[Dr Khaqan Hassan Najeeb](https://www.thenews.com.pk/writer/dr-khaqan-hassan-najeeb)

July 13, 2021

**Help the entrepreneur**

Pakistan’s asset – its youth bulge – can translate into economic gains through development of skills and an environment consistent with the requirements of a modern economy.

The UNDP’s National Human Development Report (NHDR) 2020, highlights that currently Pakistan’s 27 million youth are looking for gainful employment with a possible option of getting groomed as entrepreneurs of tomorrow. The cohort of the unemployed youth is predominantly women and only one-third men.

To fill the aspirations of those entering the labour market, NHDR 2017 had projected the need for creation of 1.3 million jobs a year, with a labour force participation rate of 66.6 percent. The economy’s inability to create new employment opportunities can lead to 43 million people being unemployed by 2050. An undesirable outcome.

The private sector has to be at the forefront of a job-creating effort, with governments acting as cheerleaders and creating an ambiance to facilitate the private sector. Small and medium enterprises (SMEs) are at the heart of economic activity in Pakistan – out of 5.2 million economic establishments, 99 percent are SMEs. They contribute to Pakistan’s national development in multiple ways: creating jobs, reducing regional disparities and contributing to national output.

Research indicates that the cost of creating a job in the SME sector is Rs100,000 – far below the Rs1 million needed in the large sectors. A favourable business environment, coupled with entrepreneurship supporting measures, can help SMEs become the engine of job creation in the economy. An indigenous effort indeed.

However, we need to go much beyond thinking about job creation. Entrepreneurship in Pakistan is way lower in the ladder of the mindset of the youth. It is primarily ‘necessity driven’, rather than a choice. This mindset needs a sea change with favourable policies leading to entrepreneurial opportunities. A renewed focus on encouraging women’s labour force participation can be a game changer in enhancing Pakistan’s development goals.

Entrepreneurship is considered a bedrock of economic prosperity. In Pakistan, the average entry rate of start-ups is abysmally low. Only about five out of 300 startups launched annually survive in the medium term. A success rate of less than two percent should be unacceptable. The Global Entrepreneurship Monitor (2019) ranks Pakistan at 108 out of 136 countries. A UNDP report states that 23 percent or approximately 12 million of Pakistan’s youth want to start their own business, but notes that they “are clueless on the procedures and requirements.” We must change this paradigm at all costs.

It is quite clear that Pakistan is at a nascent stage in its entrepreneurship journey. Another measure of gauging entrepreneurship is its venture capital market and uptake. Within this region, the UAE has $20 in venture capital investing per capita. Pakistan stands at merely $0.10, even below Bangladesh’s venture capital per capita. On the positive side though, the global payment platform Payoneer, in its report, ‘Freelancing in 2020: An Abundance of Opportunities’, ranks Pakistan as the eighth fastest-growing freelancing economy in the world with a year-on-year growth of 69 percent. Strengthening the entrepreneurship ecosystem will be beneficial through its backward and forward linkages and will contribute to exports of the country.

In order to support self-employment in the economy through SMEs, new ideas must see the light of day. One-window facility for business start-ups to guide and provide hand-holding support to potential entrepreneurs including incubation facilities; legal support (registration, licensing, permits); organizational development and training support, and marketing and market access are all critical areas. Enhanced access to financial resources and services – especially availability of start-up capital, equity finance and venture capital – can all be revolutionary in the context of catalysing entrepreneurship in the country.

Customized support initiatives for potential and existing entrepreneurs, especially focusing on women, can be developed and launched through the existing public-sector business support infrastructure, including Small and Medium Enterprises Authority, Ignite a National Technology Fund of the government, and provincial youth and women development departments. Research highlights that only 2.4 percent of ventures in Pakistan are owned by women, whereas in India this number is 20 percent, in Malaysia 20.6 percent and in Bangladesh 31.6 percent. One can only imagine the potential that women participation can and must unleash in the country.

The existing SMEs can be transformed and scaled up by launching massive business improvement programmes including financial support in the shape of matching grants for obtaining certifications and standardization and technology up-gradation, and engagement of graduates with existing business through cost sharing for employment and common machinery pool. Mobilizing university graduates for entrepreneurial careers, enhancing their skills and providing support for their business start-ups are serious reformist ideas. Business incubation centres at universities need a serious scaling up through the HEC programme spread across all universities.

Scarcity of skilled labour is a lingering constraint to the development of entrepreneurship. With the emergence of new technologies, the graduates of Skill Development Institutes (SDIs) tend to lack practical skills required by the industrial revolution 4.0. Reviewing the vocational training in the country to include digital and entrepreneurial skills can add great value. Federal and provincial governments can bridge the gap between industry requirements and skills availability through need identification and competency-based curriculum development. Furthermore, on-the-job training through incentives to the private sector can play an important role towards skills training. Rethinking sectoral focused entrepreneurship in non-traditional areas including horticulture, light engineering, medical equipment, tourism and agro-based industry can be a catalyst in creating new employment.

At the end of the day, it is all about the competence of our people. It is about their means of earning a decent livelihood and the ability to make a choice for designing a roadmap for their future. Creating entrepreneurs and innovators of tomorrow is a serious attempt at improving the country’s low investment-to-GDP ratio. We must believe in and motivate smart girls and boys to be Pakistan’s business ambassadors and joint venture partners to attract the much-needed foreign investment.

The writer is former advisor, Ministry of Finance, Government of Pakistan.

Email: khaqanhnajeeb@gmail.com

Twitter: @KhaqanNajeeb