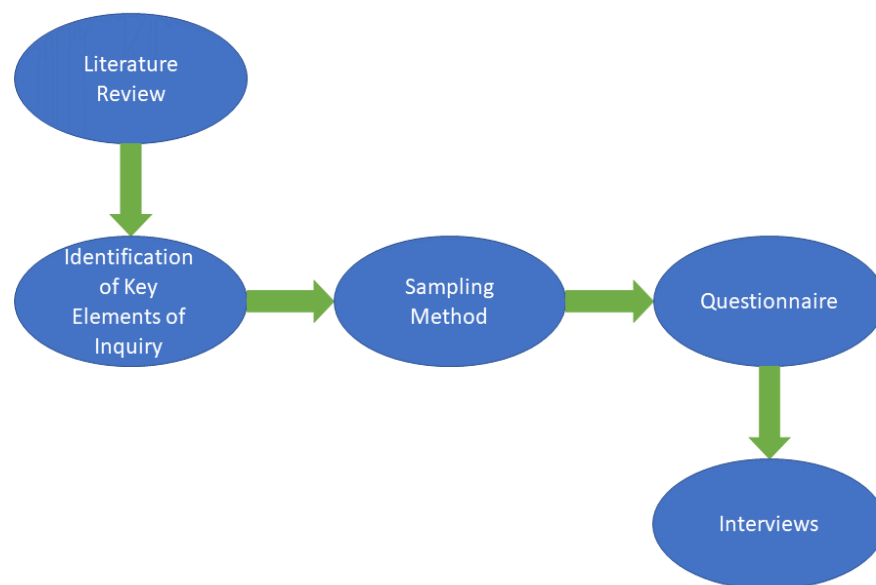
## Chapter 3

### DATA & METHODOLOGY

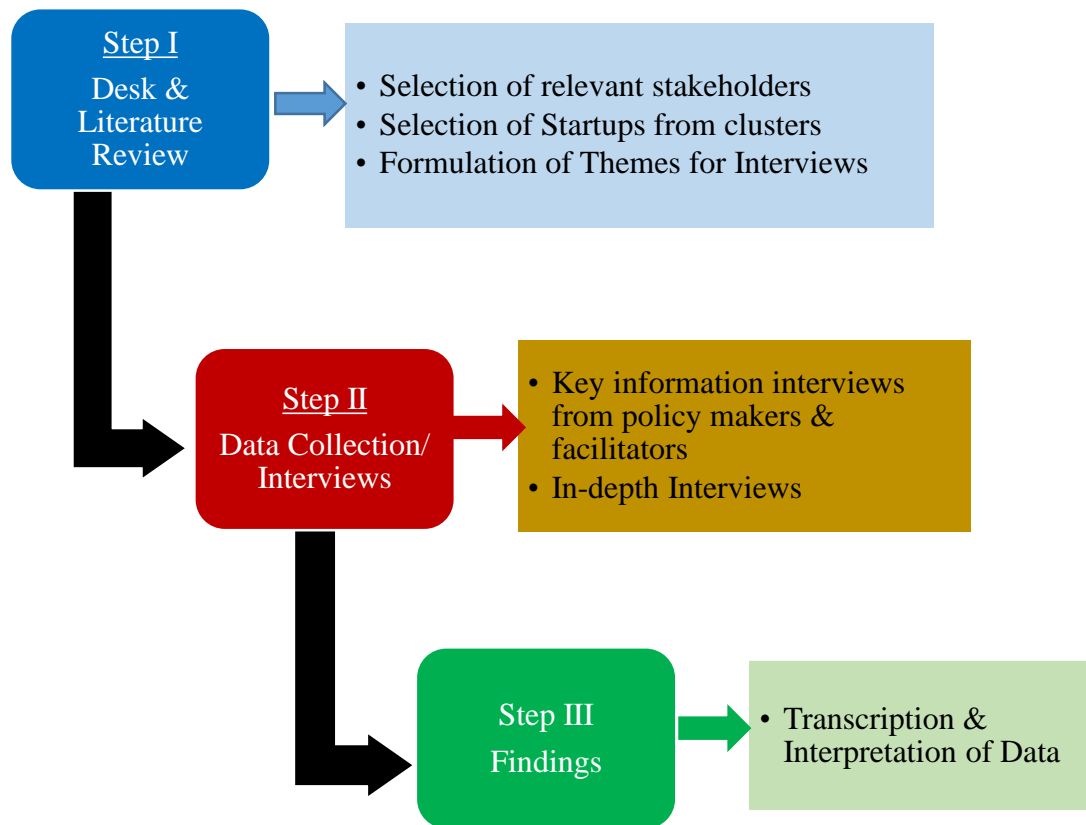
#### 3.1 Conceptual Map

This chapter, in specific elaborates upon the overall structure of the research that this study would continue to specifically follow while elaborating upon the aspects of research design and framework. The chapter is focused on highlighting the key aspects relative to the objective framework of this study including the elements of data collection methods and data analysis approaches that may be considered and adopted in order to achieve the objectives of this research in an effective manner. Following figure continues to highlight the conceptual map that this study followed.

**Figure 3.1: Conceptual Map**



**Figure 3.2: Conceptual Map**



### 3.2 Hypothesis

H1: Pakistani economy effectively benefits from the startups – scalable business model.

H2: Pakistan – based incubation centers effectively help new startups in realizing their full potential.

H3: Government policies do effectively help the business ecosystem in Pakistan.

### 3.3 Theoretical Framework

This section covers the conceptual framework of the study. Grounded theory is employed, which is the study of the concepts in a field. It is a research tool that enables us to seek out and conceptualize the latent social patterns and structures of area of interest through the process of constant comparison. Initially an inductive approach is used to generate substantive codes from data, later after developing theory, the

emerging points suggest where to go next to collect data and which, more-focused, questions to ask. Hence, the later part constitutes the deductive phase of the grounded theory process.

Grounded theory was developed by Strauss and Glaser (Heath and Cowley, 2004) and, according to them, it is the discovery of a theory based on data systematically obtained and analyzed in social research. After a book published by Strauss, now in cooperation with Corbin, there was a clear divergence between both initial authors that created two streams. This research is based on the methodology and techniques described by Strauss and Corbin (Heath and Cowley, 2004).

The grounded theory reveals the interrelation between the main facets of start-ups in Pakistan and the diversified Pakistan environment involved in shaping the development of such start-ups as grounded theory is not a linear method.

The use of grounded theory serves to explain how a research design sense may help direct and educate the beginning nurse researcher performing an analysis based on grounded theory, rather than engaging in a metaphysical conversation or argument on genres that could be found in Pakistan's startups. Research findings and guidance can support the development, service provision and reform of policy or expertise, and lead to changes in the field of research.

### **3.4 Research Methodology**

Since aim of this research work is to improve the understanding on the phenomenon by obtaining information from existing literature and data on the issue along with empirical evaluation of integration level, therefore inductive as well as deductive reasoning is focused.

### **3.5 Research Tools**

Qualitative research methodologies like content analysis, interviews and direct observations are used. Furthermore, given the research exploratory bias, it is important that the data collection techniques used in this study foster new facts not based on the researcher's expectation. Therefore, interviews are a well-suited option. Still under this perspective, semi-structured interviews are chosen because it is possible to let the interviewee tell more details and novel facts but, using an interview guide, restrict unnecessary digressions that could make interviews too long and miss important elements.

Moreover, the interview guide was developed consisting of three parts. First, it is important to understand the interviewee background, level of knowledge about startup development methodologies and role in the startup and the startup itself: a little about its history and its product. After that, the main part consisted of open questions about scalable businesses and finally, a feedback from the interviewee to add any point wanted and about the interview itself.

The criteria for sample selection was based on purposive sampling as it basically allowed to select a specific group of experts and individuals who may be able to specifically address all the elements of this research either based on their professional knowledge, experience and work or based on their personal knowledge and hands – on experience. This is why purposive sampling is applied where a representative sample is desired, or where the opinion of experts is a subject of concern in a specific area.

The methodology of this study consists of ‘semi-structured In-depth interviews’ from the above-mentioned stakeholders. 30 interviews will be conducted in the following manner; Ten interviews from Startup founders/Entrepreneurs, Seven interviews from

Incubators & Accelerators, Six from Officials of regulators, Seven interviews from Investor groups. Following are the thematic areas of interest developed based on set objectives of the study, which were covered in interviews;

- 1) Current capacity and growth of Scalable Businesses
- 2) Current business status of startups
- 3) Constraints in terms of expansion of their business.
- 4) Future business plans
- 5) Perspective about startups and awareness among new entrepreneurs
- 6) Expectations from Scalable business models
- 7) Role of Regulators as facilitator
- 8) Government policies and legal framework

Finally, as explained above, for the interpretation and analysis of the data taken from interviews, grounded theory was used.

### **3.6 Sample Selection**

Purposive sampling technique was used for the selection of startups from the clusters. Non-probability sampling was adopted to get meaningful data from relevant and informed stakeholders.

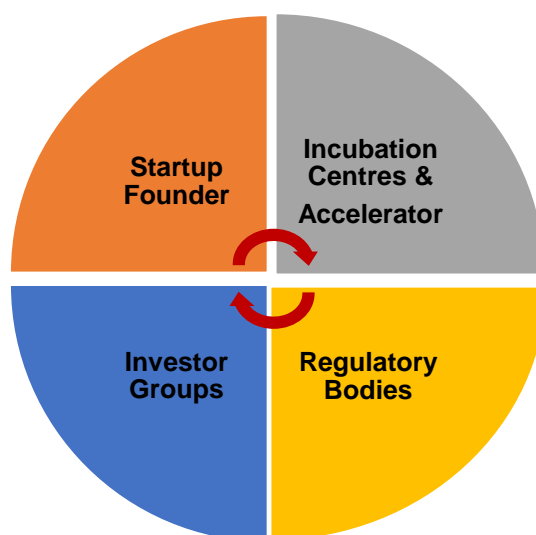
### **3.7 Stakeholders for the Sample Selection**

To understand the role of regulatory, supervisory and financing agencies, samples of 30 respondents were interviewed from the following stakeholders;

1. Startup Founders/ Entrepreneurs
2. Incubators & Accelerators
3. Regulatory Bodies: Ministry of IT, FBR, PSX, SECP
4. Investor Groups ( Angel Investors, Venture Capitalists)



**Figure 3.3: Stakeholders**



### **3.8 Clusters for the sample collection**

To know the current status, future prospects and certain impediments of startups, 30 respondents were interviewed from the following clusters.

1. Startup Founders from Lahore, Karachi and Islamabad
2. Incubator and Accelerators from Lahore, Karachi and Islamabad
3. Regulatory Bodies Officials from Lahore, Karachi and Islamabad
4. Investor Groups from Lahore, Karachi and Islamabad

**Table 3.1: Clusters for the sample collection**

| <b>S. No.</b> | <b>Description</b>  | <b>Nos</b> |
|---------------|---|------------|
| 1             | Startup Founders from Lahore, Karachi and Islamabad           | 10         |
| 2             | Incubator and Accelerators from Lahore, Karachi and Islamabad | 7          |
| 3             | Regulatory Bodies Officials from Islamabad and Karachi        | 6          |
| 4             | Investor Groups from Lahore, Karachi and Islamabad            | 7          |
|               | <b>Total</b>  | <b>30</b>  |

With 30 in-depth interviews, both from the stakeholders related to businesses (startups) as well as regulatory agencies, we are confident that new information has emerged to help us understand the promises and issues of the sector.

## **Chapter 4**

### **FINDINGS AND DISCUSSION**

This chapter presents the main findings from the in-depth interviews from the key stakeholders. The sections below present the important elements for better understanding and identify issues as well as potentials lying ahead for cohesive ecosystem.

#### **4.1 Startups and Government Realization**

With 60% of young population, Pakistan has a tremendous potential to produce capable entrepreneurs. First and second decade of 21st century saw healthy change in business ecosystem where Incubators as well as Accelerators working together to support startups for expansion of business activities in the country. There are overall 36 TICs and BICs working in Pakistan including five NICs supported by Ministry of Information Technology funded by Ignite four at provincial level and one at federal level.

##### **4.1.1 Strong Lobby of Subsidized Sectors**

More than 70% of respondents from Investors group, startup founders and Incubators were of the view that all startups being grounded business, failed to get the attention of decision - making elite at policy level due to strong lobby of other subsidized sectors like Sugar Industry, Agriculture sector and Textile sector etc. Although these sectors are major contributor in our economy but at the same time, they have their stakeholders among the government functionaries as well, which makes it easier for them to lobby for these already subsidized sectors.

#### **4.1.2 Lack of Political Will**

There is realization regarding business potential of startups but lack of political will in the Executives to give due support to the young entrepreneur as stated by more than 50% respondents. Except for a few departments, the potential of startups is being under-utilized and under estimated in terms of investing and facilitating these startups due to differing political interests within governments towards investment and giving space to newcomers. Similar to a conception proposed within the literature review, it again appears that a transition is gradually occurring in Pakistan. This transition explicitly represents how professional management are not just disregarding the inadequacy of the justice and regulatory processes, they are often disregarding the restricted capacity to deter theft, extortion and abuse of company knowledge through established administrative frameworks.

#### **4.1.3 Capability and Capacity issue**

Some of Respondents questioned the capability and capacity of government set up to understand and realize the potentials of startups scalability. They quoted the examples of world best practices due to encouragement and support from the government, a number of startups moved to scalability. In case the government remains unwilling to help these startups, the business activity locally is unlikely to improve. The scarcity of resources is understandable in terms of capacity of government but the lack of political will and administrative hurdles pose a question on government's seriousness in accommodating new startups.

#### **4.1.4 Reactionary Approach**

Like other sectors, government also adopted reactionary approach in this field. In this context, 30% respondents were of view that we cut copy and paste the idea of Western world without realizing the anticipated economic outcome. We need indigenous ideas

and developmental model which can help our local talent while at the same time promoting our agricultural base. Rather than reacting to and adopting every international trend, there is a need to support new ideas which are suitable for the local environment and are according to the investment availability for these at local level.

#### **4.2 Role of Incubation Centers and Accelerators**

Although the idea behind establishing first Incubation center in 2013 in Punjab (Plan 9) seemed promising and after setting up these incubation centers helped start ups, but now these NICs have out grown their need. There is a need to have specialized incubation centers focusing on their specialized area only not a generalized one, which is not relevant now. Respondents from Regulatory Bodies and Investor group were not satisfied with the performance of Incubation centers. They questioned the seriousness of the trainers as well as the trainees.

##### **4.2.1 Fashion Not Passion**

One of the Respondents said that we should learn from the boy who sales his articles at signals. *“In Pakistan be the part of incubation centre is a fashion not passion”* said by one of respondent. They gathered there only for gossip and PR. Most of people are not entrepreneurs themselves and they are in incubation center since it’s a trend but their presence is not serving the purpose and they are not able to continue for longer duration or bringing some innovation and end up winding up their business in its infancy.

##### **4.2.2 Scarcity of Innovative Ideas**

Some of Respondents were not pleased with the performance of Incubation centres. They stated that the people at incubation centres lack innovative ideas in all sectors. One of the reasons may be as discussed earlier as well that most of these startups are general, they are not area or issue specific so everyone joins-in irrespective of

credentials or interest. Most of the time, these startups are not producing new ideas or services. With limited innovations, outside parties such as Uber or Alibaba are likely to take over the market with their new ideas and working style.

#### **4.2.3 Undocumented Economy**

More than 80% of Respondents termed undocumented economy is also contributing in challenges of the startups to grow their business in sustainable way. Though these startups got benefits from undocumented economy being a low hanging fruit, but in the long run these startups failed to move forward. The excessive regulatory and administrative procedures of formal economy puts extra burden on the entrepreneurship which encourages startups to opt for undocumented economic activity, which lead to lower contribution of these startups in the economy of the country. This in turn reduces the profitability and incentive for government and investors to support these startups. With the increase in use of technology, it may become difficult for these startups to continue with undocumented working setups, and they are more likely to shift towards formal and documented economy.

#### **4.2.4 Absence of KPI**

Around 50% respondents were of the view that we can enhance the capacity as well as performance of all incubation centres by introducing standardized KPI. It is important for every new venture to understand its KPIs, since if constructed correctly these can give the potential investors an analytical overview of the actual state of the startup. Some of the key KPIs needs to be standardized for enabling the startups to remain clear about the actual market situation, such as Customer acquisition cost (CAC), customer retention rate, CAC recovery time, Gross merchandise volume (GMV), Gross Profit, Monthly Recurring Revenue (MRR), Annual Revenue per account (ARPA), Annual Contract value (ACV) and Total Contract Value (TCV) among others.

### **4.3 Challenges Faced by Startups**

Since the regulators and state are not very supportive of startups, so these startups have faced many challenges. Some of the common problems and challenges faced by the startups are due to funding issue and lack of resilience among the people working in these startups.

#### **4.3.1 Lack of Funding at TIC and BIC level**

There was consensus among all the respondents that lack of funding facility at TICs and BICs is the real challenge being faced by all the startups. Pakistan is still not at a level where regional or foreign investors would invest; hence these are dependent on local investment and government support, which is not easily available in most of the cases. They urged that government should extent funding facility to TICs and BICs.

#### **4.3.2 No Bank Loan Facility**

Scheduled Banks usually do not provide the loan facility without tangible guarantees, which in some cases may not be available for the new entrepreneurs. This is a hurdle for new startups which are trying to generate investment for their venture. In this context, the respondents were of the view that Government should press Banks for provision of loan facility without bank guarantees.

#### **4.3.3 Government Policies and Rules**

More than 60% respondents blamed some government policies and Rules which are blocking and eclipsing the potentials of startups in Pakistan. Some areas of laws are very complicated and there is lack of application in many areas. Lacks of coordination among the different government departments also hinder the working of these startups. For instance, Tax policies and PPRA Rules are blocking the way. Also the government

has opted to work on infrastructure related development but meaningful facilitation is missing.

#### **4.3.4 Lacking Market Skills**

Some of the respondents argued that market is the real challenge for the entrepreneur. They said that a number of startups failed to see its first anniversary because of lack of market skills and knowledge. Most of the startups are not very sophisticated which keeps them at basic level and they have not been able to excel and market their products and services. There can be some basic market guidance provided to the new startups at different NIC to provide them with marketing sense and it would also make NIC more relevant for new startups.

#### **4.4 Government Incentives**

Almost all respondents appreciated the government incentives for startups and termed it as right step in right direction. Yet the policies are politically motivated which hinders continuation of policy towards these startups with change in government. Government policies are not backed by law, since they remain on the policy stage and have no legal value. Government is not identifying the main issues such as what incentives can be given to them, about the tax base, about rules and regulations which actually are conducive to these startups but it is only looking at the limited aspects only.

##### **4.4.1 Regulators Rules Amendments**

Some respondents valued the amendments issued by SECP and SBP. Within such regards, One of Respondent from Incubators and Accelerators states that “Government’ policies on ease of business (registration of business, dissolution of company, investment injection, foreign & local VCs, equity to startup team members, tax registration & exemption) affect directly the growth of startups in Pakistan”.



#### **4.4.2 Government Loan Schemes**

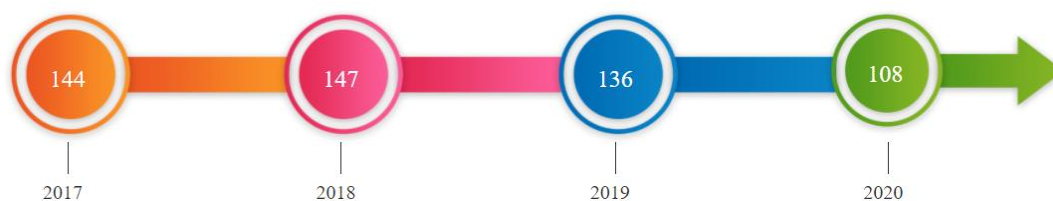
There have been some government loan schemes for the new business ventures such as Prime Minister Youth Business loan, which features loan up to PKR 2 million with 6% mark-up per annum for a period of 8 years and Prime Minister's Kamyab Jawan (Youth Entrepreneurship Scheme – YES) which offers low cost business loans up to PKR 5,000,000. These loan schemes provide new entrepreneurs the opportunity to generate the initial investment for their startups.

#### **4.5 Business Ecosystem**

Pakistan has evidence that it would be able to raise, substantial improvements within the domestic start-up ecosystem, through the support of both, the government assistance and the way it could continue to strengthen the private sector. Within such regards, one of Respondent from Incubators and Accelerators was of the view that, *“In recent years, well, in the past 4 years, the Government (Federal and various provinces) has realized the immense potential of our youth to come up with innovative ideas and grow successful businesses and now a network of incubators and accelerators exists across the country”*.

Nevertheless, one of the respondents continues to specifically claim that *“Government has worked a lot on promoting businesses in Pakistan and the recent jump in EoDB ranking is a proof. Political stability is critical for continuity of business-friendly policies”*.

**Figure 4.1: Ease of doing business in Pakistan**



Source: [www.invest.gov.pk](http://www.invest.gov.pk)

#### **4.5.1 R&D and Startups**

Research and Development always play a significant rather decisive role in the success or failure of any startup. To explore technical and business opportunities, evaluate feasibility and evaluate technologies are three main component of R&D in any entrepreneurial endeavor. One of Respondents from Investor group coined the concept of National Advanced research, Development and Commercialization Company (NARDCO). He was of the view *that “NARDCO (intentionally called a company instead of an Institute due to commercialization-first focus) shall be the most elite, advanced, cross-disciplinary applied research and Commercialization Company in the country. NARDCO will work on disruptive and innovative projects of national as well as globally strategic in nature.”*

#### **4.5.2 Improved Policies and Regulations**

Governments around the world use the World Bank's market rankings and numerous instances of economies using this as a method to track attempts to change policy. The first measures involve simplifying corporate identification and taxation before building up a workable atmosphere for entrepreneurs. Setting up one-stop stores becomes a method to develop transparency, and to basically simplify the overall procedures so as to save time and resources for new startups. Such a model has been inherently embraced by 83 major economies all over the globe, and company registration has been twice as

rapid in each country without these services at minimum. Such kind of measures are improving business ecosystem in Pakistan.

Governments ought to participate in the facilitation of start-up projects. This might vary widely from electronic payments to the physical construction of a technological hub. In particular, it must be pointed out that over 100 million Pakistani people, comprising 5 per cent of the world's financially excluded population, have no exposure to formal financial and banking services as proposed by one of Respondent from Regulators. This restricts half of Pakistan's population to centralized and controlled sources of reception and investment.

Furthermore, there could be observed and identified a general agreement in our interviews with local start-ups that domestic funding within the region through varied organizations are more focused on financing well-established rather than being focused specifically on traditional companies as they are much more relative to being start-ups that seem to be typically at greater risk. Pakistan's investors would be influential in reforming this, make the best of six extensively boosted production strategies in the years to come.

Government needs to ensure that strong guiding principles are in effect to foster a vibrant pro-startup community within Pakistan. A positive strategy, which will drive investors and businessmen to make the best choices they can for achieving their objectives, should be driven by a thorough apprehension of Pakistan's business environment. A holistic knowledge of what does and does not function in this field will draw the right resources and investment. In actual practicality, the startup investing scene within Pakistan demonstrates the distribution of resources and power law: gains are focused on a small community of start-ups. Correspondingly, in Silicon Valley, top

VCS create and distribute a large deal flow to rising their scope and downfall. At a broader scope, top-performing VC businesses have far stronger contract unity than VC corporations. Co-investing with several other investors allows a stable transaction portfolio which significantly reduces the seed stage downside exposure as transactions become more differentiated across such a broader variety of future impacts.

An equal path must be taken for investors in Pakistan and others interested in it to address institutional vulnerabilities in the existing environment by making more efforts to retain a large and diverse number of business partners. In addition, for investors, the networks benefit from the syndication of trade-flows. When entrepreneurs produce development projects from seed to sale, they are active and inactive assets in their networks. For instance, program graduates become a source of guidance to the later generations of young entrepreneurs with leading world changing innovative entrepreneurial approaches. In such regards, one of Respondent from Startup founders continues to state that the *“incubation centres help in linkages and capacity building and yes, connections, especially PR. Many startups however I think are not serious and hence misuse a lot of such resources. Incubators also solve a big problem for startups, in terms of provision of co working space. It would be nice if they also offer seed funding upon joining”*.

#### **4.5.3 Adjusting Typical Investment Horizon**

The change of Investment behavior, particularly for government investors and VCs, is important to modify the traditional investment strategy. Chinese investment has proven that medium- as well as long-term meaningful value is generated by the patient, committed, organized and programmatic investment plan, as proposed by one of respondent a Karachi based startup. From 2011 to 2017, startups and investment - based

ventures supported by Chinese have increased by 24 percent of CAGR. This involved large, high-focused investments of only four firms (\$8 billion).

Growth without diligence, focus and discipline will contribute to flourishing portfolios without emphasis and the need to easily respond to global developments, such as technical advancement and changing contexts. Output can, however, be monitored by investment progression setting and tracking against unique KPIs that resolve strategically, organizational and cultural concerns without assumptions of a short-term earnings set by conventional VC holders. VCs, in particular, must distinguish core KPIs from VC expenditure and earnings goals. In general, businesses meet annual and quarterly expectations, while VC 's returns are far longer – sometimes as long as 8-12 years. Furthermore, the measures employed with start-ups (adoption, growth, etc.) greatly counter to the normal accounting approaches utilized by businesses. A major shift in mindset is required for Pakistani companies to optimize far longer investment horizons in order to maintain their CVC and VC output.

Good governance is essential and needs to balance the main aims which are crucially significant. First of all, governance has to guarantee that investors are independent and integrate them with the motive. The investment organization must also remain in place by providing liquidity regardless of investors contributing funds, as proposed by one of the respondents in an interview with the author of this research. The same is true for CVCs where another objective target can be associated with the strategic objectives of the parent company. The managerial tasks, KPIs, and perceptions of earned income should differ considerably from traditional enterprises. VC expertise is uncommon, and the approach to development of expertise, promotion and management and rewards needs various strategies.

#### **4.5.4 Recruiting the Right Talent**

There will not be adherence of current organizations immediately, and a deliberate attempt is required to achieve the best governance and recruit the right talent. This should be taken into consideration by Pakistani investors, who must be focused on significantly optimizing governance. Thus, it can be proposed that based on the findings and discussion upon them, it can be suggested that the Pakistani government continues to remain effectively benefitted from the new entrepreneurial startups. Therefore, the hypothesis remains accepted i.e. Pakistani government effectively benefits from the startups – scalable business model.

#### **4.6 Need for the Incubators and Accelerators**

“Many people seem to believe we really do not need incubators. Many of those who continue to negate the idea and actually believe that incubators don't contribute positively and place forward an example of a number of renowned examples from leading brands such as Microsoft, Apple, Walt Disney, Amazon, Google, etc. which really did not have to go through a process of incubation. There is a perception that great businesses began in a workshop or in somebody's home such as within the specific cases of Facebook and Alibaba.” stated by the one of respondents from startup founders in an interview.

It requires a great deal of time, energy and effort to produce and sell the best commodity to the proper consumer across the right medium. Such opportunities are very often minimal amongst new and emerging startups, and the incubators add value by numerous initiatives such as the sponsorship of seasoned founders and sector experts. Through taking the incubation course, including the product development process, which incorporates the new methods in human-centered design presented by the

incubation centers such as the TICs and BICs, some entrepreneurs are also focused on their innovations and inventions.

#### **4.7 Entrepreneurial Teaching**

An entrepreneurial center or that can be recognized as an incubation center could be identified to have a crucial obligation to encourage entrepreneurship through courses and brief workshops that are holistically based on entrepreneurship and relative activities, through which awareness is generated and an innovative entrepreneurial mentality of students is established. The Pakistani universities were lagging far behind in this respect and several universities generally began teaching their students regardless of a business and / or entrepreneurial background, a generic entrepreneurship course, as acknowledged by a student from SZABIST. It appears that the surveyed universities utilized a number of teaching methods and approaches with an intensive focus on conventional teaching strategies, and a majority of them utilize expertise, developing business strategies / plans, conducting competitor analysis and the case study process.

Today, the system of training and providing proper guidance for the development of innovative entrepreneurs in Pakistan is basically at its infancy. The faculty members in charge of entrepreneurial education focuses primarily on the conventional approach, during which a corporate plan is developed as the key lessons are completed. Using modern pedagogy and experience-based learning techniques in business are still not to be used or employed as effective strategies. Our findings have found that much attention is needed here. IBA, SZABIST and NUST TIC took the initiative to improve the level of skill by means of appropriate education programs such as B.S Entrepreneurship introduced by SZABIST.

#### **4.8 Innovative Learning Techniques**

The research also found that there are a very few facilities, i.e. only 9 of 144 colleges and universities have entrepreneurial development centers or incubation centers. Moreover, each center has had a very relatively small number of faculty members and a small number of facilities have been allocated with proper resources to equip the young entrepreneurs. Our study has led us to conclude that innovative learning techniques have begun progressively within the universities with regard to entrepreneurial learning and education. Nevertheless, these business courses are important that harness the possibilities of indigenous entrepreneurship and incorporate person talents and skills.

In contrast to the number of universities providing programs, the volume of study and research within this field is quite limited and restrained. The concept of incubation in Pakistan dates back a few years and even now is considered to be at its initial level. Incubation centering universities offer support, resources, such as law assistance, consulting services, networks and technology, including financing in certain situations. Extra-curricular practices in Pakistan have been rapidly stepped up with universities participating at state and national level in business plan competitions. Three of the best known include, YLES, INVENT, DICE and Explore. Thus, it can be proposed that the hypothesis i.e. Pakistan – based incubation centers effectively help new startups in realizing their full potential, stand to be accepted.

#### **4.9 Government Policies and Startups**

Pakistan's poor and flawed system to impose the contracts prevents young enterprises and start-ups from progressing in several ways and is a continual source of anxiety for emerging innovative entrepreneurs and demoralization. This is just not, nevertheless, the first and the only major issue / concern that the young businessmen /



entrepreneurs and start - ups are continually facing in Pakistan. Other serious challenges include insufficient exposure to finance / capital, insufficient research and technology public sector support, the inadequacy of skilled and trained employees required and intellectual property concerns, as proposed by CFA, SBP. Moreover, the companies face difficulties in having compensation on time, in the lack of adequate credit scores and efficient contract compliance. In such regards, the founder of one startup states that *“Startups face huge challenge in attracting the right talent. Everyone wants to be paid and skilled people are hard to afford and find by startups. Universities do not engage students in practical stuff; capstone projects for instance”*.

The inadequate policy environment and an emerging entrepreneurial culture continue to stand amongst the limitations of young and emerging entrepreneurs in Pakistan. That being said, the complete absence of soft professional development for entrepreneurs and staff in academic institutions is equally as valuable to be discussed. For examples, students of engineering and computer sciences may have excellent technological ability, but also lack the expertise of managers. At the other side, students of management sometimes neglect absolutely the technological skills. In addition, educational facilities rarely concentrate on improving students' soft skills, that affect their entrepreneurial and vocational development.

The number of Pakistani start-ups, given these challenges, has actually started to recover. Some of the few Pakistani start-ups had already brought up domestic and international capital. In Pakistan, the market landscape of Lahore and the technical resources and industrial agglomeration of Karachi form the growth of startup culture, as proposed by CFA, SBP. It is also noteworthy that for the first three years the federal government has authorized certain tax exemptions for start-ups in information systems. The Punjab IT Board, the Pakistan Computer Houses Association and several private-

sector incubators have also been promoting, mentoring and helping young talents to start enterprise.

#### **4.10 Government Incentives**

In Pakistan, the mainstream narrative is that there are too few filers, tax thieves and insufficient fiscal storage for the government to improve life for a really large number of people. Withholding tax is indeed a hidden form of income tax transaction. This sales tax of 8 to 17 percent is a major deterrent to corporate trade. This is easier to get a corporate tax of 40 percent as a corporation charges taxes even because it earns profits. The new fiscal system does not tax you on income; it penalizes you for doing business. Another constraint to transactions is also a 13 to 16% service tax, as proposed by one of respondent. Since firms must incur sales tax until the invoice has been given with no payment made.

This restrictive tax exchange contributes to yet another frustrating result – companies are compelled to import all instead of collaborating and exporting – rendering them less successful internationally, since the requisite amount of in-house expertise to succeed on foreign markets are not being developed. Sales tax on utilities needs to be reduced and maintenance tax will be phased out gradually. We should concentrate on accumulating more tax on rapid economic growth rather than taxing local trade adversely, as proposed by another respondent. Additionally, the respondent said that *Pro startup and pro-entrepreneurship policies are taking place, but the pace is very slow and much more needs to be done.*

In a similar fashion, companies cannot take money outside from Pakistan conveniently within the current context, owing to complicated international exchange control regulations. We need our exports to develop and contend with the world, but we really

do not permit our companies to extend their international footprint. Therefore, a separate entity beyond Pakistan can only be registered for globally-driven companies and with it manages worldwide development. This means that the majority of their development capital and profit is kept outside of Pakistan and only contributes to the operational activities needed, as proposed by one of respondent.

Fund investors are even reluctant to reach the boundaries of Pakistan. It is not only from a legal viewpoint that we do not neglect investor security, nor will we encourage capital to flow freely. Pakistan could not become the world's tech factory until we correct our approach to business and capital movement. Enable companies to retain their export profits in dollars, spend it on their own, enable investors to profit easily and encourage Pakistan's economy to grow as part of the global market. Instead of constructing barriers to shield us from foreign economies, we should concentrate on becoming successful internationally.

Moving on, towards another viewpoint, it can be proposed that the Government is supportive in terms of setting up of incubators, but not much has been done as much as could have been done or should have been done, like supporting startups to go and launch in other countries and participate in international conferences and exhibitions funded by the government; as it has been specifically highlighted by the founder of a successful startup.

#### **4.11 Successful Startups in Pakistan**

Pakistan has a great potential to produce quality entrepreneurs, hence it's a perfect hotbed for venture capitalists. Here are some top start-ups created in our very own homeland.

**Table 4.1: Successful Startups in Pakistan**

| <b>S. No.</b> | <b>Startup Name</b>    | <b>Nature of Business</b>  | <b>Capital growth Value (\$ In Million)</b> |
|---------------|------------------------|--|---|
| 1             | Zameen.com             | Buying, selling, and renting the properties in major cities of Pakistan            | \$29 million                                |
| 2             | Airlift                | app-based decentralized mass transit service provider                              | \$14.2 million                              |
| 3             | Rozee.pk               | The best website for employers and job seekers in Pakistan                         | \$8.5 million                               |
| 4             | Bykea                  | on-demand ride hailing and parcel delivery startup                                 | \$5.7 million                               |
| 5             | Inov8                  | specializes in mobile banking, e-commerce, and branchless banking                  | \$5.4 million                               |
| 6             | Finja                  | B2B and B2C payment solutions  | \$2.5 million                               |
| 7             | Sastaticket            | online travel agency (provides convenient air travel, hotel, and holiday packages) | \$1.5 million                               |
| 8             | Oladoc                 | Health based tech startup (searching and booking a medical health professional)    | \$1.2 million                               |
| 9             | Tez Financial Services | finance based Tech-startup(provides financial services to unbanked Pakistanis)     | \$1.1 million                               |
| 10            | Well.pk                | e-commerce retailer (deals with groceries, apparel & electronics)                  | \$1 million                                 |

#### **4.12 Summary**

In order to conclude, the findings and a thorough analysis of the findings, it can be proposed that the existing government policies are not aligned at all towards facilitation of new startups within Pakistan. In fact, it appears that there are no existing policies which may be reformed specifically in order to facilitate the promotion of the new entrepreneurial ventures; and the policies that may be existent merely serve as hurdles

for new startups and ventures within the country. Thus, the hypothesis i.e. Government policies do not effectively help the business ecosystem in Pakistan, stands to be accepted.

## **Chapter 5**

### **CONCLUSION**

On the grounds of our study, it can be concluded that the relationship among entrepreneurial motivation and market attractiveness is highly positive. Social assessment, on the other hand, is adversely linked to business intention. This message is thus conveyed by the findings, namely that in order to establish a stable market atmosphere in Pakistan, current businesses need to be respected and citizens need to be informed of the advantages of entrepreneurship. Our findings suggest that the absence of a proper forum, even in the existence of entrepreneurship, hinders the ambitions of entrepreneurship in the region.

This tends to lead to quite significant policy implications for establishing a company or setting up new companies. On a psychological point of view, entrepreneurship has to become psychologically appealing such that individuals take steps to establish their own ventures rather than just pursuing employment. In Pakistan, individuals are normally unlikely to risk, while entrepreneurial growth has a strong connection to risk capability. Therefore, people need to have adequate consultation and channel to encourage entrepreneurship so that they will have an active sense of security.

Furthermore, it can be concluded that in specific regards to startups and growth in Pakistan, there are many challenges, usually primary, the regulator / state establishes barriers / bound for startups, which otherwise create an alternative hand for entrepreneurs, based on the learning guidelines, which can then do many things for the public. Furthermore, a lack of cooperation among departments, for example if there is investment from abroad, needs validated documentation that can either be proven every time, or that a single portal / point facility is not available / not necessary at all times

provided in SECP & the condition of the bank. There are various phases for a business turnaround, each phase is done independently.

It is also clear that incubation centers have promoted, encouraged and created a forum for the population of start-ups that can interact with and encourage the exchange of knowledge across provinces across the country. NICs are currently increasing in age and need, and now advanced incubation centers need to be developed. This study seeks to predict the entrepreneurial purpose, acknowledging the lack of research into the topic at hand. However, this research is not boundless, unrestricted or without any form of limitations.

### **5.1 Limitations**

It can be proposed that this research continued to face a number of complications and limitations in regards to properly acquiring and aligning the scope of the research towards basically identifying the overall landscape of the entrepreneurial landscape within Pakistan. The major limitations that have been faced within the course of this research were largely subjective to the COVID-19 pandemic situation where actual in – depth interviews were only be able to conducted online and thus, a moderated and an unbiased environment was not ensured.

## **Chapter 6**

### **POLICY RECOMMENDATIONS**

Despite the fact different successive governments have launched a number of initiatives including fiscal incentives for entrepreneurs and startups. Moreover, regulatory bodies also took measures for ease in doing business; nevertheless, government needs to adopt holistic approach as it is need of the hour. For this purpose, government should frame all encompassing “Entrepreneur & Startup Policy” to address all the issues and challenges being faced by the entrepreneur and startups.

#### **6.1 Entrepreneur and Startup Policy**

Government should work with all stakeholders to develop Entrepreneur and Startup Policy for social and economic development. In this regard, Government needs to introduce various landmark initiatives to support those startups in various sectors, which have the potentials to solve the social and economic problems through innovative ideas and generate a plethora of employment opportunities.

This policy should be prepared while keeping in view the teething problems being faced by the startups. A number of initiatives like framework for provision of loan facility from Banks, other Fiscal Incentives, Seed Funding, Relaxation in PPRA and Tax rules for student entrepreneurship be provided in this policy.

##### **6.1.1 Infrastructure Expansion**

Government should give policy guideline for establishment and expansion of plug & play infrastructure for entrepreneur at different levels as it is key for growth of startups and business activities. These infrastructures be expended through public private partnership.



### **6.1.2 Fiscal Support Mechanism**

Government in this proposed entrepreneur and startup policy should devise proper fiscal support mechanism to encourage the people to take risk and work on their innovative ideas. Apart from this government also give incentives like exemption on Rental Charges, Recurring expense reimbursement, stamp duty and registration reimbursement, assistance for participation in exhibitions and startup competitions etc

### **6.1.3 Fund for Scalability**

Government should give provision for Fund for scalable businesses. It will not invest directly into startups that participation at early stage Venture Capital Fund upto 20% as limited Partner. This policy will not only provide support to Investors but also encourage Investors groups to invest more in Scalable startups in Pakistan.

### **6.1.4 Seed Funding Mechanism**

Government should also give policy incentives to encourage private sector TICs and BICs for seed funding to the startups. Furthermore, Scheduled Banks should also be directed for loans to startups on very soft terms for scaling up Startups.

### **6.1.5 Regulatory Easing**

Security Exchange Commission of Pakistan, State Bank of Pakistan and Pakistan Stock Exchange are doing a lot for creating enabling environment for startups in Pakistan. Nonetheless, the government should introduce some landmark reforms in this policy for regulatory simplifications.

### **6.1.6 Student Entrepreneurship**

We should inculcate and embedded the idea of innovation and entrepreneurship in the mind of younger generation at school level. Government needs to work with academic institutions for modification in syllabus along with mandatory apprenticeship.

## **6.2 Policy Implementation Committee**

A committee should be constituted for implementation of policy guidelines and review the performance. This committee should have the representation from all stakeholders. The committee should meet monthly.

## **6.3 Initiatives for Ecosystem**

Government needs to introduce initiatives for promotion and strengthening of ecosystem. For instance, access be granted to entrepreneurs and startups to infrastructure, Manufacturing, Agricultural and services industry through government Ministries and all data be shared for identification of untapped demand and underdeveloped markets to create business opportunities which are conducive for social and economic growth.

## **6.4 Standup Pakistan Fund**

Government should promote and encourage those entrepreneurs and startups which are taking risks in exportable products. In this regard, government should announce the standup Pakistan fund only for Exportable product startups.

## **6.5 Academic Intervention**

Policymakers and university administrators must be made conscious of the value of incubation centers within universities. In this context, the university campuses, such as architecture, forestry, agricultural sciences and social science departments should concentrate their efforts on establishing autonomous entrepreneurial centers to encourage entrepreneurship.

## **6.6 Trade Related Assistance Programs**

Government should stimulate export oriented startups and trade related assistance should be provided to new entrepreneurs. For this purpose, government concerned

departments required to formulate programs as well as workshops for the education of new startup founders.

### **6.7 Preferential Sectorial Strategy**

Government should adopt preferential sectorial strategy by giving incentives in IT sector especially in agriculture applications, Export based startups and innovative ideas.

### **6.8 Discussion**

Furthermore, it can be concluded that whilst the start-up sector remains limited, three main factors are increasingly growing: government participation, funding for creativity and ties with global incubators and local and international venture capitalist organizations. A change in mindset is required in Pakistan, especially for public investors and CVCs, in order to amend the traditional investment policy. Chinese participation has proven to be real medium- to long-term value through an attentive, focused, structured and program-based investment strategy.

Additionally, it can be established through a thorough analysis regarding the current monetary system that it does not pay people for income, but continues to penalize people for doing business. Sales taxes are mostly reduced to 13-16 per cent. This dynamic tax sharing has led to further frustrating outcomes – companies would often purchase instead of partnering and exporting – which making them less profitable internationally, while the domestic expertise required for competitiveness on foreign markets is not being developed. It is critical if the utility purchase tax is to be lowered and operating costs to be eliminated. We should focus on increasing taxes on quick economic development rather than taxing local exchanges negatively.

Lastly, according to the complicated laws on foreign exchange management, corporations cannot quickly carry money out of Pakistan. We have to grow to connect with the globe, but our companies are also not allowed to broaden their global footprint.

A separate business outside Pakistan may then only be accredited to international firms and supervise global expansion. This ensures that much of their capital and infrastructure benefits are being retained inside Pakistan.

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## **APPENDIX**

### **Interview Items**

1. Do you believe that Pakistani government effectively benefits from the startups – scalable business model?
2. How effectively does the incubation centers help new startups in realizing their full potential?
3. What are the practical issues faced by startups?
4. How effectively does government policies help the business ecosystem in Pakistan?

### **Interview Transcription**

#### **Respondent 1**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

Well, the private sector and entrepreneurs, together with the government, should work together to achieve full potential for start-up-based development within the region at the stage of developing effective policies and frameworks that will enable increased start-ups. The policy can be more focused on the development of an atmosphere for the growth of start-ups. Through funding the next big technological breakthrough, the corporate sector will try to create demand and I believe that this would continue to immensely benefit the government of Pakistan immensely in terms of economic growth.

How do you think the government and government policies must accommodate new entrepreneurial ventures?

The governments should be involved in facilitating start-up projects. This may vary greatly from contactless transactions to physical building of a technology hub. Specifically, over 100 million Pakistanis, 5% of the world's economically disadvantaged population, cannot be formally exposed to finance or banking services.

What form of problems and complications do you think emerging entrepreneurs continue to face?

Serious problems include inadequate funding / capital access, insufficient resources for public sector innovation and technologies, insufficient trained and eligible staff and questions regarding intellectual property. In fact, firms are failing to secure payments on schedule, loss of sufficient payment standards, and strict commitment to the deal.

## **Respondent 2**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

For incubators and industry promoters, which are funded by international companies including Google 's Nest I / O, as well as the rise of local venture capitalists, the Pakistani government must work hand in hand with the private sector in order to further strengthen and promote startup activity within the region. I believe that this is the only way Pakistani government could eventually benefit from the promotion of new and emerging ventures within the region.

How do you think the government and government policies must accommodate new entrepreneurial ventures?

Right governance is important and requires to align critical priorities. Governance will first and foremost ensure that consumers remain autonomous and inspired by

incorporation. The finance company, irrespective of the creditors supplying capital, will still strive to have liquidity.

Moreover, in education establishments and the business sector, research and growth, financing and efficiency must be strengthened. Accelerators and venture funds remain fairly low in scale, meaning only a facilitative legislated mechanism will boost the overall mechanism.

### **Respondent 3**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

While the start-up market is small but rapidly growing three key elements: policy engagement, innovation support and ties with foreign incubators and domestic and international venture capitalists. The change of attitude in Pakistan is necessary to amend the conventional investment policy, particularly for government investors and CVCs. Chinese participation has proven that a diligent, dedicated, structured and program-based investment strategy has generated real medium to long-term value.

Do you believe that government policies do not effectively help the business ecosystem in Pakistan?

People are not paid on income under the current monetary system; rather it continues to penalize people for doing business. Often a 13 to 16% sales tax is a limit on purchases. This competitive tax exchange contributes to a more, disappointing outcome – businesses will still buy rather than co-operate and sell – rendering them less effective abroad, because the necessary domestic talent is not being established to compete on the international markets. This is important to reduce the sales tax on services and to

slowly abolish maintenance charge. Rather of taxing local exchange negatively, let us concentrate on raising further taxes on quick economic development.

What form of problems and complications do you think emerging entrepreneurs continue to face?

Because of complex foreign exchange control rules, businesses cannot easily take capital from Pakistan outside. We need to grow our exports and compete with the globe, but we still don't encourage our businesses to extend their global footprint. Thus, a different company outside Pakistan may only be licensed with foreign corporations and oversees growth worldwide. This means that most of their capital and profit for development are kept outside of Pakistan and contribute only to the necessary operational activities.

#### **Respondent 4**

How effectively does the Pakistan Govt. realise the potential of startups while keeping in mind the

scalable business models?

In recent years, well, in the past 4 years, the Government (Federal and various provinces) has realized the immense potential of our youth to come up with innovative ideas and grow successful businesses and now a network of incubators and accelerators exists across the country.

And after various attempts at supporting the startup ecosystem, a realization, rather learning has also come that to sustain and scale these models, it has to be done in public private partnership and the private sector has played a great role in promoting startups across the board.

A great example of such a commitment by the public and private sector is the NIC, the National Incubation Centre, one of the few examples of successful public private partnerships in this country. Five NICs were established across Pakistan (one in each provincial capital and one in the federal capital) all funded for a period of 5 years by the Ministry of IT & Telecom through the National ICT R&D Fund (not public taxpayers' money, but via a contribution of the revenue by the telecom operators & ISPs of Pakistan) set the path for Pakistan's innovation value chain to grow bigger and stronger.

The scalability component has been debated in public sector on supporting incubators, for instance Plan9 gives a monthly stipend to all team members of every startup incubated with Plan9. The largest component of operational finances is the real estate and human resource and it is not a self-sustaining model at the moment.

How effectively does the incubation centres help new startups in realising their full potential?

All incubators & accelerators add some value in one way or the other in a startup's journey, but at NIC, we help them through various ways. First and foremost is the sense of being part of a community; NICSC (NIC Startup Community, which is 187 startup strong and has over 500 members) and then being hassle-free in terms of having an office to work from (one of the best co-working spaces in town; aesthetically designed to foster creativity), coupled with a very customized curriculum, mentoring and coaching by experts, industry, academia & media linkages for growth and of course, immense investor & grant opportunities.

On top of all this we put all NIC startups through a proper growth plan and KPIs are set and assessed regularly to help them achieve their goals. Many a times, founders realize

that they have so much to offer than their initial realization and our goal at NIC is to help them dream, build & rise!

What are the practical issues faced by startups?

Entrepreneurs face various issues along their startup journey; in the beginning it is the push, the motivation, the drive and the ability or support to harness that power within (which should come from the academia at an early age; high school at max.) and then looking for early adopters (founders, team members) to people who can validate (customers, partners, etc.), but the most important issue faced by startups in Pakistan is the lack of investment at early stages. The risk is high at early stage and it is the angels who put in their trust and investment at seed and pre-seed level to help prepare the funnel for Venture Capitalists and more structured investors to come in, but with lack of angel investment opportunities, it becomes increasingly difficult.

Other than this, startups face issues in interacting with the Government, especially the regulators like the State Bank & FBR. SECP has recently realized this and has made a portal dedicated for startups for all their issues. We hope that other regulators also follow.

How effectively does Govt. policies help the business ecosystem in Pakistan?

Government enables, fosters and promotes businesses, but if policies that affect businesses are not conceived through a public private consultative process, it mostly is just the result of a tunnel vision and hinders growth, rather makes simple things more complicated. For instance, requirements by banks and taxation authorities in terms of documentation requirements (attestation, notarization of each page and copies) is redundant and no online systems or payment integrations gives room to middlemen for exploitation and extortion. Similarly, if the Government goes on to say it will ban



platforms like YouTube or games like PUBG, it sends a very bad signal within Pakistan and outside as well to startups, investors and tech giants as policies which are not open and welcoming for startups.

### **Respondent 5**

How effectively does the Pakistan Govt. realise the potential of startups while keeping in mind the

scalable business models?

Punjab Government was the first amongst any provincial and federal government to realize the potential of entrepreneurship in Pakistan and hence funded a project called Plan9 in 2012. Plan9 was Pakistan's first technology incubator funded by the (Punjab) Government to nurture, promote and support startups. Later on an accelerator called PlanX was also established with ADP funding allocated to PITB for supporting growth stage startups.

Since Plan9 became operational, the 'startup' terminology spread quite quickly in public sector (provincial governments; Durshal by KP and Federal Government through HEC & Ignite funded incubators) and then later on, the development sector also started supporting it under the banner of youth empowerment and job creation (DFID, US Embassy, Gates Foundation, NIKE foundation, etc. supported various initiatives). Over 36 incubation centres called as TIC (Technology Incubation Centre) or BIC (Business Incubation Centre) exist around Pakistanis universities under the Higher Education Commission's ORIC (Office of Research, Innovation & Commercialization) initiative.

Youth Ministry and Ignite also then offered various funding initiatives for startups; seed funds, but the process to win a grant / seed funding by the Govt. is still long and complex.

The scalability component has been debated in public sector on supporting incubators, for instance Plan9 gives a monthly stipend to all team members of every startup incubated with Plan9. The largest component of operational finances is the real estate and human resource and it is not a self-sustaining model at the moment.

How effectively does the incubation centres help new startups in realising their full potential?

Incubation centres help startups grow from ideas into a business by providing mentoring and guidance from seasoned professionals and a lot of exposure and linkages in the industry (at home and abroad).

What are the practical issues faced by startups?

First and foremost is the lack of funding at early stages; pre-seed and seed funding.

How effectively does Govt. policies help the business ecosystem in Pakistan?

Government' policies on ease of business (registration of business, dissolution of company, investment injection, foreign & local VCs, equity to startup team members, tax registration & exemption) affect directly the growth of startups in Pakistan. There is a huge room for improvement in this domain as it is largely a provincial subject after the 18th amendment. Incubation centres & co-working spaces or IT parks offering such spaces, but supported / funded by the Government indeed has a great positive effect, but then, lack of policies to protect, attract & retain investors' interest in Pakistan's startups is a hindrance in the growth of the ecosystem.

## **Respondent 6**

How effectively does the Pakistan Govt. realise the potential of startups while keeping in mind the

scalable business models?

Government follows a herd mentality; copy paste what donors want or what neighbouring country is doing or just go after projects to give away laptops to youth. Pakistan Govt... should realise potential of crypto currency, hyper ledgers and block chain solutions and enable startups and young / small companies to work in transforming public sector while enabling more emerging technologies like block chain and crypto currency.

How effectively does the incubation centres help new startups in realising their full potential?

Depends what one is looking for, if you join an Incubation centre for making connections, then yes, if you join for learning new principals, building your capacity and exploring opportunities to work with like minded people, then again yes. But if one is looking for investment opportunities, then not much has been done by incubators or if one seeks a global growth mind-set then again incubators have lacked in that. Incubator helped us in realizing our potential by connecting us with many stakeholders in the industry.

What are the practical issues faced by startups?

Startups face huge challenge in attracting the right talent. Everyone wants to be paid and skilled people are hard to afford and find by startups. Universities do not engage students in practical stuff; capstone projects for instance.

How effectively does Govt. policies help the business ecosystem in Pakistan?

By making company registration and tax filing automated Government can help startups a lot and also should provide an online easy to understand mechanism for

various compliance checks for different types of registered businesses (LLP, PLC, Sole Proprietorship, AoP, etc.)

### **Respondent 7**

How effectively does the Pakistan Govt. realise the potential of startups while keeping in mind the

scalable business models?

In the recent years a lot of focus has shifted to supporting investment in Pakistani startups. Good sign is that many VCs have started investing and the Govt... is committed to making it easy for investors to bring money and invest in Pakistan. The central bank is working tirelessly with all entrepreneurial support organizations like VCs, NICs & other incubators to understand the challenges faced and SBP under the new leadership is committed to bring in reforms to provide safety to investors in terms of their capital (capital gains, return of investment, foreign exchange issues).

There are proposals being evaluated to match any investment that comes in form a foreign VC in Pakistan by the State, this would help promoting more funding in Pakistani startups.

Given the recent surge in online commerce, SBP is committed as a regulator to support the digitalization adoption amongst SMEs.

How effectively does the incubation centres help new startups in realising their full potential?

I believe incubation centres are playing a great role in developing and promoting startups and should be supported. We work with various incubators and conduct awareness sessions as well as participate in round tables. Incubators are not only

working on developing entrepreneurs, but also, on educating regulators on various aspects of startup culture.

What are the practical issues faced by startups?

It is often to get money in Pakistan and raise crowd funding, but other than this lack of angel investment is also a great concern.

How effectively does Govt. policies help the business ecosystem in Pakistan?

Government has worked a lot on promoting businesses in Pakistan and the recent jump in EoDB ranking is a proof. Political stability is critical for continuity of business-friendly policies. Taxing services and revenue of emerging businesses, especially startups is always counterproductive as it shrinks private investments, Federal & provincial governments are devising policies to help protect the interests of investors.

If Govt. gives tax rebates and incentives to those who invest in startups, it would be a great value addition in building the startup investment culture; many countries have done this; Singapore, Malaysia & even India incentivize through tax credits, rebates & exemptions.

### **Respondent 8**

How effectively does the Pakistan Govt. realise the potential of startups while keeping in mind the scalable business models?

Agriculture needs to be disrupted in Pakistan by help of technology and startups can play a huge role in this rather are trying to do a lot but Government has not yet leveraged this, which they can, through promoting and encouraging startups via funding, pilot projects, sharing data of soil samples, etc.

Other than this, Govt. should enforce on all large multi nationals and big national enterprises to dedicate a quote for startups to give projects to or to use startups' services and products.

Govt... also needs to create mass awareness about startups and Pakistan's startup ecosystem and Pakistani successful entrepreneurs using media and foreign embassies.

Other than this, Govt. is doing good job by making incubation centres available and should fund them more.

How effectively does the incubation centres help new startups in realising their full potential?

I got a lot of help from NIC, so incubation centres do add value. Efficacy depends on the managing team, the relationship you have with the mentors and the community managers. Full potential I think has not been tapped yet, for instance, international investors and mentors need to be available to access global markets.

What are the practical issues faced by startups?

A lot of issues are faced in IP (Intellectual Property) and it is very difficult and expensive to register a patent or any other IP in Pakistan and in major global markets. Govt... should make it free for startups, or at least those startups coming from Incubators funded by public money.

How effectively does Govt. policies help the business ecosystem in Pakistan?

Pro startup and pro-entrepreneurship policies are taking place, but the pace is very slow and much more needs to be done. For instance, rapid prototyping is not possible without fab labs and material engineering labs and that is only when 3D printing is made easy, accessible and affordable across the board.

Secondly, Govt. has to come up with policies to encourage people or incentivize people to spend money online and enable basic transactions via mobile wallets and provide cheaper and faster internet across our rural areas.

### **Respondent 9**

How effectively does the Pakistan Govt. realise the potential of startups while keeping in mind the scalable business models?

Government is supportive in terms of setting up of incubators, but not much has been done as much as could have been done or should have been done, like supporting startups to go and launch in other countries and participate in international conferences and exhibitions funded by the Govt... Furthermore, Govt. should offer high speed internet access across the country and extend tax exemption.

How effectively does the incubation centres help new startups in realising their full potential?

Incubation centres help in linkages and capacity building and yes, connections, especially PR. Many startups however I think are not serious and hence misuse a lot of such resources. Incubators also solve a big problem for startups, in terms of provision of co working space. It would be nice if they also offer seed funding upon joining.

What are the practical issues faced by startups?

No awareness or education for investors, they exploit us if we do not have any prior funding. And then no bank lends at relaxed terms to startups. No culture of celebrating entrepreneurs and startups at mass scale.

How effectively does Govt. policies help the business ecosystem in Pakistan?

Banks are the worst in supporting startups, be it in getting money from outside Pakistan, sending it outside Pakistan or even opening of bank accounts. Another issue faced is for getting cheaper office spaces, government needs to set more spaces for startups.

**Respondent 10**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

I do believe that Pakistani government effectively benefits from the startups – scalable business model and this would be based on the fact that these startups further strengthen the growth of the economy.

Do you believe that government policies do not effectively help the business ecosystem in Pakistan?

If you are speaking specifically regarding the current and the previous government policies, I would assume that they are not helping to promote the startup-based environment. However, I believe that in the coming future, this will change.

What form of problems and complications do you think emerging entrepreneurs continue to face?

I believe that the major problem that emerging entrepreneurs face is specifically regarding the availability of funds. They often try to execute their ideas which may in themselves be unique and attractive but are often not able to execute them properly due to the lack of funds available to them.



**Respondent 11**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

I do not think that new startups effectively help the government and the economy to grow as most startups are focused on the traditional ways of executing business.

Do you believe that government policies do not effectively help the business ecosystem in Pakistan?

No, I do not think that government policies help the business ecosystem.

What form of problems and complications do you think emerging entrepreneurs continue to face?

I believe that funding and a lack of resources could be the major problem for entrepreneurs.

**Respondent 12**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

The flexible business model of Pakistan's startups – and this will be centered on the assumption that such companies further stimulate economic development – is my view.

Do you believe that government policies do not effectively help the business ecosystem in Pakistan?

I can presume that if you talk directly of new and past government initiatives, they have majorly proved to have not being able to support the startup culture within the country.

I suppose, though, that this will eventually change in future.

What form of problems and complications do you think emerging entrepreneurs continue to face?

I believe the biggest challenge confronting young companies is the scarcity of funds in particular. They also seek to incorporate their proposals which are innovative and appealing in themselves but are also incapable of successfully executing them owing to the absence of funds.

### **Respondent 13**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

I believe that it is a fact that the startups do really help the economy of the country to grow as they enable various opportunities such rise in employment levels, etc.

Do you believe that government policies do not effectively help the business ecosystem in Pakistan?

They have never done and I do not think that the government will ever be focused on enhancing the business climate of the region.

What form of problems and complications do you think emerging entrepreneurs continue to face?

The problems exist in abundance and among the major problems and complications that young and emerging entrepreneurs face could be identified as being guided towards a proper direction.

**Respondent 14**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

I believe the relationship is vice versa i.e. the government will receive help when it helps the businesses to grow. The relationship, I believe is reciprocal.

Do you believe that government policies do not effectively help the business ecosystem in Pakistan?

I believe that every government within Pakistan takes upon a new form of approach and thus, a concrete statement cannot be passed regarding this but it can be argued that every government continues to somehow uplift the business environment.

What form of problems and complications do you think emerging entrepreneurs continue to face?

The major problem that the emerging entrepreneurs face is the tax policy which often appears to be very restrictive.

**Respondent 15**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

I assume that the start-ups also add to the country's economy by providing different incentives such as improved jobs, etc.

Do you believe that government policies do not effectively help the business ecosystem in Pakistan?

I don't think that the government would really focus on developing the region's economic climate.

What form of problems and complications do you think emerging entrepreneurs continue to face?

The challenges vary and among the key concerns and difficulties confronting young and aspiring businessmen can be described as directed in the right way.

**Respondent 16**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

I feel that Pakistan has the potential to grow and it is the new technological startups that would continue to help the government make Pakistan achieve the aim.

Do you believe that government policies do not effectively help the business ecosystem in Pakistan?

Government policies have always been inclined in Pakistan towards political agendas, however, I feel that with Imran Khan as the Prime Minister, this has changed.

What form of problems and complications do you think emerging entrepreneurs continue to face?

Problems include limited finance, limited resources, limited business environment, Covid-19 pandemic, etc.

**Respondent 17**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

I feel they both help each other, but startups not as much because of the fraudulent tactics that businesses tend to adopt in order to escape from taxes.

Do you believe that government policies do not effectively help the business ecosystem in Pakistan?

Any government policy is more focused on how the government could make more money out of the industry and not the opposite.

What form of problems and complications do you think emerging entrepreneurs continue to face?

The various problems often include lack of awareness regarding entrepreneurial environment within the region, lack of understanding of the social factors that would effectively impact the success of the business venture, etc.

### **Respondent 18**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

The government may sometimes benefit from the development of startups but government in no way helps promote the business environment.

Do you believe that government policies do not effectively help the business ecosystem in Pakistan?

Government policies must be primarily centered on ensuring that the business ecosystem is stable but the policies are never in such a favor.

What form of problems and complications do you think emerging entrepreneurs continue to face?

Complications are numerous but the major is the tax policies which cause the entrepreneurs to commit tax evading crimes.

**Respondent 19**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

Chinese involvement has proven to have a real medium- to long-term value produced by a vigilant, committed, organized and program focused investment strategic approach and would thus, lead towards helping the government to promote further development of business in Pakistan.

Do you believe that government policies do not effectively help the business ecosystem in Pakistan?

The sales tax on services should be reduced and the maintenance charge abolished gradually. We should rely on rising taxation on accelerated industrial growth instead of adversely taxing local exchanges.

What form of problems and complications do you think emerging entrepreneurs continue to face?

With complex rules on foreign currency control, companies cannot easily withdraw capital from Pakistan. We will broaden our exports and contend across the planet, but we are still not allowing our corporations to increase their global footprint.

**Respondent 20**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

In order to continue improving and fostering start-up development in the Region, the Pakistani Government will work together with the private sector.

How do you think the government and government policies must accommodate new entrepreneurial ventures?

Research and development, finance and productivity must be improved in education institutions and the business sector. Accelerators and vulnerability funds are also relatively low, and the ultimate framework only is strengthened by a facilitative legislative process.

**Respondent 21**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

The policies can be more focused on developing an environment for start-up growth. The private sector is going to seek to stimulate demand for the funding of the next big technical development, and I expect that the Pakistan government will continue to make an enormous commitment to economic growth.

How do you think the government and government policies must accommodate new entrepreneurial ventures?

The governments should be involved in facilitating start-up projects.

What form of problems and complications do you think emerging entrepreneurs continue to face?

Significant challenges include insufficient funding / access to finance, inadequate public-sector research and technological services, inadequate trained and skilled staff, and intellectual property issues.

## **Respondent 22**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

There are some Govt. Departments, e.g. SECP which have a very clear understanding of, what is the potential of Pakistani startups, in that sense, they have done lot of work to promote, support & facilitate startups and they have listen to startup community, they have made changes to the laws that directly affected startups and therefore, there is definitely an understanding, an appreciation of scalability & potential, that the startups community has. Overall in the vital contest, the understanding & appreciation is not very high. The appreciation & understanding of present Govt. is perhaps a lot better than what was the case of the previous Govt.

How effectively does the incubation centers help new startups in realizing their full potential?

The Govt. of Punjab started 1<sup>st</sup> text focused startup incubation centre of Plan 9 in 2013, the idea was very excellent. Incubation Centers have promoted, facilitate & provide platform to startups community to connect across inter provinces expertise sharing & facilitate across the country. At present, NICs have out grown their age/need, now a need is to build specialized incubation Centres e.g. Incubation Centre AI incubate AI focused startups, Aero space industry, Agri industry etc. World told us that there is no value of generalist, you have a specialized field expertise. In my opinion, NICs overall fulfill their effectiveness and no need of further investment on NICs, now we should have to build specialized incubation Centre e.g. Agri specialized incubation Centre

What are the practical issues faced by startups?

- There are a lot of issues, in general principal, in Pakistan, regulator /state create hurdles/bound to startups, based on learning rules create otherwise give a free



hand to startups then they can do a lot of things for the public community. We are very confused because some areas of laws are very sophisticated/complicated and in some area there is no applicability of laws.

- Lack of coordination between departments e.g. if have any investment from abroad, need some documents attested, either attested every time, every time given in SECP & State of bank, a single portal/point facility is not available/not possible. For a company restructuring, there are different steps, every step will be individually completed, first step complete then 2<sup>nd</sup> and so on, there is no one is facilitating for a simplified process but this is happening not superficially.
- There are a lot of Tax issues. A simplified form tax code is not available for startups
- There is a technical issue that Pakistani startups community is unfortunately not very sophisticated. Pakistani startups are operating on very basic level as compared to World modern countries due to practical issued.

How effectively does government policies help the business ecosystem in Pakistan?

Policy making is very important function which define Government vision & direction. In Pakistan, Policies are generally political motivated, one Govt. policy not adopted by next Govt... In all around World, policies made like this; firstly, a working paper prepare then consultation with public & stakeholder consultation after that policy paper prepare then adopt it and then Govt. legislate it, finally then make it law. A blank policy is just a piece of paper without of legislation & law making. Unfortunately, law making step is not available in Pakistan polices.

### **Respondent 23**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

Government has supported somewhat on the infrastructure side only like incubation centers. They like to work on infrastructure related things, ribbon cutting, some physical assets, incubation centers & some competitions etc.

Pakistan Govt. has taken very less initiatives on the meaningful things like creating policies for the betterment of startups, making Pakistan more investor friendly place, allowing employee stock option programme requires, SEC (Securities & Exchange Commission) regulation, quick starting & shutting down, facilitation from the regulator rather than most Govt. focused on only physical stuff, so I think it is a good start but for the startup ecosystem to survive, you need to make it an investable environment.

Pakistan already is at disadvantage with given a geopolitical situation but at the same time, we make it difficult with regards to repatriation of money, movement of currencies, creating the rights shareholding structures, but all these things bitter, investors some getting in, if they feel, that they won't be able to operate the way they use to, they would be bothered by multiple institutions, so a startup faces a lot of challenges as it is, they need not to be bothered with excessive filing, botheration from 10 different departments which eventually happens over here so that's in the Govt.. hands but so they may not be much focus that.

How effectively does the incubation centers help new startups in realizing their full potential?

- ICs are helpful and preparing startups for some outcome
- Advice and learning that fairly standardized now all around the World
- ICs are average at funds because of no ecosystem

What are the practical issues faced by startups?

- Tax startups require large amount of funding, but Pakistan is not interactive market for startups

- Not Interactive market
- Issues related administrative & operational side
- Legal, regulatory, accounting & finance issues

How effectively does government policies help the business ecosystem in Pakistan?

- The Govt. is not identified/addressing the key enablers, their main focus on visible wings e.g. establishing ICs, infrastructure stuff etc.
- There is not a single department which support from A to Z to startups
- There is no way/mechanism to protect startups resources in Pakistan

#### **Respondent 24**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

Neither recognition nor political will in the Government. Further to this, major industry lobbying getting the favour like sugar & cement industry.

How effectively does the incubation centers help new startups in realizing their full potential?

- Those through it a right step in right direction but this is not happened as it is.
- To improve the capacity of startups
- To better improve aptitude, attitude & check capacity and society needs startups being encouraged.

What are the practical issues faced by startups?

- Lack of R&D facilities
- Lack of support from the Govt. setup
- Taxation burden at all level

How effectively does government policies help the business ecosystem in Pakistan?

Despite a fact there are some policies changes in SECP and SBP. However, the major cake share is being given to the established industry.

No tangible incentive to the startup, being a grounded business. The Govt... should work on it.

## **Respondent 25**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

- There is realization in Govt... of Pakistan like KAMYAAB Nojawan Programme in which deed equity in the shape of Rs. 100 Billion invest.
- Changes in SECP rules for VCs
- Changes in stock exchange, registration of small company work Rs. 20 Million in PSE(Pakistan Stock Exchange) so that they can generate a fund.

How effectively does the incubation centers help new startups in realizing their full potential?

- First step in TICs & BICs at Govt. level was started in 2012 in Punjab Govt. when KPK Govt. follows the steps.
- Those EICs & BICs are the good connector for Seed money and angel investors.

What are the practical issues faced by startups?

- Lack of investment fund for startups
- Lack of banking loan facility for startups
- The different Govt. rules hindrance the startup entry in market like PPRA rules & IP (Intellectual property) rules

How effectively does government policies help the business ecosystem in Pakistan?

- Relaxation in rules

- Tax regimes for the startups. Not the Income tax but as the other taxes (GST etc)
- Govt. procurement rules be relaxed for startups
- Relaxation in rules of foreign investments in form of VCs

### **Respondent 26**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

Ministry of IT & Communication in collaboration with Ignite, supporting 5 NICs, 4 at Provisional level & 1 at Federal level, shows the realization of the startups potential

How effectively does the incubation centers help new startups in realizing their full potential?

- All EICs & BICs are actually a hub for all linkages among industry, investors and startup founders
- The need of the are is to encourage / strengthen these linkages conducting different seminars & workshops

What are the practical issues faced by startups?

- Lack of public private partnership and less ease of doing business
- More taxation

How effectively does government policies help the business ecosystem in Pakistan?

The Govt... introduce a new legislation for supporting the startups ecosystem and support ease in doing businesses and encourage foreigner investors in export based startups like IT stuff.

### **Respondent 27**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

Govt... is support a lot, all the startup and Ignite is funding 5 incubation centres, 4 at Provisional level & 1 at Federal level and 3 ICs are in pipeline. Overall 36 EICs & BICs in Pakistan

How effectively does the incubation centers help new startups in realizing their full potential?

The ICs are the backbone in supporting in new startup for their capacity building alongwith PR with the industry

What are the practical issues faced by startups?

- Lack of seriousness in the startup founders
- Rule of 18<sup>th</sup> amendment is playing a stumbling block

How effectively does government policies help the business ecosystem in Pakistan?

- The main issue is Govt. should encourage/investment in IT & social entrepreneur
- Attraction, protection and retention of the new ideas at Govt. level through polices.

### **Respondent 28**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

There is realization but strong lobbies of other subsidized sectors are getting the major share from the government and no due focus on this initiative.

How effectively do the incubation centers help new startups in realizing their full potential?

The young generation from affluent class is joining Incubation centres as a fashion. There is no passion in them. There is a flawed criterion for induction of startups in the incubation centres

What are the practical issues faced by startups?

Lack of market knowledge and technological knowhow are the major challenges

How effectively do government policies help the business ecosystem in Pakistan?

Government needs to adopt holistic approach and learn from world best practices

### **Respondent 29**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

There is realization and government is taking concrete steps in this regards by introducing loan schemes and other measures.

How effectively do the incubation centers help new startups in realizing their full potential?

These centres are need of the hours and polishing the skills of new entrepreneurs.

What are the practical issues faced by startups?

Entry denied by different government departments due to strict procurement rules and regulations

How effectively do government policies help the business ecosystem in Pakistan?

Different regulatory bodies are introducing a numbers of reforms and amendments in their rules to accommodate the young entrepreneurs. There should be policy implementation body in every government ministry.

### **Respondent 30**

Do you believe that Pakistani government effectively benefits from the startups – scalable business model?

Government is taking right steps in right direction in coordination with all other stakeholders and relief packages and incentives for startups and investor groups on the card.

How effectively do the incubation centers help new startups in realizing their full potential?

These TICs and BICs are doing their job. But a lot need to do in this context. For instance, to impart market skills and market orient knowledge. Need to do research on market behavior

What are the practical issues faced by startups?

Startups failed due to mismatch between the market behavior and their product. They faced the challenge of market demand. Team building issue too

How effectively do government policies help the business ecosystem in Pakistan?

Government needs to learn from world best practices as there is serious capacity as well as capability issue in government concerned organizations. Business ecosystem in Pakistan can be sustainable through effective and result oriented private public partnership

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