

The Prospects of Entrepreneurial Education in Pakistan: An Economic Perspective

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Abstract

Entrepreneurship has most commonly been thought of as in terms of economics and business ventures, but today, it is seen from several other perspectives. It encompasses economic, social, cultural and technological aspects of a region. In the more recent years, entrepreneurship has sought a wide acceptance as a discipline and as a domain of research. With the increased significance of entrepreneurship, a parallel increase has also been witnessed in the significance of entrepreneurial education. In Pakistan, the entrepreneurial education is still an alien discipline and it is no more than a decade back that the Higher Education Commission (HEC) of Pakistan realized its importance with the changing global trends and considered its incorporation in the higher education. However, still it is just limited to a single or two subjects in the undergraduate and postgraduate Business Administration degree programs. The main objective of this paper is to evaluate the potential role the entrepreneurial education can play in the economic growth of Pakistan. The prospects of entrepreneurship education are found to be higher in terms of economic growth. As a policy implication, the paper suggests the incorporation of entrepreneurial education into the higher education as a single standing specialization, for, it has a strong potential for the economic revitalization of Pakistan.

Keywords: *Entrepreneurship, entrepreneurship education, Pakistan.*

1. Introduction

Pakistan presents a huge potential of youth in the region which can be utilized for development through the provision of real time knowledge and developing in them a perspective of entrepreneurship—creativity, innovation, initiative, uncertainty handling. However, the contents of entrepreneurial education are still alien to the current faculty and curricula of education system and are limited to one or two subjects in Business Administration degree programs.

For the effective exploitation of human resource to seeking development, the focus of Management Education needs to be shifted to the creation and development of entrepreneurs from the mere creation of employees. For all this, we suggest entrepreneurial education to be incorporated as a single standing specialization in Management Education. This development will, in turn, give rise to 'firm-creators' who will provide consistency and sustainability to the economic growth and bring Pakistan into the mainstream of developing countries. We are optimistic that given the huge youth potential, entrepreneurship education can yield positive social and economic outcomes.

2. Entrepreneurship

Entrepreneurship has been emerging as a dynamic discipline and as a domain of research for the past few decades. The twentieth century remained the era of great advancement for Entrepreneurship (Gartner & Shane, 1995). It is most commonly thought of in terms of business ventures but it can be related to all dimensions of life including society, culture and trends in technological advancements (Kuratko, 2005). Kuratko (2005) simply describes it as "a dynamic process of vision, change, and creation".

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Having the passion for creation and implementation of creative ideas and creative solutions are the characteristics that entrepreneurship demands (Kuratko & Hodgetts, 2004). It also requires personal skills that include the willingness to face uncertainty, ambiguity, and risks in terms of time, money and career; the interpersonal skill of building effective teams in a business venture; creative skills of formulating solid business plans and organizing all the needed resources and also the unique vision for recognizing the opportunity where others see chaos, contradiction, and confusion (Kuratko & Hodgetts, 2004). Entrepreneurship has been seen from three broad perspectives (Ward, 2004):

- Economic perspective: considers the role of the entrepreneur in the economic development of a nation, region or locality.
- Sociological perspective: considers entrepreneurs as members of a social system and who are influenced by and, through their entrepreneurial activities influence the social environment and the personality traits that the sociological system stimulates.
- Idiosyncratic perspective: focuses on the entrepreneur as an individual with a unique combination of personal characteristics and beliefs.

The more recently developed 'Emancipatory perspective of Entrepreneurship' has the potential to disrupt status quo in an environment and spur out new ideas, new institutions, new markets and new sets of possibilities (Rindova, Barry & Ketchen, 2009). Additionally, the Entrepreneurial firms play a crucial role in the innovations that lead to technological change and productivity growth and enable millions of people to play their role in the economic success (Kuratko, 2005).

3. Entrepreneurial Education

Despite some intellectual debate upon the legitimacy of entrepreneurship as a discipline, there is a wide acceptance from the scholarly circles that entrepreneurship can be learned and they accept it as a discipline and as a research domain. Peter. F. Drucker, a renowned Professor of Entrepreneurship, has been cited several times who says, *"Most of what you hear about entrepreneurship is all wrong. It's not magic; it's not mysterious; and it has nothing to do with genes. It's a discipline and, like any discipline, it can be learned"* (Drucker, 1985). Kuratko (2005) also resort to this argument by stating that, *"An 'entrepreneurial perspective' can be developed in individuals. This perspective can be exhibited inside or outside an organization, in profit or not-for-profit enterprises, and in business or non-business activities for the purpose of bringing forth creative ideas"*.

There is also agreement that the entrepreneurial education can minimize the risk of failure in new business ventures (Drucker, 1985; Gartner, 1989; Pribadi, 2005). Linan (2004) provided an intention model (Figure 1) of entrepreneurial education by integrating an additional element of 'entrepreneurial knowledge' into the theory of entrepreneurial event by Shapero and Sokol (1982) and the Intention Behavior Model of Ajzen (1991). He argued that greater knowledge will contribute more realistic perceptions of an entrepreneurial activity and will make the intention to become an entrepreneur more realistic. He also argued that entrepreneurial education is different from conventional management training which is mainly concerned with developing technical skills. He also found that educators should concentrate on strengthening participants' intention of developing those entrepreneurial behaviors (Linan, 2004). Moreover, pure business skills are no longer considered as sufficient and human resource must be distinguished by developing entrepreneurial skills in them that would enable them to explore and exploit opportunities, take risks, think strategically, and work flexibly (Mittan & Putnam, 2009). There is a shift required for effective management education—business schools will have to focus on the day-to-day realities of the business world, develop communication and leadership skills and emphasize continuous attention to the links between theory and practice (Claire & Richard, 1999).

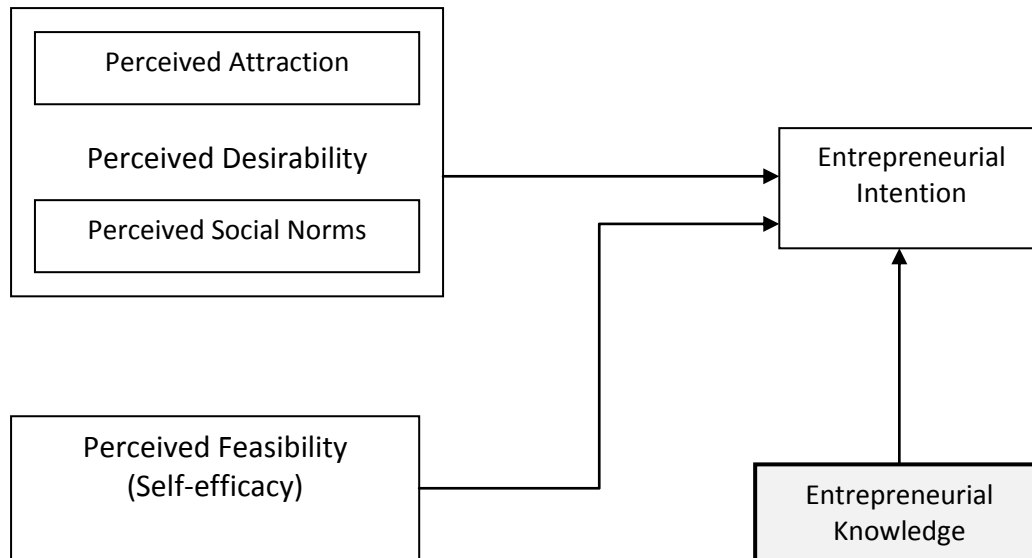


Figure 1: The Entrepreneurial Intention Model (Linan, 2004; also cited in Pribadi, 2005)

3.1 Historical Perspective of Entrepreneurship Education

Since the mid 1970s, Entrepreneurship Education has been a theme of research within the disciplines of Economics and Social Sciences (Khan, 2008). However, in business schools, the emergence of entrepreneurial education traces back to early 1970s when the University of Southern California launched its first Master of Business Administration (MBA) degree in entrepreneurship in 1971 and the first undergraduate degree program in 1972. By the early 1980s, over 300 universities were offering courses in entrepreneurship and small business and by the 1990s that number grew to 1,050 (Solomon, Weaver, & Fernald, 1994). Therefore, it can be argued that the real emergence of entrepreneurial education took place after the mid-twentieth century.

Robinson and Hayes (1991) believed that entrepreneurial education had come a long way in the past 20 years, yet there remained several weak points in the field that their research identified. Of primary concern is the lack of depth and intellectual capacity of most of the programs that were then started.

Entrepreneurial education has got substantial significance in the twentieth century. There is enormous research work dedicated to the area. The younger generation of the 21st century is emerging as the most entrepreneurial generation. Alongside this upward trend, a similar increase has been witnessed in the field of entrepreneurial education. The recent few years sought a remarkable development in the entrepreneurship education programs and curricula (Kuratko, 2005).

4. Entrepreneurial Education in Pakistan

The education of entrepreneurship, marketing, and communication remained the areas of severe neglect in Pakistan (The Boston Group Report). The intrusive role of the government in the marketplace also hinders innovation and risk taking (Haque, 2007).

Still the contents of entrepreneurship are alien to our curricula and faculty. There is almost absence of any entrepreneurial education faculty. The total number of universities and Degree Awarding Institutes (DAIs) in Pakistan is 128; of which 70 are public sector and 58 are private sector universities (HEC). However, only few of them including the Institute of Business Administration (IBA), Lahore University of Management Sciences (LUMS) and newly established Islamia College University offer courses on Entrepreneurship in their Undergraduate and Postgraduate degree programs. LUMS was able to establish the first center of entrepreneurship in 1990, known as Entrepreneurship and Small and Medium Enterprise Center (ESMEC) in collaboration with Konrad-Adenauer Foundation, Germany. IBA is also working on the establishment of Centre of Entrepreneurship.

In this disappointing situation, it is welcoming that the Higher Education Commission (HEC) of Pakistan has realized the significance of entrepreneurial education with the changing global economic trends and has started taking initiatives in this regard. HEC launched a major program to promote innovation and entrepreneurship which involved modification of curricula, introduction of courses in innovation and entrepreneurship within university systems, establishment of technology parks and technology incubators and providing access to venture capital and soft loans to new start-up companies (Rehman, 2006). However, a clear agreement on the concept of entrepreneurship education is needed for its pursuance and the issue of curricula and faculty development needs to be addressed with more concern (Khan, 2008).

5. Research Framework

There exists agreement that education can play a vital role in the Economic growth (Krueger & Lindahl, 2001; Dejardin & Carree, 2005). However, no specific investigation into the economic perspective of entrepreneurial education is available. This paper attempts to link entrepreneurial education to the economic growth and hence evaluates its prospects in Pakistan (Figure 2).

Two indicators of economic growth; increase in Gross Domestic Product (GDP) and decrease in unemployment rate, are taken for the analysis. GDP is a very common measure of the economic well-being of a nation. It can be defined as the market value of all final goods and services legally produced within the geographic constraints of a country regardless of whether the producer is domestic or foreign. Decrease in unemployment rate per annum is also taken as an indicator of the economic growth. The unemployment rate may be defined as the percentage of total labor force for which no work is available.

Mathematically,

$$\text{Unemployment Rate} = \frac{\text{number of unemployed labor force}}{\text{total labor force}} \times 100$$

On the other hand, because of absence of any enrollment in entrepreneurial education, enrollment in Business administration is taken as a proxy. This proxy is taken on the basis of relevance because education of Business Administration has the potential to better incorporate entrepreneurial education at both undergraduate and postgraduate levels. Another reason for taking the proxy of enrollment in Business Administration is that it is the only discipline in which some courses of entrepreneurship are being taught in Pakistan, although in fewer institutions.

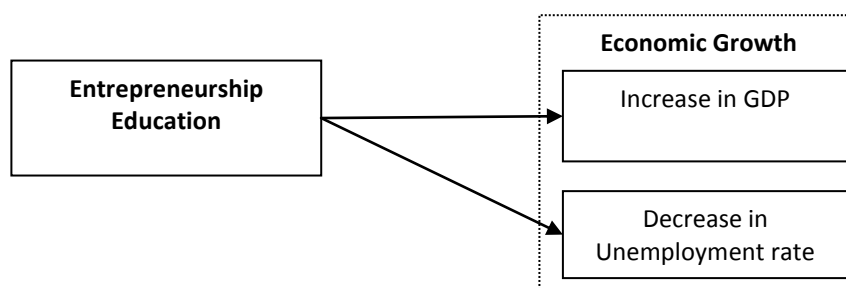


Figure 2: The Research Framework

It is argued that the pursuance of entrepreneurial education has the potential to increase the gross Domestic Product of the economy and decrease the per annum unemployment rate in Pakistan.

6. Methodology

A simple Linear Regression Model is employed for the analysis using Ordinary Least Square (OLS) estimation technique. Entrepreneurial education is the independent variable for which a proxy of enrollment in Business Administration in the higher education is taken. Economic growth is the dependant variable for which two indicators are employed in the model i.e. increase in GDP and

decrease in the rate of unemployment rate per annum. For these three variables, data from several secondary sources are taken for the last seven years i.e. from 2001 to 2008 (Table 1).

Table 1: Economic Indicators for the Years 2001 through 2008

YEAR	UNEMPLOYMENT RATE (PERCENT)	GDP (in Dollars)
2001-2002	8.3	3745118
2002-2003	7.82	3922104
2003-2004	7.7	4215608
2004-2005	7.6	4593230
2005-2006	6.2	4860476
2006-2007	5.32	5191709
2007-2008	5.2	5404486

Source: Economic Survey of Pakistan, Federal Bureau of Statistics (FBS)

The figures for enrollment in Business Administration are not actual and derived on the basis of past trend. The Higher Education Commission (HEC) of Pakistan is accessed several times but the figures are yet to be compiled. For the purpose of analysis, a very conservative calculation of the figures is taken (Table 2).

Table 2: Total Enrollment and Estimated Enrollment in Business Administration

YEAR	TOTAL ENROLLMENT	ENROLLMENT IN BUSINESS ADMINISTRATION*
2001-2002	276274	33445
2002-2003	331745	40160
2003-2004	423236	51235
2004-2005	471964	57134
2005-2006	521473	63127
2006-2007	640061	77483
2007-2008	741092	89713

Source: Higher Education Commission (HEC)

* Figures based on past trends

The impact of entrepreneurial education (Business Administration) on the per annum GDP and unemployment rate is analyzed. It is hypothesized that there is a positive relationship between entrepreneurial education and GDP i.e. if entrepreneurial education is increased, the GDP will also increase and hence show economic growth. In other words, we argue that the increase in GDP is a function of Entrepreneurial Education, given as;

$$\text{Increase in GDP} = f(\text{Entrepreneurship Education})$$

Symbolically,

$$Y_1 = f(X)$$

The Linear regression Econometric Model is given as;

$$Y_1 = \alpha_1 + \beta_1 X$$

Where

Y_1 = GDP (dependant variable)

α_1 = The Intercept component

β_1 = Coefficient of the independent variable

X = The Entrepreneurship Education

Similarly, it is hypothesized that the reduction in the rate of unemployment is a function of Entrepreneurship Education, given as;

Decrease in Unemployment Rate = f (Entrepreneurship Education)

Symbolically;

$$Y_2 = f(X)$$

The Linear Regression Econometric Model is given as;

$$Y_2 = \alpha_2 + \beta_2 X$$

Where;

Y_2 = The rate of unemployment (dependant variable)

α_2 = The Intercept component

β_2 = Coefficient of the independent variable

X = The Entrepreneurship Education

7. Findings

The linear regression analysis of the models described above proved to substantiate both the hypotheses. The first model was given as;

Increase in GDP = f(Entrepreneurship Education)

$$Y_1 = \alpha_1 + \beta_1 X$$

$$= 2718000 + 31.305 (X)$$

t-values	(18.556)	(13.189)
P-values	(0.000)	(0.000)
R-Square	(0.972)	

The calculated value of the coefficient of Entrepreneurship Education ($\beta_1(1) = 31.305$) concludes that if there is unit increase in enrollment, the GDP will increase by 31.305 units. the calculated values of t-statistic shows that the parameters are statistically significant and hence the hypothesis is substantiated that the increase in enrollment causes increase in GDP. The P-values (0.000) conclude that there is zero probability of committing Type-I error (i.e. rejecting a null hypothesis when it is true).

The value of R-Square (0.972) revealed that 97 % variation in GDP is being explained by the variation in Entrepreneurship Education.

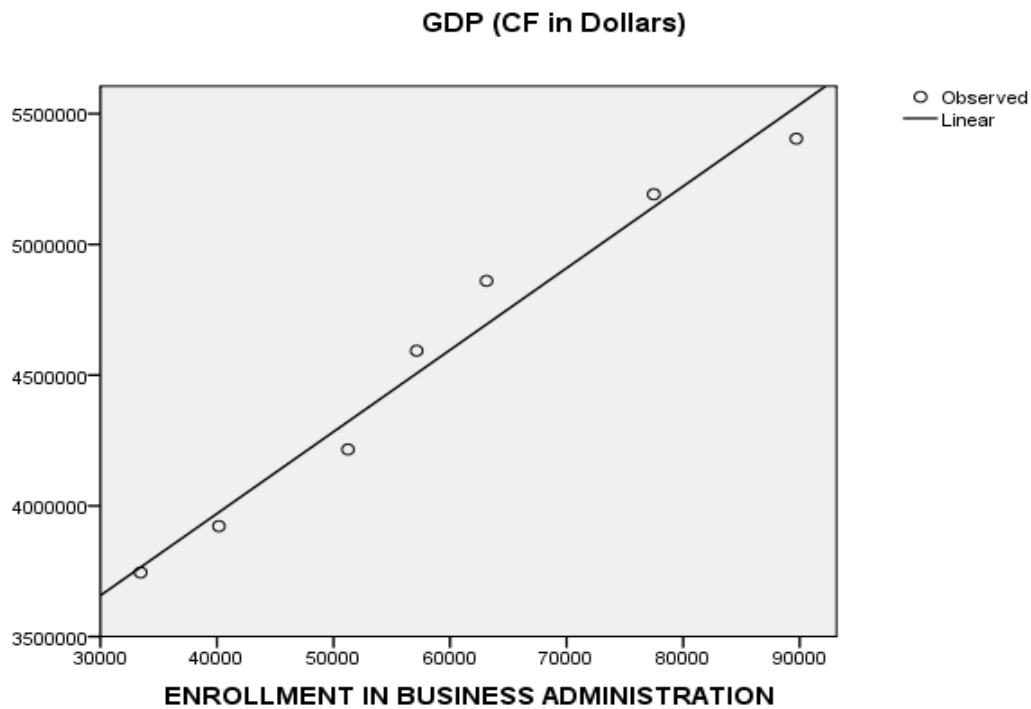


Figure 3: Curve Estimation of GDP and Entrepreneurship Education

Similarly, the findings also substantiate the second hypothesis which was given as;

Decrease in Unemployment Rate = f (Entrepreneurship Education)

$$Y_2 = \alpha_2 + \beta_2 X$$

$$= 10.474 - 6.106 \times 10^{-5} X$$

t-values	(18.893)	(-6.797)
P-values	(0.000)	(0.001)
R-Square	(0.902)	

The coefficient of independent variable ($\beta_2 = [6.106 \times 10]^{-5}$) suggests that with the unit increase in enrollment, unemployment will be reduced by 0.006 %. The calculated values of t-statistic confirm the significance of the parameters. The values of P-statistic for both the parameters also approve the significance of the model. The value of R-Square (0.902) indicates that 90 % variation in the rate of unemployment is being explained by the variation in Entrepreneurship Education.

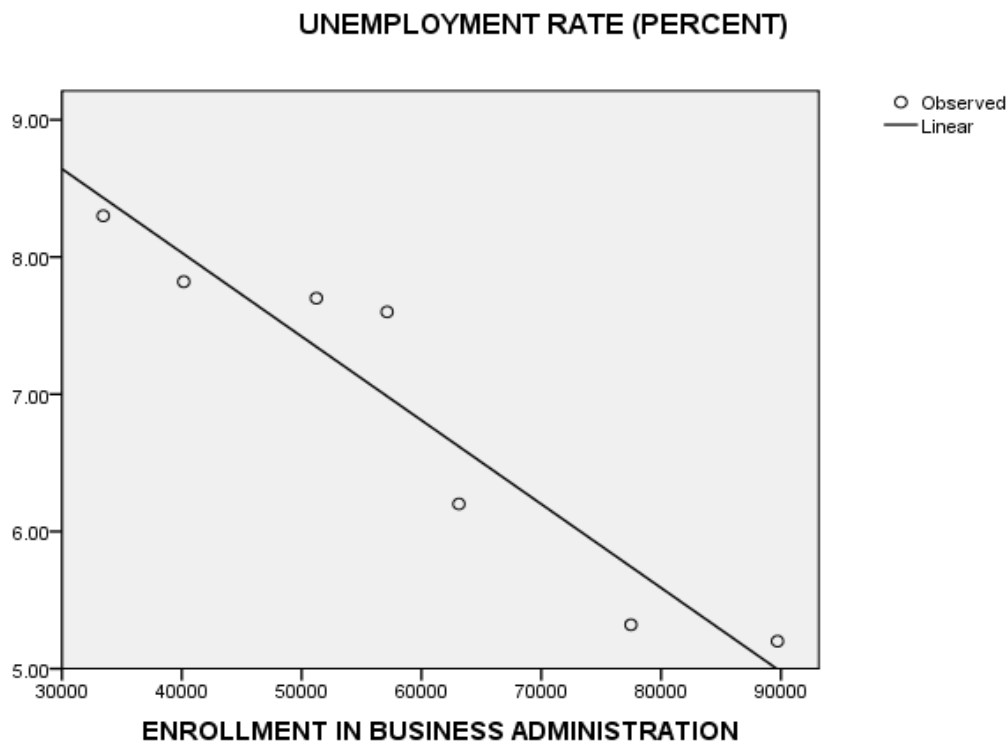


Figure 4: Curve Estimation of the Unemployment rate and Entrepreneurship Education

8. Conclusion and Policy Implications

The paper attempted to explore the potential role that Entrepreneurship Education can play in the economic success of Pakistan. Strong potential association of such education is found to be with the growth indicators. The prospects of entrepreneurship education are higher and its pursuance has the potential to serve in the economic revitalization of the country. However, such education is almost nonexistent in Pakistan. Yet, no specialization programs are offered in Entrepreneurship and a very limited number of universities offer some courses in their undergraduate and postgraduate degree programs of Business Administration.

We consider this disappointing situation a high time for the Higher Education Commission (HEC) to show a serious concern towards the pursuance of Entrepreneurship Education. The issue of faculty and curricula development needs to be addressed with more consideration and with the mutual coordination of public and private sectors so as to avoid disparities and ensure consistency. The underdeveloped human resource is one of the major bottlenecks in the economic and social development. Therefore, we suggest a strategy of making investment in this bottleneck and thus transform weakness into opportunity and hence strength.

9. Limitation and Future Research

The unavailability of actual figures of the Enrollment in Business Administration poses a limitation to the quantitative analysis of the paper. The intervening effects of uncertainty in the political environment and lack of consistency in the supporting policies may weaken the strength of suggested model. Future research should also focus on the relevant issues of Entrepreneurial faculty and curricula development, Distance Learning Entrepreneurship Education, national and international academic collaboration and effective technology transfer.

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