



ISLAMIC ENTREPRENEURSHIP: A SYSTEMATIC REVIEW OF FUTURE CHALLENGES AND PROSPECTS OF PAKISTANI SMEs

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ABSTRACT

The main objective of this study is to provide a framework of *Islāmic* entrepreneurship for Pakistani SMEs to address their issues within a knowledge-based economy perspective. The paper reviews contemporary literature and the Holy *Qur'ān* verses, the Prophet Muhammad's (*ṣal-Allāhu 'alayhi wa sallam*) *Hadīth* (sayings) and *Sunnah* (practice) on *Islāmic* entrepreneurship, for establishing a business model for entrepreneurs. On the basis of extensive literature reviews and evidence, the study proposed a business model of *Islāmic* entrepreneurship which is mainly based on two dimensions namely business perspective and spiritual perspective. The paper is conceptual in nature. There is a need for developing a measurement scale to measure the business model of *Islāmic* entrepreneurship. *Islāmic* entrepreneurship is considered as the most crucial topic in business solutions because of the very complex and dynamic business environment. In the present business environment, the role of religion and culture is very important for the success of SMEs. The proposed business model of *Islāmic* entrepreneurship will help Pakistani SMEs to understand the *halal* and *haram* concept in more depth. Moreover, they would be able to capitalize the *Islāmic* rules and principles in their business. The novelty of this study lies in expanding the existing research on the link between *Islāmic* entrepreneurship and the future challenges and prospects of Pakistani SMEs. The proposed business model of *Islāmic* entrepreneurship is unique and it will guide development of the scale to measure *Islāmic* entrepreneurship in organizations. This is arguably a first study contributing to *Islāmic* entrepreneurship literature in the Pakistani context.

JEL Classification: M10, M11

Key words: *Islāmic* entrepreneurship, Challenges, SMEs, Business performance, Pakistan

1. INTRODUCTION

Islāmic entrepreneurship is considered as one of the most important factors for the success and survival of small and medium enterprises (SMEs). SMEs play a significant role in economic development and growth at the national and international levels. Entrepreneurship is the main foundation of economic development and economic growth. Countries having good entrepreneurship culture enjoy exponential growth in all sectors such as employment, income, technological development, equal distribution of wealth, prosperity, economic and social stability. Because of the significant contribution of entrepreneurial activities in economies and society, *Islām* as a religion promotes the concept of entrepreneurship. *Islāmic* entrepreneurship is more holistic and dynamic as compared to the traditional entrepreneurship. *Islāmic* entrepreneurship addresses the economic and social activities equally as compared to the traditional entrepreneurship which focused only on monetary benefits.

Presently on the basis of population, Pakistan is the sixth largest country in the world. From the total population of Pakistan, the youth cohort comprises more than 60 percent. This is a valuable asset for the country as these youths could be converted into *Islāmic* entrepreneurship. Nowadays, the wealth of the countries is gauged by the number of entrepreneurs and not by their physical assets. Pakistan has immense economic potential. In 2030, Pakistan will be the 20th largest economy while in 2050 it will stand at the 16th largest rank in the world (Hussain, 2017). As in other countries, small and medium enterprises in Pakistan make significant contribution to national economic development and growth. For example, in Pakistan, the total number of SMEs is estimated at 3.2 million units. SMEs contribute 40 percent to the GDP, 30 percent of total exports and 80 percent in total employment. Zafar and Mustafa (2017) noted that SMEs are spread mainly in Punjab (65.4 percent), Khyber Pakhtunkhwa (18 percent), Sindh (14.3 percent) and Baluchistan (2.3 percent). Despite the contribution in various sectors, SMEs are still facing several challenges such as high competition, rapid change in demand, technological advancement, lack of financial support, lack in knowledge of information technology and lack of research and development.

Religion is a key factor shaping personality of individuals. Religion is the one factor that often determines the social action of individuals. Also, religion defines many of the everyday habits of believers. Therefore, religion affects the economic activity of individuals too. A key finding of this research is the direct connection of religion with entrepreneurial intentions. Simply, it means that the more religious an individual is, the more likelihood that individual may embrace entrepreneurship. Because once religion is embraced and its virtues are upheld, it overhauls the mindset of individuals. Therefore this result is a true reflection of what is practically obtainable in the society under study. *Islām* is the main religion of people of Pakistan and the main teachings of *Islām* such as faithfulness, perseverance, hard work, focus, foresight and so forth are the attributes of entrepreneurs. Similarities exist between the teachings of *Islām* and entrepreneurship. The former guides toward striving to survive through hard work, perseverance, foresight and independence (self-employment) in order to earn a living (create wealth) rather than lean on others (salary, jobs), the latter labels the aforementioned qualities as what make up an entrepreneur (Riaz et al., 2016).

The Ease of Doing Business Index ranks countries against each other based on how the regulatory environment is conducive to business operation and stronger protection of property rights. Pakistan is ranked 136 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. The rank of Pakistan improved to 136 in 2018 from 147 in 2017. Ease of Doing Business in Pakistan averaged 118 from 2008 until 2018, reaching an all-time high of 148 in 2015 and a record low of 85 in 2009. Pakistan has made some positive changes and its ranking on Ease of Doing Business has increased. This included introducing digital signature for company incorporation with a less costly personal identification number, improved transparency of the land registration process by making the fee schedule and list of documents to submit for property registration available online and increased minority investor protection by making it easier to sue directors in case of prejudicial transactions with interested parties.

2. ENTREPRENEURSHIP AND RELIGIONS

Islām is a complete code of life. *Islām* as a religion has defined the set pattern to do business. *Islāmic* entrepreneurship is based on *Islāmic* principles and values. *Islām* provides moral and ethical guidelines in all aspects of life, more specifically for business execution (Uddin,

2003). The main source of *Islāmic* entrepreneurship is the Holy *Qur'ān*, the Prophet Muhammad's (*ṣal-Allāhu 'alayhi wa sallam*) *Hadīth* (sayings) and *Sunnah* (practice). Religion plays an important role in doing business and shaping the economy of the country. For example Weber (2002) stated that the economies of several countries in Europe and the United States of America are operating under capitalism which is mainly affected by Protestant Ethics. Bellah (1985) argued that the Tokugawa religion encourages its followers to work hard and this value is the foundation for the success of Japanese capitalism building with a stunning economic development. The roots of Chinese entrepreneurship come from the Confucianism faith. Religion may have been affecting the entrepreneurial activities such as administrative style, decision making and networking (Anggadwita et al., 2017; Dana, 2010, 2009) but *Islām* has a set of complete code of entrepreneurship that will guide entrepreneurs to success.

3. ISLĀMIC ENTREPRENEURSHIP

Ramadani et al. (2015) argued that *Islām* as a religion invites all Muslims to become active and hardworking individuals, which are characteristics of entrepreneurs and business owners. The fundamental teachings of *Islām* are to encourage prosperity through the proper usage of the resources granted by God. Therefore *Islāmic* law clearly categorizes the concept of *halal* and *haram* for Muslims. According to *Islām* the human being is the best form of creation as compared to other creations as stated in the Holy *Qur'ān* (Surah At-Tiin, 95: 4; and Surah Al-Isra', 17: 70) and is appointed as a caliph; entrusted as the caretaker of the earth, to not destroy or cause any damage to the environment (Surah Al-An'am, 6: 165; Surah Al-Baqarah, 2: 30; Surah Al-Fatir, 35: 39). As a Muslim we have three main duties, first being responsibility to *Allāh* (*'azza wa jalla*) (*Hablumminal' Allāh*), responsibility to mankind (*Hablumminan Nas*), and responsibility to the earth (*Hablummin Alam*) (Surtahman, 1993). In short, *Islāmic* entrepreneurship is based on the *Islāmic* law and principles and if any businesspersons follow this law and principles with full spirit they should be considered as Muslim entrepreneurs or Muslimpreneurs.

The Holy *Qur'ān*, the Prophet Muhammad's (*ṣal-Allāhu 'alayhi wa sallam*) *Hadīth* (sayings) and *Sunnah* (practice) have clearly stated that Muslims have obligation to do business as per the law and principles. *Islām* has made *haram* on many deals and

business actions for example, prohibition of interest, gambling, avoidance of uncertainties, cheating in buying and selling, sale and purchase of intoxicating beverages and *haram* foods. The message is very clear and if any person or businessperson performs wrong transactions or involves in unlawful activities he or she cannot be considered as a Muslimpreneur or *Islāmic* entrepreneur. Prophet Muhammad (*ṣal-Allāhu ‘alayhi wa sallam*) emphasized that any person who earns any unlawful profit is a sinner. Muslim entrepreneurs are encouraged to involve only in morally and socially accepted businesses under the law and principles of *Islāmic* business transactions. Based on aforementioned arguments we conclude that *Islāmic* entrepreneurship is a process of executing or creating new business under the law and principles of *Islām*.

4. IMPORTANCE OF ISLAMIC ENTREPRENEURSHIP

Gümüşay (2015) argued that the research on the contribution of religion in entrepreneurship and management is sparse. *Islāmic* entrepreneurship is a relatively a new topic and due to its crucial role in economic growth and development, it has secured overwhelming response from researchers, academicians and entrepreneurs. The Prophet Muhammad’s (*ṣal-Allāhu ‘alayhi wa sallam*) sayings include: the “Righteous businessmen will be the first to enter paradise”, and “A truthful merchant will be raised on the Day of Judgment together with the truthful and the martyrs” (Azmi, 2017) and the Prophet was himself engaged in business profession before he declared himself as a prophet. He proved himself as a successful businessperson based on integrity, honesty, wisdom, trust and he earned the title of “Al-Amin” (“the trustworthy”). *Islām* strongly encourages Muslim men and women to perform lawful business activities. Sayiditina Khadeejah bint Khuwaylid (*may Allāh be pleased with her*), wife of Prophet Muhammad (*ṣal-Allāhu ‘alayhi wa sallam*) was a good example of a successful businesswoman (Azmi, 2017). Zapalska and Wingrove-Haugland (2013) argued that in *Islām* business activities are right things, these help to secure economic justice and the welfare of the poor. For women, before starting any business activities, *Islām* added two additional conditions for married women, first, husband’s approval and second, the business should not cause breakdown of the family fabric (Yusof, 2010).

Kayed and Hassan (2013) stated that *Islām* itself is considered as an “entrepreneurial religion” and it enables and encourages entrepreneurial activity such as risk taking, innovation and more

specially to identify the best available business opportunity. For example in 2015, Muslims make up approximately 1.8 billion or 24 percent of the world's population. The recent World Halal Forum reported that the global *halal* food and beverage trade is predicted to be worth USD 1.4 trillion annually which is equivalent to 16 percent of the entire global food industry (Fozia, Rehmana, and Farooq, 2016; Farouk, 2013). Moreover, Van der Spiegel et al. (2012) argued that the 20 percent of the world food product trade in Europe, Africa, and Asia, accounting for 10 percent, 24 percent and 63 percent respectively is *halal* food. This is a big opportunity for Muslim entrepreneurs to capitalize on this market. *Islām* always encourages Muslim entrepreneurs to involve in business activities and to do business according to *Islāmīc* laws and principles.

5. ATTITUDE OF ISLAMIC ENTREPRENEURSHIP

Attitude refers to the overall judgment of people toward something (Blackwell, Miniard, and Engel, 2006). Many researchers (e.g. Davis, 2013; Iqbal and Mirakhor, 2011; Ayub, 2007) have argued that it is very important to understand *Islāmīc* entrepreneurial attitude to comprehend the concept and applications of *Islāmīc* entrepreneurship in the *Islāmīc* economic system. *Islāmīc* entrepreneurship is based on three major pillars namely, Holy *Qur'ān*, the Prophet Muhammad's (*ṣal-Allāhu 'alayhi wa sallam*) *Hadīth* (sayings) and *Sunnah* (practice); for example Khan (1994) referencing the *Qur'ān* stated that the "God, according to the *Islāmīc* view, has created the universe for the benefit of all human beings. God has made the resources of this earth available to man who has the responsibility to make use of them, to mold them, and to transform them according to his needs." and Khan claimed that humans are activists who shape their destiny and pursue opportunities irrespective of the resources they presently govern, to meet their needs (Davis, 2013).

Referencing the *Hadīth* (sayings of the Prophet) Khan (1994) stated that *Islām* always encourages Muslims to do work and strictly prohibits begging. Moreover, *Islām* imparts the dignity of engaging in work or business to support oneself. The Prophet Muhammad (*ṣal-Allāhu 'alayhi wa sallam*) said "It is better for anyone of you to take a rope and cut the wood (from the forest) and carry it over his back and sell it (as a means of earning a living) rather than to ask a person for something and that person may give him or not." (Sahih Bukhari Volume 2, Book 24, Number 549), (Davis, 2013; Khan, 1994). As for *Sunnah* (practice), the last Prophet was also involved in business

activities before declaring himself as a Prophet. This is the attitude that *Islām* wants to see in the *Islāmic* entrepreneur.

Ullah, Mahmud, and Yousuf (2013) stated that *Islām* encouraged its followers to be entrepreneurs. To highlight the significance of entrepreneurship the Prophet Muhammad (*ṣal-Allāhu 'alayhi wa sallam*) says that 9 out of 10 sources of rizq exist in business/commerce. The verses of the Holy *Qur'an*, *Hadīths* of the Prophet Muhammad (*ṣal-Allāhu 'alayhi wa sallam*) and *Sunnah* (practice) clearly and loudly emphasize to the Muslim to be involved in business activities for their economic development and prosperity. Moreover, *Islām* also encourages its followers to distribute the excess profits earned by these business activities to the less blessed or poor people of society through *zakat*, charity, *sadaqah*, gift and other forms of donation. Many studies (such as Zelekha, Avnimelech, and Sharabi, 2014; Guiso, Sapienza, and Zingales, 2006; McCleary and Barro, 2006) show that the related literature reveals that the attitude to entrepreneurship is one of the most effective channels in which religion might affect business performance. They illustrated that the influence of religious factors on entrepreneurship is poorly addressed.

No doubt *Islām* motivates its followers to become entrepreneurs and business or entrepreneurship is a part of *Islāmic* culture (Vargas-Hernández et al., 2010). Baqutayan (2016) stated that the Prophet Muhammad (*ṣal-Allāhu 'alayhi wa sallam*) taught the Ummah to acquire the *Islāmic* entrepreneurial behavior. *Islāmic* entrepreneurship attitude is mainly based on two main components namely business perspective and spiritual perspective. The *Islāmic* entrepreneurship model is given below (Figure 1).

5.1 BUSINESS PERSPECTIVE

In the modern era generally the survival and the growth of business is mainly based on fair dealing and commitments. The teachings of *Islām* stress that any business transaction should be transparent and clear. *Islām* inspires *Islāmic* entrepreneurs to assimilate the following characteristics in their entrepreneurial behavior.

5.1.1 TRUSTWORTHY

In business, trust is considered as the most important factor. Pettit (1995) and Nooteboom (2003) stated that the high levels of trust are purported to encourage trustworthy behavior. Carole and Moro (2005)

argued that trust is a vital component of entrepreneurship and it plays a significant role in reducing transaction cost (Rooks et al., 2000; Nooteboom, Berger, and Noorderhaven, 1997), cost monitoring and control (Mayer, Davis, and Schoorman, 2006, 1995; Lewicki and Bunker, 1996) and flow of information among the employees in an organization without any moral hazard. *Islām* also stressed that the Muslim should be trustworthy and it is considered as a noble *Islāmic* character. A trustworthy entrepreneur should be authentic, punctual, honoring trusts, keeping promises, and fair to God in every action. Prophet Muhammad (*ṣal-Allāhu ‘alayhi wa sallam*) was known, even before declaration of his Prophet-hood as Al-Amin (the trustworthy one) (Baqutayan, 2016).

5.1.2 HONESTY

Honesty in business is supported by the verses of the holy *Qur’ān* and *Hadīth* Mubarak. Almighty *Allāh* (*‘azza wa jalla*) says in the holy *Qur’ān*; honesty is considered as the fundamental requirement for performing transactions. In *Islāmic* entrepreneurship, honesty is considered as a very important moral principle that testifies to a Muslim’s devoutness (Baqutayan, 2016). *Islām* highly stresses on honesty and inculcates honesty in Muslimpreneurs. The entrepreneur should charge reasonable profit, uphold fair competition and high standard of services. The importance of honesty in *Islāmic* entrepreneurship can be visualized as:

“woe to those who give less in measure and weight (AL-Mutaffifin). Those who, when they have to receive by measure from men, demand full measure. And when they have to give by measure to other men give less than due. Do they not think that they will be resurrected, on a great day” (Al-Mutaffifin: 1-6)

In surah An-Nisa: 29, *Allāh* (*‘azza wa jalla*) says *“O you who believe, eat not up your property among yourselves dishonestly except it be trade amongst you, by mutual consent.”*

The prophet (*ṣal-Allāhu ‘alayhi wa sallam*) said *“he who deceives is not of us.”* In another place, the prophet said *“the honest merchant will be rewarded on the day of judgment with prophets, pious people and martyrs” (Tirmidhi, 1130).*

5.1.3. TRUTHFULNESS

Truthfulness is the most important virtue that *Islām* has stressed. It is a high moral quality that a Muslimpreneur should develop and practice in all business activities (Baqutayan, 2016). Truth is considered as an integral part of business success from the *Islāmic* perspective. In business transactions, *Islām* wants the businessperson to clearly tell the quality of the products and services to the customers and all business activities should be executed in a truthful manner. Hoque, Khan, and Mohammad (2014) argued that the Prophet Muhammad (*ṣal-Allāhu ‘alayhi wa sallam*) clearly says that the Muslimpreneur adhere to truthfulness in business activities. He says “The seller (entrepreneur) and the buyer have the right to keep or return the goods as long as they have not parted or till they part; and if both the parties spoke the truth and described the defects and qualities [of the goods], then they would be blessed in their transaction, and if they told lies or hid something, then the blessings of their transaction would be lost” (Bukhari). Baqutayan (2016) reported that in a *hadīth* in Sahih al Bukhari the Prophet Muhammad (*ṣal-Allāhu ‘alayhi wa sallam*) says:

“Truthfulness leads to righteousness, and righteousness leads to Paradise. A man continues to tell the truth until he becomes a truthful person. Falsehood leads to al fujur (i.e., wickedness, evil-doing), and al fujur (wickedness) leads to the Hell Fire, and a man may continue to tell lies till he is written before Allāh (‘azza wa jalla), a liar”.

5.2 SPIRITUAL PERSPECTIVE

Islām provides a clear guideline and foundation of spirituality. In *Islāmic* entrepreneurship, spirituality has a high place and *Islām* emphasized that business transactions should be performed as per the guidelines of *Islām*. *Islām* declared that if any businessperson will do wrong, on the day of judgement he/she should be answering to the Almighty *Allāh* (*‘azza wa jalla*). The dimensions of spirituality are given below:

5.2.1. GOOD INTENTIONS

In *Islāmic* entrepreneurship, the intention is also considered. It showed that the intention of the businessperson should be good and his or her

business will be useful for society. Baqutayan (2016) argued that the Muslim entrepreneurs should always keep in mind that their business activities are not only to gain profit in the existing world but to also invest part of the profit from assets in the hereafter.

5.2.2. RESPECTING RELIGIOUS OBLIGATIONS

Respecting religious obligations is another important part of *Islāmic* entrepreneurship. Muslimpreneurs need to donate to the poor, needy and less blessed people in society. *Islām* always encourages humankind to give part of their assets through *zakat* and *sadaqah* (Baqutayan, 2016; Hoque, Mamun, and Mohammad, 2015; Davis, 2013). *Zakāt* and *sadaqah* are considered as the important poverty reduction factors in society. In *Islāmic* entrepreneurship, the businessperson has to fulfill the responsibilities such as paying *zakāt*, giving *sadaqah*, and spending on family as per *Islāmic* principles.

5.2.3 TAQWĀ

The concept of *taqwā* is mainly based on the principles of *halal* (lawful, permissible) and *haram* (unlawful, non-permissible). *Allāh* (*‘azza wa jalla*) says, “Verily, the most honorable person to *Allāh* among you is he who fears Him most” (*Qur’ān*, 49:13). *Allāh*-fearing (*Taqwā*) is the inner feeling and determination for accountability of entrepreneurs about overall activities toward Almighty *Allāh* (*‘azza wa jalla*). The Muslimpreneur believes that every single activity is being observed and recorded by *Allāh* (*‘azza wa jalla*). On the day of Judgment for every good or bad deed, he or she will be rewarded or penalized (Hoque et al., 2014).

Taqwā is one of the most important pillars of *Islāmic* entrepreneurship. *Islām* stressed that the Muslim is involved only in legitimate and *halal* business activities and earnings (Baqutayan, 2016). *Haram* business activities such as earning interest, illegal drugs, alcohol, pork, prostitution, speculation, corruption, and so forth, are forbidden in an explicit or implicit way by *Islām* as a religion. In *Islām* these acts are treated as sins (Davis, 2013). Therefore, there is no compliance in *Islām* for those businesspeople who conduct their business dealings through inappropriate means (Hashim, 2012).

6. SMEs IN PAKISTAN

Pakistan is one of the luckiest economies with wonderful potential of development to boost up the economy and standard of living. However,

some problems or challenges slow down the progress of SMEs. The SMEs have been neglected till the late 1990s and the main focus remained on corporate sectors particularly in large scale manufacturing. Government, banks and financial institutes emphasized more on conglomerates and the corporate sector than on SMEs. Khawaja (2006) revealed that according to the regulatory and policy environment Pakistan is not very encouraging for growth of the SME sector and overall government effort still targeted development of large firms.

The strength and success of SMEs exist in innovation, unique skills, good network, and quick communication, less bureaucracy, close external and internal contacts, market trends and flow. Overcoming lack of tangible resources such as physical and financial capital is critical for SME progress whereas intangible resources when utilized properly are significant for their growth. Getting access to finance is one of the biggest challenges for SMEs and a major portion of SMEs lack the security needed for collateral, without which a loan from banks and lending institutes appears very difficult. Most of the SMEs appear deficient in accounting and financial information that hinders them to avail information-based or financial statement-based lending and respective credit scoring. The majority rely on personal finances, credit from suppliers, loans from friends and relatives (Dar, Ahmed, and Raziq, 2017).

The State Bank of Pakistan reported that there was an overall decline in SME financing, falling 20 percent to Rs.348 billion in 2009, from Rs.437 billion in 2007. Following the SBP quarterly report (2015) identified that SME financing has dwindled to 5.8 percent of the total financing as compared to 6.3 percent in the previous quarter. The consequences of the decline were found to be loan defaults and slowing economy (Pakistan, 2010). Gallup Pakistan (2006) also revealed the top ten problems emerging, with lack of finance being the first problem. It was also revealed that 89 percent of the loan disbursements by SMEs were for working capital requirement. That reflected Pakistani banks were reluctant to supply long-run financing and project financing for initial SME set ups.

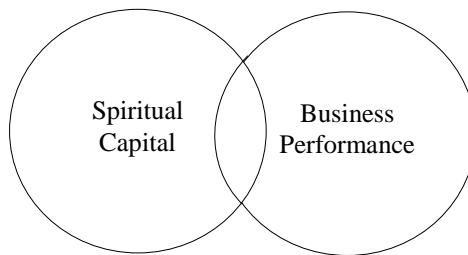
According to *Islāmic* principles, some business elements and activities, such as interest payments, alcohol, gambling, producing and processing pork, pornography and some types of entertainment are not allowed; today many Muslims are successful entrepreneurs. *Islām* as a religion invites all Muslims to be active, honest and hardworking, which are characteristics of entrepreneurs and business owners. *Islām* encourages prosperity through the correct use of resources given by

God. Entrepreneurship and business in *Islām* is usually based on these principles: entrepreneurship and business is an integral part of this religion; success is not only measured by the end results but also by the means of achieving them; *Islām* encourages people to venture into business; business activity is part of Ibadah or worship/‘good deeds’; guiding principles of entrepreneurship and business are based strictly on the Holy *Qur’ān* and the Prophet’s *Hadīth* (teachings and traditions) and ethics and social responsibility are based on the exemplary conduct of Prophet Muhammad (*ṣal-Allāhu ‘alayhi wa sallam*). (Gümüşay, 2015; Ullah et al., 2013).

7. ISLAMIC ENTREPRENEURSHIP BUSINESS MODEL

This paper proposed an *Islāmic* Entrepreneurial Business Model (IEBM) (Figure1) that will help SMEs to measure the impact of *Islāmic* entrepreneurship on their business performance. This model is mainly based on the aforementioned constructs derived from the related literature review, *Qur’ān* and *Hadīth*.

FIGURE 1
Islamic Entrepreneurial Business Model



8. CHALLENGES FOR PAKISTANI SMEs

Like other developing countries, Pakistan’s economy is mainly based on small and medium enterprises (SMEs). The contribution of SMEs in various segments for example in economic development, GDP, providing employment, reducing poverty, empowerment, job creation, innovation and strengthening social fabric is highly acknowledged. Despite the significant contribution, SMEs are still facing severe challenges to their survival and growth. The rate of embryonic start-ups and death of enterprises can be calculated as “the number of

established and closed enterprises in one year divided by total number of active enterprises in the country in one year” (Petković et al., 2016; European Commission, 2011a). The failure rate of SMEs in Pakistan is alarming, with an estimated 90-95 percent of SMEs disappearing from the market in the first five years of their operations (Ullah et al., 2011). The main reasons for SME failure are corruption, lack of trust, lack of government and institutional support and these issues create uncertainty in the business environment.

In Pakistan, unfortunately, the entrepreneurial culture is still not well established, infrastructure is of very low standard, the education system does not promote self-employment or entrepreneurial attitude as a career choice and entrepreneurs lack social support. Fatoki (2014) argued that the failure of newly established SMEs may be affected by factors such as crime, corruption, weak intellectual property rights, and an education system that does not promote entrepreneurship. Anwar (2010) reported that in Pakistan SMEs faced a growing challenge due to ageing infrastructure and woefully inadequate facilities.

In Pakistan, the entrepreneurial culture is still missing in business, education, society and at the governmental level. Universities are unable to produce entrepreneurial minds, business professional graduates, creative and innovative minds. Instead, in Pakistan the educational system leans toward preparing job seekers not job providers. It is worth mentioning that some business schools have set up dedicated entrepreneurial incubators for developing entrepreneurship but this concept is still missing in most educational institutions. Policy makers and related institutions showed less interest in promoting entrepreneurship and supporting SMEs. Social shrewdness is dormant. Due to these missing links SMEs are facing lethal challenges and threats such as personal nature, unfavorable business environment, and lack of administrative skills, financial support, technology support and lack of access to national and international markets (Farooq and Talha, 2018; Dar et al., 2017; Sajjad, 2017; Khaliq et al., 2015; Shahid and Manarvi, 2013).

9. CONCLUSION AND RECOMMENDATIONS

Undoubtedly, the role of *Islāmic* entrepreneurship is going to become increasingly important. Due to the major concern about the welfare of society and environmental hazard, *Islāmic* entrepreneurship has secured overwhelming response from the business practitioners, entrepreneurs, academicians, policy makers and researchers. *Islām*

exhorts its followers to follow the principles of *halal* and *haram* with full spirit in their business activities. *Islām* gives significant importance to environmental protection and discourages any such activities that will threaten society and the environment.

The role of *Islām* is very important in developing entrepreneurial attitude to boost business activities. Many studies have established that the personal values of individuals play a crucial role in decision-making and career selection. The main source of developing these personal values is religion (Davis, 2013, 2008; Brown and Crace, 1996). Ramadani et al. (2015) argued that *Islāmic* entrepreneurship is the best possible approach to boost the SMEs business and it is very helping for strengthening and reviving business enterprises. They also stated that *Islāmic* entrepreneurship plays a pivotal role in the global business environment. In *Islāmic* communities, *Islāmic* entrepreneurship contributes exponentially to business development but also for individual trading and doing business with diverse societies.

Islāmic entrepreneurship is a best possible solution for Pakistani SMEs due to their complex issues. For example in Pakistan, due to lack of entrepreneurial education and proper guidelines from the concerned institutions, SMEs are very informal, undocumented and unorganized (Ariffin et al., 2018; Dar et al., 2017). The majority of them feel shyness to approach the relevant departments for help and guidelines and remained unblessed, less supported and not empowered. Subsequently, they face many problems such as lack of access to capital, business skills, professional training, opportunity, IT knowledge and bargaining power within the market (Ariffin et al., 2018,; Dar et al., 2017). The most important discouraging factor in Pakistani society is to not accept entrepreneurship as a respected career. To start business at small scale is not appreciated in Pakistani society and that ultimately demotivates young individuals from entering the market.

No doubt Pakistan has tremendous potential for development to boost the economy and living standard of its people but the key problems hamper SME progress and development. The SME sector has been ignored and the main focus was on corporate sectors particularly large scale manufacturing units (Dar et al., 2017). In Pakistan, SMEs deserve credit for the resilience they have shown over the years. Pakistan has a great need to create a complete master plan for the development and sustainability of small and medium enterprises. All stakeholders such as government, policymakers, universities and industry should be on board and promote the *Islāmic*

entrepreneurship culture in Pakistan with full momentum. More specifically, the universities need to establish *Islāmic* entrepreneurial incubation centers to promote the entrepreneurial attitude in their graduates. This subject should be declared as important and taught in all disciplines in universities and colleges. The government should encourage the common mass to adopt entrepreneurship as a career and announce various schemes and loans for the young graduates. The concerned departments should provide complete information and support to SMEs and newcomer entrepreneurs. They need to arrange various training programs, seminars, workshops for SME executives, entrepreneurs and potential investors.

Islāmic entrepreneurship is a new concept in Pakistani society. This study will be a milestone to introduce *Islāmic* entrepreneurship in Pakistan. This study has some recommendations for the potential contributors. Firstly, the subject of *Islāmic* entrepreneurship should be included in all degree programs at universities and college level. Secondly, we recommend that potential researchers explore and examine the impact of *Islāmic* entrepreneurship attitude in SMEs. The potential studies could be triggered in various sectors such as high-tech SMEs, food industry, hotel industry and so forth. Based on extensive related literature review this study has proposed two major components of *Islāmic* entrepreneurship attitudes namely business perspective and spiritual perspective and their sub-components. Thirdly, in light of these components the potential researchers can establish the scale to measure the *Islāmic* entrepreneurship attitude in the SME sector. Finally, we predict that the proposed topic of *Islāmic* entrepreneurship will contribute significantly and boost the growth and performance of SMEs in Pakistan.

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