Effects of Rent Seeking and its three forms (Corruption, Bribery and Lobbying) on Entrepreneurship

(A Descriptive Study on Pakistan)

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Spring Semester, 2014
Masters Thesis, 30hp
Acknowledgement

Alexander the great once quoted that “I am indebted to my father for living, but to my teacher for living well”. I am heartily thankful to all of teachers for the entire support, kindness and knowledge they have shared with me. Without their efforts, I would not be able to reach at the point where I am currently standing in my life. In addition, I am also contented to all of my friends who have shared their precious ideas with me to complete my research successfully. There step by step notions allow me to think and analyze various aspect of this research in an efficacious way.

All of the above, I am beholden to the prayers of my parents and friends which have made me to complete my study and achieve my various objectives.

Author

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Abstract

Entrepreneurship is a widely discussed topic in today’s business literature and world. It is considered to be a successful factor in transformation of low growth economy to high growth economy. Many countries widely promote entrepreneurship in order to achieve desired economic results. But, to be an entrepreneur is not that easy. There are various problems in the growth of entrepreneurship that an entrepreneur has to face to start its venture. These problems vary from countries to countries. This study is basically focused on such problems.

Entrepreneurship is a broad topic to discuss, so to narrow down the research, this study is conducted on developing country, Pakistan. On the other hand, out of numerous obstacles, rent seeking and its forms (corruption, bribery and lobbying) have been selected on the bases of author’s observation and research gap. The basic purpose of this study is to come up with information that how rent seeking and its three forms affect the entrepreneurial growth in Pakistan. In order to achieve the result, qualitative study is carried out. Maximum literature has been overviewed in order to get ample information on topic and to analyze the empirical findings. For empirical findings, seven respondents (entrepreneurs) are selected for semi-structured interviews. Analysis has been done under careful consideration and while observing every information got from both respondents and literature.

This study is subject to contribute an important addition in the field of entrepreneurship and business development. It is intended that this research will help entrepreneurs to have an awareness of different selected problems. To let them know that how the problems might affect them so that they come up with better business plans. In addition, to help researchers to further investigate various issues highlighted by this study in context of entrepreneurship and rent seeking with its forms.

All of the above, entire study is being done under careful ethical considerations. Umea university thesis manual is strongly observed in order to meet the requirements and to complete the project efficiently.

Keywords: Rent Seeking, Corruption, Bribery, Lobbying, Pakistan, Entrepreneurship, Economic Development.
# Table of Contents

1- Introduction .................................................................................................................. 6

1.1- Background of the Research ..................................................................................... 6
    1.1.1- Entrepreneurship ............................................................................................... 6
    1.1.2- Rent Seeking & its Three Forms, a hurdle ......................................................... 7
    1.1.3- Affects of Rent Seeking and its three forms on Entrepreneurship ................. 8

1.2- Why Pakistan? ............................................................................................................ 9
    1.2.1- Rent Seeking in Pakistan ................................................................................... 10
    1.2.2- Three Forms: Corruption, Bribery & Lobbying in Pakistan ......................... 10

1.3- Knowledge Gap ....................................................................................................... 11
    1.3.1- Practical & Theoretical contribution .................................................................. 11

1.4- Problem Definition .................................................................................................... 12

1.5- Objective of the Study .............................................................................................. 13

1.6- Delimitation of Research .......................................................................................... 13

1.7- Disposition ................................................................................................................. 14

2- Research Methodology ................................................................................................. 15

2.1- Choice of Subject ....................................................................................................... 15

2.2- Researcher Preconception ......................................................................................... 16

2.3- Research Philosophy ................................................................................................. 17
    2.3.1- Ontology ............................................................................................................ 17
    2.3.2- Epistemology ..................................................................................................... 18

2.4- Research Approach .................................................................................................... 18

2.5- Research Strategy ...................................................................................................... 20

2.6- Research Design ........................................................................................................ 21

3- Literature Review .......................................................................................................... 23

3.1- Entrepreneurship ....................................................................................................... 23
    3.1.1- Entrepreneurship, a vibrant element of economic change ............................... 24
    3.1.2- Entrepreneurship and Economic Development................................................. 24
3.2- Rent Seeking .................................................................................................................. 26
   3.2.1- Rent seeking as Corruption, Bribery & Lobbying ............................................. 29
      (a)- Corruption........................................................................................................... 30
      (b)- Bribery................................................................................................................ 32
      (c)- Lobbying.............................................................................................................. 34

3.3- Entrepreneurship & Pakistan...................................................................................... 37
   3.3.1- Economic Growth of Pakistan ........................................................................ 38

3.4- Rent Seeking in Pakistan.......................................................................................... 41
   3.4.1- Corruption, Bribery & Lobbying in Pakistan................................................ 42

4- Practical Methodology.................................................................................................. 46
   4.1- Data Collection Method ....................................................................................... 46
      4.1.1- Semi Structured Interviews ........................................................................ 46
      4.1.2- Interview Guide ............................................................................................. 47

   4.2- Research Sampling.................................................................................................. 47
      4.2.1- Selection Criteria ............................................................................................ 49
      4.2.2- Sample Size ................................................................................................... 50

   4.3- Conducting Interviews ......................................................................................... 50

   4.4- Data Management Procedure .............................................................................. 51

5- Empirical Findings ..................................................................................................... 53
   5.1- Entrepreneurship & Pakistan.............................................................................. 53

   5.2- Entrepreneurship, Corruption & Pakistan ........................................................... 54

   5.3- Entrepreneurship, Bribery & Pakistan ................................................................. 56

   5.4- Entrepreneurship, Lobbying & Pakistan ............................................................... 57
5.5- Entrepreneurship, Rent Seeking & Pakistan ................................................................. 58

5.6- Rent Seeking, its Three Forms and Solutions ............................................................. 59

5.7- Encouragement of Entrepreneurship ......................................................................... 59

6- Analysis & Discussion .................................................................................................... 61

6.1- Entrepreneurship, Corruption & Pakistan ................................................................. 61

6.2- Entrepreneurship, Bribery & Pakistan ...................................................................... 64

6.3- Entrepreneurship, Lobbying & Pakistan .................................................................... 66

6.4- Entrepreneurship, Rent Seeking & Pakistan ............................................................. 69

7- Conclusion ..................................................................................................................... 72

7.1- Research Finding ........................................................................................................ 72

7.2- Conceptual Model ....................................................................................................... 75

7.3- Conclusion .................................................................................................................. 76

7.4- Theoretical Contribution ............................................................................................ 77

7.5- Practical Contribution ................................................................................................. 77
7.6- Recommendation .................................................................................................................................................. 77

8- Quality Criteria.......................................................................................................................................................... 78

8.1- Trustworthiness ....................................................................................................................................................... 78
8.2- Authenticity............................................................................................................................................................... 79
8.3- Self Critical Assessment ............................................................................................................................................. 80

Reference List

Appendix
Chapter 1

Introduction

This chapter provides an overview of the topic. It will help to apprehend the whole picture of the research. First, there is an elaboration of entrepreneurship and rent seeking with its three forms: corruption, bribery and lobbying. Second, How I take them as a hurdle and how it could affect the entrepreneurship? It is followed by the information on Pakistan that why I have selected this country for research. This entire information will help to understand the research question in the end, which is also elaborated in form of graphical picture to create a better understanding. The chapter ends with the objective and delimitation of the research.

1.1 Background of the Research

1.1.1 Entrepreneurship

Entrepreneurs play a pivotal role in the development of an economy. It would be not erroneous to state that they serve as the backbone of any economy. It is therefore important to understand who the entrepreneurs are and how they contribute to economic development. An entrepreneur has been defined differently by different disciplines. From an economist point of view an entrepreneur is the one who creates some factors of production and who introduces new order or innovation. For businessmen, an entrepreneur is the one who generates wealth, create more competition and strengthens the job market (Hisrich, Robert, & Peter, 2005, pp. 1-2). In the simplest description, an entrepreneur is the one who sets up a business and then manages it for profit and augmentation. This entrepreneur has innovative behavior and implements strategic management practices in the business (Gartner, 1988, p.59).

An entrepreneur when steps in the market, introduces a business which as a result, creates more jobs, builds up a competitive environment that can increase productivity and introduce innovative technologies of production (Acs, 2006, p. 97). Distinctive researches have shown that there are numerous benefits of the growing entrepreneurship in any country. Leff (1979) emphasizes the importance of entrepreneurship and states that entrepreneurship should be encouraged if any structural alteration; novelty or investment is required in the development of an economy (Leff N. H., 1979, p. 46). According to a report by Naude (2010), entrepreneurs play a momentous role in the structural transformation of low-income conventional economy to progressive economy (Naude, 2010, p. 3). The importance of entrepreneurship can be analyzed from the following example. In America small businesses create most new jobs, for instance from 1978 to 1980 employment increased by 8.7% in private sector employment. It has such a crucial role that it almost employs about half the nation’s work force in America (Armington & Odle, 1982, p. 14).

Entrepreneurship is one of the most important elements in any market economy. It acts as a sparking plug in the engine of an economy. Many of the vibrant societies in this world are those who have most entrepreneurs and have systems, which encourage entrepreneurial activities. Entrepreneurship pursues disequilibrium (Tracy, 2005). While steering out the importance of entrepreneurship, Becker et al.(2011) focuses a lot on entrepreneur in context of economy and said they are the leading personalities; they are the economic leaders and the man of actions in the field of economy (Becker, Knudsen, & Swedberg, 2011, pp. 129-132). They act as a pebble in the stagnant water of economy. The importance of entrepreneurship in the development of an economy hence cannot be neglected.
However to develop an entrepreneurial economy or to promote entrepreneurship is not that easy. Sometimes different hurdles impede the process of entrepreneurship, or in other words discourage entrepreneurial activities.

1.1.2 Rent Seeking and its three forms, a hurdle:

The possibility to be an entrepreneur depends on the economic environment and to what extent it is favorable or unfavorable for entrepreneurial activities. Different factors create the economic environment, which might affect entrepreneurship. For instance, quality of government, different rules and regulations, availability of education etc. Government, because it makes rules and regulations for almost every institute, different rules and regulations because of trust between two parties doing business, education because it explore local and foreign markets to entrepreneurs and help to analyze opportunities (Fogel, Hawk, Morck, & Yeung, 2005, pp. 1-2). Other researchers like, Salman (2010, pp. 2-3) also argues that information with knowledge, government issues, labor, bank credit system, legal system etc. would be some of the factors which might affect entrepreneurship.

All these factors that influence the growth of entrepreneurship need to be identified and to be solved while sorting it out. These factors varied for countries, cultures and economies. These external environmental factors influence the entrepreneurial activity or on any decision for taking any step. It is very obvious that if a person needs to take an initiative as an entrepreneur he has to overcome some obstacles. To narrow down the research only one factor as a hurdle is selected, rent seeking and its three forms (corruption, bribery and lobbying). It is so because very less literature is found on rent seeking and its three selected forms with regards to entrepreneurship. This observation provides a gap to study these topics and its affect on entrepreneurship.

Rent seeking is manipulation of economic environment for making money instead of through trade and wealth production. According to Tollison’s point of view rent seeking is totally uncreative, and it wastes the resources by annihilating its value (Tollison, 2003, p. 508). Rent seeking prevails in the environment in different forms. The most notable forms of rent seeking: corruption, bribery and lobbying are selected for this research. According to (Kruger, 1974) rent seeking is corruption and bribery, whereas (Kevin et.al., 1993) also believe that corruption, bribery are the forms of rent seeking and added lobbying as one more form. Mauro has the major contribution in the literature of corruption, bribery and rent seeking. In his argument on the harmful affect of corruption and bribery he linked them with rent seeking as its forms (Mauro, 1997). Bhagwati is another significant name that describes rent seeking as Directly Unproductive Profit seeking activities (DUP). Here she mentions lobbying as unproductive form of rent seeking (Bhagwati, 1982). Literature shows that all these three forms are closely interlinked with each other and directly proportional to rent seeking.

While discussing three forms, there are two schools of thoughts that describe corruption. One of them regards corruption having no effect on economic growth and the other terms corruption deleterious to economic development. Research shows that corruption may be beneficial for developed countries but has no constructive effect on developing or underdeveloped countries. For this research I have used corruption as a negative factor. Corruption, as per Nye “is a behavior which deviates from the formal duties of a public role because of private regarding (personal, close family, private clique) pecuniary or status gains”. This includes the behavior of bribery and misappropriation (illegal appropriation of public resources for private-regarding uses) (Nye, 1967, p. 419). Bayley (1966), in his work and Nye (1967) criticize corruption and believe that it has no positive influence on any
developing or underdeveloped country. Corruption is mostly done with tool bribery, another form of rent seeking. Tackett defines bribery as offering something of value that could be anything, in exchange for some influence (A.Tackett, 2010). Mostly in developing or underdeveloped countries public officials or bureaucrats demand bribe to do some legal work unfairly.

Bribery is considered as a negative factor, which affects the economy over all. Further causes of bribery are mentioned in chapter 3 under the caption of bribery. Additionally, in this study, it is explained that different individuals or firms pay bribes to bureaucrats/public officials to get the work done easily and lobby with government, to bend the rules. Lobbying, according to Giovannioni (2011) is a series of activities that is to influence the representative of any country or, activities, which are aimed at rule maker. According to (Baye et al., 1993) lobbying is the easiest way to approach politicians, in order to bribe them and to get the favors.

1.1.3 Effects of Rent Seeking and its three forms on Entrepreneurship

Different studies shows that Rent seeking and its three forms may have a negative affect on any economy, especially underdeveloped economy. But the main goal of this study is to know that how these terms affect the entrepreneurial growth in underdeveloped or developing country, which is, consider being helpful to boost the economy.

For instance, Baumol (2004) argues that rent-seeking activities include the efforts to extend the life of patents to exclude competition, special license to control public utility and lobbying. He gave an example and added that in an economic recession of 21st century, corporate (mis) management that tackles with its own wealth at the expense of stakeholder and in return didn’t offered anything or offered very less are all the examples of rent seeking. Such activities discourage entrepreneurial efforts and detract them from their contributions to production, economic development and innovation (Baumol, 2004, p. 11).

Rent Seeking is further present in form of corruption, bribery and lobbying where corruption according to Schulze & Anokhin (2009, pp. 465-466) threatens and discourages the entrepreneurs because it risks their profit. Control in corruption increases the chances of entrepreneurship. In a report Chetwynd et al (2003, p. 3) deliberate that corruption discourage foreign and domestic investment, dampens entrepreneurship and also convert public talent in to rent seeking. Presence of corruption initiates bribery, an important tool to upsurge rent seeking. Most of the time entrepreneurs are bound to bribe for their legal work get done. In an article, Leff (1964, p.9) argues that entrepreneurs of underdeveloped country condemn corruption because they know that they have to pay bribe in its presence. Corruption, bribery are followed by lobbying. I haven’t found information on affects of lobbying on entrepreneurship but I have observed its close relation with rent seeking. This relation bound me to study lobbying and to see its affect on entrepreneurship while providing me a research gap.

In order to see the affect of rent seeking and its three forms on entrepreneurship, and to have an in depth analysis we have to select some region, first. This is also important to narrow down the respective research and to get precise information. As it is discussed above that entrepreneurship helps an economy to shift from lower stage to higher stage, we have to select a country whose economic situation should not be counted in higher stage. A region where entrepreneurial growth is low. For that reason I have selected Pakistan.
1.2 Why Pakistan

Pakistan became apparent on the map of the world as an independent state in 1947, due to the division of British Indian empire (Pakistan Tourism Development Corporation, 2012). After its independence, it was considered being a deprived country but after some time it laid a base for a strong economy. Its economic growth rate was better than the global average for many decades. In 1960s, 1970s and 1980s, its GDP was raised by 6.8%, 4.8% and 6.5%, respectively (Finance Ministry Pakistan, 2012). In agriculture, industry, infrastructure, and consumption and in all other social indicators Pakistan was until 1980s considered being a country with economic growth. For instance in 1960s its export of manufactured goods was larger than the export of Thailand, Malaysia, Indonesia and Philippines (Hussain, Economy of Pakistan: Past, Present & Future, 2004, pp. 2-3). In the 1980s, Pakistan inflation was about half of the other fast growing countries (7.0% versus 14%), and its expansion of capital formation was above that of other fast growing group (5.6% versus 3.6%) (Looney, 1997, p. 383). Its average annual unemployment rate was just 1.4% (Finance Ministry Pakistan, 2012). But by the end of 80s the economic situation of Pakistan faced a downfall turn.

By the end of the year 1988 Pakistan faced a financial catastrophe. Government budget deficit reached at 25% of GDP, the foreign exchange reserves fell to $438 million, and the external debt service ratio reached to 28% of export earnings (World Bank, 1991). According to a report by the former Governor State Bank of Pakistan, poverty rose from 18% in 1988 to 33% by the end of 1990 and in the 90s there was a decline in export and revenue (Hussain, Economy of Pakistan: Past, Present & Future, 2004, pp. 1-4). Though Pakistan has tried to stabilize its economy, the effect of 90s economic decline still persists today. In the 90s the average GDP declined to 4.6% and from 1999 to 2009 the average annual GDP was about 4.8% (Federal Bureau of Statistics, Pakistan, 2011). In the same way, in the 80s unemployment rate was just approximately 1.4% but it increased to 5.7% and 6.8% in 90s and 00s, respectively (Finance Ministry Pakistan, 2012). According to the information from central intelligence agency, the inflation rate rose to 13.6% in year 2009, 13.9% in year 2010. Unemployment rate was 14% in year 2009 and 15% in year 2010 (Central Intelligence Agency, 2011). In this type of economic situation when there is a need of decline in inflation rate, creation of more employment in order to strengthen the economy, focus on entrepreneurship is requisite, which is currently being neglected in Pakistan.

Entrepreneurship is remain limited in Pakistan and the low entrepreneurial activity in Pakistan deserves attention (Chene, Fagan, & Plaza, 2008, pp. 2-3). For instance, according to the World Bank Group Entrepreneurship Survey in 2007 which measured entrepreneurial activities in 84 developing and industrial countries (including Pakistan) over the period 2003-2005 has found that the average annual entry rate of new companies in Pakistan was 7% that is less than most regional averages around the world. The entry rate of other industrialized countries was 10.2% at the same time (Klapper & Delgado, 2007, pp. 1-4).

Different sources as above confirm the lower stage economical and entrepreneurial situation of Pakistan. To boost the economical situation of Pakistan there is a need of rise in entrepreneurship. And to promote entrepreneurship we have to deal with the selected hurdles as being observed. Before divulging further it is essential to discuss the situation of rent seeking and its three forms: corruption, bribery and lobbying in Pakistan. This will give a slight but significant depiction for research gap of this study.
1.2.1 Rent Seeking in Pakistan

As understood bureaucrats are interested in receiving finance instead of giving, so the policies are developed to encourage investments rather than entrepreneurship. Incentives are only for investors. Entrepreneurs start investing with government officials, which in turn favors rent seeking. This favor regresses entrepreneurship development. From few decades Pakistani state governance is influenced by entrenched feudal elites, colonial bureaucrats and the military. All of them assumed that they are the one who can only accumulate the country in every aspect. All these people found that rent seeking; direct corruption (one form of rent seeking) will enrich their mission, invisibly. Consequently, when state owns enterprises, institution of development of state-led land and different controls and license, rent seeking is encouraged. The state initially took steps to increase the availability of finance to the bureaucrats but within the passage of time, these efforts showed little effect which in turn gave immense rise to rent seeking and corruption (Nadeem ul Haque, 2007, pp.7-8). The absence of monitoring in bureaucratic structure leads to corruption and ultimately to rent seeking. This rent seeking gives protection to big loan defaulters and most of the time it allows unjust allocation of public resources including infrastructure budgets only in the hands of clients of politicians, which results in inferior construction (Khan M. H., 2001, pp. 4-5) and leads to the discouragement of entrepreneurship.

Rent seeking is a problem for the common man to start new business venture in Pakistan. Government is focused on providing incentives for large manufacturing industries (showing encouragement of big investments) instead of Small Medium Enterprises. Historical growth rate of small-scale sector also shows the neglect of the government towards the development of the sector. From 1950 to 1962, the small scale manufacturing sector showed a growth of only 2.35 percent, followed by a stagnant growth rate of 2.95 percent growth rate over the next 8 years. Similarly, from 1977 growth rate of 8.4 percent has been noted followed by a fall to 5.3 percent from the 1990s (Nadeem ul Haque, 2007). The investment climate is much worse when it comes to employing workers, getting credit, paying taxes and particularly enforcing contracts in Pakistan. Further he adds implementation of imports-substitution strategy in Pakistan protects large scale entrepreneurs remain safe in the market competition with sufficient rent seeking opportunities (Chemin, 2008, pp. 1-15). The Market is in the hands of large investors due to government favor and policies. Few members of family controlled corporate groups investing for long period of time encourage political rent seeking (Morck & Yeung, 2003, pp. 3-49).

Beside a few not too much studies have been done on rent seeking in Pakistan with its effect on entrepreneurship. This is one of the major reasons this study has been conducted on the topic of rent seeking. But before going further it is very important to discuss that how different forms of rent seeking exists in Pakistan. It will help to understand the term rent seeking in a more appropriate manner.

1.2.2 Three Forms: Corruption, Bribery & Lobbying in Pakistan

Diverse studies show that corruption is disadvantageous for the economic growth in developing or under developed countries. It is one of the basic forms of rent seeking and is present along with bribery in Pakistan on a large scale. Indicators show (as mention in chapter 3) Pakistan has an unsatisfactory situation in corruption. For instance, according to Global Corruption Barometer 2010/11, the level of corruption is increased by 77% in last three years in Pakistan. Bribery, which is the component of rent seeking and is one of the most popular means of corruption, also exists in Pakistan. A survey shows that around 50% of people have
paid bribery in last 12 months in Pakistan (Hardoon & Heinrich, 2011, pp. 6-10) to get their work done. However, not many studies have been conducted on the extent of lobbying in Pakistan, which is an important factor of this current study.

1.3 Knowledge Gap

To create an employment, to create a proper cycle of money, to boost an economy there is the need of people who take risk as an entrepreneur and should come in the market. These entrepreneurs act as water in a dead plant. After discussing briefly the background of economical situation of Pakistan and the importance of entrepreneurship, it can be observed that there is a deficiency of entrepreneurship in Pakistan which if fulfilled can help to boost its economy, create more employment and help in the circulation of capital etc. However, to promote entrepreneurship or to be an entrepreneur is not that easy. A person faces different problems which affect the decision to be an entrepreneur or which hamper the process of entrepreneurship. Different studies have been done that determine the obstacles in the entrepreneurial growth but inadequate literature is found that outlines the obstacles in the entrepreneurial growth in Pakistan.

From those obstacles rent seeking and its forms (corruption, bribery and lobbying) are selected because available reading material does not give maximum information on their affects on entrepreneurship and does not explain that how to deal with these said hurdles. For instance it is clear that Rent seeking, corruption and bribery has no useful effects and has a negative effect on entrepreneurship but limited information is available on that. No or inadequate information is found on lobbying with its affects on entrepreneurship but shows a close link with rent seeking. When research is being narrowed and Pakistan is selected for the study, same situation is being observed. I have found the work of Nadeem ul Haq (2007) who mostly talks about rent seeking as a problem in the growth of entrepreneurship in Pakistan. And few more other writers who specifically talk about rent seeking in context of Pakistan. Corruption and Bribery is present in Pakistan but no information is available that how it affects the entrepreneurship. Lobbying, again no data is found but shows a relation with rent seeking which bound to study this topic and its affect on entrepreneurship.

These factors allow us to come up with a knowledge gap and lead this study towards finding of affects of rent seeking and its three forms (corruption, bribery and lobbying) on entrepreneurship in Pakistan.

1.3.1 Practical and Theoretical Contribution

This research will give a noteworthy theoretical contribution on broad level. The findings will help other researchers to get an idea that how the broad spectrum of rent seeking affect the entrepreneurial growth in developing country, Pakistan. In addition this study will also show how rent seeking has its influence on entrepreneurship in shape of corruption, bribery and lobbying. What are the solutions of these problems? Practically, this study will help the new incumbents or entrepreneurs to start a business in Pakistan and overcome the obstacles. It can also be serve as a benefit for other organizations or personals that are thinking to invest in Pakistan or wanted to start a business. As mentioned earlier that for every country or economy the obstacles in entrepreneurial growth would be different but this research study can give an idea about how rent seeking and its forms can affect the entrepreneurial growth in any developing country like Pakistan.
1.4 Problem Definition

As from the earlier discussions it could be said that entrepreneurial growth affects the economy in a positive way. Research has shown that entrepreneurship is less practiced in Pakistan, as rent seeking and its three forms are the hurdles that entrepreneurial development has to overcome. In this paper we will focus on Pakistan- the developing nation, on rent seeking, and its three forms. Based on these facts we came up with following research question.

Q 1-How rent seeking effects the entrepreneurial growth in Pakistan?
    a) How corruption and bribery affects the entrepreneurial growth in Pakistan?
    b) How lobbying exist and affect the entrepreneurial growth in Pakistan?

These questions will help us to work precisely on literature review and to come up with define analysis after doing interviews with the entrepreneurs of Pakistan.

Figure 1: Graphical Representation of Research Question:

Source: Author

The above mention figure depicts the graphical representation of research question. X-axis shows growth of entrepreneurship and, y-axis shows economical growth. An entrepreneur when climbing the stairs to boost entrepreneurship and economic growth then two hurdles come in front of it, rent seeking and its three forms: corruption, bribery and lobbying.
1.5 Objective of the study

- The objective of the study is to analyze the effect of rent seeking on the entrepreneurial environment of Pakistan and how it is becoming an obstruction in its growth.
- To explore different potential obstacles to economic growth and how they could be tackled in an efficient way to boost the entrepreneurial activity in Pakistan.
- To help new investors to come up with better investment and business plan. This study will give awareness about hurdles such as rent seeking, in the growth of entrepreneurship.

1.6 Delimitations/Boundaries of Research

- This research is to expedite how rent seeking and its forms are affecting entrepreneurial growth in Pakistan, a developing country. It could not be implemented on other developing countries and especially developed countries because of different economical structure. The factors which effect entrepreneurial growth in developed countries could be entirely different. They might need entirely different research. Only certain help could be taken from this research to study entrepreneurial growth in other developing countries having situation like Pakistan.
- According to different authors or researchers there could be many more other big obstacles in the growth of entrepreneurship. To make our study more precise and to narrow down the research our main focus of study is rent seeking and its three forms (Corruption, Bribery, Lobbying).
- This research is done and concluded in Sweden, so data collection was not easy. The research is on Pakistan so our respondent’s range is seven. These respondents are entrepreneurs from different industries. We are not able to select entrepreneurs from maximum industries due to time and distance constraint.
- One single industry is not selected for taking interviews from respondents because limited information is found on topic. Selecting different industries of entrepreneur helps to get maximum required knowledge, which is not possible while selecting only one industry.
1.7 Disposition

Chapter 2 Research Methodology
- This chapter starts with the choice of subject and followed by researcher preconception. The reader will come to know about research philosophies, approach and strategies being used for this study. It will also tells about how this study is design.

Chapter 3 Literature Review
- In this section all the related knowledge regarding entrepreneurship, rent seeking and its three forms: corruption, bribery and lobbying is present. It includes the available knowledge on the affect of rent seeking and its three forms on entrepreneurship. This knowledge is followed by situation of entrepreneurship and rent seeking with its three forms in Pakistan. In the end theoretical framework is drawn to have the complete understanding.

Chapter 4 Practical Methodology
- This chapter provides the information of data collection methods, research samples and how interviews are conducted.

Chapter 5 Empirical Findings
- This part presents the data being collected by the entrepreneurs of Pakistan. through semi structured interviews. Data is presented in the format so that reader can understand the theme of research question.

Chapter 6 Analysis and Discussion
- The data which is present in in chapter 5 is further analyze and discuss in this chapter. Here the data analyzed and discussed is directly related to our research question. It will give a specific path to the answer of research question.

Chapter 7 Conclusion
- In this chapter the main research findings of the research is present. It includes the conceptual model followed by theoretical and practical contributions. It also conveys the recommendation for future researches.

Chapter 8 Quality Criteria
- This chapter presents the trustworthiness and autheticity of research, where trustworthiness includes credibility, transferability, dependability and conformability of entire study.
Chapter 2
Research Methodology

This section gives an insight on research process selected for an entire study. It starts with an elaboration of choice of subject and researcher preconception. It will enlighten the philosophy and research approach used in the research, and also the strategies that have been selected to design the research.

2.1 Choice of Subject

![Figure 2: Graphical representation of Choice of Subject](Image)

Figure 2: Graphical representation of Choice of Subject

Source: Author

Specific incidents, educational background and professional experience are few of the reasons that motivated the choice of subject for this research. These connecting dots today stirred me to put my efforts in my research subject and choice of finding hurdles in the growth of entrepreneurship in Pakistan. Before coming to Sweden and having a chance of doing Masters, I have done Bachelors in Business Administration. During my bachelor I was the zealous member of Society for the Encouragement of Entrepreneurship (SEE) in Pakistan. Being a member of this organization I got a chance to work on a business idea to show elevation in entrepreneurship. The project was a success but we couldn’t implement it in the market due to our studies and other busy schedule. During this project we came across some obstacles but those were seems to be minor one as we didn’t put our project in to reality and we didn’t experienced it personally. This entrepreneurial activity made a place somewhere in my mind.

Beside this there are two more main incidents, which have just acted as steroids in blood and increased my enthusiasm to select and have research on the topic. First incident, when my father had to close down his business due to Government change, different new policies and some other problems from external environment. This Governmental change and new policies leads to many other factors, which were affecting the business directly and indirectly. The factor of rent seeking and its forms, Corruption, Bribery and Lobbying were already in external environment during the closure of my father’s business. My father faced them in
importing items and in the development of his business. Second incident, when I myself thought to start a business as an entrepreneur in Sweden. It was an import business between Sweden and Pakistan. I realized that there are some obstacles, which I have to face before starting a business in Sweden and there must be other obstacles when I would be in development phase of my business. But, these obstacles could be very nominal as Sweden is a developed country, it has a different Governmental Structure with strong systems and considered as a welfare state. Pakistan is a developing country. There are still some requirements of proper system and regulations. There is a hesitation in environment to come up as an entrepreneur. I have to deal with this environment if I have to do any entrepreneurial venture. This scenario stimulates me to study my own home country, Pakistan. When an entrepreneur enters in a market, there are several obstacles from external environment, which hinders the growth. It is very important to identify them, study them and to come up with some solutions so that other upcoming entrepreneurs could thrive in their business and help to boost the economy in a right way. Pakistan is one of the best samples for me to study the specific subject of discussing tribulations that hinders the entrepreneurship. But we cannot study all the factors at a time. To narrow down the research and while keeping in mind the reasons of closure of my father’s business, I have decided to select rent seeking and its three forms (CBL) as an obstacle.

2.2 Researcher Preconception

A Researcher’s preconception is the result of individual experiences derived from theoretical or practical occurrences. Both types of occurrences effect preconception in their own way. While conducting research we cannot put the fact aside that preconception will possibly be affecting the study. It is very obvious that when a doctor is having any conversation he will mostly talk about medicines, or his examples would be from medical world. If there is any discussion from some robotics engineer or IT professional, their talks or concluding remarks will also depict their profession or what they got it from their theoretical experience. Therefore it is important to inform the reader about my preconceptions.

It is mentioned earlier in above paragraph that preconceptions are derived from researcher’s practical and theoretical experiences. For instance, when we talk about theoretical experiences it is so because I have done a business plan during an entrepreneurial activity, further in same studies we had to come up with a project, which includes launching a new product in market. Later I have done Masters in Business Development and Internationalization. This encompasses many projects and studies, which broaden my mind in field of entrepreneurship, business development and so on. Now, this knowledge and experience allowed me to come up with a research problem.

Where as practical occurrences are concerned, I have done a job in Thai multinational that was establishing its business all around the world. Being a member of that organizational team as Channel Development Executive I have learnt a lot and it broadens my mind in various aspects. I came across different problems of business during its development phase. My job or practical experience supported my thoughts and escalated my knowledge during my studies in the field of business development and entrepreneurship and further in research. Hence it is totally correct that my studies and knowledge from different sources influence my preconception and consequently on choice of subject. It could be visible from my research that preconception has some involvement in it and has a considerable role to some extent.
The above mention figure shows the research process. It gives an overall image that how I have used the requirements of research methods for entire study.

2.3 Research Philosophies

The following section will give the reader the knowledge about the standpoint of author, when it comes to fundamental questions about how knowledge is gathered and the nature of reality. Research philosophy is one of the integral parts in a research study. It affects the interpretation of the reality and the empirical study conducted. Researcher’s elucidation then eventually helps to understand the research problem to the readers. It also affects, what research design should be employed to conduct the study. According to (Easterby-Smith, Thorpe, & Lowe, 2002, pp. 27-28) there are minimum three reasons why research philosophies are useful and has considerable importance. First, they are very helpful in clarifying research designs. It tells about the kind of evidence is required, and how it will stipulate the answers to the research question. Second, a research philosophy allows us to understand which research design is beneficial or useful and which is not. In simple words it help us to create a boundary with limitation and prevent us to go for so many approaches. Third, research philosophy helps the researcher to classify or construct the designs and also help that how different research designs could be tailored according to the nature and limitations of a specific subject. In this part focus will be drawn on two fundamental issues, Ontology and Epistemology.

2.3.1 Ontology

Ontology refers to the nature of reality. In other words, it explains the nature of an existing thing. Further, How it looks like? What are the different things that joined together to make this existence? How these different things work and what is there role to make this existence (Blaikie, 2007, pp. 3-4). Social Units and nature of these social units have a major concern with questions of social ontology. Two main approaches in ontology are objectivism and constructivism. Objectivism explains the existence of social facts and believes that these social facts are autonomous and are dispersed from other social actors (Bryman & Bell, 2007, pp. 22-23). Whereas constructivism shows the relation of social phenomenon with other social actors. According to Saunders at al. (2007, pp.111), constructivism is defined as,
“social phenomena are created from the perceptions of consequent action of social actors”. According to Bryman & Bell. (2007, pp. 22), constructivism affirms, “Social phenomena and their meanings are achieved by social actors”. Social phenomena and categories are not only the products of social interaction but they need frequent review and adjustment.

In this current research I will use constructionism approach. As this research is based on how rent seeking affects the entrepreneurial growth in Pakistan, so this approach will help us to better track our study. In constructivism a person construct knowledge, which is actually based on the hypotheses, and personal experiences, which he/she experienced from his/her surroundings or environment. I believe that rent seeking and its forms are the hurdle in entrepreneurial growth in Pakistan and is affecting the society as a hindrance for a new incumbent in market having innovative ideas or an entrepreneur who has already started a business. Our research question requires getting information from entrepreneurs, the people who are the social actors of society to get the knowledge of research gap.

2.3.2 Epistemology

Epistemology is concerned with the answers to the questions, what is knowledge? How is knowledge acquired? And how do we know, what we know? In other words what is requisite? Two main approaches in epistemology are positivism and interpretivism. From positivistic viewpoints, only the knowledge build by real facts or resources is considered as real knowledge. This type of facts is often referred as objective knowledge and makes the knowledge harder to bias. On the other side interpretivist argues that knowledge is built on feelings and attitudes, which could not be seen. Modified knowledge is also considered as real knowledge although it does not have external reality. Interpretivism approach address the necessity for the researcher to understands social actors and how reality depends on people and how they interpret. In other words, society does not exist in an objective, observable form; rather it is experienced subjectively (Saunders et al, 2007, pp.102-107). In my study I have found that interpretivist view is more suitable in management and business science research and so as to mine research.

In this thesis work, I have conformed to the constructive approach when it comes to reality (ontology) and intrepretivist approach, which stands, on how knowledge is viewed (epistemology). The purpose of the study is to answer the questions how rent seeking and its forms are affecting the entrepreneurial growth in Pakistan. In other words, study is conducted to understand the need of entrepreneurship for economic betterment and to find out how rent seeking is coming on the way. The Study is concerned with answering what’s and how’s of society. In order to fulfill this purpose we need to understand and analyze the entrepreneur’s views regarding rent seeking. Here, public and bureaucrats and all those who are involved in rent seeking are the social actors with unique characteristics. Social interactions within entrepreneurs and these actors are complex. I have to study the effect of social actors on entrepreneurship. The effects, which we believe subsequently upsets the growth and are becoming the hindrance in economic progression.

2.4 Research Approach

The aim of our whole research is to analyze that how rent seeking and its three forms are affecting entrepreneurial growth in Pakistan. As mentioned earlier in this chapter that idea of this research is actually originate due to two reasons, first when my father has to close down his business due to Government change and some other factors from external environment. Second, when I myself had to start a business. Here, the main ingredient of my research idea was my father’s incident. Different things were cuddling in my mind that what could be those
reasons that made my father to close down his business. Was it just the Government change or something else? If it was a Government change then how any Government change could affect any entrepreneurial venture? What were the policies? And what were those factors that were indirectly affecting the business. Of course, if we look around there could be hundreds of reasons, which could affect the entrepreneurial venture or activity, but my observation made me to precisely have a research on rent seeking which is very much concern with Government as I mentioned earlier in first chapter and will further discuss in later chapters.

To conduct the research in a sequential way there are two fundamental approaches mentioned in literature, Inductive & Deductive (Bryman & Bell, 2007, pp. 11-12). Deductive reasoning starts from broader-spectrum and ends up with an observation. It is also known as top-down approach. Whereas inductive research is inverse of it. It starts from an observation and ends up with theories. It is also known as bottom-up approach (Trochim, 2006). We tried to keep our research approach simple and easy to understand for the reader. As our study starts with an “observation” so we will follow inductive approach rather than deductive approach, which starts with theory or in which we have to test theories and in the end to come up with an observation.

The above mention self-generated figure gives a description of two different research approaches, Inductive and Deductive. The blue inward to outward circle represents Inductive approach, which starts from an observation, designed with a research strategy that how it will precede further, what to do and what to do not. This research design gives us some tentative hypothesis and finally ends up with a theory. The green outward to inward circle represents deductive approach that starts from theory, designed by a research strategy, which leads us to test a hypothesis and ends up with an observation.

This research starts with an “observation” in an environment and this includes our research question and research gap. I have observed that there are some factors, which are acting as an obstacle in the growth of entrepreneurship in Pakistan. To narrow down the research and to precise our observation I felt that rent seeking with its forms, corruption, bribery and lobbying are one of those hurdles and select it for my research. But, as there is not too much literature available on this subject so I came up with a research question that “How rent seeking is effecting entrepreneurial growth in Pakistan?” so that it can give some over all theoretical contribution. Further there will be literature review and theoretical framework to support the
observation and research question. To confirm the findings semi-structured interviews will be conducted from entrepreneurs. After data collection the research will move in final stages of “analysis”. The tentative hypothesis could be, rent seeking and its forms are the stumbling blocks in entrepreneurial growth. Finally, the empirical data will be compared to literature findings to make data collection more effective using improved techniques. This will provide researcher an input of the new information, and help to come up with precise “outcome” or Theory.

2.5 Research strategy

In literature there are two research strategies, qualitative and quantitative research that are commonly used by researchers or different scholars. Quantitative research is widely used when we have to test some theory. When we have to prove or disprove a hypothesis through quantification for final results then this research strategy considers being a tremendous approach (Shuttleworth, 2008). As we are not testing any theory or it doesn’t involve any calculations so the bases of our study will be qualitative research. In addition we are using inductive approach for our research and this approach mostly supports qualitative research strategy. For instance, according to Bryman & Bell (2007, pp. 14-15) deductive strategy is mostly used with quantitative research and inductive strategy is mostly allied with qualitative research. Below mention table will explain that why we can use qualitative research for our study.

<table>
<thead>
<tr>
<th>Use Qualitative Research To</th>
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<tbody>
<tr>
<td>• Develop an initial understanding of an issue or problem.</td>
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<tr>
<td>• Look for a range of ideas and feelings about something.</td>
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<tr>
<td>• Understand different perspectives between groups &amp; categories of People.</td>
</tr>
<tr>
<td>• Uncover underlying motivations and factors that influence decision-making and opinions.</td>
</tr>
<tr>
<td>• Provide information needed to design a quantitative study.</td>
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Figure 5: Use of Qualitative Research

Source: (Mora, 2010)
Further, Bryman & Bell (2007, pp. 28-29) explain qualitative research as a research strategy that usually highlights words rather than evaluation of data. There is no calculation and there is no quantification in the collection of data.

Qualitative strategy gives an understanding of the subject form the lived experiences of involved parties. I will conduct interviews from entrepreneurs to get descriptive knowledge. Knowledge related to our research gap, rent seeking, its forms and entrepreneurship. This will help to gain more ideas and facts about this research. It gives an understanding that “HOW” rent seeking and its forms are hindrance in entrepreneurship in Pakistan. Qualitative research will help to understand people perspectives clearly and there will be a flow of useful information. This will assist in overall theoretical contribution. There is no measuring tool in the evaluation process. Natural language will be used throughout the assessment and there will be in-depth data collection through interviews.

As per research approach, we start the study from observation, followed by theories on entrepreneurship and rent seeking. This guides us in choosing data collection methods. The qualitative method provides the flexibility in gathering information. Further, as per qualitative strategy, I will collect data through semi-structured interviews from entrepreneurs and people working in an entrepreneurial organization. This will expedite their experiences related to our research question and assist to come up with solution for research gap.

### 2.6 Research Design

Research design in simple words means how we can plan our study. A research always includes a research question(s) and against that research question we have to collect data to test it or to build some theory for final conclusion. Research design helps to scaffold the compilation of data which is being used in research or have to be gathered and then evaluation of data so that we can reach to some decision (Bryman & Bell, Business Research Method, 2007, pp. 28-29). There are five different types of research designs: Experimental design, Cross-Sectional design, longitudinal design, Case Study Design and Comparative design. Our focal research design is case study. Because, experimental design is predominantly used in natural sciences, though it is used in social sciences but again mostly in psychology (Saunders et al., 2007, pp. 136-137). Our nature of studies does not allow experimental design, as it is not an experiment. Second type, cross-sectional design is used when we have to collect data for more than one case and the amount of cases exceed more. It is also used when you have to elaborate the connection between two variables. Third type of longitudinal design is used to find out or to plot changes in business and management research. It includes self-completion questionnaire or structured interview research for conducting surveys within cross-sectional design. It is used by researcher very little because of time consumption and cost involved. Another type of research design is comparative design. As from word it is clear that it means something to compare. In this design we compare two or more cases or situation to understand social phenomenon (Bryman & Bell, Business Research Method, 2007).

This study is one case research so this phenomenon denies the cross sectional research design. We cannot use longitudinal research design as we are not plotting any changes in business research and also we are intending to do semi-structured interview according to the type of our study. And also my resources do not allow spending more time and money, which is one factor in this kind of research design. Whereas comparative research design is concerned, we also cannot use it, as we are not comparing any situation or cases. So the research design we can use is Case study design.
According to Yin, Case study design can be used in variety of ways to increase our knowledge about different facts related to organizational, political, group, individual or related phenomenon. Beside other fields it is the common research design in business and is used in order to reconnoiter the structure of an organization or economy of a city or region. Further he elaborated that case study design can be used when the questions is about “How” and “Why” and the researcher has little or no control on the contemporary set of events about which the research has to be done (Yin, 2003, pp. 1-3). Due to participant’s observation and unstructured interviewing case study design mostly favors qualitative method; in addition it is helpful in gathering thorough and detail information about the subject matter (Bryman & Bell, Business Research Method, 2007, pp. 62-63).

It suits to this research as I am also intending to find results through investigation that “How” rent seeking and its forms are the hurdles in the entrepreneurship, to increase our maximum knowledge about particular fact. Here I have little control on events as research results are totally based on the semi structured interviews conducted from entrepreneurs from one specific region, Pakistan. This design will help to conduct thorough knowledge to reach on consensus.
Chapter- 3
Literature Review

To understand the research question it is very important to have an understanding of different related knowledge that already exist. This chapter will present the discussion about entrepreneurship, that how different scholars define it and how it affect the economy. These deliberations will help the reader to understand the argument on entrepreneurship in context of rent seeking. Further, there would be an elucidation on rent seeking and its forms (corruption, bribery and lobbying), how they are defined and the effects it may have in general and entrepreneurship in particular. These studies will allow the reader to understand the whole scenario with regards to Pakistan.

3.1 Entrepreneurship

Under the heading of Entrepreneurship I will discuss different definitions from different authors/scholars. The discussion will help the reader to understand that how I see entrepreneurship through different scholars. This will further help to understand the research in context of research question.

If we look at the literature we will not find a single, precise definition of entrepreneurship. In general, entrepreneur is derived from the French verb “Entreprendre” which means to undertake. Cole define entrepreneurship as “The purposeful activity (including an integrated sequence of decisions) of an individual or group of individuals, undertaken to initiate, maintain, or aggrandize a profit-oriented business unit for the production or distribution of economic goods and services (Cole, 1999, p. 7) One common conception of entrepreneurship is that it represents one of the role by which new ventures and new organizations come into existence (Gartner, 1988, p. 64).

Another common view and crucial factor regarding entrepreneurship is degree of risk. When an entrepreneur comes in market it bear risk for sure. This risk could be in shape of no or less market experience, giant businessmen in the market, different government regulations and their uncertainty, behavior of customers, fluctuations in purchasing and selling price etc. There is a need to understand this fact in order to continue the research. Richard Cantillon, one of the famous businessman and economist describe entrepreneur as a farmer and an undertaker. In his famous essay on the Nature of Trade in General, he mentioned farmer (entrepreneur) as a person who bear the risk. A risk, which is allied with purchasing inputs at a particular price and totally unaware that how much profit he/she could engender after selling later at a tentative prices (Cantillon, 1959, p. 17).

Beside Richard Cantillon, Hawley in 1893 also associated risk with entrepreneurship and considers being the first one to describe dynamically that risk is the indispensable function of entrepreneurship and the person who bear that risk assumes a certain amount of profit as recompense (Hawley, 1893, pp. 461-463). It is innovation and new ideas that impel growth. It’s not just infrastructure development and investment endorsement that most development policy sought to promote in its early period. In this view growth is, where entrepreneur take the risk of bringing new ideas and innovation to the market (Romer, 1994,) and (Grossman & Helpman, 1994, pp. 23-24). There is an ambiguity in business world that people think they are entrepreneur if they just start a business and undermine the fact of risk involved in it. In entrepreneurship, for sure there is risk involved and it could be of anything. But most of the people in any society or country do not want to go for entrepreneurship because of the level of
risk involved in it. And most of the time Government does not or fails to encourage people for entrepreneurship. As a result people do not get confidence and entrepreneurial growth moves toward decline. I believe, one reason why Government is not able to encourage entrepreneurship properly is due to rent seeking, which will be discussed in our further study. The above definitions are very much related to our study, because in our research we also mean entrepreneur as a risk taker, who comes up in the market as a new incumbent with some business idea. And these kind of entrepreneurial activities help in economy development as we discussed in first chapter and with regards to our research question.

3.1.1 Entrepreneurship, a vibrant element of economic change

Beside the above phenomenon & definitions of entrepreneurship, different scholars define entrepreneurship in context of economy as well. For instance according to Say, a French economist and businessman, An entrepreneur is an adventurer who stints different resources of an economy from lower level to a zone of higher productivity and greater profit. He or she connects all means of production, the re-establishment of the entire capital he or she retains, the interest and the rent which he or she pays, as well as the profits which is gained and which belongs to it selves (Say, 1830). Our further research will be based on above definition of Say. This is imperative to our study because after construing the literature I believe that entrepreneurs strengthen the economy, remove monopolies, and creates more jobs. In further study we will try to support my argument on the basis of more literature review and empirical findings. In addition, below mention are some theories, which will let the reader understand more clearly about the concept of entrepreneurship and economic growth.

As mentioned above that J.B. Say describe entrepreneur as creating vigorous change by shifting economic resources out of a lower stage and into a stage of elevated efficiency and greater yield. Schumpeter and other scholars too view entrepreneurs in the same way. In the world of entrepreneurial theories and literature, Schumpeter holds a significant place. His famous work on theory of creative destruction still considers being the bases of any literature framework in entrepreneurship. It explains entrepreneurs as a source of change. He/she comes up with new business, new methods of production, open new markets. He encourages the new way of doing things and discourages the conformist way. Most importantly, revolutionize the economic structure from old one. In simple words entrepreneurs shift or transform the economic structure from lower stage to higher stage and are the source of disequilibrium (Schumpeter, 1942, p. 132). Entrepreneurs are an element, which creates vibration in market, raise the economy and become source of healthy profit. According to Kirzner (1997), entrepreneurs are the driving force of the dynamic market process. They avail opportunities in market and come up while seeking profit (Kirzner, 1997, pp. 70-73). In our study it is very significant to understand the role of entrepreneur as an element of vibrant change, because when it comes in market with some idea or innovation, it reduces monopoly and create new jobs. It removes the stagnancy in market and push up the economy.

3.1.2 Entrepreneurship & Economic Development

Our focus of study is entrepreneurship in context of economic development. So, if we analyze the definitions of entrepreneurship then it will also lead us to the concept of economic development. For instance entrepreneurship is “starting up a new company” or “possessing a small business”. When there will be new start up of a company, logically it creates new jobs in the market. There will be a circulation of money in market. It may leads to more exports. More exports open new opportunities, help to explore new markets. All these factors
strengthen an economy and develop it.

My further study will be based on the concept of Say (1830), mentioned above and a Schumpeter (1942) point of view because both of them talk about entrepreneurship and believe that it augments economic development. According to Schumpeter, Everyone is an entrepreneur when he in fact brings up new combinations. Finding new combinations of factors of production is a progression of entrepreneurial discovery. This discovery becomes the engine that chauffeurs economic development. These new combinations consist of different and enhanced ways to create new products, to meet existing demand in the market (remove monopoly), & helps in coming up with new technologies. When an entrepreneur comes up with a firm, it will take market share from existing suppliers and increase overall demand in the market of the products, offered. These actions broaden the boundaries of economic activity. So this process of creative destruction is built on vigorous entrepreneurial efforts to alter market structure. It could be helpful for more innovations & profit-oriented opportunities. On the basis of the concept of creative destruction, Schumpeter came up with his theory of long wave of business cycles and economic evolution. The business cycles are seen as the outcome of innovation. This innovation consists of generation of new ideas and then its implementation in a new product, process or service, which leads to the vibrant growth of national economy and increase of employment (Schumpeter, 1911, pp. 77-79; Schumpeter, 1942, pp. 83-84; Dejardin, 2000, pp. 1-4)

I believe that in today's world most of the policy makers still don’t think entrepreneurship as a source of economic development due to which most of the time policies are not in the favor of promotion in entrepreneurship. Schumpeter sees economic development as an array of a series of new processes, new markets, new sources, and new organizations. And take them all as an upshot of entrepreneurial activity (Barreto, 1989, p. 28). While discussing the importance of entrepreneurship and economic growth Becker et.al.(2011), relates an entrepreneur as a person due to which development happens, a development which happens only through his energy and through his non-hedonic behavior. They highlight an entrepreneur who comes up with new combinations and believes that an entrepreneur can push the new combinations by two things (a process which is called as ‘Economic Enterprise’). First, they push the new combinations by taking a right decision with their energy. This decision consists of several different elements. Some of those elements can be assessed and some cannot be evaluated without any exploration. Second, he shoves through the decision means really act upon it. Becker et.al. (2011), gives high importance to this person and take it as a man of action. They believe that this characteristic or function of an entrepreneur results in economic development and help to progress (Becker, Thorbjorn, & Swedberg, The Entrepreneur: Classic Text by Joseph A. Schumpeter, 2011, pp. 132-134). The researches conducted by scholars and their definitions show us that entrepreneurship augment the economic growth of any country. But it is not an easy process to implement altogether this system in an efficient way in some specific country. There are certain factors which creates obstacle in the process of entrepreneurship and I believe rent seeking and its forms is one of them.

Tullock (1989), Krueger (1974) with their researches have shown that entrepreneurship can be directed towards negative side in shape of the accretion of wealth through unproductive enterprise. Rents can be obtained from government awards of licenses and titles that encumber market and goods development. When the country sets up the system of incentives in its governance mechanism, it can either encourage healthy entrepreneurship leading to economic growth and affluence or rent seeking where productive activities become very less.
In the latter case, a society gets stuck in a low poverty-low growth trap.

The negative effect of rent seeking can be more understood by the literature of Kevin et.al. They describe that rent seeking halt the innovative activities; especially rent seeking by government officials really discourage entrepreneurship then everyday production. They believe innovative activities and investment are the real drivers of economic growth and rent seeking has the major role in obstructing this progression (Kevin, Shleifer, & Vishny, 1993, p. 409). So in our research we have selected rent seeking as a matter of discussion that how it hinders economic growth in a specific country and then how to cope with it. This will add significant information in overall literature and in practical life for the incumbents to make themselves aware of the facts prevailing in the society.

3.2 Rent seeking

Rent seeking is a very complex term and a topic mostly discussed under the heading of economics. We are not intending to study rent seeking deeply as a subject of economics so our area of interest is its negative affect on entrepreneurship and it’s different forms specifically corruption, bribery and lobbying. Discussing the forms make it more easier for reader to understand, easier for our respondents to answer as these terms are very well aware in market and easier for the author to search as my intentions are to study the effect of above mention forms in perspective of business and entrepreneurship, not as a subject of economics. So, before an in-depth study of corruption, bribery and lobbying we better refer how various scholars have defined rent seeking.

Lee (1985) defines rent seeking as, “Activities motivated by the desire to capture private gains which have non positive impacts on social wealth” (Lee, 1985, pp.207). As mentioned earlier in first chapter, Rent seeking is manipulation of economic environment for making money instead of through trade and wealth production. Khan and Jomo viewed rent seeking as “political activities which seek to protect, maintain or change rent-generating rights” (Khan and Jomo, 2000, pp. 7). According to Tollison’s point of view rent seeking is totally uncreative, and it wastes the resources by annihilating its value (Tollison, 2003). Also, rent-seeking is a culture in which the principal route to wealth is not creating wealth, but taking possession of or benefiting from wealth created by others (Financial Times, 2012). Sometimes a group of people or an individual wants to have some benefits for their personal interests. For that matter they use political references to seek rent. They pursue rents by getting special subsidies, tariffs and rules to stay away from competition on products or services they produced. Economist use the term rent seeking when people make lobby with Government to get special privileges (Henderson.R, 2008).

Kevin et al. (1993), strikingly explains the process of rent seeking and explicate corruption, bribery and lobbying in an easy way. As mention above rent seeking dampens entrepreneurship, it discourages innovation. To start a new business an entrepreneur or an innovator need plenty of permits, licenses that are known as Government produced goods. Their demand of Government produced goods is high as compare to established manufacturers. This thing makes the innovators primary target of corruption. Some Government officials with sound authority can black mail these entrepreneurs, demand certain favors or bribe and become a primary reason of rent seeking. In some situations established producers are also in the same boat if there are no compact commitment from Government on Government produced goods or so on.
Further, Kevin et.al (1993) describes four important points that are not beneficial for an innovator or entrepreneur. First, innovators are actually the starters so mostly they are not in the lobby of “elites” of Government as compare to established producer. In that way they have to pay heavy bribes to get their even legal work done. Second, entrepreneurs or innovators came up in market with less amount of money and are not able to pay bribes. This ineligibility makes them to suffer in shape of market exit while becoming the prey of rent seeking. Third, when innovators start their business or project, they are not short term. Due to their long-term nature of doing business, the ratio of capital, which they acquire, is slow. This thing also provides an opportunity to rent seekers to take away their lands. Fourth, entrepreneurial projects are mostly risky. If the project succeeded and innovator will get increased capital they can be the victim of rent seeking, and if the project fails due to risk an entrepreneur has to bear the whole cost. So, in both the ways an entrepreneur is a sufferer. Kevin et.al defines such rent seeking as public rent seeking which an innovator has to face in above paragraph. Public rent seeking includes corruption, lobbying and bribery and where government effects the private sector, especially entrepreneurship. They distinguish public rent seeking with private rent seeking which includes theft, piracy, litigation and different form of transfer between private parties. (Kevin , Shleifer, & Vishny, 1993, pp. 412-413).

In today’s world and as we can perceive from above paragraph, certain government officials which belongs to “elite” becomes the reason of rent seeking in shape of corruption, bribery and lobbying. We can call such elites as bureaucrats that forms bureaucracy. The bureaucracy where bribery is taken as the part of the system, established producers through pre-established lobbies with government approach to bureaucrats with heavy bribes to get their work done. New firms do not have enough cash to pay bribes and lack security. In this situation established and large firms are involve more in corrupt activities than small and start-up firms. This leads them finally to become the prey of rent seeking. Further, loss of the projects is bear only by the innovator but profit is share among bureaucrats, which helps to promote rent-seeking activities. All these situations either makes an entrepreneur hesitated to enter in any market and if they enter then makes them to leave the market sooner or later.

From the literature review of Kevin et.al (1993), we can construct the below mention figure which shows that how bureaucracy (elites) holds the market. The market, which has the factor of, rent seeking. This rent seeking includes corruption, bribery and lobbying in shape of its forms. Figure depicts that how established producers give bribe, has strong lobby and are the part of corruption that makes them to stay in market. On the other hand, due to the factor of rent seeking an entrepreneur couldn’t enter in market properly and hesitate. If, they enter in market they have to face rent seeking, has to pay bribe, and has to become the part of some lobby, which lends a hand in corruption. If they don’t do this, they can’t stay in market. In anyways if they stay in market they have to face again and again these hurdles in growth of their business.
Figure 6: Graphical representation of Kevin et al. (1993) concept

Source: Author
Krueger (1974) says, there are always some government restrictions for the market, which cannot be undermined and has a negative effect for anyone. These government restraints give rise to rents of different forms. In order to stay in market people compete with these restrictions. These competitions often make rent seeking in other forms of, corruption, bribery, lobbying, smuggling and black markets. The further sections will give an explanation on corruption, bribery and lobbying in entrepreneurial context.

3.2.1 Rent Seeking as Corruption, Bribery & Lobbying

Corruption has been deliberated as a form of rent seeking. Corruption, just like other forms of rent seeking influence policies for ones particular benefit and help to escape from the market in shape of invisible hand. It is considered as a special way by which different group of people or parties or individual pursue their interest in the competition for special treatment (Lambsdorff, 2002, pp. 104-105). Kruger, in her famous work in the article “The political economy of rent seeking” explained rent seeking as corruption and bribery (Krueger, 1974, ss. 291-303). Kevin et.al (1993) believe that rent seeking impede innovation or in other words people who want to come up with new firms. This rent seeking is called corruption, lobbying and so on (Kevin, Shleifer, & Vishny, 1993, pp. 412-413).

Mauro (1997), while explaining corruption and bribery link rent seeking with it. He defines corruption with an insight of rent seeking. He said, on the bases of literature on rent seeking different empirical studies have been done to study the causes of corruption. These causes include maximum government interventions in economy and government policy (One reason of my choice of subject mention in chapter 2). Here the government officials have full extreme power in applying those policies. In this situation different private parties out there then are willing to pay bribe to get their work done. He gave an example in his work to clarify the concepts that, there are some import restrictions and of course it is from government. These import restrictions make the import license very valuable. To get that valuable import license importers are then willing to pay bribe (Mauro, 1997, pp. 83-85), hence becoming the cause of corruption and in other words birth of rent seeking.

Bhagwati (1982) explained the term rent seeking as DUP, “Directly Unproductive Profit-Seeking Activities”. These activities use real resources and there direct output is zero in shape of goods or services. She believes lobbying an undoubtedly directly unproductive profit seeking activity or in other words leads to rent seeking (Bhagwati, 1982, pp. 989-991).

Khan & Jomo (2000), have the significant contributions in rent seeking literature and they tried to elaborate the concept while giving an example of Asia. They believe that from last three decades many Asian countries had rapid economic development but the economic crisis in 1990s halt the growth. International Monetary Fund and many other academics consider rent seeking and corruption as a cause of this economic crisis and impediment in economic growth. They tried to analyze with their work that whether rent seeking, corruption or lobbying are one of the main causes of it? They come up with the result that rent seeking is common and also were in the past in both developed and developing countries. The only difference they found is that in developing countries rent seeking can be more widespread and can include unlawful forms that often hinder the growth. They consider lobbying, queuing are the legal forms, whereas, bribes, illegal political contributions etc. are the unlawful forms which affects the social as well as economic environment in negative way (Khan & Jomo, 2000).
As we have discussed above different forms of rent seeking we came across that rent seeking is corruption, it is bribery and it is lobbying. It will be not wrong if we say that all three forms are totally interconnected to each other. In our further studies it is might possible that when we talk about one form at the same time it means the other two forms due to their nature. For instance if any author talks about corruption it might means bribery or lobbying or both of them at the same time. All these things eventually lead toward rent seeking or in other words can be enclosed in a circle of rent seeking. The forthcoming self-structured figure can better illustrate the said concept.

![Circle of Rent Seeking](image.png)

Figure 7: Circle of Rent seeking

Source: Author

In this research I will further explain different forms of rent seeking as corruption, bribery and lobbying by analyzing their probable effect on entrepreneurial growth and development of economy. Furthermore, we present the understanding how politicians and bureaucrats misuse the authority granted to them by the government. Finally, we will summarize the literature on rent seeking and its forms with concluding remarks that rent seeking is directly unproductive profit-seeking activity, which creates social problems.

a) Corruption

We should remember one thing that we are conducting research on a developing country, where economical structure and many other things could be change as compare to develop or under develop countries. In that way Corruption has the same case. Many authors and researcher define corruption in a good way and many define it as non-beneficial for an economy. For instance according to Dwivedi (1967), corruption has different meanings and
many authors hesitate to define it because of the meaning of unethical behavior and it comes under the shadow of it. Corruption varies from culture to culture; it could be unethical in one society and socially acceptable in another (Dwivedi, 1967, p. 245). Our research is not to test whether it’s good or bad for any economy. Our research focuses that how it affects the entrepreneurial growth. I take corruption as non-beneficial for any developing country, for instance Pakistan, as mention in first chapter of introduction.

According to Bayley (1966), very little intention is being given to the affect of corruption in developing countries. Most of the West disapprove its existence, or in other words take it as beneficial factor and good for development. Many western observers totally avoid assuming that corruption is an important sabotage in economic growth. Corruption in developing countries contributes no positive effect and not necessarily an encouraging factor to the development of modern economies and social systems. It provides least benefits to any developing economy (Bayley, 1966, pp. 719-720).

Robert Williams (1999) circumscribe, corruption is wrong is just like saying murder is wrong. His research shows that corruption has different meaning in Western developed countries and has different in developing countries. It varied from country to country. It could be also varied with regards of context. While defining corruption there are some moral terms and some legal terms. As per moral terms it means, to ruin, to degrade and to pervert and legal meaning relates corruption to the violation of rules (Williams, 1999, pp. 503-505).

According to Nye’s (1967) explanation, corruption has different meaning in developed countries. For instance he stated, in Russia and America it is considered to be a positive factor in economic development. Corruption is more flagrant in less developed or developing countries because of different conditions involved- there is no proper distribution of wealth, political position or political office considers to be the primary means to gain wealth, the weakness of the legitimacy of governmental institutions, all imparts a major role in corruption and constitutes different effects on developing countries as compare to developed countries. As per Nye, “Corruption is behavior which deviates from the formal duties of a public role because of private regarding (personal, close family, private clique) pecuniary or status gains”. This includes the behavior of bribery and misappropriation (illegal appropriation of public resources for private-regarding uses) (Nye, 1967, pp. 417-420).

Tanzi (1998) define corruption, the misuse of public authority for private benefit. This abuse of public power is not necessarily constraint to just private benefit but it also includes the benefit of one’s party, class, tribe, friends, family and so on. And in some countries it means to finance some political parties. Corruption can be classified as bureaucratic or political; for instance corruption by the bureaucracy or by the political leadership. It could be cost reducing (to the briber) or benefit enhancing; it could be briber-initiated or bribe-initiated. Hence there could be so many other classifications also which can be the part of corruption and can be added. According to him, corruption is generally connected with the state and its actions, especially with the monopoly and discretionary power of state (Tanzi, 1998, pp. 564-565).

It arises due to the weakness of institutions and when they fail to conform to set regulations. Corruption is also taken as a result of bad policy and is examined as a rent-seeking situation (Colombatto, 2003, pp. 374-375).
Leff (1964), in his discussions on corruption in one article named it as the practice of buying favors from the bureaucrats. These bureaucrats are the people who are responsible for formulating and administrating different government economic policies. Typical example of corruption is bribery, which are used to get foreign exchange, import, export, and investment or production licenses or to avoid paying taxes (Leff N. H., 1964, pp. 8-9).

**Affects of Corruption in context of Entrepreneurship**

Corruption has hostile effect on growth and investment. It affects the static efficiency. When somebody has to invest they need investment license. To get the license sometimes you have to pay bribe, which reduces the incentive to invest. In some countries it is added in the taxation system. This is clearly harmful for risk takers (entrepreneurs). In the same way when public resources, which are meant for building productive infrastructure, are diverted for politicians or which benefit them and their private people effects the growth rate. For instance, cement for public roads or dams used for luxury homes (Bardhan, 1997, pp. 1327-1328).

Schleifer & Vishny (1993) explain one reason that “Why corruption may be costly to economic development” is, different government bodies and bureaucracies impose bribery due to the weakness of central Government. They demand bribery from those private agents who are seeking complementary permits (permits to start business, or to import and export, etc.) from them (Schleifer & Vishny, 1993, p. 20).

Mauro (1995) has significant contributions with regards to literature on corruption. He found that corruption lower private investment and hence slashes economic growth (Mauro, 1995, p. 683). Corruption creates an unconstructive impact on business environment due to unfair advantage and anti-competitive practices involved in it. It is also a primary obstacle in the economic development of a country (Anticorruption.ie, 2012).

Tanzi (1998) clearly explain some negative effect of corruption from where we can judge that how worst it could be for the entrepreneurship. According to him it reduces investment and as a result reduces the rate of growth (Tanzi, 1998, p. 585). According to Meon and Sekkat (2005) corruption has a negative effect on investment and the countries where the law is not resilient and Government is not proficient, there it more worsens the effects of corruption on investments. They believe that reduction in corruption is beneficial for countries where other governing aspects are weak and it helps them to grow (Meon & Sekkat, 2005, p. 91).

When corruption is present, entrepreneurs and innovators have to face great risk (Anokhin & Schulze, Entrepreneurship, Innovation and Corruption, 2009).

**b) Bribery**

We have studied about bribery used by corrupt people. Many Scholars consider it as a form of rent seeking and an important constituent in corruption, as mentioned in above literature. There is not too much research done on bribery with regards to entrepreneurship and how it could affect the growth of entrepreneurship. This whole research with my analysis and conclusion will contribute to some extent in the topic of bribery for future researcher. We will now review that what really bribery is, and how it could affect adversely entrepreneurship from the available literature.
Almost every scholar mentions a close relation of bribery with corruption, as mention above under the caption of corruption. In other words corruption is done mostly through bribery. Bribery prevails a lot in developing economies and it is one significant aspect of such developing countries. It constitutes a substantial role in corruption and considered as its form. Bribery is a crucial issue which businesses face in global ethics (Napal, 2005, pp. 232-233).

Bribery and corruption has a negative effect on an economy and according to World Bank, 0.5% of GDP is lost through corruption each year (Anticorruption.ie, 2012). According to Tackett (2010), almost every industry and governmental bodies are affected by bribery. For instance, Oil and gas, banking, Technology, real estate and manufacturing affected the most. He defines bribery as offering something of value that could be anything, in exchange for some influence. Bribing public officials is a crime and bribing business officials depends on state regulations. Even, if there is no specific law for bribing business officials, still companies can take legal actions (A.Tackett, 2010, p. 5).

Normally firms pay bribe to the public officials who have the direct impact on their business operations. This bribe is for the various works to be done easily which are under control of public officials. These kinds of work or dealings cannot be avoided, for instance import, export or requiring public infrastructure amenities etc. Some time public officials have strong control over the firm through different regulations. Under these regulations firm has to pay bribe or otherwise become bound for market exit (Svensson, 2003, p. 208).

From the literature I assumed that there are two kind of parties, one who are bound to bribe and others who intentionally bribe to get their work done. And the parties who intentionally bribe are big and rich as compare to other party. They try to make lobby with certain Government officials with bribery process and hence become a source of corruption in future. Damania et al (2004), explains the process of bribery in a very beautiful way. According to them, different businesses try to avoid regulations and need some shortcuts. To fulfill their purpose, these businesses bribe public officials and make lobby with government leader. These steps help them to defy all those regulations that are made to improve law (Damania et al. 2004, p. 363).

Beside all of this, Hunt in 2004, did a study and found that rich people bribe most and poor bribe less. And, the clients or people from business world who are rich pay higher bribes as compare to the poor clients. One reason is, rich people are in need of more goods and services due to their consumption as compare to poor ones (Hunt, 2004, pp. 8-9).

As I mentioned earlier that bribery is a form of corruption and a vital part of it. Bureaucrats use this tool immensely to fulfill their schemas and give rise to corruption, eventually to rent seeking. Frye & Shleifer (1997) in their work describe that how bribery is being done by bureaucrats. They explain a model, grabbing hand model, in which government has large number of independent bureaucrats working on their own agendas. Here government is less organized and just an interventionist, rhetorically. In this type of situation bureaucrats take bribes, of course to get their aim done. This is so because they are largely independent of courts, capable of imposing their own will on commercial disputes and are empowered to intrude regulations on businesses. In extreme cases government becomes more chaotic and is unable to ensure law to provide basic legal protection (Frye & Shleifer, 1997, pp. 354-355).

Jong de et.al (2010), defines bribery as, cash payment from an organization to public official with the aim of influencing their actions. According to them more the bribe is to be paid more
it affect the entrepreneurial organization. It lowers the performance of entrepreneurship and effect severely the entrepreneurial output (Jong, Tu, & ees, 2010, pp. 3-5).

There is not much information of bribery purely in context of entrepreneurship. This study and its results will aid theoretical contribution in over all entrepreneurial literature and bribery in particular.

c) Lobbying

As I have discussed earlier that lobbying is one form of rent seeking so it is also considered as unproductive towards economic growth and create obstacle in the growth of entrepreneurship. Many authors involve lobbying while discussing corruption and bribery because it has the same adverse effects as corruption and bribery have as mentioned above. There is not too much information available on lobbying in context of my research but I tried to sort it out to continue my final findings.

As I have mentioned earlier that all three forms of rent seeking; corruption, bribery and lobbying are interlinked with each other. Giovannioni (2011) refer lobbying as a substitute of corruption and consider it as a rent seeking activity. He defines lobbying as a series of activities that is to influence the representative of any country or, activities, which are aimed at rule maker (Giovannioni, 2011, ss. 12-16). In lobbying you make someone who has the sole authority to agree on your point of view or in simple words to get your work/interests done with ease. “Lobbying is advocacy of point of views, either by groups or individual. Or, to persuade legislators” (All American League of Lobbyist, 2011). Further, similarly lobbyist is define as, “an activist who seeks to persuade members of the government to enact legislation that would benefit their group” (Cooper, 2012).

According to Harstad & Svensson (2006) firms pay bribe to bureaucrats to bend the rules and lobby the government to change the rules. They mention bribery and lobbying as substitute of each other to some extent. For them also lobbying is an activity that is aim to change the existing policies/regulations or rules (for the interest of common group). Bribery is being used for instance; there is a requirement of an import license for a firm to import some important goods. Instead of meeting the legal rules and regulations they try to bribe public officials to have immunity. On the other hand lobby the government to relax the requirement. In bribery there are chances that in future they have to bribe again and again to get the favor, but in successful lobbying there are good chances to have the rules in favor of them permanently and allow them to change the rules according to their wish. Most of the firms use bribe to get the favors in their early development phase and lobbying in the later stage when they invested more (Harstad & Svensson, 2006).

Firms pay bribe to bureaucrats to get the legal work done, illegally. And as I mention under the heading of bribery, that rich parties are subject to pay more bribes as compare to other. Whereas I just discussed that when firm moves toward developed stage and start investing more they lobby with the governments. Both bribery and lobbying effect entrepreneurship because, entrepreneur can’t invest more in start. Big firms bribe more and have lobby and hence take the public officials in hand. Whereas entrepreneurs cant bribe heavily and make lobby. This situation leads them toward significant problems.

According to Nauro & Giovannoni (2006), larger firms are more likely to make lobby. In a country where there is unstable government there firms make lobby due to the threat of
change in law or regulations. Because, when new government comes it is very much likely that they change laws. They did a research on different transition countries and found that, a firm who join a lobby feels easier to influence the decision maker as compare to other ways. In poorer countries too lobbying considers to be more effective then corruption (Campos & Giovannoni, 2006).

Lobbying is practiced as a legal institution in political markets and business market. Analyst and critics mention that two different institution lobbying and bribery occur simultaneously. Baye, Kovenock and Vries (1993) viewed lobbying as a newly emerged institution in political markets and say it provides embedded benefits and payment to the politician. Justice is there that they should not give favors to the high bidders but politicians still do, hide it and do it in a different way. Lobbying make it easy for the lobbyist and the politicians to overcome this constraint. Baye et.al, explained lobbying as an easy and legally accepted way to approach politicians, which provides lobbyist an enough space to bribe politicians and win the prize or get the contract or license (Baye, Kovenock, & De Vries, 1993, pp. 289-290).

Also, as per Damania et.al (2004), mentioned above under the caption of bribery, larger firms are more eager to pay bribery and make lobby with political leaders. This lobbying helps both the parties to get their interests without getting exposed in front of law. For instance, larger firms or parties who can give more money can easily get the contracts or permits due to the favor given by bureaucrats/political leaders or public officials. And on the other hand side bureaucrats have the favor of bribery and other personal/political benefits.

When larger firms or rich parties make lobbies with bureaucrats and bribe them heavily, this discourages entrepreneurship. Entrepreneurs don’t have that much money to bribe and has an access to make lobbies, hence face plenty of predicaments.

As per my findings and knowledge, I have not found much study conducted analyzing the direct relationship between lobbying and entrepreneurship. It is again one of the research gaps. We find in most of the study, lobbying is compared with corruption and bribery and is practiced as the legal form. Whatever I have found on lobbying shows us that it is not good for entrepreneurship to some extent. How it can fully effect entrepreneurship is what we can find after conducting research from our respondents. Our study is empirically carried out on Pakistan where political activities plays major role in entrepreneurial growth and we believe that lobbying could be one factor acting in this context. It made us feel necessary to present the views on lobbying from various scholars. It will help to further understand the situation in Pakistan in order to get the results with regards to entrepreneurship and my research gap. Though I also didn’t find much study on lobbying in context of entrepreneurship but the views presented by different scholars lead us to the analysis that they are not resilient for entrepreneurial growth. More results we can get after the interviews in my further research and analysis.

Outcome

From the above literature we can constitute that entrepreneurship is a vibrant factor that help in economic growth. There are definitely many factors which can obstruct the entrepreneurial process but to narrow down our research we take rent seeking and its forms (corruption, bribery and lobbying) as obstacles. Study shows that rent seeking has a negative effect on an economic growth and present in form of corruption, bribery and lobbying. All the three forms
are strongly interconnected with each other and give a picture of rent seeking as a whole. It would be not wrong if we say that all these three forms work side by side.

Corruption has been an interesting topic for scholars to study, analyzing different aspects and causes of problems in society. Corruption is generally presented as an illegal act and considered as an unethical behavior that leads to different problems in economic development. In many developed or western countries it is not considered as a problem but in many developing or under developed countries it is deliberated as a serious problem (as explained by Bayley (1966) and Williams (1999) above under the heading of corruption). As per the definition of Nye and Tanzi, it is very much clear that corruption is abuse of public power for private benefit.

Many officials or bureaucrats having sound authorities are the main reason for corruption. They can effect in multiple ways. We will focus its effect on entrepreneurship, as we are concerned that how it affects when an entrepreneur has to start a business and want to enter in a market. When any entrepreneur wants to start business he is in need of some permits or license and need some government goods (as mentioned above in this chapter under the heading of “rent seeking”, the explanation of Kevin et.al. (1993) on rent seeking, corruption, lobbying and bribery). Sometimes bureaucrats or officials demand bribe to get these things done or which are requiring for an entrepreneur to start a business. It could be in shape of anything (goods, land, services, license etc.) that is being under control of government. As define above, officials do this for the personal interests and take bribe. When entrepreneur, who came in market with less money unable to bribe they have to take the exit from market, sooner or later. In this way investment lowers which becomes a factor of decline in economic growth.

In addition rich parties or big businesses who can bribe more try to make lobby with Government or political parties. This helps them to have the rules in favor of them. They do business as per their wish under the shadow of corruption and bribery. So, most of the time policies make by Government favors big and neglect small. Small cannot enter in to any lobby easily due to the compulsion of high bribery and links with political parties or Government. As a result our entrepreneur has to face lot of problems.

After analyzing different definitions and views, we can conclude that corruption deviates bureaucrats from formal duties of public role, exist more in those societies where relational bond has more meaning and in most cases where government rules & regulations are not strong. Corrupt officials take bribe to get even legal work done. This bribery discourages entrepreneur, risk takers or investors, who want to start a new business. In this kind of environment lobbying add sugar in fire. Large business make lobby with Government or political parties and has the policies that pamper them most. These situations discourage entrepreneurship more and more and consequently hamper the economic growth in long run. Below mention figure is another model to illustrate the effects of rent seeking. Rent seeking, which has three forms: corruption, bribery and lobbying and all these factors leads to discouragement of entrepreneurship.
3.3 Entrepreneurship & Pakistan

Many Economists view entrepreneurship as a source of growth and employment. Also, as discussed above in the literature, it is a combination of innovation and risk-taking. Such entrepreneurial activities bring a lot of opportunities to society. But, Pakistan is passing through a tough situation when the name of entrepreneurship arises and is repressed by the government of the country. No doubt there are several laws and policies for the development/promotion of entrepreneurship but having no use. Entrepreneurship requires fairness of policies and a good institutional environment and their role. If there will be no fairness, then entrepreneurship may lead to the accrual of wealth through unproductive firms, as discussed above under the caption of rent seeking. The system of incentives either leads toward healthy entrepreneurial activities or rent seeking. One reason of low entrepreneurial growth in Pakistan is policies favoring the high class. Instead of encouraging entrepreneurship, policies encourage investment (big investment) (Rana, 2012).

After the independence of Pakistan in year 1947, policies were somehow in favor of large-scale industries. This focus on large-scale industry created discouragement in people to come up as an entrepreneur. Those are entrepreneurs, which give rise to small and medium enterprises. Former vice chancellor Mr. Haque explains in his report, after the partition of India in 1947, there was a big push of industry, policies were in favor of government elites, and military bureaucratic started thinking that they were the saviors of the country. The government favors big investors (big investments) and for them enterprise means just “Big Industry”. When the state came into the situation of development, there was an availability of easy financing and state resources. Bureaucrats started investing and took full advantage of those resources. There were incentives for investors, such as licensed monopolies in protected market, cheap land and credit, and subsidized inputs. All these things were pushing entrepreneurship back and giving rise to rent seeking. Property rights law and other judicial experience a noticeable decline. That incentive government has created rent-seeking businessmen today, who misuse the policies. These businessmen who know all the ways to manipulate the government policies and how to play with them are dominant. Due to this dominancy, wealth is now in the hand of specific people. Today, even in the private sector, preference given to those people who have lobbying with the government. As a result, entrepreneurship is getting obsolete (Haque, 2007).
Pakistan is the land of miracle with regards to its economy ups and downs. I gave a slight depiction of its historical economic situation after the independence in first chapter. From scratch it starts and then faced a boom situation till 80s, but in 90s the phase of economic decline and rise came and still persist today. It is said that economic growth takes place when there is a political stability and Pakistan has faced 23 Governments in just 60 years, showing maximum instability. In 2000s Pakistan economy was far better then as it endures today (Hussain, 2009, p. 9). It is important to discuss the political instability because when the government and ruling bodies get changed frequently, every time new government comes up with new program and policies. This frequent change in policies discourage entrepreneurs to come up with new ideas and start the business, because start up business has limited resources and cannot cope with fast changing policies in business environment. This Modification in policies leads to create a fear in an entrepreneur (one reason of choice of subject mentioned in chapter 2), and encourage lobbying which indirectly gives rise to bribery and corruption. As cited previously by Nauro and Giovannoni (2006) under the caption of lobbying, political instability give rise to lobbying by big firms and Government. This lobbying ultimately affects entrepreneurs.

Today, according to Global Entrepreneurship Monitor (GEM) report, one of the substantiate source in entrepreneurial research field, Pakistan is placed in factor driven economies. In that section it is lagging far behind then other countries in early stage entrepreneurial activity (TEA) with a lowest rate of 9.1%. Perceived opportunities are also less than many other factor driven economies with a rate of 39.7% and having 35.3 % rate of fear of failure (See appendix) (Kelly, Singer, & Herrington, 2012). All this data shows the low entrepreneurial activity in Pakistan and fear of starting a business.

3.3.1 Economic Growth of Pakistan

I am defending that entrepreneurship is the solution of economic growth and it helps to shift the economy from lower level to upper level. I have mentioned some indicators about the situation of entrepreneurship in Pakistan so; let’s talk about the indicators showing unsteady and weak economy of Pakistan. This will authenticate the reason of my research that why I select Pakistan for my research.

According to planning commission of Pakistan (2011), between years 1972 to year 2010 Pakistan’s GDP grew with an annual rate of 4.9%, which is volatile. Other regional economies like India, Bangladesh and Sri Lanka have more GDP especially in recent years. Pakistan is facing falling income level and rising un-employment rate. The economic growth also shows a downward trend and far behind the expected progression. (Planning Commission of Pakistan, 2011, p. 18).

Below mention figure shows the rising unemployment rate (red line) and falling per capita income (blue line) of Pakistan. There is a clear difference between both the variables and hence showing startling situation.
The following statistics show the economic situation of Pakistan. Blue lines demonstrate target economic growth whereas redline indicate actual economic growth. The figure clearly describes the morbid trend of economic growth of Pakistan.

According to the World Bank report, the ratio of Pakistan’s inflation, consumer prices (annual %) are higher than the other regional countries in past 5 years.
Where inflation is rising, there GDP per capita growth (annual %) of Pakistan is declining and far less than other regional countries, i.e. India, Sri Lanka and Bangladesh. Below mention statistics are gathered from World Bank report, which clearly shows the low percentage of GDP in past 5 years.

According to Naveed Iftikhar (2011), there is a significant need of entrepreneurship in Pakistan to acquire economic growth. Current policies or efforts are not showing any results which can boost the entrepreneurial activity. Right now Pakistan is facing several problems in
shape of high unemployment rate, poverty, inflation, energy shortage etc. To solve such economic problems we have to focus on entrepreneurship development (Iftikhar, 2011, pp. 3-4).

But I believe that rent seeking (corruption, bribery, lobbying) are the stumbling blocks in the growth of entrepreneurship, as we have also read in literature review. These factors affect the entrepreneurial growth negatively. My research question focuses on such intuition to find that how rent seeking and its form effect the entrepreneurial progression in Pakistan. We have discussed the situation of entrepreneurship in Pakistan and possible variables i.e. instable Government, policies and laws which favors bureaucrats and focus on large scale industries etc which leads toward rent seeking and its forms (corruption, bribery and lobbying). Now we will discuss the situation of Rent seeking, corruption, bribery and lobbying in Pakistan to finally move towards the answer of our research question.

3.4 Rent Seeking in Pakistan

Rent seeking in Pakistan is the term which is prevailing in the environment but still invisible in front of others. It works like a devil with unseen hand acting like an air whose effect is visible but cannot be seen with naked eye. Not too many studies have been done on this topic alone especially with regards to Pakistan. During my research I find Mr. Nadeem ul Haque, Former Vice Chancellor of Pakistan Institute of Development Economics and Deputy Chairman Planning Commission of Pakistan, as one of the major contributor in the topic of rent seeking.

According to Haque (2007), in order to promote entrepreneurship in Pakistan we have to eradicate rent seeking which is growing due to the incentive system. This incentive system is corruption, bribery and lobbying in shape of different laws and policies. Bureaucrats use this incentive system in a negative way. Now policies are for investors and do not favor entrepreneurship. Government takes entrepreneurship as investments at the large industrial level. The result is discouragement of genuine entrepreneurship (our entrepreneurs) and promotion of cartelization and rent seeking (Haque, 2007).

Further, as I have discussed in first chapter that Government favors large scale entrepreneurs (industries) and investment climate is worse (Chemin, 2008). Market is in the hand of big investors and family controlled big corporate groups invest for longer period (Morck & Yeung, 2003). This situation lead Pakistan towards the swamp of rent seeking. According to Khawaja and Mian, rent seeking, corruption and political dwindling governance are considered to be one of the biggest problems in Pakistan’s economy. They pointed out the close relation of politics with corruption and rent seeking in Pakistan (Khawaja & Mian, 2005, p. 1375).

According to Planning Commission of Pakistan (2011), innovation and entrepreneurship have suffered a lot because mostly incentives slanted for lobbyist, giving birth to rent seeking. And we know that maximum lobbyist in low developing countries came in to existence through corruption and bribery. We have also discussed earlier in this chapter that corruption, bribery and lobbying all are closely interlinked with each other and depict rent seeking.

After deliberating rent seeking in Pakistan it is also very important to throw light on its forms corruption, bribery and lobbying. This will ultimately clear the situation of rent seeking and its form in Pakistan and will help us to cope with our research problem.
3.4.1 Corruption, bribery and Lobbying in Pakistan

Corruption is a stern problem in Pakistan and has been confirmed from many recent authenticate studies and researches. According to Global Corruption Barometer 2010/11, the level of corruption is increased by 77% in last three years in Pakistan. Public officials with other variables like politics and police have the highest corruption amongst all other variables. Zero, out of ten as a highest corruption, Pakistan has a score of 2.5 showing maximum corruption. Current Government is considered to be 73% in effective in fighting against this corruption (Transparency International, 2012). World Bank ranks Pakistan around 15.6% effective out of 100% in control of corruption in year 2011 (World Bank, 2011). The position of Pakistan in world ranking with respect to corruption is unsatisfactory. Approximately 23% of youth want to start their own business but corruption is the biggest problem for them, followed by restrictive laws and regulation, and privation of finance (Planning Commission of Pakistan, 2011).

According to chene.et.al (2008), corruption is the considerable problem in Pakistan and, it is continuously dispersing in a systematic way. It is deeply embedded in every level of society and government and many indicators show it static and inferior situation in Pakistan. It is present in the country as political corruption, nepotism and misuse of power and bribery is its common tool (Chene, Fagan, & Plaza, 2008, pp. 1-4). Corruption has the severe effect on the life of citizen. It is present in the whole structure of state. The worst thing to believe is, its claws are even on judiciary and legislature. Commonly corruption occurs through paying bribe. People pay bribe and it serve as an incentive for the Government employee, for instance to get contracts, concessions or exemptions, buying shares etc. (Javaid, 2010)

Khan (2007) pointed out that average Pakistani faces corruption every time when they have to deal with bureaucracy or Government. Corruption is increasing gradually and it is present in almost every significant sector of the state (Khan F., 2007, p. 226).

Earlier in this chapter we read that corruption has close association with bribery. Corruption pretexts in many ways like extortion, fraud, nepotism and above all bribery. Bribery doesn’t only mean exchange of money; it could be in shape of incentives, gift or any benefit. Pakistan is one of those notable countries that are highlighted in different studies where bribery is common (Gohar et.al, 2012).

Transparency International rates Pakistan one of the countries whose 50% of people paid bribes in last 12 months. The forthcoming bar chart will show the comparison of Pakistan with other South Asian countries that paid bribes in different sectors.
Further data shows that in which sector, 50% of the population of Pakistan paid bribes in last 12 months. Police and land services are the highest bribe takers followed by registry and permit services, and customs (Hardoon & Heinrich, 2011, p.12).


<table>
<thead>
<tr>
<th></th>
<th>Bangladesh</th>
<th>India</th>
<th>Maldives</th>
<th>Nepal</th>
<th>Pakistan</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education System</td>
<td>15%</td>
<td>23%</td>
<td>3%</td>
<td>12%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Judiciary</td>
<td>64%</td>
<td>45%</td>
<td>2%</td>
<td>21%</td>
<td>29%</td>
<td>19%</td>
</tr>
<tr>
<td>Medical Services</td>
<td>18%</td>
<td>26%</td>
<td>3%</td>
<td>10%</td>
<td>20%</td>
<td>6%</td>
</tr>
<tr>
<td>Police</td>
<td>75%</td>
<td>64%</td>
<td>2%</td>
<td>24%</td>
<td>63%</td>
<td>32%</td>
</tr>
<tr>
<td>Registry and permit services</td>
<td>49%</td>
<td>62%</td>
<td>6%</td>
<td>25%</td>
<td>52%</td>
<td>16%</td>
</tr>
<tr>
<td>Utilities</td>
<td>36%</td>
<td>47%</td>
<td>5%</td>
<td>9%</td>
<td>49%</td>
<td>5%</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>40%</td>
<td>51%</td>
<td>3%</td>
<td>29%</td>
<td>43%</td>
<td>63%</td>
</tr>
<tr>
<td>Land Services</td>
<td>48%</td>
<td>63%</td>
<td>7%</td>
<td>31%</td>
<td>63%</td>
<td>30%</td>
</tr>
<tr>
<td>Customs</td>
<td>12%</td>
<td>41%</td>
<td>9%</td>
<td>45%</td>
<td>50%</td>
<td>33%</td>
</tr>
</tbody>
</table>


Lobbying which is an important constituent of my research, I couldn’t find any relevant information with regards to Pakistan. This factor encourages this study to come up with an answer about its existence and how it affects the entrepreneurship in Pakistan.
3.4.2 Out Come of literature: Pakistan

From the literature with regards to Pakistan I find that though there are polices for the promotion of entrepreneurship but it’s not fair and situation is dispiriting. There is a more focus on big industry and Government takes entrepreneurship as a big investment. Incentives are mostly for big industries, bureaucrats take full advantage of incentives in a negative way and there is a deterrence of entrepreneurship (see Haque & Rana). Also there is no political stability due to which policies change frequently. Due to change in policies again and again, lobbying comes to existence and all these situations create distress in an entrepreneur (see Nauro & Giovannoni, 2006).

Beside morbid situation of entrepreneurship, different authenticate resources shows the shuddering position of Pakistan’s economy. Low GDP, falling per capita income, rising unemployment rate and thriving inflation indicate the need of oxygen in a dying body of country (see World Bank, Planning Commission of Pakistan). Literature shows that promotion in an entrepreneurship helps the economy to rise and flourish and Pakistan need this medicine to heal its economy.

But there are certain factors prevailing in the environment of Pakistan, which create hindrance in the encroachment of entrepreneurship, rent seeking and its forms. There is not too much studies on the topic of rent seeking with regards to Pakistan and hence validate the research gap. According to the available literature, rent seeking is adversely affecting the entrepreneurial activity in Pakistan. Its forms, corruption, bribery and lobbying has strengthen its roots in the bases of country. Corruption with bribery becomes the most challenging virus to deal with. Different surveys and researches show the maximum corruption and bribery in Pakistan (see Transparency International and World Bank Indicators). Where Incentives and policies should be for entrepreneurship, there bureaucrats and other big fish using it negatively with corruption and bribery. Corruption and bribery finally encourage lobbying to come in to existence. Lobbying is the factor on which again less research has been done in context of Pakistan and hence validating the research gap. This research will help to come up with more information on lobbying in Pakistan.

Now from the literature it is proven that to shift an economy from the lower state to higher state, entrepreneurship is the one solution. But, rent seeking and its three forms are one of the biggest hurdles. It affects entrepreneurship and economy in a negative way. In Pakistan rent seeking and its three forms (corruption, bribery and lobbying) exists at its maximum. And there is a sound requirement of entrepreneurial growth to support its falling economy. So, in this situation there is a need to find that how rent seeking and its three forms effecting entrepreneurial growth in Pakistan, as my research question. This research gap will further allow to come with suggestions that how this problem could be handled.
The above mention figure describes flow towards research gap. After having some literature review we have found that “there was rise in economy of Pakistan after its independence” but after few decades there was “decline in economy” due to some factors discussed in chapter 1 and chapter 2. I have suggested that to promote “entrepreneurship” is the way to handle it, but in endorsement of entrepreneurship, rent seeking and its three forms are the biggest stumbling block. There is not too much research conducted on rent seeking and entrepreneurship in the context of Pakistan, and less study has been presented that how to cope with rent seeking in order to impede entrepreneurship. So the outcome of our study in reply of that gap would be an answer of that how rent seeking with its forms are affecting the entrepreneurial growth in Pakistan. This would be done after having detailed interviews from specific defined respondents. It will be a significant theoretical and practical contribution in over all literature, specifically with regards to Pakistan, a developing country.
Chapter 4
Practical Methodology

This chapter will provide information on my selected sample for study and process of conducting interviews. It starts with the method, which I have used for collecting data and research sample. It also explains the selection criteria of respondents and how the interviews are taken from them.

4.1 Data collection methods

Data collection is one of the most significant phases in any study. It allows you to gather information by specific data collection method to support your findings and then to analyze it. According to Walliman (2011, pp. 69-70), there are mainly two types of data collection method, Primary and secondary data. Primary data includes observations, experimentations, interviews etc, whereas Secondary data comes from interpretation of available material or data extracted from primary data. Due to the nature of this research, primary data is the most suitable approach. Primary data has been selected because this research study is to find the answer that how rent seeking and its three forms are effecting the entrepreneurial growth in Pakistan. This could be done only by primary data because no or limited information has been found to fill the research gap. Primary data includes interviewing which allows conducting in-depth information and helps to understand people’s feeling. No other method like observation has been selected because it only includes discerning. It has no exchange of ideas. Whereas, experimentation embrace testing of different factors (Adams, Khan, Raeside, & White, 2007, pp. 107-111). Interviews help to gather unavailable information by talking to different personals. This will help to understand that how they feel about specific factor. For instance by interview it’s easy to gather the information that what entrepreneurs think about rent seeking and its three forms. How they feel about it. There deliberation of ideas helps to fill the research gap.

4.1.1 Semi-structured interviews

Purpose of study, research questions and the researcher views determines which kind of interviews need to be chosen. According to Bryman & Bell (2007, pp. 472-475), there are two forms of interviewing in qualitative research, unstructured and semi structured interview. In an unstructured interview there are not enough questions to ask, may be one and rest of the game is on interviewee. Whereas in semi structured interview there is a list of questions regarding specific topic. Questions can be asked outside the interview guide as per the situation and the replies of interviewee for better understanding. In this study semi structured interview is being followed. Semi Structured interview allows to come up with our own interview guide having series of questions. These questions help both interviewer and interviewee to be on track. Such interview guide helps an interviewer to clarify different terms about specific topic to interviewee if they don’t know. Interviewee can deliver his/her ideas freely and interviewer has the opportunity to ask any question outside the interview guide as per the situation and the incoming flow of information. In addition Bryman & Bell (2007, pp. 478-479) states that semi structured interview should be adopted if the study has clear focus instead of general one. This study is to gather information from entrepreneurs and to investigate how rent-seeking and its forms are affecting the entrepreneurial growth in Pakistan with a clear emphasis, so semi structured interview will help to ask questions freely according to the interview guide and new questions as per the situation.
4.1.2 Interview Guide

The interview guide directs and helps an interviewer to ask questions from respondents in an efficient way. It also helps an interviewee to do their homework before an interview. The interview guide designed in this thesis is based on the theoretical framework. It covers all the significant aspects of the research gap. For instance, it includes the questions about the effect of rent seeking in Pakistan, effect of its three forms: corruption, bribery and lobbying in Pakistan, how they are effecting the entrepreneurial growth in Pakistan, how to cope with it and how entrepreneurship can be promoted in order to boost the economy of Pakistan. According to Bryman & Bell (2007, pp. 482-483) the questions in the interview guide should be in order and have some reasonable flow. It should start with asking general question such as name, age, company name etc. So before asking questions related to research topic, the interview guide will start with the formal preliminary questions like with the introduction of interviewer and introduction of interviewee. The introduction of interviewer includes current educational background, institute name, purpose of the research and other questions as per the situation. Whereas the introduction on interviewee comprises of educational background, current entrepreneurial venture, time spent in the entrepreneurial activity and other questions as per the situation. Here situation means the time of conversation when something else arises which is not the part of interview guide. This primer will help an interviewer to address the interviewee with clear and effective way. On the other hand interviewee will have a clear image about the attentions and background of interviewer and hence he/she can respond in a better way.

The language in an interview guide should be used while keeping the respondent’s personality in mind. It should be in accordance with them so that they can understand it easily (Bryman & Bell, Business Research Methods, 2007, pp. 483-484). The interview guide which is being used in this study has a suitable language while understanding the respondents and their settings in which they live or work. The questions are being formulated on the bases of instruction mention by Bryman & Bell(2007, p. 485) like: focusing on general research area; preparing specific research questions; pilot guide after formulating and reviewing interviewing questions; identify novel issues and then finalizing the guide after revising all interview questions. After finalizing the research guide it was being sent for peer review to check its authenticity. This help to come up with loopholes, if any. Later for the ease of interviewee the guide has been emailed to all the respondents. The reason behind emailing the guide was to give time to respondents to do their home work. It helps the respondent to think and to prepare answers before interview.

4.2 Research Sampling

Sampling is one of the most important ingredients in any study. Normally there are two main types of sampling approach, probability and non-probability sampling. Probability sampling includes random selection in which every unit has the maximum and equal chance of being selected. Whereas, non-probability sampling is opposite to probability sampling that means an approach, which do not includes random selection and the units have the more chance of being selected then others (Bryman & Bell, Business Research Methods, 2007, pp. 182-183). In this research non-probability sampling has been used because in probability sampling, sample size is large, but for this study only seven respondents have been selected. Further, in this research time and cost matters a lot so convenience sampling has been selected. According to Bryman and Bell (Business Research Methods, 2007, pp. 197-198), a sample which is available to the researcher with ease in access is called convenience sampling. For instance, for this research respondent has been selected from the cities where researcher has
an easy access to them. This is because researcher itself lived in those cities and has the sound information regarding different entrepreneurs in the city. It is easy to collect data from them in their language and will save lot of time. In addition, this research is being conducted from Sweden so cost cannot be neglect able. Taking interviews on Skype and cell phone will decrease the cost of transportation.

Beside so much handiness there were few different problems in such sampling. First, finding out the right respondents who should meet the selection criteria was the hurdle. Because, there were so many entrepreneurs but for this study only specific entrepreneurs were required. It was not easy to find them from distance. Second hurdle was to contact those specific entrepreneurs, as author was in Sweden and entrepreneurs were in Pakistan. The first problem was much easy to solve. Most of the entrepreneurs are on researcher’s social network and few of them were contacted with the help of researcher’s business networking. Certain questions were asked regarding their present business and activities to assure that they are the right person for research. There business clearly shows itself that how much they were authenticate as a respondent for the research. To deal with the second problem, researcher itself has sent messages, email to them and few of them were contacted by phone for the confirmation of selection criteria and to get them for interview. Though the problem was solved but it was hard to contact every respondent again and again on phone due to very expensive call rates. Researcher had to wait for days to get the reply through Internet, as many of the entrepreneurs were facing long lasting electricity problem in Pakistan and due to their busy schedule.

The research is intended to collect data from the entrepreneurs who have an experience of at least zero to two years of business in market. Also, who are well aware of dealings with government and faced bureaucracy. Due to these reasons purposive sampling or judgmental sampling has been selected. According to Adams et al (2007, pp. 89-90) a sample that meets some conditions is called purposive sampling or judgmental sampling. By choosing purposively such entrepreneurs who have an experience of one to two years will show the real and fresh emotions of new risk takers. Their dealings with government and experiencing the reaction of bureaucracy translate their feelings. How rent seeking and its three forms effect them will easily be judged. All these elements are essential for the answer of research question.

Different measurements have been taken to assure that every respondent meets the selection criteria before interview. In this context, author has confirmed the selection criteria from respondent’s fellow entrepreneurs & friends. As researcher has contacted with respondents through these personal contacts so it was easy to get through this stage. These people are in contact with respondents directly or indirectly. They were the good source of information, which was required for the study. Being in contact with respondents, they had an idea that how specific respondent deals with different situations & matters as per selection criteria of this study. High level of communication skills have been observed in this matter, because getting information about respondents so that they don’t feel bad if he/she came to know about such investigation was very important & critical. These communications were held on phone, Skype and by informal messaging through social network. All of above, maximum selection criteria (i.e. number 1, 2, 4) could be confirmed by contacting chamber of commerce. It’s the place where every new organization needs to register. They have the record of every firm i.e. date of registration, nature of business etc.
4.2.1 Selection Criteria

To sort out the most suitable respondent from total sample population, a set of selection criteria has been drawn. The selection criteria help to achieve the purpose of the study and to answer the research questions precisely. Also, as mentioned above that judgmental or purposive sampling is used for the selection of respondents so detail reasons of selection are mentioned below.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Reason To Choose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Respondents must be working as an entrepreneur from last 0-4 years.</td>
<td>This is important since we limit our study to analyze and understand the entrepreneurial environment in the Pakistan. Such respondents give a description that how new entrepreneurs take different startup problems and feel about them.</td>
</tr>
<tr>
<td>2) Firm must be registered in Pakistan and currently running.</td>
<td>To ensure the firm is legally operating. Currently operating firm is chosen so that information can be gathered reflecting current environment.</td>
</tr>
<tr>
<td>3) Respondent should have some understanding that how corruption, bribery and lobbying is done.</td>
<td>Because, this will help them to understand the term rent seeking and able to answer with great understanding.</td>
</tr>
<tr>
<td>4) Respondents (Entrepreneurs) should have an experience of dealing with Government officials and bureaucracy.</td>
<td>This is very much linked to research gap. Dealing with government and bureaucracy will expedite their experience regarding rent seeking and its three forms: Corruption, bribery and lobbying. This will give maximum and useful information which is significant for this study.</td>
</tr>
<tr>
<td>5) They must be comfortable to interact in Urdu (National Language) or English.</td>
<td>This criterion is set to better understand the respondents. Furthermore, it is important for both interviewee and interviewer to feel comfortable and free to interact. We limit the language to two because both of us can speak English and Urdu as our national language.</td>
</tr>
</tbody>
</table>
4.2.2 Sample Size

It is very well aware that sample has an enormous importance in any study. The basic conclusion of the research is highly dependent on the sample, therefore shows the exceedingly role of its size. Beside its importance, how big the size should be, also matters a lot. The size of sample can be determined by various statistical tools or by common sense approach, depending upon the requirement of study (Adams, Khan, Raeside, & White, 2007, pp. 91-92). Also, sample size can be affected by time and cost. According to Bryman & Bell (2007, pp. 194-195), time and cost disturbs the sample size. So by using common sense approach and by keeping in view the factor of time and cost, seven respondents are selected for the interview. These seven entrepreneurs are sufficient enough to provide the required information substantial for this research. Sample sizes are selected on the bases of above mention criteria. This common sense approach will help to formulate the analysis and conclusion which is required for this research.

4.3 Conducting Interviews

Conducting interview is the closest step towards your final outcome of the research. According to Adams et al (2007, pp. 146-147), interview process consumes too much time. One interview can take more than an hour and minimum of twenty minutes so it should be wisely planned. Interview process for this study is also planned carefully. On the bases of selection criteria, emails were sent to seven entrepreneurs who have an experience of more then one year and dealt with government and bureaucracy. Also who has an understanding of corruption, bribery and lobbying. All the entrepreneurs were being selected on the bases of personal contacts. The emails include complete interview guide and the brief introduction about research. This is because; so that entrepreneurs can do their homework before giving interview time.

Accorrding to Bryman & Bell (2007, pp. 486-487), telephonic interviews are less costly then travelling to some long distance places for conducting interview. So, due to long distance situation and while keeping in mind the factor of time and cost, telephonic interviews are conducted. Some interviews are also conducted by Skype. To ensure the quality and prevention of incoming data, all the interviews are recorded. Some interviews took less time and some interviews took more than expected time & days. This is all due to the available time of selected entrepreneurs, time difference between Sweden and Pakistan and rapid/sudden disconnection of Internet due to electricity problem in Pakistan. Beside restricted availability of time, maximum entrepreneurs tried to give full information what they had with them. On the other hand, full relaxation was given to them in reply. This relaxation was given to create good mode of conversation and let them feel easy in responding the queries.

During the interview process certain respondents show hesitation in citing their name. They want to keep it confidential. The reason of having personal information in discretion is nature of this research. Respondents had to talk about bureaucracy, Government. They had to discuss about corruption, bribery and lobbying which are delicate issues at some point. So the respondents are being taken in trust for the data collection. For that reason respondents will be shown with codes and no personal information is given in this research. It can be declared only with the consent of respondents on the request of university authorities. Below mention table shows the details of selected entrepreneur for the interview.
<table>
<thead>
<tr>
<th>Respondent’s Code</th>
<th>Starting Year</th>
<th>Business</th>
<th>Date of Interview</th>
<th>Length</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>2008</td>
<td>Local Selling, Import and Export of sanitary Products.</td>
<td>21-12-2012</td>
<td>47 mins &amp; 33 secs</td>
<td>Phone &amp; Skype</td>
</tr>
<tr>
<td>M1</td>
<td>2012</td>
<td>Selling of Unstitched fabric</td>
<td>23-01-2013</td>
<td>42 mins &amp; 55 secs</td>
<td>Skype</td>
</tr>
<tr>
<td>J1</td>
<td>2012</td>
<td>Manufacturing and selling of Dental Surgery Instruments</td>
<td>25-01-2013</td>
<td>53 mins &amp; 6 secs</td>
<td>Skype</td>
</tr>
<tr>
<td>A1</td>
<td>2011</td>
<td>Online Selling of Books</td>
<td>25-01-2013</td>
<td>46 mins &amp; 50 secs</td>
<td>Skype</td>
</tr>
<tr>
<td>A2</td>
<td>2010</td>
<td>Manufacturing of packaging material for bread companies</td>
<td>28-01-2013</td>
<td>1 hour &amp; 13 mins</td>
<td>Phone &amp; Skype</td>
</tr>
<tr>
<td>F1</td>
<td>2008</td>
<td>Manufacturing of technology oriented Ladies footwear</td>
<td>22-01-2013</td>
<td>40 mins &amp; 12 secs</td>
<td>Skype</td>
</tr>
<tr>
<td>B1</td>
<td>2010</td>
<td>Business and IT Consultancy</td>
<td>30-01-2013</td>
<td>51 mins &amp; 57 secs</td>
<td>Skype</td>
</tr>
</tbody>
</table>

**4.4 Data Management Procedure.**

According to Bryman & Bell (2007, pp. 579), qualitative research generates lot of data. It was expected that all seven interviews would have too much information. So, to handle them lot of care has been taken. Interviews were recorded properly and then transferred to computer for analysis. Recorded interviews were then transcribed in written form on separate copy so that during analysis everything should be in front of eyes. It was not easy to transcribe every interview after hearing it again and again but it was important for the accurate information. After the transcription of interviews all the interviewees were given a code. According to Bryman & Bell (2007, pp. 585), coding is where some part of the data has given a specific name. Every entrepreneur/firm has given a unique code. For instance, in above mention table entrepreneurs are coded with the first letter of their names. If the name is Robert, he will be coded with R1. Coding helps in arranging cumbersome amount of information.

The data was analyzed soon after it was gathered from interviews. It makes easy to structure the information in a right direction, as all the details are fresh in your mind. Also, one can might lose the information if there is any delay and task is left for too long (Walliman, 2011, pp. 132). According to Auerbach et.al (2003, pp.34-43), during analysis you will find a gap between your research concern and data. They came up with different steps to analyze the data in an efficient way. According to them, we should know clearly about our research concern and theoretical framework, after that select the relevant text, which we can do it by reading raw text and while highlighting relevant text from them, then organize themes by grouping repeating ideas. In the end make everything abstract while developing theoretical construct by grouping themes, where theoretical framework should be coherent with the abstract concept. For this study, relevant data from empirical findings will be selected and then composed in to different categories. There is a high possibility that different ideas will be repeated again and again. So, those repeating ideas of different participants were then put under those categories (i.e. entrepreneurship, rent seeking etc.) to stay away from raw text and
to get accurate related information. For the analysis, different findings according to interview guide and other additional useful information will be managed in a table under every category. This will help the author to analyze and discuss the opinions of every respondent step by step with efficiency. It will also help the reader to understand the views of respondents, easily. The result will be compared with the theories as per our theoretical framework mention in theory chapter for the analysis and will be discussed thoroughly. At this stage any irrelevant data will be ignored for the sake of focus research.
Chapter 5

Empirical findings

This chapter includes the data gathered by respondents. The data is presented in flow in accordance with interview guide attached in appendix. This flow is selected to make the analysis easy and to achieve our goal in shape of conclusion. The following chapter is distributed in five parts, data collected on entrepreneurship, corruption, bribery, lobbying and rent seeking with regards to Pakistan. The rent seeking section is placed in the end so that we will get step-by-step information, which actually helps, in understanding the topic of rent seeking as per our research question.

5.1 Entrepreneurship and Pakistan

Entrepreneurship is the vital part of this research. The whole study is grounded on this theme. It is important to know the situation of entrepreneurship in Pakistan and how it can help in stabilizing the economy on the bases of discussions in theory chapter. For those reason, views of entrepreneurs of Pakistan have an important role. It is also vital because we have to know the interpretation of Pakistani entrepreneurs about entrepreneurship and further how they think that corruption, bribery and lobbying could be hurdles in its growth. How they believe that it could help in stabilizing its economy and so on.

An entrepreneur in Pakistan has the same opinion about entrepreneurship as defined by scholars’ worldwide. For instance interviewee A2 define it as, “when someone start something new, innovative or do something which is already existed but in a new way”. In the same way respondent A1 explain it as, “when you come in market with new ideas after benchmarking someone, or come up with totally some change.” Respondent S1 believes “that filling gap in market by making his own place is entrepreneurship,” whereas respondent M1 take it as “risk taking when you came up with new ideas or innovation”. Beside the above mention views respondent F1 term entrepreneurship in a very different way. According to him “entrepreneurship is about connecting things. It’s about connecting the right resources, right people and the right ideas in the right timing”. Respondent F1 said the same thing but in a completely different striking manner.

Maximum respondents feel that entrepreneurship helps in stabilizing the economy and its situation is not good in Pakistan. In addition the economy of Pakistan is also on declining stage. Here it was important to discuss the economy of Pakistan because we have selected this specific region as a country which is still developing and has low growth economy. Before 80s Pakistan economy was good but after wards it started facing decline or instable. While discussing the economy of Pakistan Respondent A2 has more views on instability of economy rather than decline. In fluxing situation there are ups and down and respondent A2 believes that “Pakistani economy is not in total decline, sometime it goes up and some time it goes down. Stabilization of an economy is more important for me because I fear to invest when I see that today economy is growing but tomorrow it can go down. Stabilization is the key factor for an entrepreneur. Economical growth is not that important as compare to its stabilization.” One respondent take the question in an utterly different way and said “If we
compare our economy with other neighboring or like economies then yes we are in decline but if we compare it with our country past economy growth rate then it is growing (Interviewee A1).” Though he didn’t give any figures or facts on the bases on which he was giving his argument but yet it contributes a new thinking which will be further discussed in an analysis part. Respondent F1 has the same point of view but he added one more thing and said, “it was always prosperous in the time of dictatorship in Pakistan”. Rest of the interviewees stuck with the belief that after independence in 1947 it was on growing stage but after 70s and 80s it faced decline.

All the entrepreneurs of our study are agree with the fact that entrepreneurship can help in stabilizing and growth of economy but its situation is not good in Pakistan. For instance, interviewee S1 said “entrepreneurship can strengthen the economy but there is no motivation for entrepreneurs. Situation is very tough and there is no support from government.” Respondent M1 has the view that “people itself don’t want to take risk because government don’t provide necessary facilities. People want to invest foreign instead. It can be flourishing if there is required support from Government.” The importance of entrepreneurship for any economy is analyzed by an example of “America where 70% to 80% job bank is dependent on new venture (interviewee A1)”, mean it provides maximum job opportunities. While explaining the importance of entrepreneurship with regards to economy, respondent A2 said that, “entrepreneurship do help in stabilizing the economy and it was in past for Pakistan and around the globe too. iPhone which I am holding right now is manufactured by an entrepreneurial organization which belongs to a developed economy.”

While throwing more light on this issue interviewee B1 said, “entrepreneurship is the backbone of an economy but currently we do not have much entrepreneurs and our academic institution do not promote it that much.”

The interview session has created more curiosity in me when I have indulged myself further in to the different problems of entrepreneurs they have faced during starting of business. It also includes our second section of corruption. I will describe the problems of our entrepreneurs under the headings of corruption, bribery, lobbying and then rent seeking because eventually the problems lead them to our observed hurdles automatically.

5.2 Entrepreneurship, Corruption and Pakistan

Before explaining the different questions related to corruption and problems faced by entrepreneurs it is very essential to know how different entrepreneurs define corruption. Our respondents define and present their views about corruption in a different way. For respondent J1, “corruption is when you do not let anyone to come up and hold the market for oneself.” For interviewee M1, “corruption is dishonesty.” A1 define it as, “everything that is against business ethics. Everything that is morally wrong in term of business. For instance, places where you have to give extra money beside tax to get your work done is corruption.” Respondent A2 has the same view and define corruption as, “something that you have to do to get your legal task done by unethical means.” In the opinion of B1, “dishonest and fraudulent behavior which includes violation of law and fundamental rights is corruption.” Whereas,
corruption is also, “taking the undue advantage of your authority or your influence to enjoy something which are unjustifiable (interviewee F1).”

Every interviewee has a view that corruption eventually affects the entrepreneurial growth and cannot be beneficial for any developed or underdeveloped society. It is thrashing entrepreneurship in Pakistan and also not good for the growth of its economy. For example Interviewee M1 clearly stated that, “corruption affects entrepreneurship” and respondent A2 said, “corruption has eaten our economy like termite.” This information bound us to discern that how corruption affects the entrepreneurship in Pakistan, which is one of the key research query. I have come to know multiple ways through which corruption is done in Pakistan. And one tool to do corruption is bribery. For instance interviewee S1 do import of different sanitary products. He responds to me that, “corruption affects entrepreneurship” and respondent A2 said, “corruption has eaten our economy like termite.”

During discussion on problems faced in starting of business and corruption, interviewee A1 added that he has faced three main problems. First one is financial constraint. We cannot get easy loans from bank but big firms can get it easily. If there is any possibility of getting loans then we have to face red tape. Second, there is no relaxation in taxation. Government treats big and small firms at the same level while paying taxes. If we take an example and compare it with America then there is no such rule. Third, electricity problem in whole country. To run the office and other equipments we need electricity and to fulfill that necessity we have to buy generators, which significantly increase our cost. On the other hand big firms can deal with this problem while strong networking with government officials. He further said, “big businessman can play the game but entrepreneurs cannot….They have strong networking.”
customs, and land revenue are the main parties who are the reason of corruption. “Land revenue is mostly involved because they give you registry of your land (ownership of land). They came up with lot of payments and create hurdles. To stay away from any problem we are bound to bribe (interviewee M1).” Such Situations makes an entrepreneur bound to pay bribe or to look for strong links with government officials. One who doesn’t pay or can’t pay has to face problems or has to quit from specific business venture.

5.3 Entrepreneurship, Bribery and Pakistan

Bribery is the most important factor affecting the entrepreneurs of Pakistan. “Bribery is often referred as offering some financial resources to someone who has some authority in order to convince him/her for getting undue advantage (Interviewee F1).” It is also referred as a payment to give in order to get your legal work done, legally. On one occasion interviewee A2 responds that, “if I have to register my company or to patent my product I have to bribe. Even if I want to pay my legal tax and for that I want to know my real business worth, I have to bribe. Bribery is like a wheel which transfers your file from one department to another. If you want that wheel to move fast then you have to pay more.”

Every entrepreneur believes that bribery negatively affects the entrepreneurial growth in Pakistan. Respondent B1 share his experience and said bribery does affect the entrepreneurship. “It causes delays in businesses and wastes the resources.” In the same way interviewee A2 has also the same point of view and think bribery as a negative factor. He said, “it has affected negatively all around the world. It affects morally, financially and many times discourages me a lot.” On the question that how bribery affects the entrepreneurial growth in Pakistan, to your business and behavior, respondent S1 replied, first there is no such importance of tax paying. People think to bribe if any problem come or they have links with government officials. “When an entrepreneur comes forward to pay legal tax then tax department make him/her involve deeply in tax system while creating problems. This bounds an entrepreneur to pay bribe.”

One of the main problems is, big and small firms are being treated at the same level in taxation. As a result, it becomes hard for entrepreneurs and small businesses. Interviewee J1 gave an example of his business and said that, “Government take tax from us on every machine to compensate us if something happen bad with machine in future, but this never happen. Now what happen is, big firms who have many machines give bribery on every machine to tax department officials to save taxes. As machineries are more so the amount of bribery also increases. On the other hand being an entrepreneur we have fewer machines, so to compensate at the level of big companies we are bound to pay more bribery on every machine.” For instance if any big firm has ten manufacturing machines they might pay 2000sek as a bribery on every machine. In total they are paying SEK 20000. So, now if an entrepreneur who has five manufacturing machines, then they have to pay SEK 4000 on every machine as a bribery to make it SEK 20000. It is very funny that if an entrepreneur has to pay tax they are being treated at the same level as tax department deal with big firms, and if they are bribing even then they have to face the same problem.
Some information on how bribery affects an entrepreneur is covered above under the caption of corruption. For instance in the explanation of, “to get to know the business worth and to pay right tax (interviewee A2)”, in clearing of shipments from custom (interviewee S1, F1), land revenue to get the registry of your land (interviewee M1) and company registration (interviewee M1, A1).

5.4 Entrepreneurship, Lobbying and Pakistan

Lobbying has the significant hidden impact on the entrepreneurship in Pakistan. It was visible from their reactions during the interviews. According to interviewee A2, “lobbying is the group of people in network who has the power, has monopoly and can influence the decision made by government officials”. Whereas interviewee F1 has also the same kind of view and believe that, “lobbying is a group of people who has similar interest, join together to pressurize opposing party while influencing on the decision makers”. Respondent A1 replied on the question of lobbying, “big businessman or big companies has strong networking and lobbying is strong networking with politicians to influence their decision-making”. He further added that, “big companies sometime have cartel like Unilever and Procter & Gamble. They have almost same prices. Soft drink big companies like Pepsi and coke have cartel too and they play with prices. Sometime they bring down the prices as much that no one can compete with them and any entrepreneur cannot think to enter in market. Cartel is between companies, which can be good at some point and no effect on entrepreneurship, but lobbying cannot be good”. During interview session I have seen the mix of cartel, lobbying and networking. Interviewee A1 said, big companies have strong networking with politicians. “They “gift” politicians (to influence the decision) to develop cartel and can do their work. For instance, Packages (a big Packaging company in Pakistan) gift LUMS (Lahore University of Management Sciences, one of the esteem institutes in Pakistan) to DHA (Defense Housing Authority). Respondent F1 added that, “I think it would be policies, which impact the entrepreneurship. Lobbyists, who do not understand the importance of entrepreneurship or do not favor it, will be likely to formulate policies hindering entrepreneurship in the country.”

How lobbying affects the entrepreneurship in Pakistan? doesn’t stop here. Most of the entrepreneurs believe that strong networking with politicians help to promote lobbying. Networking can be good but it is a problem if there is no rule. People take negative advantage, which is not good for an entrepreneur if he/she has no strong link or networking with Government or politicians. For instance, Interview S1 believes that “big companies have inside link with Government. Money (bribery), strong networking helps them to get their work done. Big industrialists marry their children with politicians and give gifts that strengthen their networking. If you want to be a successful businessman (entrepreneur) you should have strong networking especially in government. It helps to get things done easily. Otherwise you can’t be a successful businessman……..I pay tax due to which when I import things it’s costly for me. On the other hand big companies or certain people have networking or lobbying due to which they save tax while bribing and has more profit…..”
Interviewee A1 explains the effect of lobbying on his business in his own way. He said, “one big company had the office in the same building where we have our office. They want to increase the area of their office but our office was next to them. With strong “contacts” they increase the size of their office by forcing us to evacuate it. And, we had to leave the place and everybody knows that changing office sometime is very dangerous and it affects the customer.” According to respondent B1, “one cannot achieve anything without lobbying and bribe. Lobbying is also term as “Sifarsih” (influencing decision making) in regional language. It demotivate entrepreneur who are not willing to bribe and do not want to have lobbying”. I have also come across the other picture of networking or links. Respondent A2 said, Networking is important and it affects your business (positively). If someone of my family (or any link) would be in tax department then it’s good for me. Interviewee S1 also thinks networking as somehow a good factor but said, “networking is not a bad thing but rule (laws) should be same for everyone.” Where all the interviewees talk about something on lobbying and come up with other new facts, there interviewee M1 didn’t talk much on lobbying. As per his experience he didn’t face any affect of lobbying. He replied to my question, “we didn’t face any affect of lobbying yet. May be our nature of business doesn’t include any political interference (or maybe it’s just the start of business and lobbying might affect in later stages)”.

5.5 Entrepreneurship, Rent seeking & Pakistan

Rent seeking is the concept which is not so widespread in the entrepreneurs of Pakistan. They know what is happening and are facing the negative effects of rent seeking but name it corruption, bribery and lobbying. The reason is, the name of rent seeking is not common in business environment as compare to its form. Most of them came to understand about rent seeking when I have defined to them. For instance, respondent F1 argues that “rent seeking is an overlapping concept with corruption and bribery. Acquiring wealth through unjust and non-merit means rather than creating a new wealth is rent seeking. According to B1 rent seeking is, when a company, organization or an individual uses their resources to obtain an economic gain from others without reciprocating any benefits back to society through wealth creation”. Some respondents clearly term rent seeking as form of corruption, bribery and lobbying. Interviewee J1 take rent seeking as an unethical mean of earning and refer it with its three forms, CBL (Corruption, Bribery & Lobbying), so as Interviewee A1 & A2.

Rent seeking is invisibly common in Pakistan and practiced at high level (i.e. Government, big firms) or people who are in power (having some authority). According to respondent B1, “rent seeking has the negative impact on entrepreneurship and only benefits to specific business or who are in power. Interviewee F1 has the same view and believes that, rent seeking is primarily practiced at higher level (i.e. government). On those levels entrepreneurship is not a matter of large interest for policy makers. Therefore, rent seeking has its negative effect on entrepreneurship”. Further he added that, “it has the negative impact on my business in terms of tax rates and international trade policies”. Respondent A2 gave an example that how rent seeking happens in Pakistan. He believes that Government or decision makers do not make policies fairly. They don’t make laws accordingly. He said, “one of the biggest packaging companies of Pakistan has the patent on one product for 8 years. It
supposed to be finish and cannot be re patented according to the law but they extended it for another 8 years. Laws are only for small businesses. Big firms manipulate it by lobbying and corruption. This affects your business”.

During the interview process, one entrepreneur was not aware of rent seeking, completely. It could be because lack of knowledge or due to the technicality of term, rent seeking. Beside the information on rent seeking as above, most of the entrepreneurs believe that rent seeking affect their business exactly as I have mentioned under the caption of entrepreneurship, corruption, bribery and lobbying with regards to Pakistan.

5.6 Rent Seeking, it’s Three Forms (CBL) & Solutions

Our entrepreneurs provide some solutions to tackle these hurdles. All the three forms are very much interlinked so as the solution. According to the respondents, solutions for three forms (CBL) are the same for rent seeking. Because, these three forms leads to rent seeking. If three forms will be controlled then rent seeking can also be controlled. “This problem could be done by making everything online. Like, if someone wants to register the company, he/she can do it online”. In this way there will be no third party (Government official) will be involved who can take bribe by bounding a person and even by the will of person itself. In long term scenario it demotivates the lobbying. This can also help in reduction of red tape and will speed up the process in a transparent way. Further, “in tax issues the hurdles can be discouraged by involving bank and tax organization directly by online system (Interviewee A1)”. Respondent A2 added that, there should be a tax number of every organization and individual. This number should be compulsory and no transaction should be happen without tax number. This will help to save taxes illegally, stop bribery to third party and will lower down corruption. He also said that people on the top level having good leadership qualities can also help in decreasing corruption.

5.7 Encouragement of Entrepreneurship

According to J1, “Government should support entrepreneurs/small firms while opening trade shows where people can sow their products, internationally. Only new businesses should be allowed in these trade shows who are working from 0-3 years, by looking at their tax papers.” He said so because when everybody should have a tax number then it will show their credibility towards taxpaying and real situation of business. And, in most of the trade shows big and small firms come together. This situation decreases the chances of entering in market successfully for an entrepreneur.

There should be relaxation in tax for entrepreneurs and proper system is required to treat big and small firms fairly and accordingly. This is because for many of our respondents tax authorities don’t treat them fairly. They consider them in the same line of big firms, as said earlier in this chapter by interviewee S1, M1, J1, A1, F1 and B1.

For interviewee S1, “Government should support entrepreneurship while giving relaxation in production of specific product. A person can become an entrepreneur with his abilities not
with wealth, so the opportunities and resources should be provided (i.e. special education on entrepreneurship to create maximum awareness, to increase knowledge and subsidies for right people)”. Education on entrepreneurship is also suggested by respondent A1. He wants government to make the course of entrepreneurship compulsory in every university. Interviewee F1 and B1 also focuses a lot on the education of entrepreneurship. For instance, “entrepreneurship can encourage by education and elimination of corruption (interviewee B1)” whereas as per interviewee F1, “active entrepreneurial incubators are required to facilitate young and inexperienced entrepreneurs to provide them guidance and experience.....”

Respondent M1 believes that “SMEDA Pakistan (Small Medium Enterprises Development Authority of Pakistan) can help to promote entrepreneurship and micro finance banks can also impart its role a lot”. This is because SMEDA has the responsibility to promote entrepreneurship and SMEs but they are not fulfilling their role. According to interviewee A1, “SMEDA should be ranked or accountable that how it is promoting entrepreneurship besides providing data”. Whereas micro finance banks can help in entrepreneurial growth while giving loans to entrepreneurs on easy terms. Unfortunately it is not happening in present situation. Interviewee A2 dejectedly explains that, “interest rates are high against any loan from bank”. Interviewee A1 added on the same issue that against any financial help from bank there is red tape and bureaucracy. This discourages entrepreneurs to go further in their ventures.
Chapter 6

Analysis & Discussion

This chapter includes the analysis of our empirical findings. In this chapter we will discuss the outcomes and will answer our main research question which is how rent seeking affects the entrepreneurial growth of Pakistan. We will continue with the format of our analysis exactly as it is in empirical finding. Here, we will first discuss the findings which are directly linked to our main research question and sub questions. First, we will examine how corruption and bribery affects the entrepreneurial growth in Pakistan. Third, how does lobbying exist in Pakistan and affect entrepreneurship? In the end we will scrutinize entrepreneurship with regards to rent seeking. Finally, our analysis will lead us to our next chapter of main research findings and conclusion with a model of conceptual framework.

6.1 Entrepreneurship, corruption and Pakistan

Our first main aim is to analyze corruption, bribery and existence of lobbying in Pakistan with regards to entrepreneurship. It is so because it imparts a value in the discussion of our goal that how rent seeking affects the entrepreneurial growth in Pakistan. It also helps a reader to understand their role in rent seeking as its forms and their affect on entrepreneurship.

6.1.1 Corruption

According to empirical findings, entrepreneurs of Pakistan define corruption in the same way as it is defined by several scholars of business world.

<table>
<thead>
<tr>
<th>Interviewees</th>
<th>Transcription</th>
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<tbody>
<tr>
<td>J1</td>
<td>corruption is when you do not let anyone to come up and hold the market for oneself.</td>
</tr>
<tr>
<td>A1</td>
<td>everything which is against business ethics. Everything which is morally wrong in term of business. For instance, places where you have to give extra money beside tax to get your work done is corruption.</td>
</tr>
<tr>
<td>A2</td>
<td>something that you have to do to get your legal task done by un ethical means........(bribery)</td>
</tr>
<tr>
<td>B1</td>
<td>dishonest and fraudulent behavior which includes violation of law and fundamental rights is corruption</td>
</tr>
<tr>
<td>F1</td>
<td>taking the undue advantage of your authority or your influence to enjoy something which are unjustifiable</td>
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</table>

When we analyze the definitions of our entrepreneurs about corruption then they are very much followed by the concept of scholars mention in theoretical chapter of this research (see Nye, 1967; Tanzi, 1998; Leff, 1964). For instance, J1 believes that corruption is, when you hold the market for oneself and do not let anyone to come up. Here we see personal interest.
Personal interest doesn’t mean interest of an individual. It could be a group of people or any organization. And for that reason such people go for unethical ways. What are those unethical ways? This is better explained by Interviewee A1, A2 and B1 who are very much focus on unethical ways (i.e. bribery) in defining corruption. They term it as, to do something for private benefits which is against business ethics and illegal to get your work done. Some time people who have money, they offer some amount to others to get their work done easily or as per his/her demand. Further, Entrepreneur F1 refers corruption as taking undue advantage of your authority. It means when you misuse your power or authority to get something done which has some personal interests. Here authority could mean bureaucracy or power of Government officials or politicians. The dark side of picture is, people who has some authority demand favors from other to help them in getting their work done, unethically/illegally (see Tanzi,1998). On contrary, there are people who buy favors from such bureaucrats, intentionally. Bureaucrats, who mostly formulate policies and have discretionary powers (see Leff, 1964). These people intentionally want to offer something in order to buy favors through unethical means.

6.1.2 Corruption and its affect on entrepreneurship

Corruption has the devastating effect on the growth of entrepreneurship. It is considered as a negative element in the society of Pakistan. As said by A2, Corruption has eaten our economy like termite. Corruption in Pakistan is mostly done with the tool bribery. But, how it is affecting the entrepreneurial growth of Pakistan is an important question. It is also one of the main sub queries of this research.

<table>
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<tr>
<th>Interviewees</th>
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<tbody>
<tr>
<td>S1</td>
<td>some government officials do some work for their personal interest which is corruption. When our shipment arrives they make the process “long” in clearing it. In hidden they want some money, bribery. Big firms are treated differently in this case. They have some kind of clearing passwords, no body open their containers to check. They import in bulk and have large finance to feed the corrupt people. Government supports the big companies’ rather than entrepreneurs. Whereas being an entrepreneur we have to face problem. Custom open our container; check each and everything for nothing. This increase and waste our precious time</td>
</tr>
<tr>
<td>A1, M1</td>
<td>………During company registration and starting process corruption is involve (bribery)</td>
</tr>
<tr>
<td>F1</td>
<td>Corruption (bribery) of taxation and clearance department often causes the cost of goods to go up.</td>
</tr>
<tr>
<td>M1</td>
<td>Land revenue is mostly involved because they gives you registry of your land (ownership of</td>
</tr>
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</table>
According to our entrepreneurs, corruption affects their business drastically. For entrepreneurs A1 and M1, corruption affected them in starting their business. They have to face corruption when they have to register themselves as a company. To get themselves register they have to bribe. It is very much clear as Schleifer & Vishny stated in their article (see Schleifer & Vishny, 1993, pp.3-21). Entrepreneur F1 told that corruption in taxation and clearing department often causes the cost of goods to go up because sometime government officials demand bribery in the matters of taxation and clearance of goods which they import (see Bardhan, 1997). According to J1 and A1, Government (taxation department) do not treat businesses according to their worth. They demand bribe at the same level. It is very obvious from the findings that Government favors big firms more. J1 said that government should support new businessman (entrepreneurs). When they pay bribe then cost on every product increases, as a result low profit. S1 believes that government bodies (i.e. custom) treat big and small firms differently. They create more problems for small firms (entrepreneurs) like us. Because, small firms don’t have much money to bribe them whereas, big firms have enough money to treat corrupt government officials. They have strong links with Government. Dealing with such problems increases precious time of entrepreneurs and hence cost of goods. Entrepreneur F1 said that we are bound to pay bribe. Land revenue is mostly involved in it because they provide us the registry of land. If we don’t bribe then legally we cannot start business or have to face problems. In crux we can say that different Government bodies demand bribe hidden or openly. If entrepreneurs can’t bribe then it increases their precious time and cost of goods. It creates fear of investment by entrepreneurs. As a result low investment, low entrepreneurial growth which leads to lower economical growth (see Tanzi 1998; Anokhin & Schulze, 2008; Mauro, 1995).

During the empirical findings we came across another important fact of networking or links. Firstly, government favors big firms as mentioned above, secondly big firms have strong links or networking with Government. Entrepreneur A1 said big firms have strong networking and they can easily play the game. On the bases of strong networking big firms get lot of

| J1 | Government should support new businessman (entrepreneurs), they treat everyone (big and small companies) in a same way which is not right. In taxation they also treat them in a same way. Tax department do not treat businesses according to their worth. |
| A1 | there is no relaxation in taxation. Government treats big and small firms at the same level while paying taxes. If we take an example and compare it with America then there is no such rule. |
facilitation in taxation or clearance of goods and so on. Entrepreneurs do not have much access to the Government or bureaucrats hence have lack of “special” Government facilitations. He further diverted my intention towards other problems. According to him, entrepreneurs faced financial constraints and they do not get easy loans. If they get a chance to have loans then they have to face red tape. Red Tape is defined as ’rules, regulations, and procedures that remain in force and entail a compliance burden for the organization but have no efficacy for the rules' functional object” (Bozeman, 1993; 283). Guriev (2004), relates red tape with corruption and called it as a disease of bureaucracy. According to him, presence of red tape is due to corruption, and this situation leads to excessive bribery. Red tape is mostly controlled by corrupt bureaucrats (Guriev, 2004, pp. 489-504). Red Tape is actually linked with the time and resources. It is a demonstration of any business to Government that they comply with their regulatory requirements (Government of Canada, 2012). Some time Government (corrupt) officials demand too much “so called necessary” paper work or requirements. This creates hurdles for businesses. Government officials demand bribes from businessman to give them relaxations and to speed up the process. Entrepreneurs, who mostly start their venture with limited money can’t pay heavy bribes. This discourages them a lot in investment and bound them to pay bribe to stay in market. And, when they pay bribe it increase their cost.

6.2 Entrepreneurship, Bribery and Pakistan

Bribery is one of the basic tools used for corruption. I have found it as a major source of corruption during my empirical findings. Bribery is considered as a payment or something of value in order to get some favors or, to get some legal work done without any hurdles.

6.2.1 Bribery

<table>
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<th>Interviewees</th>
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<tr>
<td>F1</td>
<td><em>Bribery is often referred as offering some financial resources to someone who has some authority in order to convince him/her for getting undue advantage</em></td>
</tr>
<tr>
<td>A2</td>
<td><em>if I have to register my company or to patent my product I have to bribe. Even if I want to pay my legal tax and for that I want to know my real business worth, I have to bribe. Bribery is like a wheel which transfers your file from one department to another. If you want that wheel to move fast then you have to pay more.</em></td>
</tr>
</tbody>
</table>
Today, bribery is the harsh common element faced by entrepreneurs of Pakistan. From starting a business till its development, almost in every phase they have to face it. Amongst entrepreneurs from whom I have taken the interviews F1 clearly states that bribery is something of worth which you pay to an authority (i.e. Government officials) to get some illicit benefit. Sometime entrepreneurs are bound to bribe to stay away from different hurdles and to fasten the process. For instance respondent A2 said that bribery is something of value which you pay to fasten your work. More your bribe, more easily you can get your work done (see A.Tackett, 2010; Svensson, 2003).

6.2.2 Bribery and its affect on Entrepreneurship

Bribery negatively affects the entrepreneurship in Pakistan. As a tool of corruption it affects in a same way as we have analyzed and discuss above under the caption of corruption.

<table>
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<tr>
<th>Interviewees</th>
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<tbody>
<tr>
<td>B1</td>
<td>bribery does affect the entrepreneurship. <em>It causes delays in businesses and wastes the resources.</em></td>
</tr>
<tr>
<td>A2</td>
<td>it has affected negatively all around the world. <em>It affects morally, financially and many times discourages me a lot.</em></td>
</tr>
<tr>
<td>S1</td>
<td>there is no such importance of taxpaying. <em>People think to bribe if any problem come or they have links with government officials. When an entrepreneur comes forward to pay legal tax then tax department make him/her involve deeply in tax system while creating problems. This bounds an entrepreneur to pay bribe.</em></td>
</tr>
<tr>
<td>J1</td>
<td>Government take tax from us on every machine to compensate us if something happen bad with machine in future, but this never happen. Now what happen is, big firms who have many machines give bribe on every machine to tax department officials to save taxes. As machineries are more so the amount of bribery also increases. On the other hand being an entrepreneur we have fewer machines, so to compensate at the level of big companies we are bound to pay more bribery on every machine.</td>
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Bribery in Pakistan is affecting the entrepreneurial growth in different ways. It wastes your resources and precious time. It also affects morally, financially and demotivates to do the business as said by our entrepreneurs B1 and A2, respectively. Mostly entrepreneur do business with limited money. They have no or limited links and networking with bureaucrats or politicians. So, when they have to do something in which Government officials are involved then they have to face long processes. This delays and affects their business. To
speed up the process they have to bribe from their limited resources, as a result loss in profit. Doing such activities demotivates entrepreneurs morally and financially (see Jong, Tu, & ees, 2010).

Red tape is another new factor which I have came across during my findings. It involves lot of extortion of bribery. How red tape affects entrepreneurship is better explained by S1. According to him, people do not take care of paying tax due to the system we have. They save taxes. Sometime they do so because they have link with bureaucrats or government officials. And when an entrepreneur want to pay all his legal taxes then the authorities involve him/her deeply in tax system. A tax system of lot of requirements. This delays several processes and hence wastage of precious time. To stay away from such problems authorities bound an entrepreneur to bribe them. This is also due to the weakness of law and independency of bureaucracy. In other words lack of accountability (see Frye & Shleifer, 1997).

Another factor, how bribery affects the entrepreneurial growth is dealing of government authorities with big and small firms (entrepreneurs). First, favoritism of big firms more than small firms/entrepreneurs. Second, they do not tax them especially to entrepreneurs according to their business worth or add additional taxes. Third, they try to extort bribery from both at the same level. For instance, entrepreneur J1 said Government take tax from us on every machine to facilitate us if something happens wrong with the machine. To save tax big companies bribe more because they have more machinery. Corrupt government authorities expect the same from us which creates lot of problems. As big firms are in need of more goods and services so they want more for their business and bribe most but entrepreneur do not have much demand or in need of much goods or services. Mostly they have less money (see Hunt, 2004).

6.3 Entrepreneurship, Lobbying & Pakistan

6.3.1 Lobbying

Lobbying, a fact that trickle down its negative affect from top to bottom. Top level of it, which includes big companies, politicians or bureaucrats, while bottom level of it, includes small businesses and young entrepreneurs.

<table>
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<tr>
<th>Interviewees</th>
<th>Transcription</th>
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<tr>
<td>A2</td>
<td>lobbying is the group of people in network who has the power, has monopoly and can influence the decision made by government officials.</td>
</tr>
<tr>
<td>F1</td>
<td>lobbying is a group of people who has similar interest, join together to pressurize opposing party while influencing on the decision makers.</td>
</tr>
<tr>
<td>A1</td>
<td>big businessman or big companies has strong networking and lobbying is strong networking with politicians to influence their decision-making.</td>
</tr>
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</table>
Almost all the entrepreneurs were agreed with the concept of lobbying. According to them, lobbying is the networking of group of people to influence the decisions of decision maker (Government authorities or politicians). This group of people mostly includes big companies and they make networking with decision makers (see Giovannioni, 2011; All American League of Lobbyist, 2011; Cooper, 2012). These groups of people want to bend/change the rules for their interests. To do that, they have to influence the decision makers in a wise or profitable way. The way, which can benefit decision making authorities. Lobbying can be done in a number of ways. The most notable way is bribery. Bribery doesn’t mean something in cash; it could be in any shape which can benefit the decision makers. We can say that when any organization need to get their work done they bribe to government officials but, when they want to do it for a long term then these organizations (especially big firms) makes a group having common interest. They do networking with legislators, politicians or decision makers to have long term deals and make a lobby. These deals include special favors (bribery) for them. All these favors are to strengthen the networking and to have resilient lobby (see Baye, Kovenock, & De Vries, 1993).

### 6.3.2 Lobbying and its affect on entrepreneurship

Lobbying has a hidden impact on entrepreneurship. It affects entrepreneurship in number of ways, especially in shape of policies made for big firms while neglecting entrepreneurship. According to our analysis lobbying is negatively affecting entrepreneurship. There are certain factors which takes place during lobbying. These negative factors basically lend a hand in the discouragement of entrepreneurship. How lobbying and these factors affect entrepreneurship is listed below.

<table>
<thead>
<tr>
<th>Interviewees</th>
<th>Transcription</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>……..big companies sometime have cartel like Unilever and Procter &amp; Gamble. They have almost same prices. Soft drink big companies like Pepsi and coke have cartel too and they play with prices. Sometime they bring down the prices as much that no one can compete with them and any entrepreneur cannot think to enter in market. Cartel is between companies, which can be good at some point and has no effect on entrepreneurship, but lobbying cannot be good……. They “gift” politicians (to influence the decision) so that they can develop cartel and can do their work..</td>
</tr>
<tr>
<td>F1</td>
<td>I think it would be policies, which impact the entrepreneurship. Lobbyists, who do not understand the importance of entrepreneurship or do not favor it, will be likely to formulate policies hindering entrepreneurship in the country.</td>
</tr>
</tbody>
</table>
big companies have inside link with Government. Money (bribery), strong networking helps them to get their work done. Big industrialist marries their children with politicians and give gifts that strengthen their networking. If you want to be a successful businessman (entrepreneur) you should have strong networking especially in government. It helps to get things done easily. Otherwise you can’t be a successful businessman.......I pay tax due to which when I import things its costly for me. On the other hand big companies or certain people has networking or lobbying due to which they save tax while bribing and has more profit....... networking is not a bad thing but rule (laws) should be same for everyone.

one cannot achieve anything without lobbying and bribe. Lobbying is also term as “Sifārsīh” (influencing decision making) in regional language. It demotivate entrepreneur who are not willing to bribe and do not want to have lobbying.

Networking is important and it affects your business (positively). If someone of my family (or any link) would be in tax department then it’s good for me.

we didn’t face any affect of lobbying yet. May be our nature of business doesn’t include any political interference (or maybe it’s just the start of business and lobbying might affect in later stages).

While analyzing affect of lobbying I have came across the factor of cartel of big firms. Cartel is a secret or informal agreement between two firms. This agreement is created for having no competition on the bases of prices, bid rigging, discounts, who the customers are or supply region etc. (OFT, 2013). According to entrepreneur A1, big companies make cartels and to protect those cartels they make lobby with politicians. Such kind of lobby affects entrepreneurship. Cartel might be good at some places but to prolong it while making lobbies is not good. This situation makes politicians or decision makers to bend the rules. Such rules only favor those big firms who want to have cartel. To influence the politicians first they make their group strong which consist of few organizations. Then they try to make lobby while having strong networking. To strengthen the networking they gift “bribe” politicians. Sometime they also marry their children in each other family to give a boost to their
relationship as said by entrepreneur S1. Lobbying is the easiest way to bribe in any shape and to get the favors in return. (see Baye, Kovenock, & De Vries, 1993).

Entrepreneur S1 believes that if you want to be a successful businessman then you should have strong networking with politicians. Small entrepreneurs or small firms they do not have access to big politicians and also do not have much money to bribe so they face problems. On the other hand big organizations have lobbies and have strong links with politicians. These big giants bribe more as compare to small entrepreneurs and hence stay in profit while having rules in their favor. These big firms cannot be caught as they have links with politicians or legislators etc. So lobbying and networking with politicians make their work easy (see Damania et.al., 2004).

According to entrepreneur A2, networking with any public officials or with politicians can be good. It speeds up the process but rule should be same for everyone, as also said by entrepreneur A1. The main problem is, big firms when make lobbies and do networking with politicians or decision maker, they influence them to bend the rules which discourage entrepreneurs. Because such rules do not favor entrepreneurs. A very big example is Cartel that I have come across in analysis. Cartel limits the competition and creates hurdles for small businesses and entrepreneurs. Cartel can’t be good on consumer side too, because it limit their choice in selection of products available in market. This is how lobbying affects mostly the entrepreneurial growth in Pakistan.

6.4 Entrepreneurship, Rent seeking & Pakistan

6.4.1 Rent Seeking

In Pakistan, rent seeking is less understood in business environment. The reason of low understanding is its complexity and not widely used in daily verbal communications. It is present but understood and taken as corruption, bribery or lobbying (see Lambsdorff, 2002; Krueger, 1974; Kevin.et.al. 1993).

<table>
<thead>
<tr>
<th>Interviewees</th>
<th>Transcription</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>Rent seeking is an overlapping concept with corruption and bribery. Acquiring wealth through unjust and non-merit means rather than creating a new wealth is rent seeking.</td>
</tr>
<tr>
<td>B1</td>
<td>, when a company, organization or an individual uses their resources to obtain an economic gain from others without reciprocating any benefits back to society through wealth creation.</td>
</tr>
<tr>
<td>J1</td>
<td>Rent seeking is an unethical mean of earning and refer it with its three forms, CBL</td>
</tr>
</tbody>
</table>

Entrepreneurs of Pakistan define rent seeking in the same way as we have discussed in our theory chapter. No new definition came in front of us. It is a benefit in any shape which you take from others by unethical means. These unethical means are mostly known as corruption,
bribery or lobbying. In rent seeking, an individual or group of people doesn’t give any benefit in return to society. They don’t create any wealth but take these benefits from wealth created by others. In such activities there is no positive impact on social wealth (see Lee, 1985; Financial Times, 2012).

6.4.2 Rent Seeking & its affect on entrepreneurship

In Pakistan rent seeking is widely taken as corruption, bribery and lobbying, more as corruption. Almost every entrepreneur of my sample takes it in the same way. Rent seeking doesn’t affect entrepreneurship directly. It affects them indirectly and with its forms, CBL. The reason is, it is mostly done at the high level. Big firms and politicians/government is involved in it. Rent seeking affects the policies made by decision makers. These unfavorable policies eventually discourage entrepreneurship because policies favor big firms.

<table>
<thead>
<tr>
<th>Interviewees</th>
<th>Transcription</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>rent seeking has the negative impact on entrepreneurship and only benefits to specific business or who are in power.</td>
</tr>
<tr>
<td>F1</td>
<td>rent seeking is primarily practiced at higher level (i.e. government). On those levels entrepreneurship is not a matter of large interest for policy makers. Therefore, rent seeking has its negative effect on entrepreneurship...... it has the negative impact on my business in terms of tax rates and international trade policies.</td>
</tr>
<tr>
<td>A2</td>
<td>one of the biggest packaging companies of Pakistan has the patent on one product for 8 years. It supposed to be finish and cannot be re patented according to the law but they extended it for another 8 years. Laws are only for small businesses. Big firms manipulate it by lobbying and corruption. This affects your business.</td>
</tr>
</tbody>
</table>

Rent seeking affects the entrepreneurship in Pakistan. One of the reasons is policies made by decision makers. These decision makers are from government or politicians. Big firms involve them in their lobbies for obvious reasons. This is done by corruption and bribery as we have discussed above and in our theory chapter. Entrepreneur B1 and F1 explains in their interview that, rent seeking benefits only those who are in power and practiced at high level. These powerful people are those big or strong businesses who have links with politicians/government. They influence the decision makers and bend the rules which favor them. As entrepreneurs have not much concern for those people so there are no policies which mostly favor them. Hence, there is a discouragement of entrepreneurship (see Henderson.R, 2008). Entrepreneur A2 argues that laws are for small businesses, not for big firms. These big firms manipulate it by lobbying and corruption and further this is done with bribery (see Haque, 2007; Khawaja & Mian, 2007). So, we can say that rent seeking affect the
entrepreneurial growth of Pakistan in shape of corruption, bribery and lobbying. These forms lead toward rent seeking. CBL helps the beneficiary to have the rules in their favor and then beneficiary benefit it from them.
Chapter 7

Conclusion

This chapter will conclude our main research findings. It will answer our main research and sub research questions, which are actually the basic goal of our study. The main objective of this thesis was to investigate how rent seeking affects entrepreneurship in developing countries. There was very limited data available on the topic in context of any developing country especially like Pakistan. To divulge further it was also important to study three forms of rent seeking; corruption, bribery, lobbying and their effect on entrepreneurship. This was to understand the complete role of rent seeking. To narrow down the research, a qualitative study was conducted on Pakistan and seven interviews were taken from seven entrepreneurs. Beside this it is also tried to relate the findings with existing literature in order to find out that how it confirms, refute or expand the existing knowledge. The findings will be followed by a conceptual model, theoretical contribution, practical implication and then finally recommendations.

7.1 Research Findings

Despite increased acknowledgement of entrepreneurship’s contribution in developing nations’ economy (Leff N. H., 1979, p. 46; Naude, 2010, p. 3) little is known about the malpractices (rent-seeking) that entrepreneurs are forced to indulge in to pursue their growth objectives. I argue that it is important to know the effects of these practices on entrepreneurial activities in a developing country, particularly in a country like Pakistan where entrepreneurship is already very limited (Chene et al., 2008, pp. 2-3), and to know the reasons behind less entrepreneurial activities. Although some studies show that some form of rent seeking might be beneficial to the entrepreneurs as it acts as “greasing the wheel of entrepreneurship” (Dreher & Gassebner, 2007, pp-21) the main finding of my study reveals the opposite. It refutes this claim and argues that rent seeking, in the long term, harms entrepreneurial activities mainly in two ways. First, by giving bribes and seeking corruption activities increase the cost of goods sold which results into lower profit margins as part of the expenses are set aside to meet the (illegal) requirements of government officials, politicians, bureaucrats and decision makers. This is in line with Benzing et al (2009; pp 63-64) who found that bureaucratic business environment, the law governing enterprises (i.e., business registration & Taxation systems) and poorly designed & enforcement of property laws are few but main glitches for entrepreneurs in developing countries and affect their businesses. Company registration process, because unless or until you will not complete this process you are not legal to do a business. Taxation, because they have the authority to tax you (one big problem is they do not tax you according to your business worth. They treat big and small firms at the same level and there is no relaxation in tax to encourage entrepreneurship). Land revenue, because when you start some business, mostly you need some place and land revenue has the authority to give the ownership of that place. Entrepreneurs are bound to bribe these authorities to go through with them.

Second, it is very clear from the analysis that there is a need of elimination of time-consuming government procedures (Red Tape). It holds a significant place and absence of red tape helps increase entrepreneurship in industries (Ciccone & Papaioannou, 2007, pp. 444-445).
Whereas in trading, department of customs is one of the main hitches for Pakistani entrepreneur. Peberdy (2009, pp-217) confirms the same problem in her survey. She has discovered that the high cost of (custom) duties is a problem, it is not constant, officials may want bribe for the ease of process and there is a corruption in it. All this situation makes an entrepreneur corrupt too. In transition economies, they find ways (bribery) to avoid unnecessary bureaucracy (Hellman et al., 2000). Bribery facilitates to develop informal relation with public officials because of bureaucratic structure and to deal with restraints. Eventually later on when the volume of bribe increase it affects in shape of lower entrepreneurial performance (Jong et al., 2012, pp- 323-324). Entrepreneurs enter in market with limited finance and all such obstacles strongly discourage them to pursue further (Baumol, 2004, p-11).

This study also reveals and adds that the combination of corruption and bribery especially with lobbying collectively are the main reason of rent seeking and are very much interlinked with each other. Such existence of rent seeking gives rise to above mention problems. Different scholars beside (Kevin et al., 1993) did not mention rent seeking as a amalgamation of these three forms together, like (Kruger, 1974) who just mention rent seeking as corruption and bribery, and (Bhagwati, 1982) only refers rent seeking as lobbying. Below mention figures depicts how rent seeking exist in market, especially in Pakistan, which is our main focus of study. The blue color circle shows rent seeking as a combination of all three forms, Corruption (C) with blue line circle, bribery (b) with red line circle and Lobbying (L) with biggest contribution in rent seeking is in black line circle. All three forms work together to give rise to rent seeking.

Lobbying goes side by side with corruption and bribery, and primarily exists at big firm level in Pakistan, as identified in findings. It is now a common thinking that having strong networking with politicians is the only solution of every problem and a passport to stay in market as a successful businessman. As lobbying is an easier way to approach rule maker and to get favors (Baye et al., 1993) so big firms bribe to strengthen networking with them and to make a lobby. Big firms also marry their children to boost the relation with politicians and vice versa. One of the biggest favors they get from lobbying is relief in taxes unlawfully. While having political influence or while bribing tax authorities it is easier for them to bend the rules in their favor. As policies favors big industrialist due to lobbying, so entrepreneurs are mostly not treated lawfully in case of tax imposition. To stay in the market and to tackle with the situation they are bound to bribe even to get to know the right tax according to their business worth, as already mention above. Beside this, there is a scarcity of an efficient online
tax system in Pakistan. It frightens many taxpayers, especially first time tax payers and FBR´s (Federal Bureau of Revenue) online tax system has been strongly criticized (Tribune, 2013).

During the analysis another fact of economic problem(electricity shortage) is found out which links the finding with lobbying. Pakistan is facing a critical electricity shortage problem and businesses are getting affected badly. To meet the requirements, Pakistan is relying heavily on import of expensive furnace oil (Walsh & Masood, 2013). In such situation, only the richest can tackle with this problem (Omer, 2013) as it is hard for a person having limited finance (entrepreneur) to take advantage from imported oil to run the grid and to buy expensive generators. Big industrialists have to run the show, so to meet the energy crisis they use political reference (lobbying) to influence power generation companies for the continuous supply of electricity. For the continuous or maximum supply of electricity the power generation companies have to cut the power from somewhere to fulfill the needs of such companies/industrialists. Such cutting of power is from the places where people holds no influence, or in easy terms common man. This also includes the entrepreneur who has limited or no networking with politicians/ bureaucrats.

The effect of lobbying doesn’t stop here and leads us to another finding of cartel system in transition economies like Pakistan. In economic situation as discussed above, big firms have to stay in market and to stay away from competition they develop cartel system while using lobbying. Cartel system which is an agreement between firms on having no competition on prices, discounts or bid rigging (Oft, 2013) makes an entrepreneur hard to survive in market. Only few players in market can play the game. When big firms pursue corruption, bribery & lobbying, and policies favor them at the same time, rent seeking grows rapidly.

On the basis of above research findings we can conclude the following conceptual model.
7.2 Conceptual Model

Rent Seeking

Corruption

Networking through bribery

Big Firm A

Big Firm B

Government Officials
Politicians
Bureaucrats
Decision Makers

Lobbying

To deal with Taxes, unlawfully.
Cartel.
To deal with economic problem (Electricity).

Affect of rent Seeking

Market Exit
Entrepreneur
High Taxes, Cartel, Economic Problems (Electricity)

OR Bound to Bribe Authorities

To deal with the hurdles

- Red Tape
- Custom
- Company registration
- Taxation
- Land Revenue

Affects

Cost of goods goes up
Discouragement of Entrepreneurship
7.3 Final Conclusion

On the bases of our main research findings we can conclude our research by answering the below mentioned research questions while discussing the conceptual model.

Q 1-How rent seeking affects the entrepreneurial growth in Pakistan?

   a) How corruption and bribery affects the entrepreneurial growth in Pakistan?
   b) How lobbying exist and affect the entrepreneurial growth in Pakistan?

The business environment of Pakistan has a bad parasite of corruption, which lives on bribery. The reasons of such corrupt environment are big firms and bureaucrats. As mention in model, big firms (i.e. Big Firm A & Big Firm B) feed bureaucrats or decision makers through bribery to have strong networking. Such networking is for the future or to have anytime favors from them. Through such networking they create an environment of corruption as highlighted with an orange circle in model. Further, to have a strong position in market, big firms with politicians/bureaucrats and corrupt environment make lobbying (as shown in green dotted square). In transition economy like Pakistan, such lobbying is use to unlawfully deal with taxes, to create cartel system and an economic problem of electricity shortage. Ultimately, the whole continuous process eventually becomes the reason of rent seeking.

Such rent seeking has a negative effect on entrepreneurs. First effect; they have to face cartel system, high taxes, economic problem (electricity) which makes an entrepreneur for market exit. Second effect; if they still stay in market then they have to face the same corrupt authorities that deal with big firms. Such corrupt authorities are the part of rent seeking environment and demands bribery. For the fair process, entrepreneurs are bound to bribe them. Such bribery is to deal with hurdles of transition economy Pakistan. Red tape, customs, company registration process, taxation and land revenues are being founded during the research. Rent seeking, which is the combination of bribery, corruption and most important lobbying eventually affect the entrepreneur in shape of high cost of goods/doing business and discouragement of entrepreneurship.

In the above discussion of model, corruption and bribery affects an entrepreneur two times. First, when big firms do networking while bribing authorities and create a corrupt environment. Such environment gives rise to lobbying, which further becomes the reason of rent seeking. Here we can observe that lobbying exist with the combination of corruption and bribery to get favors and to deal with problems. Entrepreneurs are not strong to make lobbies and hence become the victim of rent seeking. Second, when entrepreneurs have to face the same corrupt authorities that deals with big firms and a part of lobbying. Entrepreneurs have to bribe them to get through with hurdles.

Suggested Solutions:

In closing lines we can conclude that rent seeking is like a nucleus in an atom surrounded by corruption, bribery and lobbying. To deal with rent seeking, we have to deal with corruption, bribery and lobbying first. Collectively they become the reason of increase cost, wastage of precious time and policies which favors big firms. All these factors affect entrepreneurship in
Pakistan. To deal with the said hurdles our respondent suggests various solutions mention in the chapter of empirical findings. First, while make everything online. Second, in tax issues banks and tax authorities should be allied together through online system to get tax. Every individual or organization should have a unique tax number and no transaction should be happen without tax number. And last but not the least, by having people on top Governmental level with having good leadership qualities can also help in dealing with problems.

7.4 Theoretical Contribution

This study contributes in the discipline of corruption, bribery, lobbying, entrepreneurship and rent seeking. First, it refutes the concept that rent seeking (corruption) in the long run is beneficial for business/entrepreneurship (see Dreher & Gassebner, 2007) and shows that it does effect negatively. Second, it reveals that lobbying is the combination of bribery and corruption. The study further confirms and added that these three factors together are the reason of rent seeking, which ratifies the finding of (kevin et al., 1993). It highlights the startup problems of entrepreneurs in transition country like Pakistan which is an add in literature with (peberdy, 2009; Ciccone & Papaioannou, 2007; Benzing et al., 2009). It also throws light that how a problem like electricity shortage becomes an economic problem and can affect an entrepreneur severely. In addition, How rent seeking and its three forms affect entrepreneurship in Pakistan is the subject, which has limited knowledge in literature. I believe that the related findings can at least add very little fruitful information in said disciplines that could be beneficial for further researches.

7.5 Practical Contribution: This research could be the source of good information for entrepreneurs and especially entrepreneurs of Pakistan that how they can face trouble during there first step. This literature can provide them to have a good insight on the overall picture and will help them to better develop a good business plan. They will come to know about the government institutions that are the source of corruption and bribery. They will also come to know that how big firms are dealing in market, make cartels while making lobbies through corruption which eventually gives rise to rent seeking.

7.6 Recommendation

On the bases of empirical findings and conclusion following are the recommendation that can be used for further researches:

- Similar study can be done in other developing or develop country.
- I have found a factor of Cartel in my research, which affects entrepreneurship. More research can be done that how Cartel affects entrepreneurship in developing country or developed country? How to deal with it?
- How red tape affects entrepreneurship in developing country or developed country?
- How net workings are important for an entrepreneur in developing or develop country with decision makers?
Chapter 8

Quality Criteria

In the business and management there are certain criteria, which are required for evaluating the quality of research. Such criteria include reliability and validity. But, reliability and validity are mostly used for evaluating the quality of quantitative research (Bryman & Bell, 2007, pp 40-410). For qualitative studies, some scholars have suggested alternative criteria for such evaluation, which are trustworthiness and authenticity (Bryman & Bell, 2007; Guba & Lincoln, 1994). The whole research is based on the careful collection and analysis of data. High level of caution for the sake of quality literature has been taken throughout the research. The author believe and confirm the high trustworthiness and authenticity of investigation.

8.1 Trustworthiness

Trustworthiness has four quality criteria: Credibility, Transferability, Dependability, and Conformability. In this research all these factors have been carefully followed to guarantee the trustworthiness of whole study.

8.1.1 Credibility

Credibility considers being parallel with internal validity. Credibility is actually the value of truth, which means that how much the researcher is confident on the reality of its findings. These findings are based on respondents, research design and framework (Krefting, 1991, pp. 215-216). It is also to ensure that research is conducted according to the right practices and while submitting the findings to the respondents on whom the research was actually based (Bryman & Bell, 2007, pp. 410-411). First, the credibility of this research can be judged by the self-reliance of respondents on author. During the formal/informal conversations and interviews, all the respondents got full confidence on the author. They had a belief that their interviews will be treated fairly, according to the context and with high discretion. Second, to make the credibility of research more authenticate, the findings were being discussed on telephone multiple times to ensure the understanding of data. The data was collected in national language of Pakistan so the translated written version was sent to limited respondents. This is because most of the respondents were highly engaged in their business activities. They wanted to have confirmation of researcher’s understanding on telephone.

8.1.2 Transferability

Transferability can be described as applicability. It is the degree to which findings can be applicable to other context. Extents, where the findings can be generalize to larger population. It is also referred as external validity (Krefting, 1991, pp. 216-217). As explained earlier in delimitations that this research is not applicable on developed countries and on every developing country. The reason is every country might have different economical structure. The factors,
which are creating obstacles in the growth of entrepreneurship, can be different. For this research three forms of rent seeking: corruption, bribery and lobbying have been selected. In some part of the world this might not a major issue in the growth of entrepreneurship. So, there is no high degree of transferability of the research findings in other context. At the same time, some of the general findings for instance, having cartel and effect of paying bribes can be applicable to other context.

8.1.3 Dependability

Dependability, which is parallel to reliability in quantitative research, requires that complete record of whole research should be possessed in a comprehensible manner. It includes whole research process, problem formulation, respondent selection, interviews and so on. It also requires the peers review who act as auditors (Bryman & Bell, 2007, pp. 413-414). Such auditing ensures that whether research has been correctly followed the required procedures. In this research proper measurements are adopted to confirm the trustworthiness of study. Research is carried out according to the requirements and every record is well managed. As Peers review holds a significant importance so this study has the influence of audit from various highly educated colleagues. At the same time, the fruitful advices of different professors are also the part of this research to ensure its quality criteria.

8.1.4 Conformability

In an easiest term we can denote conformability as neutrality (Krefting, 1991, pp. 216-217). In quantitative research it is similar to objectivity. It confirms that the researcher should not use his personal views, which can influence the research and can affect its findings (Bryman & Bell, 2007, pp. 413-414). In other words it ensures the neutrality of researcher where findings are totally based on the data collected for research. In this research, an extreme care has been taken during the analysis of data. To stay away from the factor of personal biases, findings were being discussed with selected peers to get useful advices if they can find any researcher’s partiality. In addition all the data collected from respondents especially recorded interviews are kept safe for any further inspection on conformability of research. Thus, this research is a piece of high neutrality, which shows the trustworthiness of investigation.

8.2 Authenticity

Authenticity is the second quality criteria in qualitative research. The research is considered to be authenticating when you have used the fair strategies in whole process. The fairness, which help the respondents or similar groups to understand it and can get help from it in a broad manner to improve themselves (Daymon & Holloway, 2011, 84-85). I have tried my best to represent the views of respondents in a fair way, which can help the respondents itself and other readers to understand the problems of entrepreneurs in Pakistan. It will let them aware that how rent seeking and its three forms can affect their entrepreneurial activities so that they can come up with better business plan and have the remedy of such problems. Foreign firms who want to
invest in Pakistan can also take help from this research to some extent. In crux, this research is least questionable on its authenticity.

8.3 Self Critical Assessment

There are few things, which are being assessed if they would be other way around. For instance, all entrepreneurs were selected via Internet (Researcher’s social & business network). Author itself was not present in Pakistan for the selection of respondents. Physical presence in Pakistan would be of great help because in that way it’s easy to communicate with people face to face during sampling procedure. One can meet easily with different firms/entrepreneurs. It also helps to make sure that a selection criterion is fulfilled before any interview. Author can easily investigate about entrepreneur on the bases of selection criteria from different governmental bodies and related people. In addition, sample size can be increased which is better for the quality of entire study.

Interviews are taken on Skype & phone. Electricity problem in Pakistan sometimes made the interview session long due to which respondents were contacted by phone, which is bit costly. Also it took lot of time in getting the entrepreneur online due to 3 hours time difference between Sweden & Pakistan. It would be of great importance if all the interviews should be taken face to face. It helps to see the gestures of interviewee, his/her emotions and reactions on different questions and much more information can be expected which is not always possible to get via Skype or phone.

During literature review author has faced several problems especially in shape of limited data available on rent seeking, its forms and on entrepreneurship with context to Pakistan. The data was collected through literature available on Internet and from university library. These sources have not enough desired information but author still manage to extract the knowledge. Presence in Pakistan would have help to contact different governmental authorities related to research, personally. More data on different theories & topics can be attained by visiting them & local public libraries. The whole research is being conducted with entire care and while strictly following the procedures. It can assure the high quality of information and results but still the above mention points cannot be neglected and should be taken in to account for future studies.
Reference List


Appendix 1

INTERVIEW GUIDE

The following interview guide was used as support while conducting the interviews. The interview guide helps us to conform that all aspects of investigation has been covered.

**Basic Information:** These questions are design with the aim to collect data about the general background on the company.

1. What is your name?
2. When you started your entrepreneurial venture?
3. What is your business?

**A- Entrepreneurship & Pakistan:**

1. How do you define entrepreneurship?
2. What are yours point of view on economic growth of Pakistan after independence?
3. According to our analysis, Pakistan economy was in decline after 80s. What is your opinion?
4. How you take the situation of entrepreneurship in Pakistan? And do you think entrepreneurship could help in stabilizing the economy?
5. What are the difficulties and challenges you face to start the business?

**B- Entrepreneurship, corruption & Pakistan**

1. What is corruption?
2. Do you think corruption affects the entrepreneurial growth in Pakistan, if yes then how?
3. How corruption affects your business and entrepreneurial behavior?
4. Who are mainly involved in corruption and how?
5. How corruption can be eliminated or managed, IF you think it’s bad?

**C- Entrepreneurship, Bribery & Pakistan**

1. What is bribery?
2. Do you think bribery affects the entrepreneurial growth in Pakistan, if yes then how?
3. How bribery affects your business and entrepreneurial behavior?
4. Who are mainly involved in bribery and how?
5. How bribery can be eliminated or managed?

**D- Entrepreneurship, Lobbying & Pakistan**

1. What is Lobbying according to you?
2. Does it exist in Pakistan? IF yes, then how?
3. If lobbying exists then how it affects the entrepreneurial growth in Pakistan?
4. Does it affects your business and entrepreneurial behavior, if yes then how?
5. How lobbying can be eliminated and managed?
E- Entrepreneurship, Rent seeking & Pakistan

1. How you define rent seeking?
2. Do you think corruption, bribery and lobbying are forms of rent seeking and help to promote it? If yes then how?
3. Does it exist in Pakistan? IF yes, then how?
4. Do you think that rent seeking has the negative affect on the entrepreneurial growth in Pakistan? What is your opinion?
5. Does it affects your business and entrepreneurial behavior, if yes then how?
6. If it has a negative affects then how it can be eliminated or managed?

F- General

1. How entrepreneurship can be encouraged in Pakistan?
   a) What steps Government should take to promote it?
   b) What should be the role of an entrepreneur itself, in the promotion of entrepreneurship?