Majors: MKT
Serial No.: 02

Access to finance for startups
an insight into the Pakistani startup ecosystem

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BAHRIA UNIVERSITY ISLAMABAD
FALL 2021

FINAL PROJECT APPROVAL SHEET

Viva-Voce Examination

Viva Date 21/02/2022

Topic of Research: ACCESS TO FINANCE FOR STARTUPS: AN INSIGHT INTO THE PAKISTANI STARTUP ECOSYSTEM

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ACKNOWLEDGEMENT:

This study owes its conception to the evolving entrepreneurial ecosystem of Pakistan, with special thanks to Mr. Ali Qasim from Bahria Innovation center who led us to insightful stakeholders including founders, angel investors, venture capitalists, lawyers, and other relevant incubation personnel, and Dr. Muhammad Kasheer, our keen mentor and supervisor who consistently gave us his invaluable assistance and expertise; his deep knowledge in the field and patience with us inspired us to make the most out of this opportunity.

We would also like to acknowledge the Bahria University faculty that has motivated us in any way, directly or indirectly. We also recognize the Library Staff's professionalism and their sheer commitment in providing us the information and knowledge essential for our project. Lastly, we would like to thank all our friends and family at Bahria University who have helped us throughout our journey.

ABSTRACT

This study gives a general overview of the startup environment in Pakistan. The research is exploratory in nature and uses a descriptive technique to discover trends in the development of Pakistan's entrepreneurial climate through time. Analyzing information gleaned from angel investors, venture capitalists, financial institutions and law firms, we can see how and why companies succeed and fail. According to the data, Pakistan's entrepreneurial environment appears to be on the upswing. The startup ecosystem has been bolstered by the support of government and private investors via corporate loans. By studying the role of government and private businesses as support factors, the study adds to the corpus of existing research on ecosystems Investing in technology-based enterprises is favored by the majority of angel investors and venture capitalists, according to the data.

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CHAPTER 1: INTRODUCTION

Background & Rationale

This research attempts to look into the financing challenges Pakistani entrepreneurs encounter throughout their seed period of incubation, from early-stage funding difficulties to late-stage funding concerns, concentrating particularly on issues resulting from seeking finance at various phases. Even though Pakistani start-ups have a number of challenges to overcome, one of the biggest is the fact that they often miss a "billion-dollar concept," and this research aims to shed some light on the primary difficulties that entrepreneurs and founders have when starting a company in Pakistan.

The research will help Pakistan's emerging entrepreneurs get an edge over competitors by providing them with useful information about legitimate and viable financing options. An easy-to-understand method for entrepreneurs will be formulated to get money for their start-ups without having to wait for financing and waste precious time. Surveys, debates, and extensive descriptions of existing successful and well-established enterprises would all be included in the research, which would serve as a guide for aspiring company owners. This research would serve as a comprehensive guide for Pakistani youth who want to build their own businesses. One of the key goals is to help budding entrepreneurs acquire the financial assistance they need in order to grow their enterprises and save them time and effort in the process. A thorough and broad research compilation is needed to enable young and ambitious entrepreneurs to see the light at the end of the company start-up trench.

Pakistani entrepreneurs have had difficult time obtaining money from reputable sources since the dawn of the entrepreneurial age in Pakistan. Airlift was able to get millions of dollars in capital, and this research will attempt to uncover the keys to attracting the proper type of

investment. For Pakistani citizens, this initiative would also provide information on USAID funding, the Kamyab Jawan and Youth Entrepreneurship Scheme (KJYES), In addition, it would cover all aspects of the difficulties businesses experience in obtaining capital, both directly and indirectly.

It is only through the use of a wide range of analytical tools and qualitative approaches that the start-up industry's parts can be linked in order to discover the interconnectivity of variables that success can be measured. These linkages will focus on the context of financial and non-financial aspects that affect the accessibility of Pakistani founders when pursuing an entrepreneurial venture to effectively acquire investment and comprehensive business abilities.

Insightful input from start-up founders, venture capital, and other major players in the sector is anticipated to provide precise statistics on the causes of business failure in the first few months or years of incubation. A thorough understanding of both sets of results will be an important deliverable for any company owners who seek advice. Data that is accurate and useful can only be obtained with the cooperation of industry experts who have contributed their insights.

Executing interviews, connecting with CEOs of prospective and established firms, obtaining and analyzing data in a useable manner, touring incubation centers and companies' centers for additional help, and filling in the gaps of facts that were missed after conducting the initial experiments A large, thorough structure including all of these processes, as well as several more, may lead to a successful research project that would be beneficial to a wide range of people. If we worked diligently and consistently, it would take us around two months to complete these tasks. This research will be conducted in a small geographic area with varying start-up success circumstances, which may not accurately represent the study's nationwide applicability. Additionally, a lack of access to important industry actors, such as C-suite officers, founders, barristers, mentors, investors, or other significant people, may prevent the acquisition of necessary data insights. More emphasis will be placed on qualitative characteristics such as psycho-social behaviour and environmental factors to draw generic comparisons and minimise the risk of compromised quality in the start-ups industry, which encompasses various sectors including consumer, enterprise, crypto and bio/healthcare

industries. The time-cost limitation may also have an impact on the aforementioned parameters, including the project's budget.

Personal grudges and a lack of time spent on useless leads have resulted in the dissemination of false information by high-ranking officials. Resources and effort are wasted due to ineffective outcomes. Because of their concern about generating a possible competition, experienced individuals misguide and misinform. Giving in to the lure of quick money from shady investment firms Time and location restrictions make it impossible to thoroughly investigate all of the companies in the area. Restricted resources might also restrict the amount of data that can be collected, resulting in incomplete findings.

Problem Statement:

The purpose of this study was to connect the dots about the issues and gaps startups are encountering when collecting money and to identify the hurdles for attaining scales and build a plan for mitigating such challenges via enabling environment for the start-up ecosystem in Pakistan. This was done by both the primary and secondary research, Questionnaires were designed and formulated (see appendix) to gather the data from potential participants and also secondary research using google scholar, research gate and other internet resources were used to justify the research objective. Along with that, data acquired from the possible participants was evaluated quantitively using SPSS 22 and also qualitative data in terms of interviews was utilized to figure out the probable purposes of the research.

CHAPTER 2: START-UP ECOSYSTEM OF PAKISTAN

Increasing study in this area has made monitoring entrepreneurial environments more important. Start-ups are seen as essential to the health of any economy's foundation. Growth in the number of start-ups has been shown to be closely linked to the creation of new jobs and business prospects at the industrial, national, and regional levels. New job openings are created by start-ups. Measurement is emphasized by researchers to better understand the economy and how ecosystems evolve. There are several reasons why ecosystem studies are useful before launching a venture, such as determining whether the environment will support their operations, as well as suitable for entrepreneurs and investors. It is impossible to deny the importance of new start-ups in a country's economic growth, yet these businesses encounter several difficulties. Only a small percentage of businesses survive their first year in operation, making long-term viability a strong measure of corporate success. A previous study indicated that profitability, age, and company size had a substantial impact on the longevity of a corporation (Pisoni et al., 2021). Recent times have seen a rise in the importance placed on innovation as a deciding element. Due to degradation in the global environment, creative firms have experienced difficulties integrating innovation with sustainability (Hepburn et al., 2020).

By fusing environmental and economic concerns as well as innovation, we've produced broad human affluence while also addressing the rapidly deteriorating global environmental system. In terms of higher sales, decreased risk, cost reduction, and becoming a more appealing employer, new firms may benefit from this integration. This new idea's key motivations include avoiding negative environmental effects and adhering to regulations. Despite these potential advantages, most organisations confront significant difficulties in dealing with sustainability-related concerns. An eco-friendly strategy is seen as a feasible remedy to the environmental degradation caused by human ingenuity. A lean start-up’s choice to eco-innovate is heavily influenced by the fact that it lacks funding (Slávik et al., 2022).

In management research, opponents have often expressed their concerns about the dynamic capacity’s viewpoint, specifically decrying the lack of empirical research in this field.

When it comes to start-ups, dynamic skills are a crucial tool for maintaining an edge in the marketplace. To better understand innovation, it is helpful to think of it as a process of transformation. The phrase "dynamic capabilities" refers to the organisational capabilities that allow organisations to adjust swiftly to ever-changing situations and situations that are constantly evolving. Flexible skills are very important in today's hypercompetitive start-up environment (Shahzad et al., 2021).There is a greater ability to respond quickly and flexibly to changing conditions when a company has more dynamic capabilities (Sreenivasan et al., 2022). Thus, it is crucial for start-ups to have dynamic skills in order to deal with profound uncertainty, such as that caused by innovation and the dynamic rivalry it creates (Oliva & Kotabe, 2019).

The developed world's policy agenda for eco-innovation financing is critical for long-term development and green growth (Jesic et al., 2021). Established firms are more likely to invest in green R & D as a way to contribute to sustainability and improve environmental efficiency. In contrast, small and medium-sized businesses in general and new start-ups in particular, have difficulty allocating resources to green innovation. Eco-innovation drivers are the subject of much investigation (Thomas et al., 2021).

Pakistan has a reputation for having a chaotic political climate. Pakistan, on the other hand, has a thriving and rapidly expanding SME sector as a result of its high population density. The nation, on the other hand, is dealing with environmental deterioration. Some experts said that rising economies like Pakistan's have shown the potential to succeed in resource-constrained contexts like Pakistan's (Khowaja et al., 2021). As a result of this abundance of R & D, expanding demand, and vast market size, developing countries have become the epicenter of frugal innovation. In order to address the requirements of the local community while also improving the lives of millions, inexpensive items in developing markets provide several low-tech entrepreneurship opportunities. In addition, consumers in developing nations are increasingly looking for goods and services that are more affordable (N. Ahmad et al., 2021).

The year 2021 has witnessed extraordinary development in Pakistan's ICT sector. In the first three quarters of 2021, start-ups in the nation raised over $244 million, which is more than in the preceding six years combined (Papanek, 2021). In other words, there's a good chance

that momentum won't last through 2022, according to the opinions of experts. According to the UNDP's National Human Development Report (NHDR), Pakistan needs to produce an extra 1.3 million jobs per year by 2035 in order to keep pace with the country's projected population increase from 4 million to 5 million individuals of working age (Jamal, 2021). To guarantee that the needed development is both inclusive and long-term, the study said that it is critical to boost the formal economy, foster entrepreneurship, enhance the human capital of young people, and implement policies that promote an active labor market (Nawaz et al., 2021). With more young and tech-savvy Pakistanis starting their own enterprises (Shaikh et al., 2021), this suggestion fits well with the present situation of the country's entrepreneurial environment. As this start-up activity expands, the present ecosystem must improve and offer an atmosphere that is enabling for new firms.

There has been a growth in the number of public and private partners in Pakistan's entrepreneurial ecosystem since 2012. To encourage entrepreneurship, the Pakistani government has established national incubation centers in the cities of Islamabad, Karachi, Lahore, Quetta, and Peshawar, as well as the National ICT R&D Fund inside the Ministry of Information Technology and Telecommunications (Tunio, 2020). This support for technological entrepreneurship began even earlier with Punjab's information technology board, Pakistan's biggest start-up incubator(Sabeen & Mirza, 2021).

BridgeLinx, Airlift, and Bazaar all received multi-million-dollar financing this year, as well as a slew of smaller start-ups. Several fundraising rounds have been led by first-time investors in Pakistan, according to some analysts, and this might be a watershed moment for Pakistan's digital start-up sector. Fast-commerce firm Airlift, which just acquired $85 million in a series B investment round in August, might be a strong candidate for Pakistan's first native unicorn. According to the majority of experts and entrepreneurs who talked with the rest of the world in the last months of 2021, the momentum of this year is unsustainable and unable to resume at the same rate in 2022 (Javed, 2020b).

Private incubators and accelerators such as Innovation District 92, The Nest i/o, and i2i are operating programs around the nation, graduating entrepreneurs, and bolstering the

ecosystem in their own right (Iqbal & Ahmad, 2021). For example, the Technology Innovation Center (TIC) in Islamabad, the Aman Center for Entrepreneurial Development at Karachi's Institute of Business Administration and Lahore's Takhleeq Incubator are all notable university-level incubators in Pakistan. Momentum and 021 Disrupt, as well as coworking spaces Daftarkhwan, CoLab, and the Hive, and other supporting players and associations like Pakistan Software Houses Association for IT & ITES (P@SHA), Circle, The Indus Entrepreneurs (TiE), and Organization of Pakistani Entrepreneurs (OPE) are all helping to grow the start-up ecosystem in Pakistan (Invest2Innovate, 2019).

International funding organisations and players have also aligned their agenda in support of entrepreneurship as it has expanded and flourished in the entrepreneurial ecosystem. More than 8000 young people in Khyber Pakhtunkhwa and Sindh would be trained in entrepreneurial skills by the UNDP, for example; Complex regulatory constraints, uplifting trends, rising institutional backing, and ever-growing business opportunities have all contributed to the growth of Pakistan's entrepreneurial environment since 2012 (Small, 2021). The number of participants, companies, investors, and transactions has expanded dramatically over the last seven years. Despite this development, there are still numerous urgent issues (Arshad et al., 2021).

With an emphasis on women-led enterprises, the Small and Medium-sized Enterprise Activity (SMEA) of the US Agency for International Development (USAID) and the Gates Foundation-backed Karandaaz organisation in the UK provide assistance, grants, and investment to small businesses. Many big corporations, such as Telenor and Shell, provide programmes and minor subsidies to help entrepreneurs as part of the entrepreneurial ecosystem, either as partners in some of the NICs, such as Jazz and LMKT, However, despite all of these initiatives, the regulatory obstacles that entrepreneurs and investors face mean that Pakistan's business climate remains weak. In the World Bank's 2020 Doing Business Index, Pakistan has raised 28 places to 108 out of 190 countries. Despite the fact that this is a welcome development, there are still many things that may be done better. Entrepreneurial activity in Pakistan is stifled by a variety of issues, including issues related to cash movement in and out of Pakistan, tax rules that might impede small and expanding firms, and limitations on

the investment fund industry, according to stakeholders. Devaluation of Pakistan's currency, which has dropped a fifth versus the dollar since fiscal year's beginning, raises macroeconomic risks.

In preparation for the yearly budget, the government of Pakistan gave a dismal assessment of the economy in the 2019 Pakistan Economic Survey. We've seen a dramatic decline in the growth rate, from 6.2 percent to 3.3% (with a projected drop of 2.4%), and inflation has risen. As corporate profitability, consumer appetite, and investment returns are affected by the current macroeconomic environment, there is a potential influence on market activity and risk perception.

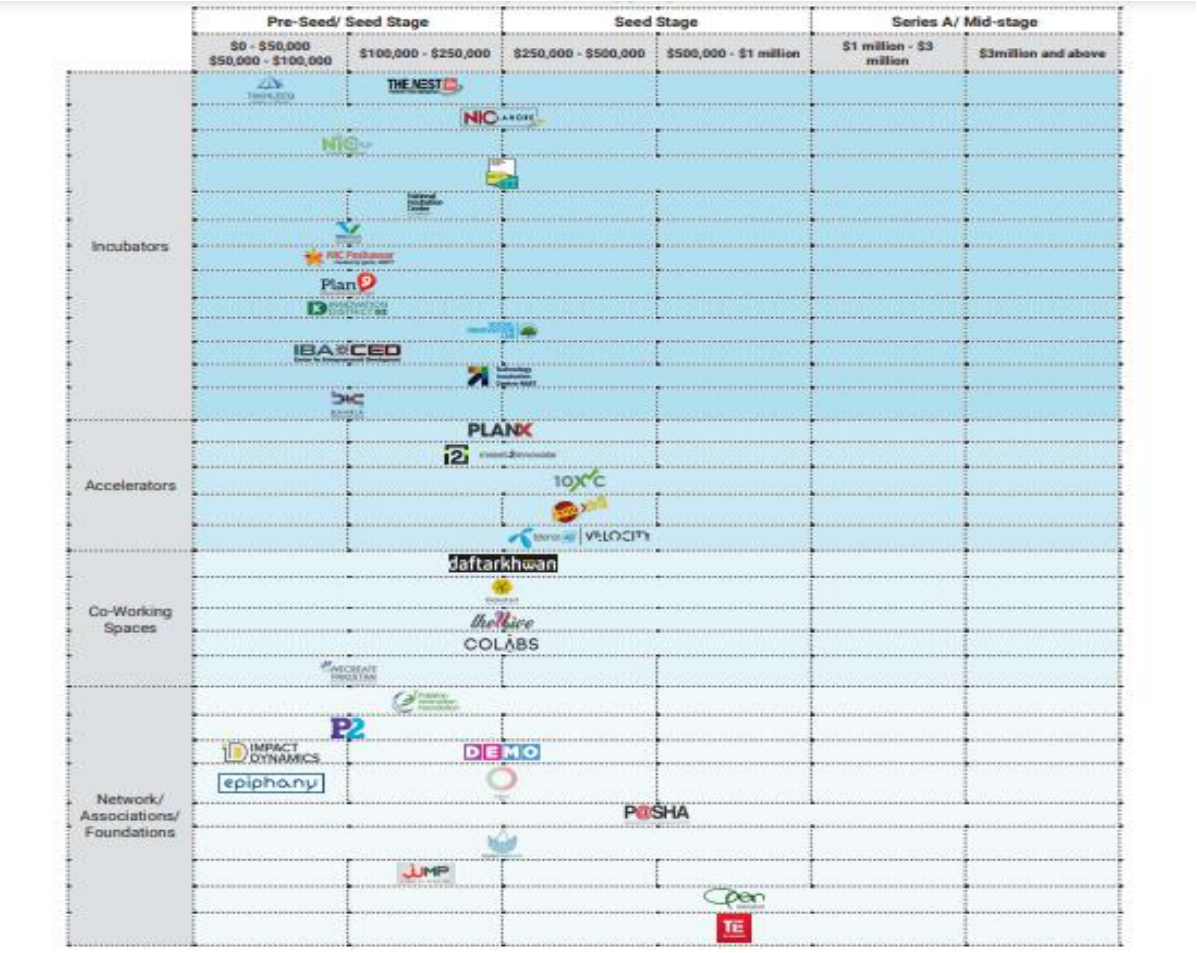

Figure 1 Intermediaries Start-up ecosystem of Pakistan (Invest2Innovate, 2019)

With a low Gross Domestic Product (GDP) and a factor-driven economy, Pakistan has to improve its institutional infrastructure and move toward a more efficient economic model. Pakistan's economic development is lagging behind that of other nations in the region. Pakistan is now ranked 120 on the Global Entrepreneurship Development Index (GEDI), compared to 2017's 122, a minor improvement. China is ranked 43rd in the world, followed by India (68), Sri Lanka (90), and the United States (134).

Impact of the pandemic on the start-up ecosystem of Pakistan

A worldwide epidemic and consequent lockdowns have major economic consequences for small enterprises, particularly start-ups, which are forced to halt operations, impose wage cutbacks, and dismiss or furlough their workforces in order to survive (Javed, 2020a). Pre-Covid-19, Pakistan's start-up environment was booming, with more than $32 million in capital raised by businesses in 2019, compared to $24.5 million in 2018 (Tao et al., 2021).

Many of these new ventures have come to a standstill as a result of the epidemic. The collected data has been from over 100 early-stage Pakistani start-ups to better understand how this slump has affected the local start-up ecosystem. Some of the most important data will be summarised and presented here, as well as qualitative findings will be made on how Pakistani start-ups are reacting and iterating their companies in the current circumstances (PSDP, 2020).

Between 2015 and 2019, Pakistan-based businesses closed 96 agreements worth over $154 million, with 20% of the deals including e-commerce, 13% involving on-demand firms, and 7% involving mobility (K. Malik et al., 2020). The lockdowns have had a negative impact on these industries, with numerous start-ups halting operations (Hayakawa & Mukunoki, 2021). More than 100 Pakistani start-up firms were surveyed in April 2020 to find out which industries were worst damaged by the pandemic that has ravaged the country's start-up community. In total, 49 percent of the 101 businesses that participated in our survey temporarily ceased operations.45 percent of our sample included businesses in e-commerce, on demand, tourism

and transportation; 56 percent of them had to halt their services as a result of the financial crisis.

Many entrepreneurs have re-evaluated their long-term strategy because of the mounting economic uncertainties in COVID-19. According to this briefing, 52 percent of respondents postponed their expansion plans and 61 percent cancelled already scheduled hiring decisions, but most of the companies have not lay off any employees (69 percent) or administered pay cuts to employees (60 percent) since COVID-19 came into effect. In light of this, several experts have recommended that businesses prepare for survival by bootstrapping and conserving as much money as possible.

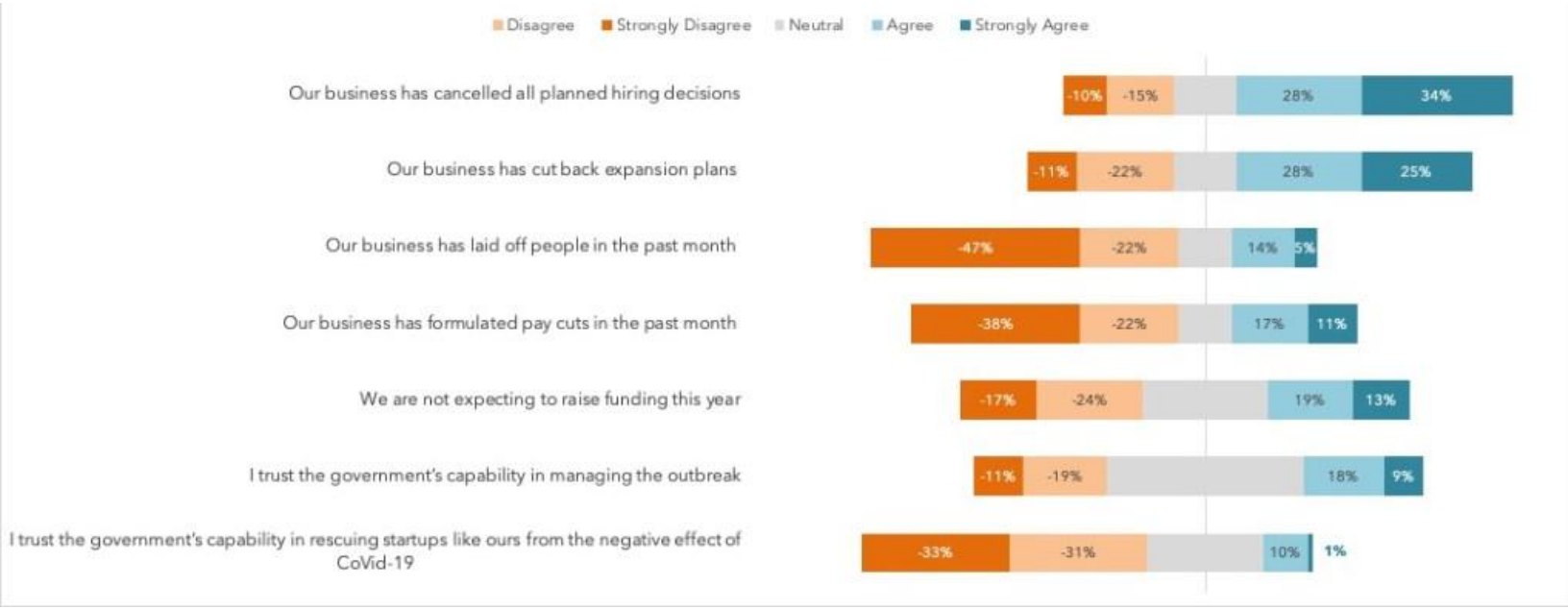

Figure 2 Impact on Start-ups due to Covid-19 (Baig, 2020)

This will be a problem in the future when trying to raise money. As a result of the pandemic's aftermath, new research by Start-up Genome estimates that Chinese venture financing fell by 50–70 percent in January and February alone. According to analysts, venture capital in Pakistan has greater difficulty as a high-risk asset type. A majority of local investors believe that venture capitalists (VCs) would prioritise their current portfolio of businesses above

fresh investment s. In our study, 49 percent of the 101 firms claimed they were already experiencing delays in concluding current investment transactions, while 37 percent said they had no investments at all. Because many firms reported having just 1-3 months of cash in the bank, this is a challenge. According to a survey, only 14% of start-ups had 12 months or more of cash on hand (Faridi et al., 2021). If the pandemic lasts longer than three months, 42 percent of these businesses will be seriously harmed because they will be forced to halt operations and revenue development.

2.1 ANGELS, VCS, BANKS, OTHER FINANCIERS

Angel Investment

The role of an angel investor is to act as a go-between for small enterprises and institutional investors such as venture capitalists. A wide range of investors, including those who have previously been entrepreneurs, wealthy individuals, and those who are interested in private equity, are known as "angel investors". Instead of FFFs, angel investors invest in a wide variety of HI start-ups in order to maximize their return on investment. The HI start-up and the angel investor have signed a deal. Angels invest in the HI start-capital up in the form of convertible notes or shares. A further benefit for start-ups is that angels can offer management advice or serve on the board. Angel investors also have the option of joining an angel group, which pools their money to make larger investments. Numerous investors pool their money to fund an HI start-up. A network of angel investors can assist angel investors raise more money and use each other's expertise to evaluate new investments (Edwards, 2021).

In short it can be said that, an angel is an investor who lends money to tiny, privately owned businesses. Private equity capital (or near equity capital, such as loans from investors with an equity stake in the ®rm) is what I'm referring to when I say "risk capital." There is no middleman, such as a Small Business Investment Company (SBIC) or a private equity limited partnership, involved in this transaction (Botelho et al., 2021). In addition, they are not the primary entrepreneur or his direct family members. An angel investor is commonly seen as the second round of financing a startup goes through, after the founder has spent his family and friends' money but before he contacts venture capital partnerships. Entrepreneurial experience is common among angel investors, who like to put their money into start-ups and other privately held businesses. They may have a large investment in the firm and be actively involved in advising it.

Identifying different marketplaces for private equity can help us figure out where the angel market fits within the corporate ®nance pyramid. (Khattak et al., 2021) referred to this market as the "organized private equity market". Non-venture capital investments in private

equity, securities of both private and public companies, ranging from start-ups to publicly traded corporations, can be found in this sector. Specialized intermediaries – limited partnerships – that are predominantly supported by institutional investors supply the majority of professional management. Large shares in private equity firms are acquired, and the managers play an active role in monitoring and advising the companies they invest in.

Venture Capitalism

Angel investors, on the other hand, are a more informal and smaller number of investors. A fund manager is responsible for managing venture capital funds. In the venture capital fund, the investors are passive participants. It is the job of the fund manager to create deal flow, evaluate potential investment possibilities, keep an eye on the investment portfolio, and help HI start-ups in their growth and expansion (Chen & Ewens, 2021). Early and late stages of a company's growth are all supported by venture capital. This study's nations might benefit from the rise of impact investment as an investment strategy. Investors aren't only interested in making a profit; they're also interested in how their money may help the community or the environment. The term "smart money" refers to venture capital (and angel investment, to a lesser extent) since entrepreneurs consider venture capitalists as both financial sources and strategic partners that may support their growth and use their networks and knowledge at the same time (Corea et al., 2021). A HI start-up might also profit from the venture capital fund's investment portfolio synergies. An HI start-up could be able to get additional funding from the same or other venture investors more readily. HI start-ups are subjected to a more stringent screening procedure when it comes to securing venture finance. First, entrepreneurs need to make sure they've checked out the investment requirements of venture capitalists and, at a minimum, that their businesses meet those criteria. Entrepreneurs who are successful in their ventures will have to pay close attention to the terms and circumstances of the financing they are considering. As experienced investors, venture capitalists are concerned with minimizing the risk of their investments.

The Pakistani venture capital market grew at a slower rate than projected in the 1990s. It has been suggested by government experts that a shortage of experienced professional venture capitalists familiar with developing economy venture capital operations has contributed to a slower increase in venture capital in the 1990s. Further, entrepreneurs' attitudes have been cited as a major obstacle to Pakistan's venture capital industry expansion, and this is predicted to continue to be a problem in the future. It's because their family-owned and cultural beliefs deter an entrepreneur from sharing ownership and control with outsiders (e.g. venture capitalists) in return for money that entrepreneurs are less encouraged to obtain VC funding. Entrepreneurial risk is not appreciated in Pakistan's corporate culture, for two reasons. If an entrepreneur's endeavor fails, he or she is likely to lose both his or her name and his or her fortune. The stigma of failure is one that cannot be removed. The failure of an entrepreneur is not an indelible scar on their record in the United States, in contrast. In certain circumstances, this failure is viewed as a beneficial component in the growth of the economy (Ministry of Finance, 2019). By Robert D. Hormats, Goldman Sachs International's Vice-Chairman of International, "Entrepreneurs who have failed with one idea might reapply for venture funding and try again with a different concept. This stands out as a significant benefit in these difficult economic times of low savings rates, huge government expenditure, and other issues" . As a result, it appears that our society as a whole needs a shift in mentality toward accepting a risk-oriented equity culture. While venture capitalists often invest in the media and telecom industries, they also choose to invest in BPOs (BPO). This was noted in the Pakistani Economic Survey (2005) "Only 18 to 21 percent of the funding needs of local software companies are met by venture capitalists and other financial institutions (FIs). Investors in venture capital firms are increasingly looking for ways to assist local firms in product development and marketing their IT-enabled services internationally in order to get a significant piece of the global BPO market." Furthermore, in Pakistan, banks and other FIs' strict collateral requirements hinder access to finance for new start-ups and current SMEs. Up to 120–130 percent of the loan's value may be required as security by financial institutions (FIs) (M. Z. Khan et al., 2021). So, small and medium-sized businesses must rely heavily on self-financing and retained revenues to stay afloat (S. J. Malik et al., 2010). As a result, a funding gap emerges when all available money, including self-raised or retained revenues, has been used up. Venture capital firms might offer a commercial solution to this financing gap. Venture capital investment was tax-exempt in Pakistan from July 1, 2000, to June 30, 2007, as part of the government's policy to encourage the industry. Government policymakers

are now considering extending this tax exemption for a longer length of time. In recent years, Pakistan has seen an increase in venture capital activity. From PRs 1005 million in FY 2004 to PRs 3,200 million in FY 2005, the total assets of venture capital firms grew at an annualized rate of 218%.

Banks as financial resource:

In order to promote economic growth and industrialization, the financial sector serves as a conduit for money, a competent financial system, a friendly investor's treatment, and the best possible use of resources (Effiong & Ekong, 2021). In any economy, the banking sector plays a vital role in these matters. The banking industry has a substantial impact on the economy and financial stability by facilitating the flow of capital to businesses. Can absorb large financial crises in economy and offer a platform for developing economic system of country with well-established banking secto.. In the years after Pakistan's independence, the country's banking industry has witnessed significant transformations. For a long time, the banking industry in Pakistan was plagued by issues such as a scarcity of capital, political instability, a shortage of highly trained workers, and a socioeconomic catastrophe, all of which hampered its ability to function effectively. However, the State Bank of Pakistan (SBP) introduced the SBP Act, 1956, which encouraged private sector banks, and privatization in 1992 encouraged local and foreign investors to build private sector banks and financial institutions. There are 44 banks in Pakistan's banking system, comprising five public sector banks, 23 domestic private banks, 12 foreign private banks and four specialty banks, with 9,399 branches and Rs. 11,778.6 billion in assets. Pakistan's private sector bank now holds about 80 percent of the country's banking assets Analysis of financial data from Pakistani private banks from 2006 to 2010 is the goal of this study. Other variables that will be examined include bank size, operational efficiency and asset management; asset return on assets; interest income; as well as their effect on bank performance (Rasheed & Raza, n.d.).

The Islamic banks of Pakistan were examined by (Rizwan, 2021)who looked at a sample of six Islamic banks. A variety of secondary sources were used to compile the data for this report. The association between variables was discovered by Pearson correlation, and the coefficients were discovered through regression. There was a positive and statistically significant correlation between bank size and the risk of credit and liquidity, while a negative and statistically insignificant correlation was identified between bank size and operational risk. Liquidity and operational risk are closely linked in asset management. Non-Performing Loans (NPL) risk has been directly related to

credit risk, whereas gearing has been linked to both liquidity and operational risk. With regard to liquidity, capital sufficiency has a negative but substantial correlation with credit and operational risk.

From 2006 through 2009, (Akhtar et al., 2017) studied a sample of 12 Pakistani banks, including both conventional and Islamic institutions. A variety of secondary sources were used to compile the data for this report. The association between variables was discovered by Pearson correlation, and the coefficients were discovered through regression. In both conventional and Islamic banks, the size of the bank and the ratio of net-working capital to net assets have a positive but insignificant impact on liquidity risk. In traditional banks, the capital adequacy ratio and the return on assets are both positive and substantial. While the return on assets (ROA) and capital adequacy ratio (CAPR) in Islamic banks must both be positive, their impact is negligible. Islamic banks have worse profitability and liquidity risk management than conventional banks, according to a new study that found that conventional banks had higher asset and return performance. Along with that, there are also some other financial resources as given below;

Family, friends and fools (FFF):

When it comes to HI (high investment) start-ups, family, friends, and even complete fools play a significant role in fundraising. At the seed stage, FFF invests mostly on the basis of the entrepreneur's personal evaluation rather than the merits of the enterprise. Financing through informal means is common for FFF, which is a passive investor with low expectations for a return on investment. In addition, securing FFF finance might aid in a company's fundraising efforts. FFF will play a larger role in financing HI start-ups as a result of the rise of crowdsourcing. An FFF group's investment potential might be bolstered by using crowdfunding to connect diaspora remittances to HI start-ups3.

2.2 ROLE OF PLAYERS: INCUBATORS, ACCELERATORS, GOV, IN ACCESSIBILITY; DIFFERENT NETWORKS OF INVESTORS

The ANDE Entrepreneurial Ecosystem Diagnostic approach identifies "support" as one of the six pillars necessary for entrepreneurship's development. As opposed to the neoclassical model of economics, which primarily took into account outputs like money or land and labour, current research emphasizes the role of human capital and societal attitudes toward entrepreneurship as important inputs. An ecosystem's numerous stakeholders are connected by a variety of policy, financial, cultural, and support factors, as well as markets (Goswami et al., 2018).

There is strong connectivity between the infrastructure, government, support services, and non-government organisations in Pakistan, where entrepreneurs are supported. Incubators, accelerators, co-working spaces, conferences, contests, and alliances all fall under the category of startup support groups in Pakistan. There were 18 significant organisations in Pakistan that were interviewed for this research, including well-known incubators and accelerators. More than 1072 businesses have graduated from 13 of the 18 incubators and accelerators that participated in the study. At least one female founder was present in 42% of the businesses that emerged from these initiatives (Middermann & Rashid, 2019).

The Role of Government

For seven years, Pakistan's government has played a major role in indicating its support for the country's entrepreneurial environment. The Punjab Information Technology Board (PITB) was established by the Punjab government to assist the province's innovative economy. Since its founding in 2012, PITB has spearheaded a number of projects, including the establishment of Plan9, the country's biggest incubator for digital entrepreneurs. Plan9's inception drew in local industry leaders, served as a vital incubator for new businesses, and helped establish Lahore as Pakistan's entrepreneurial epicenter (Weyrauch & Herstatt, 2016).

PITB's assistance for Pakistan's startup ecosystem, on the other hand, demonstrated the positive role that government can play in a country's startup development. KPK province also

established the Khyber Pakhtunkhwa Information Technology Board (KPITB), which has supported a number of initiatives to foster the province's digital economy, including the Digital Youth Summit, a conference that has been held in Peshawar every year since 2014, and the development of "Durshals," or innovation spaces that were set up in 2018 in various cities across the province and are now being used by local startups (S. Ahmad et al., 2021).

Since 2016, the federal government has primarily funded National Incubation Centers (NICs), which are public-private partnerships founded via a competitive bidding procedure, to promote entrepreneurship in the United States. A partnership between Team up and Jazz established the first NIC in Islamabad in 2016, and Fatima Ventures and the Lahore University of Management Sciences (LUMS), one of Pakistan's top universities, launched the LUMS Centre for Entrepreneurship and ran it until 2017, when they partnered to establish the NIC in Lahore (LCE) (Ahmed et al., 2019). During the first half of 2018, three new NICs were launched in Peshawar, Karachi, and Quetta. The 34 firms in these five NICs have received an estimated USD $4.2 million in investment in the last three years, creating thousands of jobs in the process. More than 234 businesses have been nurtured by Pakistan's four national incubators (NICs) since 2017. NIC Islamabad has enrolled five cohorts, while the other three have each inducted three cohorts. The National ICT R&D Fund, formerly known as Ignite, is the brainchild behind the NICs, as previously mentioned. Ignite is presently headquartered within the Ministry of Information Technology and Telecommunications

At universities with R&D facilities and business schools in Pakistan, the Higher Education Commission has established Offices of Research, Innovation, and Commercialization (ORICs) to support incubated ideas and help them become commercially viable. The Higher Education Commission (HEC) established 30 distinct business incubation centers in Pakistan under the ORIC umbrella, yet many of these facilities are primarily unused or vacant rooms (Ahmed et al., 2019). The Technology Innovation Center at NUST in Islamabad and the Centre for Entrepreneurial Development (CED) at the Institute of Business Administration (IBA) in Karachi are two active university incubators. A university-based incubation program has been running for a number of years, but in 2018, the U.S. Embassy Islamabad helped NUST TIC develop a notable startup program that sends Pakistani businesses to Silicon Valley. In an effort to assist

early-stage entrepreneurs acquire a foothold in the American market and link them to Silicon Valley mentors and experts, TIC has launched a new initiative that aims to help them achieve considerable sales traction.

A private elite university's endeavor to foster entrepreneurship, both on campus and at the national level, was shown by the NIC Lahore, which began as the LCE incubation program in 2014 and grew into the NIC in 2017. This incubator at the Institution of Central Punjab in Lahore, which was just established in 2018, is striving to promote entrepreneurs at the university as well as around the city independently of ORICs, as was the LCE. An autonomous private institution, the Karachi Institute of Technology and Entrepreneurship (KITE), aims to create entrepreneurs and change makers at the university level in Karachi. Even though ORIC is a top-down government effort to encourage innovation and entrepreneurship at universities, certain significant initiatives at local institutions are unaffiliated with this endeavor.

The Role of Corporations

Industries like Google and Facebook have indeed been deeply involved in Pakistan's startup scene for some years. When it came to Pakistani technology incubator Nest i/o, Google was one of the key investors, launching Google Developer Groups (GDG) in Karachi and Google Business Groups (GBGs) around the country. In April 2019, Facebook collaborated with Pakistan's Ministry of Information Technology and Ignite to build its first Innovation Lab in Pakistan. An important part of how the Lab helps Facebook's mission to boost entrepreneurialism in South Asia is by providing entrepreneurs with access to the FbStart programme and the Developer Circles, a platform for developer cooperation that is led by the community (PEOPLE, n.d.).

Facebook’s, She Means Business programme, which has been implemented in 24 countries and provides online and offline training for female entrepreneurs, has also been a strong supporter of women-owned companies in the area. Facebook is on the right track in harnessing the entrepreneurialism of women through the use of digital tools, as evidenced by its 2018 Future of Business Survey, conducted in conjunction with the World Bank and the Organization for Economic Cooperation and Development (OECD), which shows that women-

led businesses in developing markets are more likely to use online tools to achieve success than men.

Unilever, Engro, UBank, and HBL are just a few of the corporations that have been involved in the Pakistan entrepreneurial ecosystem in the past five years, either as sponsors of various initiatives and competitions, or as initiators of their own entrepreneurial programmes, like Telenor's Velocity accelerator that recently focused on a thematic programme, aiming to support startups in the agriculture technology sector or Jazz xlr8 programme, which is aimed at supporting startups in the music industry. It was also in 2019 that Standard Chartered Bank established the #SCWomeninTech initiative, a programme powered by Innoventures Global that provides training and mentorship for female entrepreneurs as well as initial capital of up to US$10,000. In the near future, companies have also stated that they want to form corporate venture capital funds. In 2017, TPL Corp formed TPL E-Ventures, its venture capital arm, which started investing and has made three investments thus far.. Other corporate venture capital funds are on the horizon, and they will play an important role in the financial landscape in the near future (Li et al., 2020).

The Role of Private Sector Support

Pakistan's startup ecosystem has been bolstered by both provincial and federal governments, while private sector support actors have also played a significant role in the country's innovation economy since the ecosystem's inception. Numerous contests, makerspaces, hackathons, training, and bootcamps can be found all throughout the nation, as well as local chapters of worldwide projects like Startup Grind, Startup Weekend, and TEDx.

In addition to raising startup and entrepreneur exposure and transferring business and technical skills, these types of activities may result in prize money that is particularly beneficial to entrepreneurs in the concept stage. This includes national innovation prizes and STEM training from the Pakistan Innovation Foundation (PIF). Innoventures Global, a similar company, also runs the aforementioned Standard Chartered Bank programme as well as VenturesLab, an idea accelerator targeted at professionals and faculty members.

The British Council and SEED Ventures have teamed up to provide an incubation programme for creative sector startups. The SDG Bootcamp, an initiative of the United National Development Programme (UNDP) co-designed by Demo, and She Loves Tech, a global competition hosted and run locally by CIRCLE, an organization committed to women's empowerment a nd economic participation, are just two examples of initiatives and programmes hosted and powered by other players, such as CIRCLE and Demo.

Invest2Innovate, the country's first business accelerator, was created in 2012 as an incubator and accelerator programme. Pakistan Software Houses Body (PSHA), a technological incubator, was launched by Pakistan Software Houses Association (PSHA), the country's IT sector trade association, in 2014. Aside from Planet N, which has been sponsoring startups for the last several years, the Superior Group of Companies has developed Innovation District 92 (ID92) in Lahore, which describes itself as the city's innovation center. There have been more than 200 firms that have received $10.9 million in investment from these two initiatives alone in the previous seven years, highlighting the significance of the private sector (Mustafa et al., 2018).

The Role of Co-working Space

Coworking spaces are an integral part of an entrepreneurial ecosystem. Globally, there were only 436 coworking spaces in 2010, but that number has grown to 21,306 in just nine years (Harrington, 2017). Small Biz Labs, a group that tracks them, predicts that global coworking space numbers will reach 30,432 by 2022, with a 16.1 percent annual growth rate. In the next few years, China is expected to overtake the United States as the world's biggest coworking market (Zucca & Berbegal, 2021). In 2016, there were just a handful of coworking spaces in Pakistan's main cities. CoLab, Daftarkhwan, the Hive, and Kickstart are just a few of the well-known coworking spaces in Pakistan that have opened many locations in their respective cities.

Due to Pakistan's high infrastructure expenses and lack of commercial public space, coworking is essential in the nation. With a coworking space, companies have a low-cost option for an office where they may engage with other stakeholders in the business, such as power,

generators, and internet access.Even in smaller places such as Abbottabad and Sukkur, there is an ever-growing number of business-plan contests as well as startup meetings that encourage entrepreneurs to take their ideas to the next level of success. TiE and OPEN, organisations founded to unite Pakistani and South Asian entrepreneurs in the diaspora, now have branches in Pakistan's most populous cities.

Entrepreneurship support groups in Pakistan have come together under the umbrella of the PEP Foundation's Impact Network in order to address the country's most pressing social issues. More and more Pakistanis are interested in startups because to the coverage of ecosystem-related news by Pakistani technology portals like Techjuice and Pakwired. However, the majority of startup activity is concentrated in Lahore, Karachi, and Islamabad, with a rising ecosystem in Peshawar (Sabeen & Mirza, 2021).

CHAPTER 3: CHALLENGES AND ISSUES CAUSING START-UPS FAILURE:

The number of platform start-ups is steadily increasing. In spite of this, many new enterprises fail in the early stages and the majority of them go out of business in under five years. A rigorous investigation is still needed to discover the causes of this failure. However, this study tries to investigate all of these factors together and provide a theoretical structure that would identify the aspects that contribute to the failure of platform start-ups.

Successfully developing and operating a start-up is a challenging endeavour in and of itself. The year 2020, on the other hand, was a challenging one for all enterprises, whether they were established or new. At the macroeconomic level, the "Black Swan" event of COVID-19 rattled the global economy and inflicted devastation on enterprises of all sizes.

Many firms in Pakistan succumbed to external pressures as a result of the epidemic in 2020. The finance and cash flow dried up for some of them, despite the fact that they had a sound business plan. In some situations, the outbreak of COVID-19 brought the world economy to a grinding standstill, while in others, flaws in business models had already been exposed before the outbreak. Many start-ups have been unable to get financing or develop a revenue model that works well for their company. Lockdowns and the resulting shift in consumer behaviour had a significant influence on some. The failure of others has been blamed on a variety of factors, including financial mismanagement or issues unrelated to the epidemic (Kalogiannidis & Chatzitheodoridis, 2021).

A start-up’s overall success is dependent on a variety of things, including more than simply coming up with new ways to solve issues. There are several variables that contribute to start-up failures, including a lack of product-market fit, a lack of financing or inadequate cash generation, legal and technological issues, and a lack of growth prospects and scalability. However, Pakistan remains a long way behind other nations in the region. Growth in Pakistan, although promising, is nevertheless lagging behind other nations. In 2017, just nine Pakistani businesses obtained VC investment, compared to 34 in Nigeria, 38 in the UAE, and 790 in India over the same year. A per capita measure of venture capital investment was used to adjust these figures. Since 2011, Pakistan has received 6 cents per capita on average, compared to 18

cents in only slightly higher GEDI rated Nigeria and 7 cents per capita in Bangladesh, despite the latter having a worse GEDI ranking than Pakistan (Iftekhar & Bokhari, 2022).

Financial Access Points and Barriers for funding:

Out-of-pocket spending varies widely among countries, as do the methods they apply. OOP spending in 10 high-income countries has been examined in a series of papers since 2000, and their link to self-assessed obstacles to health care access is examined. Aggregate OOP per capita expenditure is very variable but has shown convergence over time, with the lowest-spending nations continuing to increase and the highest-spending countries maintaining their current level. Although there isn't a perfect correlation between total OOP spending and changes in spending, both impact perceptions of access restrictions. The core reasons of OOP spending need to be better understood. This will need the gathering of data that is divided into OOP and OOP owing to direct payments (due to underinsurance and lacking benefits). Data should also be disaggregated based on the demographics of individual consumers (e.g. income-level or health status)(Rice et al., 2018). As a result, we can better connect the data to specific policies and offer appropriate solutions to policymakers.

Pakistani entrepreneurs broke through in 2021, raising a record-breaking $365.87 million, more than four times the $66.44 million rose in 2020 and more than all of the prior years combined. Airlift's massive $85 million Series B funding was a big help in this round. In addition, the average ticket size increased from $1.36 million in 2020 to $5.30 million this year. Additionally, Bazaar, TAG,Jabberwocky , Tajir, Creditbook, QisstPay, and Bridgelinx all raised more than $10 million in capital this year. These firms are just a few of the many that raised more than $10 million in capital this year. These companies accounted for 57.85 percent of the total amount invested.

The e-commerce industry raised the most money, bringing in $174.6 million from 20 agreements. However, a single company, Airlift, provided almost half of the funding. On the contrary, fintech took the lead in terms of transaction count for the first time (24), raising about $97 million. Credit/lending and ledger space was largely responsible for this. With just eight acquisitions totaling $35.4 million, the transportation and logistics sector fell to third place.

From 2020 onwards, Pakistani companies have been more focused on streamlining the kiryana ecosystem, a trend that is expected to continue through 2021. At least 11 transactions were made in the larger DukanTech, which largely covers the financial and e-commerce industries and has amassed over $87 million in assets, ranging from B2B markets to ledger applications.

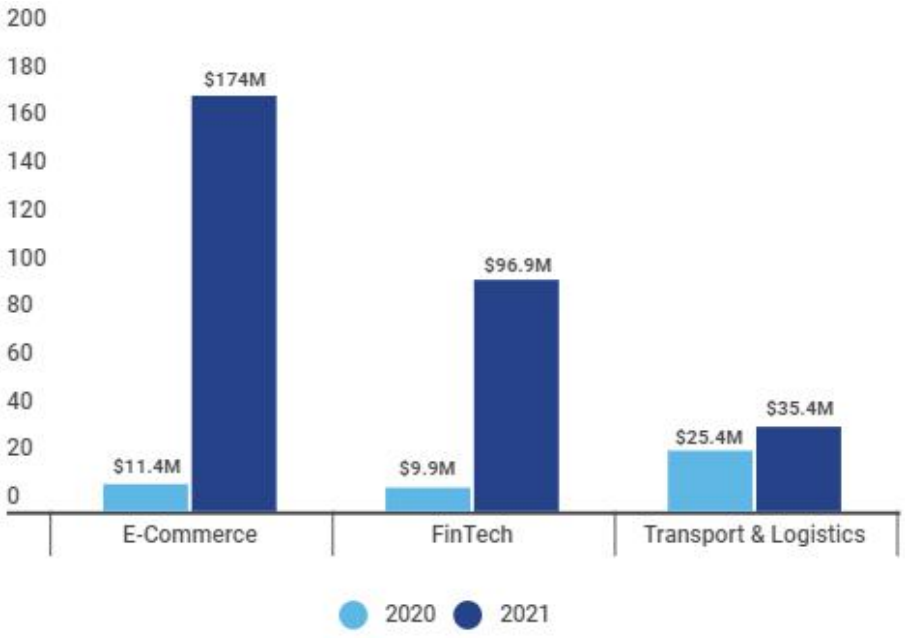

Figure 3 Funding-Sector wise (Mutaher Khan, 2022)

There were eight instances of businesses raising several rounds in the same year in 2021, an indication of robust activity. This featured Bazaar, Abhi, Creditbook, and TAG raising funds in two distinct phases, while PostEx, Truck It In, and Taazah went for extended rounds of financing.

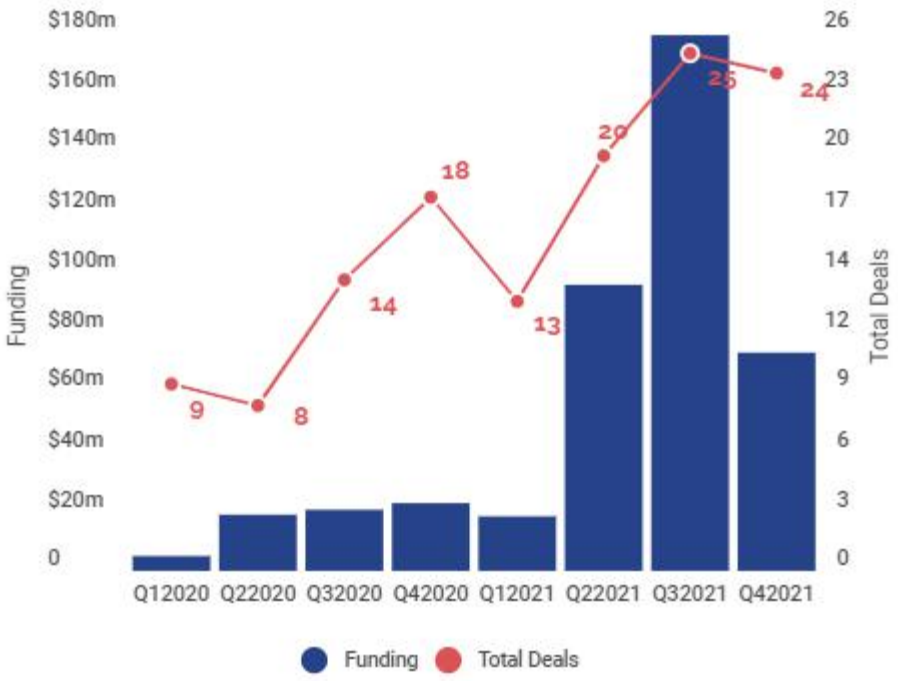

Figure 4 Growth in Funding over years (Mutaher Khan, 2022)

However, just because more money is flowing into the ecosystem doesn't guarantee that everyone will be able to generate money. Only around $4 million was funded by female-led businesses in three transactions, compared to $250.8 million raised by male-led firms. The remaining $111 million was split among 13 firms started by people of different genders. Start-ups with founding teams, that have at least one overseas degree accounted for about 87% of the monetary value ($317.3m) throughout the year, in line with 2020 trends.

Investors like Kleiner Perkins, Tiger Global, Stripe and Global Founders Capital made their debut in the Pakistani sector in 2021, leading to a number of deals. The transaction sizes were boosted by the presence of international investors. It's clear from the fact that 27 of the 49 agreements worth more than $1 million were headed solely by multinational corporations, while another 11 were co-driven by local investors. In part, this is due to Pakistani venture capitalists raising investment vehicles that are too small to meet the needs of certain firms.

In spite of the problems and inadequacies that have been noted above, Pakistan has made significant progress in offering possibilities to foster digital entrepreneurship in the

country. As a result of this kind of assistance, the number of Pakistanis (especially the younger generation, who are more technologically savvy) taking part in digital entrepreneurial activities has increased significantly, as has the number of stakeholders in the country's finance and support ecosystem. Efforts to address the specific difficulties outlined in this study are necessary to maintain this momentum. The government can play a role in reducing the risk of investing in early-stage businesses by coming up with solutions and resolving regulatory issues that local and foreign investors face. Making adjustments to present tax laws, updating local fund registration and licencing laws, or dealing with issues related to the flow of money into and out of Pakistan are all ways in which the government might enhance Pakistan's economic climate. It's been thrilling to watch the digital start-up scene in Pakistan blossom over the last several years. However, if we want to make progress in the future, we must examine this ecology critically. It will be possible for Pakistan's government and key stakeholders to close these fundamental holes and obstacles, which will not only lead to the development of new jobs and economic growth in the country but also increase Pakistan's worldwide visibility (Noreen et al., 2022).

CHAPTER 4: METHODOLOGY, RESULTS AND DISCUSSIONS:

Methodology:

Statistical Package for the Social Sciences (SPSS) of version 22 was used for data analysis purpose. As the study is both the qualitative and quantitative, so after collecting quantitative data it was organized using build in feature of SPSS and then it is put under multiple tests to analyze the data as per demand of study. The corresponding quantitative data is analyzed in terms of descriptive statistical analysis and also frequency and descriptive tests were performed to check the validity of the data. Using publications, interviews, and published research papers, we did a descriptive study to gather information.

The goal of this study was to connect the dots concerning the concerns and gaps entrepreneurs face while raising funds, as well as to identify the barriers to scaling up and developing a strategy for overcoming such obstacles through an enabling environment for Pakistan's start-up ecosystem. This was accomplished through both primary and secondary research. Questionnaires were designed and developed (see appendix) to collect data from potential participants, and secondary research was conducted using Google Scholar, Research Gate, and other internet resources to justify the research objective. In addition, data obtained from potential participants was quantitively examined using SPSS 22, and qualitative data in the form of interviews was used to determine the likely aims of the research.

Different Questionnaires were set and then distributed among the different firms to gather the information and then the data was evaluated to gather the results. Both the qualitative and quantitative data is utilized to compile the results.

Results and Discussions:

A.

By performing the results from the data gathered from the first questionnaire (Appendix 1), following results were obtained by running through the frequency test, while answering the investment period following response was recorded;

Table 1: Investment period

How long have you been investing for?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 1 Year	1	9.1	9.1	9.1
	2 -5 years	5	45.5	45.5	54.5
	6-10 years	5	45.5	45.5	100.0
	Total	11	100.0	100.0	

Which indicates that, most of the firms are active in the period of two to ten years and along with that, in order to find the investment zone of the firms it was found that, most of the firms were interested to invest in the technology, manufacturing and E-learning business as they are very progressive and in-demand which is indicated in the following table, which indicates that, almost 72% of the firms were investing in the technological based firms. Also, the pie chart of the distribution is presented in Fig 6 below,

Table 2: Industry prioritization by firms

Which industries does your firm prioritize?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Technology	4	36.4	36.4	36.4
	E-Learning	4	36.4	36.4	72.7
	food & beverages	1	9.1	9.1	81.8
	Manufacturing	2	18.2	18.2	100.0
	Total	11	100.0	100.0	

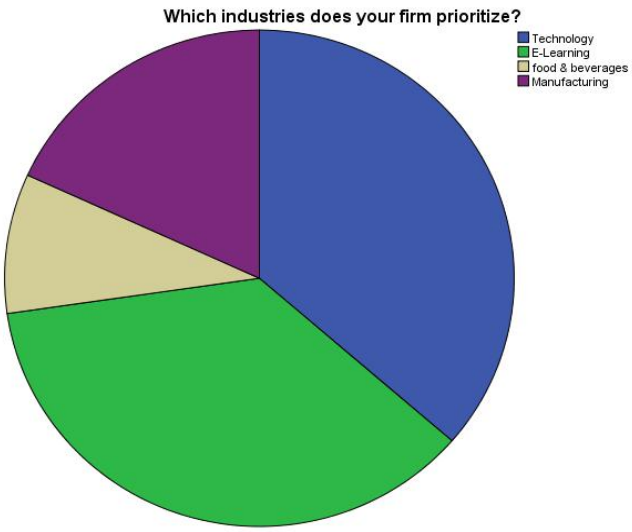

Figure 5: Industry prioritization

The descriptive results also showed that almost 82% of the firms invested below PKR 2,000,000 and 18% of the firms invested in between 2 to 3 million as described in the table below,

Table 3: Ticket size of the firms

What is your Ticket size?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< PKR 500,000	3	27.3	27.3	27.3
	PKR 500,000-PKR 1,000,000	3	27.3	27.3	54.5
	PKR 1,000,001- PKR 2,000,000	3	27.3	27.3	81.8
	PKR 2,000,001- PKR 3,000,000	2	18.2	18.2	100.0
	Total	11	100.0	100.0	

While giving the response about structuring of their funds it was concluded by the available responses that, in order to make investments in small businesses, venture capitalists typically aggregate money from a variety of sources, such as investment firms, corporations, and public pension funds. On the other hand, "the angel investor" can be listed as those authorized investor which will finance the start-up companies using their own funds as most of the angel investors are usually the one those own their large business.

In addition to that, while giving the response about fund governing criteria, angel investors tend to the response that, for the most part, investors begin their due diligence by reading the business plan of a potential investment and listening to an investor pitch. To satisfy the company's cash needs, a group of angel investors will create an angel fund. And on the other hand, venture capitalists gather the funds mostly from a variety of institutional and

private sources. Asset classes including stocks (equities), bonds, and real estate are all part of their investing portfolio as well.

Along with this in order to enhance the access of the funds in Pakistan, both the Angel and Venture capitalist agreed to the terms that by making strong policies for regulation of the funds by government and by reducing the interest rates on the funds the access of the funds in Pakistan can be enhanced.

So, it can be concluded that, most of the Angel investors and venture capitalists are into the investment in the technology-based business due to their rapid and enormous growth as most of them are investing into the tech-based firms and also in manufacturing industry as the country is in the dire need of strong manufacturing industry and the investors believe that the growth is only possible if the funding is utilized properly.

B.

In response to the second questionnaire (Appendix 2) for the law firms, we managed to gather 10 responses and when lawyers were asked about their interlinkage with startups the response can be concluded as that according to lawyers legal assistance for startups in their business formation and in meeting statutory legal compliances, a solid foundation and trouble-free operations are laid, allowing entrepreneurs/founders/promoters to concentrate on the more important needs like hiring, monetary support, and other processes that enable growth. And for the second response about the regulatory gaps in startups in Pakistan, the concluded response was lack of finance, lack of vision, and less innovative ideas are the main reasons for the failure of many Pakistani companies.

In the response about regulatory challenges do enterprises face in raising capital, the response is depicted in table 4 and figure 6 in which, 80% of the responders agreed with the expensive licensing, weak IPO laws and taxations rate as the main challenges faced by the firms.

Table 4: Regulatory challenges faced by firms

what regulatory challanges do enterprises face in raising capital or in general

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	expensive licensing	2	20.0	20.0	20.0
	weak IPO laws	3	30.0	30.0	50.0
	Taxations	3	30.0	30.0	80.0
	payments and flow of money	1	10.0	10.0	90.0
	Inadequate public sector funding for R&D	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

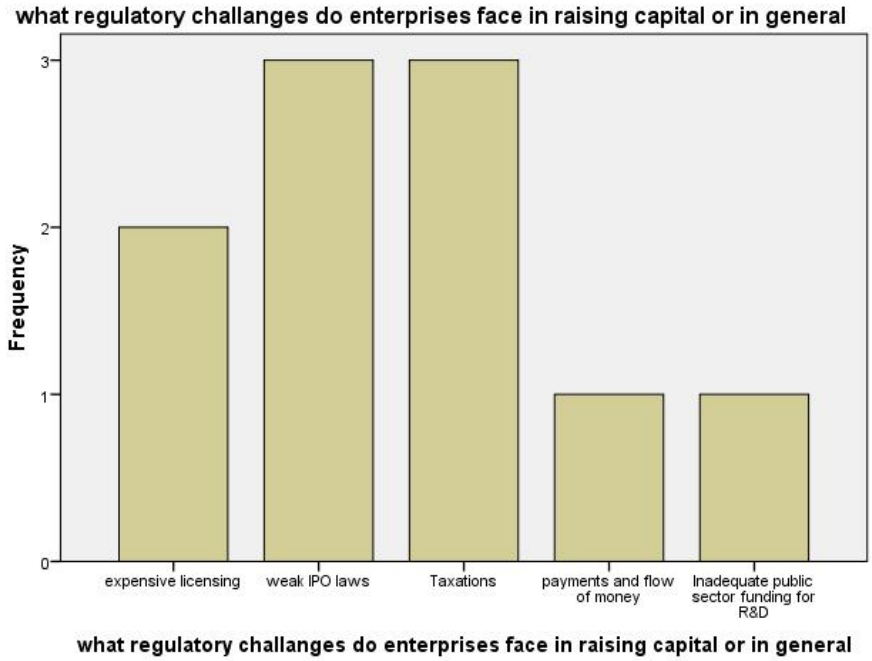

Figure 6: Regulatory challenges faced by firms

In addition to that, in response for the best policy intervention, most of the respondents were in favor of tax incentives for angel investors and along with that, respondents also gave their response in favor of tax breaks and bankruptcy laws which can be seen in table 5 and figure 7 listed below,

Table 5: Best policy intervention to improve startup ecosystem

best policy intervention that would improve the startup ecosystem

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	tax breaks	2	20.0	20.0	20.0
	bankruptcy laws	2	20.0	20.0	40.0
	crowd funding	1	10.0	10.0	50.0
	tax incentives for angels and corporate investors	3	30.0	30.0	80.0
	financial regulations for recieving international payments	2	20.0	20.0	100.0
	Total	10	100.0	100.0	

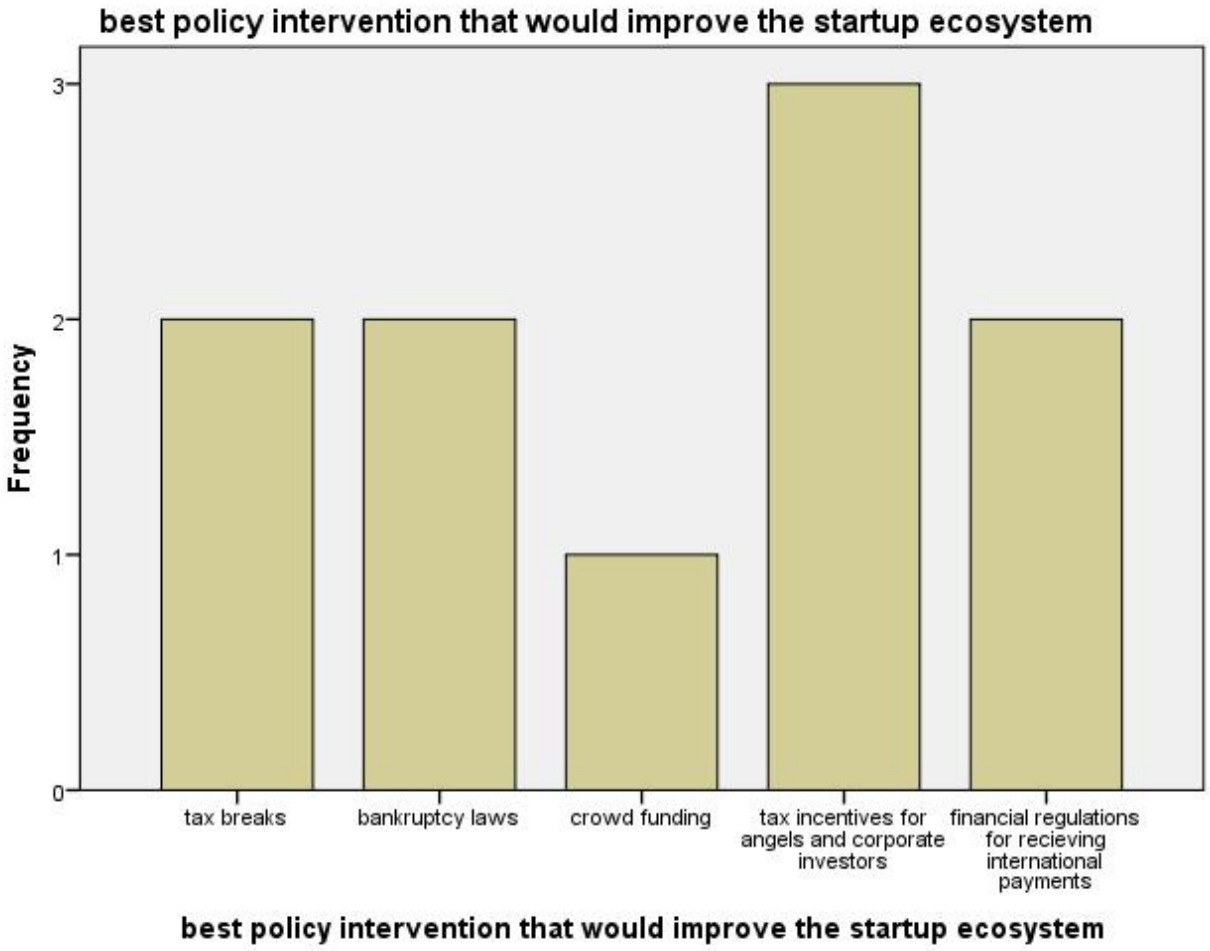

Figure 7: Best policy intervention to improve startup ecosystem

C. While interviewing the bankers to get the hold on idea of how banks are financing the startups following response were recorded

a. **Meezan Bank** offers the Kamyab Jawan funding programme for young entrepreneurs in line with Pakistan's goal. The "Prime Minister's Kamyab Jawan – Youth Entrepreneurial Scheme (PMKJ – YES)" has been developed by the Pakistani government to meet the financial requirements of young entrepreneurs and small businesses. This programme will make it possible for young people to start or expand their own small companies.

b. The partnership between **Allied Bank** and PMKJ-YES is a great opportunity for small and medium-sized firms and people who wish to expand their operations in the future. There is a special emphasis on (but it is not limited to) jobless young people who want to start new firms or expand their current ones. Subsidized loans will be

made available to educated and jobless young adults to help them start their own businesses or expand already existing ones.

c. Along with this, other banks are also very offering business loans for small or medium sized already existing business and fresh startups.
d. While talking about the startups, According to Chief Executive Officer Talal Gondal, the Islamabad-based fintech business will debut with a restricted number of users and will begin commercial operations in two to three months after receiving central bank license. According to him, the business hopes to have millions of subscribers for its digital wallets within the first few years of operating under its electronic money institution license(M. Khan, 2021). TAG is gathering financing with other digital payment businesses as digital banks take hold in emerging areas where millions of people lack access to financial services. Razorpay, an Indian firm that handles digital payments, announced a $160 million funding round in April, while Egyptian digital banking app Telda raised $5 million last month.

CHAPTER 5: CONCLUSION/RECOMMENDATIONS:

The current study attempts to provide an overview of Pakistan's startup environment. The study is exploratory in nature and employs a descriptive approach to ascertain patterns in the growth of Pakistan's entrepreneurial environment through time. Data from various angel investors, venture capitalists, banks, and legal firms was analyzed to determine the trend of businesses and the reasons for their failure. The findings indicate a generally favorable trend in the establishment of Pakistan's entrepreneurial ecosystem. The backing of government and private investors through company loans has enhanced the startup environment. The study adds to the body of previous research on ecosystems by examining the role of government and private firms as support elements.

The research indicates that the majority of angel investors and venture capitalists invest in technology-based businesses due to their rapid and enormous growth. They also invest in manufacturing firms because the country is in desperate need of a strong manufacturing industry. The research also concludes that expensive licensing, weak IPO laws, and taxation rates are the primary challenges faced by businesses.

In recommendation, further research is needed to determine the impact of higher education institutions on the creation of tech-entrepreneurial businesses in particular and the entrepreneurial ecosystem in general. The study demonstrates unequivocally that the introduction of business incubation centers (BICs) improved entrepreneurial activity in the cities studied. It is apparent that if the government facilitates BICs by financial assistance and encouragement, the government's involvement in boosting economic activity would be critical. Technology-based businesses may also grow in number, with the majority of the growth coming from government-supported business incubators, whether university-based or not. As such, this may be a proposal to investigate the role of higher education institutions and the government in the establishment and growth of entrepreneurial ecosystems. Also, this suggested research may provide light on the entrepreneurial environment and serve as a guide for the government and higher education commission. It will aid them in determining trends and hence encourage more entrepreneurial activities at the university level. Additionally, the research's conclusion may result in the fact that the government should assist universities in creating and

strengthening their incubators by enacting more favorable legislation and providing financial assistance for such efforts. Higher educational institutions will be a progressive component of an ecosystem's support area.

Appendix A.

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Appendix B.

Survey Form – Investors

1. How do you think access to finance can be improved for startups in Pakistan? Provide any recommendations/suggestions you may have.

2. When did your firm make its first investment? (M/Y)

3. What's your criteria of governing the funds?

4. How do you structure the funds you provide?

5. Your Name, Designation and the Firm you represent.

6. How long have you been investing for?

Survey Form – Founders

Access to Finance for Startups: An Insight into Pakistan's Startup Ecosystem

This study intends to dive into the funding-challenges Pakistani startups face in their seed stage of incubation, from early-stage funding obstacles to late-stage funding issues, focusing primarily on issues originating from raising capital at these stages.

1) Name of investee firm

SME or Startup

☐

2) Which industry does the investee firm operate in?

☐ Retail ☐ Manufacturing ☐ Food and Beverages ☐ Media
☐ Online technology ☐ Mobile technology ☐ Climate technology ☐ Technology (other) _____ ☐ Financial services ☐ Healthcare & life science
☐ Energy ☐ Agribusiness ☐ Hospitality & tourism
☐ Telecommunications ☐ Infrastructure ☐ Other, please specify _____

3) What is your view on the severity of the financing gap in Pakistan?

☐ Low ☐ Medium ☐ High

4) What is your view on the level of access to finance by entrepreneurs for each of the below stages of finance?

	Low	Medium	High
Pre-seed finance	☐	☐	☐
Seed finance	☐	☐	☐
Start-up finance	☐	☐	☐
Early stage venture capital	☐	☐	☐
Late stage venture capital	☐	☐	☐
SME private equity	☐	☐	☐

5) Out of the list below, which stage of finance has the highest level of access to finance?

Pre-seed finance Seed finance Start-up finance
Early stage venture capital Late stage venture capital

6) Out of the list below, which stage of finance has the lowest level of access to finance?

Pre-seed finance Seed finance Start-up finance
Early stage venture capital Late stage venture capital SME private equity

7) Have you sought finance in the past?

Yes No

7.1) Were you successful in securing finance?

Yes No

7.1.1) Please specify the finance source from your last round of funding:

Family & friends Angel investors Venture Capital Fund
SME Private Equity Fund Bank Other financial institution Other, please specify _____

7.1.2) What financing mechanism was used to inject the capital in your last round of funding?

Equity Debt Convertible debt/loan Other, please specify

7.1.3) How much finance/capital did the investee firm raise in your last round of funding?

Lack of access to funding for investee firms is Financing gap.

< Rs. 100,000 Rs. 100,001 - Rs. 500,000 Rs. 500,000 - Rs. 1,000,000 Rs. 1,000,001 - Rs. 1,500,000 Rs. 1,500,001 - Rs. 2,000,000 Rs. 2,000,001 - Rs.2,500,000 > Rs. 2,500,000

7.2) On a scale of 0 to 10, please rate your experience in relation to the overall finance process (i.e. application, presentation and closing):

(0 = Not satisfactory, 10 = Very Satisfactory)

0 1 2 3 4 5 6 7 8 9 10

7.3) On a scale of 0 to 10, please rate how prepared you were when seeking finance/capital:

(0 = Not prepared, 10 = Well prepared)

0 1 2 3 4 5 6 7 8 9 10

8) How familiar are you with the venture capital industry and associated venture funding sources?

(0 = Not familiar, 10 = Very familiar)

0 1 2 3 4 5 6 7 8 9 10

9) Formal funding sources

Equity funding Debt. Funding

10) What are some of the factors that impact the investment readiness of an investee firm?

Entrepreneurs lack credibility Flawed business concept
Assumptions provided are unrealistic Insufficient information provided
Limited growth prospect for investee firm Pitch not properly delivered
Valuation gap (pricing) Lack of awareness with finance terms and conditions Lack of familiarity of financing sources (e.g. VC fund) Lack of legal knowledge/familiarity (e.g. legal documentations) Other, please specify... _____

11) Out of the measures below, which ones can improve access to finance for SMEs (including start-ups)?

Tax incentives for finance providers
Innovative finance solutions (for instance to address equity dilution)
Debt and/or equity guarantee mechanism Use of financial intermediaries
A separate legal SME framework A venture capital regime
Improvement in credit scoring
Improvement in relevant legal areas (e.g. contractual and insolvency laws)

12) Any additional recommendations you have for improving access to finance for SMEs (including start-ups):

Survey Form – Lawyers

1. How does your work relate to the startup ecosystem of Pakistan?

2. What are the most common regulatory gaps in the entrepreneurial ecosystem in Pakistan?

3. What insights do you have regarding the Laws and processes for foreign investments in startups

4. Are the current investment policies and financial procedures friendly towards the investors?

5. What regulatory challenges do enterprises face – either in raising capital or generally? (Select top 3)

- Expensive licensing
- Weak IPO laws
- Taxations
- Payments & flow of money
- Inadequate public sector funding for research and development
- Other _____

6. Are there any policy interventions that would improve the entrepreneurial ecosystem (what are the top 3)?

- One-window solution for startup regulatory issues
- Tax breaks
- Bankruptcy laws
- Crowdfunding
- Tax incentives for Angel and Corporate Investors
- Financial regulations for making/receiving international payments
- Other _____

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ORIGINALITY REPORT

9%	7%	2%	2%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

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