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ENTREPRENEURIAL ENVIRONMENTS AND GROWTH IN PAKISTAN

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Abstract

This study aims to assess the current state of the entrepreneurial environment in Pakistan and its significant effects on economic growth. The challenges encountered during this research process have provided valuable insights into the entrepreneurial landscape. Gratitude is extended to all those who contributed to the completion of this study. Data was collected at the national level, focusing on Karachi, to evaluate the entrepreneurial environment in the country. The results highlight the dynamic and fluctuating nature of Pakistan's early-stage entrepreneurial development, indicating lower levels of entrepreneurial activity compared to other emerging nations. Significant challenges faced by entrepreneurs include inadequate entrepreneurial training and insufficient access to physical infrastructure and services. Despite these challenges, the research identifies encouraging aspects of the entrepreneurial environment, such as supportive entrepreneurial policies and favorable conditions for entrepreneurship. These findings are crucial for policymakers in developing strategies to improve the local entrepreneurial climate and foster economic growth. It is emphasized that institutional enhancements are necessary before fully utilizing entrepreneurial resources for economic development. This study contributes to a better understanding of the entrepreneurial environment in Pakistan and provides valuable insights for policymakers and stakeholders aiming to promote entrepreneurship and drive economic growth.

Keywords: Entrepreneur Government Policy, Development Business, Entrepreneurial Activity, Entrepreneurial Environment.

Introduction

Numerous studies demonstrate that the economic success of every country has been powered by entrepreneurship (Rigby et al., 2002). In both industrialization and developing countries, entrepreneurship is crucial for fostering innovation, variety, greater competitiveness, and the generation of fresh ideas, job possibilities, social adjustment, and economic progress (Robson & Bennett, 2000; Gurol & Atsan, 2006). Numerous academics have shown that entrepreneurship is essential for a strong economy and not only beneficial (Dvouletý, Srhoj & Pantea, 2021; Henry & Mark, 2003; Zelealem & Pansiri, 2004). Growing evidence points to a causal connection between entrepreneurship, economic expansion, and the reduction of poverty. The development of entrepreneurial possibilities and awareness of entrepreneurial desire is what leads to the beginning of new company ventures (Ariff & Abubakar, 2003).

Numerous industrialized and developing nations are taking action to encourage entrepreneurial activity in their societies since it is a powerful tool for igniting a country’s economic growth. Similar to ambitious entrepreneurship, it is viewed as a by-product of ambitious entrepreneurship (Baumol, 1996). As a result, a

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lot of scholars are emphasizing the importance of researching the entrepreneurial setting, possibilities, and development. However, the majority of studies being conducted nowadays are conceptually based on qualitative research analysis.

Entrepreneurship has already been explained from three central angles: economic, social, and unique (Ward, 2004). Young entrepreneurs from developing nations may face different business conditions than those from wealthy nations. This is to ensure that entrepreneurship activities and the environment may be supported since developed nations may have more robust institutional backing and a more advanced education and training system. The research on the effects of entrepreneurial setting possibilities and growth has applied connotation in promoting regional entrepreneurial activity since Pakistan has a diverse economy, culture, values, and educational, political, and social contexts. The difficulty in measuring entrepreneurial conditions, possibilities, and development is what is behind the condition above. This investigation was started with this context in mind. This article makes an effort to provide theoretical support to the relevant authorities in order to help them create strategies and plans that would effectively advance Pakistan's entrepreneurial growth.

The idea of entrepreneurship emphasizes the element that places it inside the management framework. EO has been examined in a variety of organizations, ranging from small businesses to large ones with a variety of arrangements (Haider et al., 2017). Now, apart from the addition of the fourth dimension to the list very recently, the laboratory approach emphasizes the need to challenge the current system by introducing fresh concepts, institutions, markets, goods, and opportunities (Rindova et al., 2009). The agriculture sector still accounts for the bulk of exports and employment generation in Pakistan despite the fact that the service sector dominates the economy there rather than the agriculture or industrial sector (Anwar et al., 2018). It has been noted that Pakistan's SME sector recently contributed more than 30% of the country's GDP, and its export share was also almost equal e (Zafar & Mustafa, 2017). The reason that Pakistan has less industrialization than other emerging nations like Ghana, Nigeria, and Vietnam may be partly explained by the fact that the manufacturing sector only contributes slightly more than 20% of GDP. This explains why Pakistan is still seen as an agricultural nation, given that its exports are primarily based on agriculture and that industry employs more than 40% of the entire workforce (Anwar & Ali Shah, 2020). Alfred Marshall also contributed to the nation of industrial areas, which indirectly contributed to the development of the concept of an ecosystem. Still, there was plenty of funding available, especially when the 1980s saw the return of industrial areas (Matsuda et al., 2000). Recently, Daniel Isenberg proposed a new framework using his six-domain approach, which identifies finance, policy, culture, institutional support, human capital, and the market as essential components for the ecosystem's growth and success (Isenberg & Onyemah, 2016). The regional network-based industrial system was developed as a result of Silicon Valley's social culture and institutional aspects, which helped to establish an atmosphere where communication was accessible, non-hierarchical, and without borders. Inthis study, I also made note of the nine pillars that make up a solid entrepreneurial environment and their component. Following a thorough investigation and comprehension of the Pakistani context, the three factors (entrepreneurial skill growth, entrepreneurial linkage development, and entrepreneurial culture) from the previous two studies have been selected for this study to comprehend their impact on Pakistan's economic growth. This gap must be filled in order to determine how Pakistan's entrepreneurial environment and economic

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growth are related, as SMEs will be crucial to Pakistan's continued economic development.

Rationale of Study

Understanding the dynamics of entrepreneurial environments is crucial for fostering economic growth in Pakistan. Entrepreneurship plays a vital role in job creation, innovation, and economic development. However, there is a lack of comprehensive research focusing on the entrepreneurial environments and their impact on growth in Pakistan. This study seeks to address this gap by examining the various factors that contribute to entrepreneurial activity and their implications for economic growth.

Statement of Problem

Despite the potential benefits of entrepreneurship, Pakistan faces challenges in creating conducive environments for entrepreneurs to thrive. Limited access to finance, bureaucratic hurdles, inadequate infrastructure, and a lack of supportive policies are some of the barriers hindering entrepreneurial growth. Identifying these challenges and understanding their impact on entrepreneurial activity is essential for policymakers and stakeholders to formulate effective strategies to promote entrepreneurship and drive economic growth.

Research Question

1. What are the key factors influencing entrepreneurial environments in Pakistan, and how do they impact economic growth?

Research Objectives

The main objective of this study is to investigate the factors shaping entrepreneurial environments in Pakistan and their relationship with economic growth. Specifically, the study aims to:

- Identify the critical components of entrepreneurial environments in Pakistan.
- Analyze the impact of these components on entrepreneurial activity and economic growth.
- Explore potential strategies to enhance entrepreneurial environments and foster economic growth in Pakistan.

Significance of Research

This research holds significant implications for various stakeholders. Firstly, policymakers can utilize the findings to design and implement policies that promote entrepreneurship and address the challenges faced by entrepreneurs. By creating more supportive environments, policymakers can stimulate entrepreneurial activity, leading to job creation and economic development. Secondly, entrepreneurs and aspiring entrepreneurs can benefit from a better understanding of the entrepreneurial landscape, enabling them to navigate challenges and capitalize on opportunities effectively.

Moreover, investors and financial institutions can use insights from this research to identify promising investment opportunities and tailor financial products to meet the needs of entrepreneurs. Overall, this study contributes to the knowledge base on entrepreneurship in Pakistan and provides valuable insights for fostering economic growth in the country.

Literature Review

The common consensus is that entrepreneurship is a requirement for healthy long-term economic development (Carree & Thurik, 2005). Any action aiming to raise the standard of living in a community or a nation is called economic development. This includes raising people's standard of life in addition to their income. Therefore, it is a mixture of improved wealth and value of life for everyone in the community. Many studies support the idea that entrepreneurship activity at the national or regional level helps economic development utilizing the GDP or growth rate indicator.

There are three main stages of economic development are identified by the development economy:

1. The economy was focused on small-scale industry and the manufacture of agricultural goods.

2. The economy is small-scale production towards manufacturing.

3. As wealth increases, the economy transitions from manufacturing to services.

Rastow (1960) recommended that nations go through 5 phases of economic growth in his classic work:

- First is conventional society.
- Second is a requirement before take-off.
- Third is take-off.
- Fourth is a desire to mature.
- Fifth is an age of high consumption.

These phases, however, simplified the method to view the growth of contemporary economies and highlight critical times.

Link in Entrepreneurship Environment

For new business ventures, the entrepreneurial climate is essential (Delmar & Wiklund, 2008; Ahmad et al., 2010). The entrepreneurial climate may impact the organization's ability to survive or succeed. Numerous studies have shown how various aspects of entrepreneurial setting affect entrepreneurship (Mohanty & Mishra 2020; Brozik & Zapalska, 1999; Singh, 2000; Ahmad et al., 2010). Claiming that institutions, culture and technology, and economic growth all have an impact on the need for entrepreneurship by generating chances for entrepreneurs (Mohanty & Mishra

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2020). Recognized the three entrepreneurial characteristics of risk-taking, inventiveness, or initiative (Covin & Wales, 2018; Frishammar & Horte, 2007; Van Zyl & Mathur-Helm, 2007) despite the fact that the current research primarily takes into account direct technical advancement as a factor influencing technology innovation in relation to innovation capacity (Wang et al., 2008). More and more academics agree that entrepreneurship improves organizational effectiveness (Campos et al., 2012). A key idea in the literature on entrepreneurship is the entrepreneurial orientation (Bock & George, 2011). According to some academics, fundamental strategic entrepreneurial orientation is made up of the three core entrepreneurship traits of invention, proactivity, and risk-taking (Fan et. al., 2021; Covin & Wales, 2018). Due to the possibility that entrepreneurship is nothing more than a predisposition to exhibit entrepreneurial behavior, this construct may not be handy (Dess & Lumpkin, 2005; Miller, 2011; Short, Broberg, Cogliser, & Brigham, 2010).

The government can disturb market mechanisms to make them function effectively by tumbling the aspects that tip to administrative-to-market inflexibilities. Beck and Demirguc-Kunt (2006). It has been stated that in order for new businesses to flourish, the entrepreneurial ecosystem must be strengthened. Changes in the entrepreneurial environment influence the success or decline of small enterprises either negatively or positively (Ahmad et al., 2010).

The promotion of innovation and entrepreneurship in their communities has dramatically benefited from the work of contemporary entrepreneurial universities (Klofsten et al., 2019; Compagnucci & Spigarelli, 2020). They have become significant players in the entrepreneurial environment (Autio et al., 2014).

Entrepreneurship in Factor-Driven Economies

Variations in the amount and the nature of economic value added constitute economic development. These developments led to increased productivity and growing per capita income levels, and they frequently coincided with labor movement between various social and economic sectors. A substantial agricultural sector is often present in nations with a low level of economic development, supplying the majority of the population who mostly live in rural areas with their daily needs. As industrial activity starts to grow, frequently centered on the extraction of natural resources, this scenario changes. As the extractive industry begins to grow, this stimulates economic expansion, causing the excess population from agriculture to move into the exertive and emerging scale-intensive industries, which are frequently focused in certain geographic areas. In regional agglomerations, the resulting labor excess encourages subsistence entrepreneurship, a surplus of employees looking to establish their businesses in order to make a living. Necessities, including infrastructure, health care, and elementary education, are given priority. However, this essential requirement will support necessity-based entrepreneurship. They could not do much to support opportunity-based businesses.

Efficiency-Driven Stage

Institutions that promote increased industrialization and the growth of scale in the quest to improve productivity through economies of scale start to emerge as the industrial sector expands. In scale-intensive economies, new economic and financial

institutions are often constructed to indulge a vast national enterprise. In the industry supply chains that support these domestic incumbents, niches may arise as economic productivity growth promotes the creation of financial capital. This would create prospects for growth for the small and medium-sized industrial sector. So, in a scale-intensive economy, one would anticipate a gradual decline in necessity-driven and industrial activity and the establishment of a small-scale manufacturing sector.

Innovation-Driven Stage

One may anticipate that as an economy develops and its wealth rises, the focus on industrial activities will progressively change in favor of a growing service sector that meets the requirements of a gradually wealthy population and provides the services typical of a high-income society. The variety of sophistication of the industrial sector increases as it grows. As an information-generated institution in the economy acquires momentum, development would usually be linked to rising research and knowledge intensity. These changes open up the opportunity for the growth of creative, chance-seeking entrepreneurial activity that is not unwilling to take the economy and long-standing incumbents. Small and creative businesses frequently outperform giant incumbents in terms of innovation productivity, allowing them to act as agents of creative destruction. Innovative entrepreneurial firms may become important drivers of economic growth and wealth creation sectors and add less to the GDP or market efficiency. On the other hand, the capacity of new enterprises to transition from an early phase to an advanced phase and to endure for more than 42 months is also necessary for the entrepreneurial contribution to economic development. The next part provides as a more in-depth review of Pakistan’s entrepreneurial development and opportunities.

Methodology

This study employs a combination of explanatory, exploratory, and descriptive research approaches to understand the influence of specific personality attributes and conscientiousness on Pakistan's entrepreneurial climate. The primary aim is to establish causal relationships between variables.

Research Design

The study primarily employs statistical and numerical analysis, along with qualitative data metrics obtained through survey questionnaires. The questionnaire is converted into a numerical format to analyze associations between conscientiousness (independent variable) and work performance (dependent variable). This design was chosen for its explanatory nature, aiming to explain how variables are related.

Target Population

The study focuses on entrepreneurial environmental growth in Pakistan. The target population includes employees and employers within Pakistan. Participants were drawn from universities, banks, graduate students, and government employees.

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Instrument Selection

Data collection was done through a questionnaire designed to gather information on the variables and their real-life relationships. The questionnaire, developed based on the System Usability Scale (SUS), utilized a Likert scale with five response options: strongly agree, agree, neutral, disagree, and strongly disagree. The questionnaire was reviewed by field experts and the study supervisor, resulting in approximately 30 items. Privacy and ethical standards were maintained during data collection, with demographic data used only for research purposes.

Data Analysis Tools and Techniques

SPSS (Statistical Packages for Social Science) was used for data analysis. Descriptive analysis was conducted using SPSS.

Data Source

Data for this study was sourced from the 2023 Pakistani research program report. The primary data sources were adult population surveys and national expert surveys. Adult population surveys provided the main data, while a questionnaire evaluated the entrepreneurial framework. National experts from government, academic, and venture capital organizations were interviewed to gather perceptions of the startup environment. The study's findings focused on entrepreneurial activity, characteristics of entrepreneurs, and new business structures, ranking the conditions for entrepreneurship on a scale of 1 to 5.

The study conducts research with a number of explanatory, exploratory, and descriptive goals in mind. It aims to determine how specific personality attributes and conscientiousness affect Pakistan’s entrepreneur climate. The research’s sole aim is to explain the causal link between the variables.

Analyses and Discussion

Entrepreneurship Environment in Pakistan

A national expert survey of Malaysia's business climate has investigated the nation's entrepreneurial climate. Five factors have been considered.

1. Entrepreneurial finance
2. Government initiatives to support startups and expanding businesses
3. Training and education in entrepreneurship
4. Barriers to entrance and market openness as concern for entrepreneurship
5. Availability of physical infrastructure for business

Each condition is assessed by averaging Pakistani national specialists' answers to a number of questions. These questions use a 5-point Likert scale with a strong argument and five strong agreements on whether the described environment actually

exists in Pakistan. The categories with the most significant ranking are those that experts are more enthusiastic about, while categories with the lowest ranking are those that are considered to be the least developed. The table is arranged according to descending means. A mean score of three on the Likert scale of five is regarded as average. Many professionals consider the Pakistani climate to be average. The only category with a mean score of high or excellent access to physical infrastructure and services is four or above. The areas of government programs and policies, entrepreneurial education and training at the high school level, and research and development transfer typically receive the most unfavorable comments. The most commonly mentioned limiting criteria include education, entrepreneurial ability, and government laws and programs.

Financial support

Table 01: Descriptive Analysis of Elements of Construct Financial Support		
Code	**Elements of Construct**	**Mean**
A1	Sufficient debt investment is offered for start-up and expanding firms.	2.95
A2	Sufficient government subsidies are offered for start-up and expanding firms.	2.84
A3	Sufficient funding is available from private individuals for new and expanding firms.	3.23
A4	Sufficient venture capital funding is offered for new and expanding firms.	2.90
A5	Sufficient funding offered through IPOs for new and expanding firms	2.90

Government Initiatives to Support Startups and Expanding Businesses

Table 02: Descriptive Analysis of Element of Construct Government initiatives to support startups and expanding businesses		
Code	**Elements of Construct**	**Mean**
B1	A wide variety of government support for new and expanding firms can be acquired by contacting a single agency.	2.65
B2	Science parks and business incubators offer efficient assistance to start-up and expanding firms.	2.83
B3	There are enough government initiatives for start-ups and expanding firms.	2.61
B4	Government employees are capable and successful in supporting startup and expanding firms.	3.19
B5	Almost everyone who wants help from a government program for a new/expanding business can locate what they require.	2.90

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Training and Education in Entrepreneurship

Table 03: Descriptive Analysis of Elements of Construct Training and Education in Entrepreneurship

Code	Elements of Construct	Mean
C1	Education promotes immigration, independence, and initiative	2.94
C2	Education delivers satisfactory training in market economic ideologies	2.74
C3	Education delivers acceptable consideration to entrepreneurship and new firm design	2.87
C4	HEIs deal with appropriate and effective training for launching and expanding new businesses.	2.70
C5	Business education offers enough good training for launching and expanding new firms.	2.53
C6	Vocational, professional, and continuing education offer suitable and sufficient training for establishing and expanding new firms.	2.57

Barriers to Entrance and Market Openness as Concern for Entrepreneurship

Table 04: Descriptive Analysis of Element of Construct Barriers to Entrance and Market Openness as Concern for Entrepreneurship

Code	Elements of Construct	Mean
D1	The consumer goods and services market yearly fluctuates significantly	2.33
D2	The business-to-business goods and services market shifted significantly	2.23
D3	Fresh and expanding businesses can effortlessly quickly arrive in new markets	3.07
D4	Fresh and expanding businesses can manage to pay for the market entry	2.86
D5	Fresh and expanding businesses can pass in the markets	2.97
D6	Fresh and expanding businesses can enter markets fairly	2.86

Availability of Physical Infrastructure for Business

Table 05: Descriptive Analysis of Element of Construct Availability of Physical Infrastructure for Business

Code	Elements of Construct	Mean
E1	Roads, utilities, communications, and waste disposal deliver provision for fresh and growing businesses	2.83
E2	Inexpensive communication aspects for a fresh/growing business	2.67
E3	A fresh/growing firm can get access to communications in about a week	2.53
E4	Fresh and expanding businesses can meet the expense of basic utilities	2.33

Compare the mean rating of Pakistan's entrepreneurial finance to those of other developing nations to show how they compare overall. With the exception of physical infrastructure and services, the financial environment for entrepreneurship, internal market dynamics, professional and commercial infrastructure access, support for culture, social norms, and society, government programs, and finally, government concrete policies, priorities, and support all entrepreneurial environment indicators were rated by expert informants lower than the average of developing countries. In general, the results show that Pakistani infrastructure and services are readily available, simple to acquire, and do not discriminate against new, minor, or developing businesses. It is shown that the internal market dynamic and the financial environment associated with entrepreneurship have a beneficial influence on encouraging

entrepreneurial activity. One of the top five Pakistani financial support with the lowest performance. Among the most commonly stated reasons limiting the Pakistani entrepreneurial climate are government policy bureaucracy, the weight of the domestic market, and the degree of [participation in research and development. Being the efficiency-driven stage of economic development, the nation's entrepreneurial growth has to create a more productive production method and raise the quality of its output. Technology is a critical factor in increasing productivity; hence, Pakistan's low rating for transferring research and development is the reason for concern.

The national expert survey revealed various problems and was evaluated as a severe problem with regard to the significant barriers that restrict entrepreneurial activity in Pakistan. The most severe issue Pakistani entrepreneurs confront is a lack of financial assistance, which is followed by inconsistent government laws and regulations and limited educational training opportunities connected to the growth and development of entrepreneurship. For instance, it appears that financial assistance is impossible for entrepreneurs to obtain. At the same time, entrepreneurs frequently gave inaccurate information, put out questionable concepts, and failed to present company plans in a way that may be useful. Research conducted in both developed and developing nations reveals that a lack of financial support is the biggest issue affecting Pakistan's business. Many would-be entrepreneurs have said that their best obstacle to launching a firm is a lack of capital. Other significant issues include Pakistan's internal openness, entrepreneurship, potential physical infrastructure accessibility, and political and institutional context, all of which have been recognized as obstacles to burdening businesses and reducing efficiency in the Pakistani economy. Pakistani business owners would see government policies that provide financial assistance and promote entrepreneurship as an essential success factor for the growth of their industry. Workforce characteristics, entrepreneurial potential, and commercial infrastructure are among the least important factors. There are a number of suggestions that may be made to enhance entrepreneurship in Pakistan.

Table 06: Descriptive Analysis of Each Construct

S. No	Constructs	Mean
1	Entrepreneurial finance	2.97
2	Government initiatives to support startups and expanding businesses	2.65
3	Training and education in entrepreneurship	2.74
4	Barriers to entrance and market openness as concern for entrepreneurship	2.57
5	Availability of physical infrastructure for business	2.86

Conclusion

Entrepreneurship is thought to be a key driver of economic growth through the construction of job innovation and its positive effect on society, which has sparked an increase in policy interest in entrepreneurship on a national scale. The result of the study demonstrates that Pakistan has substantially less early-stage entrepreneurship activity than underdeveloped nations. According to the data, Pakistan falls short of other developing nations in encouraging the expansion and sustainability of small enterprises. The results of economic consequences paint a bleak image of Pakistani's ability to contribute significantly to job creation and economic growth. Both internal and external factors contribute to Pakistan's low level of entrepreneurial activity. It is

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crucial to develop a healthy entrepreneurial mindset and a more robust skill foundation through the educational system. It is unclear whether Pakistan would see a significant rise in entrepreneurial activity without a more supportive climate that encourages people to view it as a financially feasible career alternative. In Pakistan, there is very little entrepreneurship, and it is more difficult to explain why since attitudes and goals must also be taken into account. Due to the fact that entrepreneurial activity varies with economic growth, national policymakers must adapt their socioeconomic programmers to the country-specific backdrop for development. This conclusion will provide the Pakistani government with theoretical assistance so they can make the most of their limited funding to promote entrepreneurship. The study also helps international scholars and investors better comprehend the particular circumstances behind Pakistani entrepreneurial climate and growth.

The funding of new start-up firms is a crucial sector that policymakers need to pay attention to. According to the study, the great majority of aspiring business owners depend on their resources and finance from family or friends. Not all aspiring business owners could have wealthy families nearby. However, financing a new business is a continuous topic. According to the study, the small company sector has a significant degree of turnover. Although there is always a new enterprise emerging, many of these concepts fail to be examined in the market. Therefore, it may not be wise to indifferently utilize a large amount of government money to finance commercial activities. In this domain, thoughtful and cautious policy measures are required.

Recommendations

There is a need for the development and implementation of comprehensive entrepreneurial training programs to equip aspiring entrepreneurs with the necessary skills and knowledge to succeed. These programs should focus on areas such as business management, financial literacy, and innovation. Secondly, policymakers should work towards improving access to physical infrastructure and services essential for entrepreneurship, such as reliable electricity, transportation, and internet connectivity. Additionally, supportive policies and regulations should be enacted to create a conducive environment for entrepreneurship, including streamlined business registration processes, access to finance for startups, and incentives for innovation and investment. Moreover, efforts should be made to foster a culture of entrepreneurship through education and awareness campaigns, highlighting the benefits of entrepreneurship and encouraging risk-taking and innovation. Finally, collaboration between the government, private sector, academia, and civil society is essential to address the multifaceted challenges faced by entrepreneurs and to create an ecosystem that nurtures entrepreneurial growth. By implementing these recommendations, Pakistan can unlock the full potential of its entrepreneurial talent and drive sustainable economic growth and development.

Limitations and Future Research Direction

The study is limited to data at the national level. Additionally, Pakistani entrepreneurial activity has not yet reached a point of stability, and there have only been five years of comparable data since its creation. To disaggregate the complicated link between entrepreneurship and economic development, future research should include additional longitudinal data sets and advanced statistical testing. Longitudinal

research is also required to invest in the connection between a country's entrepreneurial activity and its economic growth. The study presented in this article aims to give distinctive information on the most recent entrepreneurial development in Pakistan that is beneficial for decision-makers, business people, and the academic community.

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