Exploring the Financing Gap Between Young Entrepreneurs and Venture Capitalists*

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Abstract

Purpose - This pilot study explores the gap between venture capitalists and young business graduates in Pakistan. Though the young graduates remain enthusiastic about choosing entrepreneurship as a profession, their success is subject to financial constraints.

Research design, data, methodology - We administered a Likert-scale based questionnaire to 200 business graduates from June to July 2012, and interviewed ten venture capitalists from Islamabad and Lahore—two highly business oriented cities of Pakistan—to collect the data. The survey participation was on a voluntary basis without any financial sponsorship.

Findings- There is a communication gap between the two parties (venture capitalists and business graduates), and a lack of trust in the entrepreneurial education and training offered in the educational institutions in Pakistan. The study, however, reveals the leading role of the Government in reducing this gap through certain measures.

Conclusions - Some measures that can reduce the gap between venture capitalists and young graduates are: association of business schools with industry; financial institutions'initiatives to financially support the small and medium level projects of the economics and business students during their studies; establishment of placement bureaus in the business schools; and organization of regular open houses in the universities.

Keywords : Venture Capital, Angel Investors, Entrepreneurship.

JEL Classifications : M10, M14.

1. Introduction

Pakistan is a unique country with a strong potential of producing a force of entrepreneurs. According to the Pakistan Economic Survey 2010-11, population of the Pakistani youth within the age bracket of 20-44 was 31.77 millions in 1998 and it has grown up to 63.66 million[1] in the year 2010. The increasing trend of youth in the Pakistani population reveals the country being enriched with potential productivity of the human capital. The estimated youth population is forecast as 74.41, 83.69, 90.98 and 97.28 million for the year 2015, 2020, 2025 and 2030 respectively (Pakistan Economic Survey, 2011-12). An enormous potential youth of the country, if harnessed, can guarantee consistent economic growth. It can be rightly assumed that Pakistan has the capacity to face any kind of economic challenge of development by promoting its youth.

Pakistan has a moderate urbanization growth rate and every year it is growing constantly. The urban annual growth rate of Pakistan in 2010 was 2.97 % and its projected growth rate in 2030 is 2.97%[2]. The civilian labor force participation in the economy of Pakistan is 45.5 million which has been undeniably increased in 2009-10 to 54.92 million[3]. The employment participation in the country was 42 million in 2003-04 and it has increased to 51.87 million in 2009-2010 which is slightly better. Indeed the absorbing capacity of the public sector is not enhanced on account of war against the terrorism for a period of more than a decade. Rather absorbing capacity of the economy in nutshell has squeezed. There is increasing need for creating job opportunities in the category of self-employment in order to absorb increasing labor force of the countrywhich will save the economy of Pakistan from any untoward situation.

According to the official statistics of Pakistan, both male and female participation in the labor force has significantly driven the economy of the country. The employment status of male employer in Pakistan is 1.6 million whereas that of female is 0.1 million. Self-employed male are 40 million whereas female are 13.6 million. The male employees make the proportion of 39.7 million and female employees are 20 million in the economy.

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1) National Institute of Population Studies, Planning & Development Division of Pakistan, June 2010.
2) World Urbanization Prospects, 2009, Revision Population Database.
3) Various Issues of Labor Force Survey of Pakistan.

There is need to develop entrepreneurial culture in Pakistan in order to enhance absorbing capacity of the labor force of the country.

Business education in Pakistan has tremendously increased. Present study explores potential of entrepreneurship among the business graduates focusing on the two most urbanized cities of Islamabad and Lahore. Lack of finances is the major constraint for the potential entrepreneurs. If an arrangement is made to bring together venture capitalists or angels and potential entrepreneurs, business culture can be developed in Pakistan. Many studies have been conducted in Asia to bridge the gap between both sides. However, this is the first study in Pakistan exploring the factors being key elements in the decision making on both the sides; the entrepreneurs and the venture capitalists in Lahore and Islamabad.

1.1. Problem Statement

Many a business graduates in Pakistan intend to be entrepreneurs but unfortunately system does not exist to bring them close to the venture capitals and angels of the country. On account of this gap between the two components of the business, the potential productivities of human and the financial capitals remain unexploited in the country. Previous studies have identified the scenario as conflicts between venture capitalists and young entrepreneurs and a serious communication gap.

1.2. Scope and Objectives

➢ To investigate the extent the ideas of young entrepreneur matter in the business world without capital.
➢ To propose measures which bridge the gap between venture capital and entrepreneurs.
➢ To explore role of the government in reducing the gap between venture capitalists and the potential human capital.

2. Literature Review

This section of the study provides empirical and theoretical evidence from the previous studies related to the area of research.

Davila et al (2002) argue that the relationship between venture capital and employee growth of the start-up business through timely funding can be easily estimated with the help of signaling theory. The findings of this study identify those signals which are responsible for the growth of the start-ups. The findings of another paper by Reid (2000) investigate decision taking phase of entrepreneurs and venture capitalists as to the staying in or quitting from business after the start-ups. The study discusses the stage next to the one described by Davila et al (2002). The study employs Probit data model of advanced statistics to the complex and simple decisions of start-up ssuch as

product and process innovation. The study estimates impact of the entrepreneurial decisions on the survival of the startups.

Praag (2003) applies descriptive statistics and duration analysis model to better estimate duration of survival in the business along with the risks and moral hazards concerning the duration. This study proves to be a value addition to the existing literature by quantification of perfect duration of business survival. Another study examines the other side of the funding decisions affected by the venture capitalists regarding financial and human capital with the help of structural and relational aspects for better understanding of the role of venture capital. The study describes all important relations with the help of regression analysis employing the amount of fund raised by venture capital as dependent variable and social network measures as independent (Alexy et al., 2011). Bosma et al (2004) examine the extent by which the effect of financial and human capital in terms of management skills depends on the entrepreneurial performance. The study employs representative panel survey of one thousand founders of the business in Netherlands in order to measure the entrepreneurial performance in terms of profit, survival and growth of the business.

Elston et al (2009) examine the measures of controlling the risk attitudes of the entrepreneur with the help of experimental and survey data. The study describes risk characteristics of the entrepreneurs and their effect on the entrepreneurial decisions. Another study as to 'what makes a true entrepreneur',finds out just motivation factor which makes the potential entrepreneur. The study (Vivarelli et al, 2004) reveals that business ideas with reliable information and motivation can lead to a potential entrepreneur. Findings of the study are based on interviews of 365 potential Italian entrepreneurs wherein the characteristics are related to actual decision for the launching of a new business organization. Bergh et al (2009) indicate building of trust in the development of entrepreneurial activities. The study explores this relationship with the help of qualitative data based on commitment, companionship and competencies. The study has developed a theoretical framework designed for the interpretation of results. Recommendations of the study can be considered as beneficial for the start-ups in terms of seed capital from venture capitalists.

Moore et al (2006) study the influence of entrepreneurial decisions on the risk assessment of the growth of venture capital by proposing a test on model of risk assessment predicted through entrepreneurial behavior. Risk is an important factor in the entrepreneurial decisions; hence this study is proved helpful in understanding risk attributes of the entrepreneurs.

Wincent, Thorgren, & Bergh (2009) address the trust building scenario for the young entrepreneurs and reveal tactics which are essential in order to develop trust and recognition for exploring the opportunities in the arena of entrepreneurship. Methodology of the study includes collection of data from entrepreneurs through interviews and video recordings. In another study, Williams and Nadin (2011) employ the method of face to

face interviews from the entrepreneurs in Moscow. The study finds majority of entrepreneurs as commercial-driven rather than social commitment. The study recommends reversal of the entrepreneurial attitude.

Some of the studies such as (Riding, et al., 2010) address the significance of the small scale enterprises. According to the findings of the study, export-oriented small scale enterprises must be encouraged more than non exporting enterprises in terms of entrepreneurships and funding. The study basically emphasizes financing of the small sized entrepreneurs and firms.
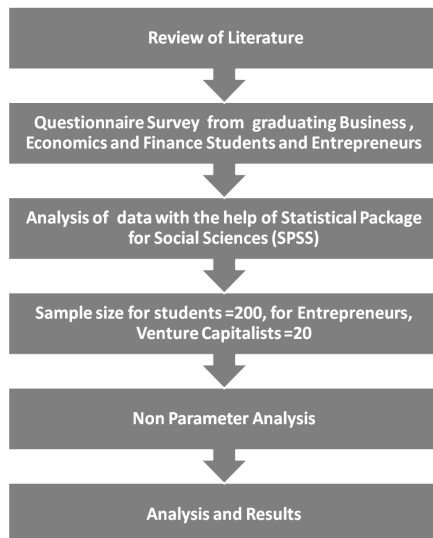
3. Research Design and Methodology

It is an exploratory study and reports the findings of the questionnaire survey and interviews of key participants. This is pilot study assuming the sample of only 200 in order to get some idea about the targeted objective. The objective is to understand as to the young entrepreneurs, their current position and expected future in the new business world.

Additionally, study aims to understand how the venture capitalists utilize human capital in terms of their ideas and managerial skills. This pilot study will be useful for the academicians to learn possible gap between venture capitalists and the young entrepreneurs.

The key participants involve the venture capitalists, entrepreneurs and the graduating students of business, economics and finance. The study is conducted within the vicinity of Lahore and Islamabad because a large number of entrepreneurs and venture capitalists are found in these two big cities. Labor Force Survey of Pakistan, 2009-10. The research has been carried out according the plan shown in flow diagram given below:

3.1.Research Design in Flow Diagram

<Figure 1> Research Design in Flow Diagram

3.2. Methodology

3.2.1. Questionnaire

The questionnaire is developed keeping in view the important research work done by the previous studies related to the field of entrepreneurship. Graduating students (emerging entrepreneurs) are the targeted sample for the survey. For further details the interested readers may be provided a copy of the questionnaire.

3.2.2. Interview guide

The interview guide is designed for the venture capitalists and the potential investors in Lahore and Islamabad to explore their opinions in this context.

After reviewing the literature, the questionnaire has been chosen as the principle survey method. Data collection was self-sponsored without any logistic or financial assistance from any agency or institution. That is why the sample size has been restricted to only 200.

4. Data Analysis

4.1. Questionnaire Survey

Questionnaire survey is one of the most important primary sources of data collection for the exploratory research. The questionnaire is designed keeping in view some very important variables identified in the existing literature and theoretical background of the research.

The basis includes prior knowledge, entrepreneurial inclinations and mind set of graduating students of business exploring the potential opportunities, capability of selling ideas, business plans, managing risk attitudes which lead them to recognize themselves as an emerging entrepreneurial class.

After collecting the data from the 200 graduating students of business, nonparametric tests have been applied.

According to the survey, 77.7% of the respondents like to choose their career as an entrepreneur. From this proportion, 23.8% are actively interested to become entrepreneurs of their own business, rather than being employee. The proportion is quite encouraging. 23.3% of the respondents have a plan to run their business after the completion of their studies. The researchable question is about the significance of prior knowledge and skills of the business graduates in initiating their business.

The survey results reveal 60% of the respondents strongly believe in their prior knowledge in starting their business venture but unfortunately 95.1 % of them are not sure about getting finances for their business. Furthermore, the graduating students do not have any prior information about the venture capitalists of their town. Therefore, the graduates are not clear as to the selling of their ideas. The problem needs to be addressed by

the business educational institutions.

The statistics from the survey reveal the entrepreneurial intentions, strong potential, intensity to grab opportunities among the young graduating students but they have little knowledge about the sources of funding. About 34.9 % of the respondents are of the view that the problem should be addressed by the government of the country.

4.2. Results of the Reliability Test

Reliability analysis determines the extent of success of the survey which is conducted through the questionnaire. For this study, the following reliability tests are employed in order to ensure maximum reliability of the factors included in the questionnaire.

a.   Cronbach's Alpha
b.   Split-half coefficients
c.   Guttman's lower bounds
d.   Parallel model

4.2.1. Cronbach's Alpha

This reliability test is proposed by Cronbach (1951). The value of alpha is the proportion of variability in responses to the survey as a result of different respondents. There are 25 items included in this survey questionnaire. The value of Cronbach alpha for this survey with standardized items comes out to be 0.857. The null hypothesis of alpha is

H0: Variances of all items are equal

The coefficient of 0.857 reported for the items is true estimate of lower bound reliability.

4.2.2. Split-Half Coefficients

These coefficients are also estimated to check reliability of the survey. Split-half coefficients are calculated with the assumption as if the same survey is conducted twice on the same respondents. If the survey is conducted twice then there are chances of biased responses for the second time circulation of questionnaire. In order to avoid this bias, split-half coefficients are directly calculated from the survey whose items are grouped into two categories in order for comparison.

The test has split 25 items into two subgroups. The first group includes 13 items whereas the second group includes 12 items. The correlation between the sums of the items in each group is 40.8 %. The Guttmann split-half coefficient is 0.561. The Guttman coefficient has been computed using the formula for Cronbach's alpha for the two items. When the items are split into two categories of 13 and 12, each group contains items which are highly correlated within the group but not between the groups. The Cronbach's alpha for the 13 items included in the part one is 83.6 %. Its value is 65.5 % for the other 12 items included in part two.

4.2.3. Guttman's Lower Bounds

Guttman's Lower bounds are calculated in six measures (L1, L2, L3, L4, L5, and L6) of reliability of the survey. For this particular survey L1, L2, L3, L4, L5 and L6 are 0.756, 0.811, 0.788, 0.561, 0.814 and 0.864 respectively for all the twenty five items. The values of Guttman's coefficients significantly prove reliability of the survey items included in the questionnaire.

4.2.4. Parallel Model

Parallel test was devised by Crist of (1963; 1969). The hypothesis of parallel model is given below.

H0: The true item scores have the same mean and variance.

In most of the studies the null hypothesis is defined as if true item scores have the same variance. The null hypothesis is rejected at less than 1% level of significance. The test results significantly prove goodness of fit for the model.

4.2.5. Non-Parametric Analysis

Kruskal-Wallis test is one of the non parametric tests. Main hypothesis for the non parametric test is that the samples are independent of each other. In other words there is no statistical relationship between the two or more group of variables. Survey data collected through the questionnaire does not meet the assumptions of normal distribution. This is main justification to apply nonparametric tests to this study.

Kruskal-Wallis test is also true when the assumptions of the Analysis of Variance (ANOVA) are not met. In case of ANOVA, mean is the valid estimate of center and distribution of test variable which is reasonably normal in all groups. In this study test variables are ordinal. Therefore mean is not a valid estimate because the distances between the values are arbitrary. In some of the variables although mean is slightly valid but the distribution of test variable is so non-normal that it makes suspicious of the tests which assume normality. The test is non-parametric because it makes no assumption about the parameters of a distribution such as mean and variance. In this study we have used Kruskal-Wallis and Median Tests. The null hypothesis for the median test is that two or more statistically independent samples have the same median. When median and the distribution patterns of the variables are not identical, they do not have the long term relationship as per our assumption in this study.

5. Results and Analysis

The results are based on median and Kruskal-Wallis tests presented in Table 1 through Table 15. In case of median test if for any two or more variables, the distribution pattern is not identical, the variables are assumed to be independent of each other.

<Table 1> Effect of Inspiration from Experienced Entrepreneurs (Median Test Results)

		Inspired from Entrepreneurs		
		neutral	Concerned	actively concerned
Choosing Entrepreneurship as career	> Median	11	16	21
	<= Median	58	62	20
Preferring entrepreneurship to employee	> Median	7	14	20
	<= Median	62	64	21
Prepared to be an entrepreneur	> Median	7	11	14
	<= Median	62	67	27
Efforts to Start own business	> Median	5	14	23
	<= Median	64	64	18
Commitment to start business	> Median	9	16	20
	<= Median	60	62	21
To Be own boss	> Median	8	18	25
	<= Median	61	60	16
Quick Plan for Own Business (5 years)	> Median	3	15	18
	<= Median	66	63	23
Late Plan for Own Business (10 years)	> Median	6	16	13
	<= Median	63	62	28

5.1. Choice Of Entrepreneurship As Career

The survey conducted for this study considers the aspect such as preference of entrepreneurship to being an employee, preparation of career of entrepreneurship, efforts of the graduates to launch their own businesses, the level of commitment, boosting feelings of becoming boss instead of subordinates and the future plans to become the entrepreneur. There were eight questions related to the choice of entrepreneurship as profession for the business graduates. The results are presented in Table 1 for perusal. Interestingly most of the respondents looked reluctant to choose entrepreneurship as their career. In all the eight aspects related to the choice of entrepreneur as a career, the values are less than their median when the group variable 'inspiration from the existing entrepreneurship' is considered. It means simple median test results do not prove the hypothesis that 'the business graduates can choose the career of entrepreneurship after getting inspired from the existing entrepreneurs'. In order to authenticate these results chi-squared

test was applied and the results are presented in Table 2. The results are self- explanatory with the help of footnotes given below the Table 2.

<Table 2> Test Statistics[i] of the Variables Analyzed in Table 1

	N	Median	Chi-Square	Df	Asymp. Sig.
Choosing Entrepreneurship as career	188	4.0000	18.600a	2	.000
Preferring entrepreneurship to employee	188	4.0000	23.677b	2	.000
Prepared to be an entrepreneur	188	4.0000	11.294c	2	.004
Efforts to Start own business	188	4.0000	36.858d	2	.000
Commitment to start business	188	4.0000	18.898e	2	.000
To Be own boss	188	4.0000	32.831f	2	.000
Quick Plan for Own Business (5 years)	188	4.0000	25.990g	2	.000
Late Plan for Own Business (10 years)	188	4.0000	9.305h	2	.010

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 10.5.

b. 0 cells(.0%) have expected frequencies less than 5. The minimum expected cell frequency is 8.9.

c. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.0.

d. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 9.2.

e. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 9.8.

f. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 11.1.

g. 0 cells (.0%)have expected frequencies less than 5. The minimum expected cell frequency is 7.9.

h. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.6.

i. Grouping Variable: Inspired from Entrepreneurs

Kruskal-Wallis test is better than the median test in the sense it calculates ranks of the variables. In this test it is assumed that the graduates are inspired from the entrepreneurs. Therefore they may choose to be an entrepreneur either in the short run or long run. The test results are presented in Table 3 and the statistical test results are presented in Table 4. The results are quite opposite to the median test. This 180 degree opposite results can be on account of non-normal distribution around median values. All the Kruskal-Wallis test results are

highly significant at less than 5% level of significance. The results reveal that it is not only education which inspires graduates to choosing the career of entrepreneurship, rather inspiration from the entrepreneurs plays a pivotal role among the business graduates. The intention of delayed joining of own business is not affected by the inspiration from entrepreneurs. The result is quite justified because ten years period is very late planning of owning business. The graduates seem to improve their career through entrepreneurship in the near future.

<Table 3> Effect of Inspiration from Experienced Entrepreneurs
(Kruskal-Wallis Test)

Inspired from Entrepreneurs		N	Mean Rank
Choosing Entrepreneurship as career	neutral	69	84.47
	concerned	78	89.99
	actively concerned	41	119.96
	Total	188	
Preferring entrepreneurship to employee	neutral	69	81.92
	concerned	78	90.74
	actively concerned	41	122.82
	Total	188	
Prepared to be an entrepreneur	neutral	69	85.44
	concerned	78	94.51
	actively concerned	41	109.73
	Total	188	
Efforts to Start own business	neutral	69	79.00
	concerned	78	95.84
	actively concerned	41	118.04
	Total	188	
Commitment to start business	neutral	69	80.51
	concerned	78	92.89
	actively concerned	41	121.11
	Total	188	
To Be own boss	neutral	69	80.93
	concerned	78	91.18
	actively concerned	41	123.66
	Total	188	
Quick Plan for Own Business (5 years)	neutral	69	81.66
	concerned	78	95.58
	actively concerned	41	114.06
	Total	188	
Late Plan for OwnBusiness (10 years)	neutral	69	92.99
	concerned	78	91.66
	actively concerned	41	102.45
	Total	188	

<Table 4> Test Statistics[a,b] of the Variables included in Table 3

	Chi-Square	df	Asymp. Sig.
Choosing Entrepreneurship as career	14.983	2	.001
Preferring entrepreneurship to employee	20.018	2	.000
Prepared to be an entrepreneur	5.827	2	.054
Efforts to Start own business	15.664	2	.000
Commitment to start business	17.406	2	.000
To Be own boss	19.805	2	.000
Quick Plan for Own Business (5 years)	11.642	2	.003
Late Plan for Own Business (10 years)	1.319	2	.517
a. Kruskal-Wallis Test			
b. Grouping Variable: Inspired from Entrepreneurs			

<Table 5> Effect of Knowledge and Skills (Kruskal-Wallis Test)

Knowledge and Skills helpful in initiating business		N	Mean Rank
Choosing Entrepreneurship as career	Neutral	56	73.96
	Concerned	93	94.09
	actively concerned	39	124.97
	Total	188	
Preferring entrepreneurship to employee	Neutral	56	72.72
	Concerned	93	91.05
	actively concerned	39	134.00
	Total	188	
Prepared to be an entrepreneur	neutral	56	84.67
	concerned	93	88.53
	actively concerned	39	122.86
	Total	188	
Efforts to Start own business	neutral	56	70.26
	concerned	93	92.76
	actively concerned	39	133.45
	Total	188	
Commitment to start business	neutral	56	74.89
	concerned	93	90.84
	actively concerned	39	131.37
	Total	188	
To Be own boss	neutral	56	63.50
	concerned	93	96.17
	actively concerned	39	135.03
	Total	188	
Quick Plan for Own Business (5 years)	neutral	56	72.92
	Concerned	93	97.53
	actively concerned	39	118.26
	Total	188	
Late Plan for Own Business (10 years)	Neutral	56	70.97
	Concerned	93	103.53
	actively concerned	39	106.74
	Total	188	

<Table 6> Test Statistics[a,b] of the Results Presented in the Table 5

	Chi-Square	df	Asymp. Sig.
Choosing Entrepreneurship as career	25.507	2	.000
Preferring entrepreneurship to employee	39.448	2	.000
Prepared to be an entrepreneur	15.433	2	.000
Efforts to Start own business	36.814	2	.000
Commitment to start business	30.490	2	.000
To Be own boss	48.187	2	.000
Quick Plan for Own Business (5 years)	20.581	2	.000
Late Plan for Own Business (10 years)	17.447	2	.000
a. Kruskal-Wallis Test			
b. Grouping Variable: Knowledge and Skills helpful in initiating business			

<Table 7> Test Statisticsi of Knowledge and Skills (helpful in initiating business) – (Median Test Results)

	N	Median	Chi-Square	Df	Asymp. Sig.
Choosing Entrepreneurship as career	188	4.0000	23.010a	2	.000
Preferring entrepreneurship to employee	188	4.0000	34.768b	2	.000
Prepared to be an entrepreneur	188	3.5000	5.706c	2	.058
Efforts to Start own business	188	4.0000	42.447d	2	.000
Commitment to start business	188	4.0000	29.239e	2	.000
To Be own boss	188	4.0000	41.325f	2	.000
Quick Plan for Own Business (5 years)	188	4.0000	23.755g	2	.000
Late Plan for Own Business (10 years)	188	4.0000	26.368h	2	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 9.8.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 8.5.

c. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 19.5.

d. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 8.9.

e. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 10.0.

f. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 11.0.

g. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.5.

h. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.1.

i. Grouping Variable: Knowledge and Skills helpful in initiating business

5.2. The Role of Knowledge and Entrepreneurial Skill

The study tests impact of knowledge and skills of the business graduates in the choice of entrepreneurship as career. The results are presented in Tables 5 and 6. The results are highly significant as presented in Table 6. In the choice of career of entrepreneurship, knowledge and skills in launching business play significant role. The null hypothesis of independence of variables is rejected at less than one percent level of significance. Prior skills and business related knowledge has also significant relationship with the choice of entrepreneurship instead of being employee. A significant number of respondents are found prepared to become entrepreneur provided that they have the required skill of business and its related information. All the values of chi-squared are exceeding expected values. The results can be viewed from table 6. Knowledge and Skills related to the business also put the business graduates to start their own business either in the near future or later in their career. A highly significant number of the respondents have shown their interests to be their own boss instead of bearing with boss in some other organizations.

The median analysis based on results presented in table 7 also reiterate the Kruskal-Wallis results as discussed in Table 5 and 6. The number of actively concerned business graduates is greater than the median value of the population in all the categories representing entrepreneurship as career.

5.3. Funding Supported with Strong Idea of Business

During the interview and survey process, the business graduates were asked questions related to the ideas of launching business if they are provided with funds. Funds coupled with idea of launching business seem to have significant relationship with the choice of entrepreneurship as career. Results presented in Tables 8 and 9 very clearly reveal significant relationship of career as entrepreneurship and the provision of funds to the business graduates. The median test results presented in Table 10 also confirm that the number above median exceeds the number below median in the active category of respondents. However, the question of commitment to start business and the question of starting business in the near future has shown no relationship of these variables with the provision of funds. The test of significance shown in Table 11 is also evident in support of what has been explained.

<Table 8> Effect of Strong Idea with Possible Funding (Kruskal-Wallis Test)

Strong idea good possible funding		N	Mean Rank
Choosing Entrepreneurship as career	Neutral	104	78.63
	Concerned	51	91.62
	actively concerned	16	116.03
	Total	171	

Preferring entrepreneurship to employee	Neutral	104	82.31
	Concerned	51	82.56
	actively concerned	16	120.97
	Total	171	
Prepared to be an entrepreneur	Neutral	104	80.06
	Concerned	51	90.03
	actively concerned	16	111.78
	Total	171	
Efforts to Start own business	Neutral	104	79.74
	Concerned	51	88.71
	actively concerned	16	118.06
	Total	171	
Commitment to start business	Neutral	104	84.42
	Concerned	51	84.95
	activelyconcerned	16	99.59
	Total	171	
To Be own boss	Neutral	104	83.71
	Concerned	51	84.55
	actively concerned	16	105.50
	Total	171	
Quick Plan for Own Business (5 years)	Neutral	104	77.75
	Concerned	51	99.54
	actively concerned	16	96.50
	Total	171	
Late Plan for Own Business (10 years)	Neutral	104	76.55
	Concerned	51	94.12
	actively concerned	16	121.53
	Total	171	

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<Table 9> Test Statistics[a,b] of the Variables Presented in the Table 8

	Chi-Square	df	Asymp. Sig.
Choosing Entrepreneurship as career	11.102	2	.004
Preferring entrepreneurship to employee	11.409	2	.003
Prepared to be an entrepreneur	6.981	2	.030
Efforts to Start own business	10.064	2	.007
Commitment to start business	1.610	2	.447
To Be own boss	3.335	2	.189
Quick Plan for Own Business (5 years)	9.429	2	.009
Late Plan for Own Business (10 years)	15.690	2	.000
a. Kruskal-Wallis Test			
b. Grouping Variable: Strong idea good possible funding			

<Table 10> Effect of Strong Idea with Possible Funding (Median Test)

		Strong idea good possible funding		
		neutral	Concerned	actively concerned
Choosing Entrepreneurship as career	> Median	20	13	11
	<= Median	84	38	5
Preferring entrepreneurship to employee	> Median	19	9	11
	<= Median	85	42	5

Prepared to be an entrepreneur	> Median	16	11	5
	<= Median	88	40	11
Efforts to Start own business	> Median	18	10	9
	<= Median	86	41	7
Commitment to start business	> Median	27	10	6
	<= Median	77	41	10
To Be own boss	> Median	27	11	9
	<= Median	77	40	7
Quick Plan for Own Business (5 years)	> Median	14	12	6
	<= Median	90	39	10
Late Plan for Own Business (10 years)	> Median	12	7	10
	<= Median	92	44	6

<Table 11> Test Statistics[h] of the Variables Presented in the Table 10

	N	Median	Chi-Square	Df	Asymp. Sig.
Choosing Entrepreneurship as career	171	4.0000	17.795a	2	.000
Preferring entrepreneurship to employee	171	4.0000	21.170b	2	.000
Prepared to be an entrepreneur	171	4.0000	2.684c	2	.261
Efforts to Start own business	171	4.0000	12.579d	2	.002
Commitment to start business	171	4.0000	2.165e	2	.339
To Be own boss	171	4.0000	7.659f	2	.022
Quick Plan for Own Business (5 years)	171	4.0000	6.376c	2	.041
Late Plan for Own Business (10 years)	171	4.0000	26.111g	2	.000

a. 1 cells (16.7%) have expected frequencies less than 5. The minimum expected cell frequency is 4.1.

b. 1 cells (16.7%) have expected frequencies less than 5. The minimum expected cell frequency is 3.6.

c. 1 cells (16.7%) have expected frequencies less than 5. The minimum expected cell frequency is 3.0.

d. 1 cells (16.7%) have expected frequencies less than 5. The minimum expected cell frequency is 3.5.

e. 1 cells (16.7%) have expected frequencies less than 5. The minimum expected cell frequency is 4.0.

f. 1 cells (16.7%) have expected frequencies less than 5. The minimum expected cell frequency is 4.4.

g. 1 cells (16.7%) have expected frequencies less than 5. The minimum expected cell frequency is 2.7.

h. Grouping Variable: Strong idea good possible funding

<Table 12> The Role of Education and Training (Kruskal-Wallis Test)

Education helps xin Entrepreneurship		N	Mean Rank
Choosing Entrepreneurship as career	Neutral	55	87.52
	Concerned	78	87.58
	actively concerned	49	102.20
	Total	182	
Preferring entrepreneurship to employee	Neutral	55	79.99
	Concerned	78	88.29
	actively concerned	49	109.53
	Total	182	
Prepared to be an entrepreneur	Neutral	55	84.96
	Concerned	78	92.37
	actively concerned	49	97.46
	Total	182	
Efforts to Start own business	Neutral	55	80.74
	Concerned	78	84.63
	actively concerned	49	114.52
	Total	182	
Commitment to start business	Neutral	55	79.88
	Concerned	78	87.46
	actively concerned	49	110.98
	Total	182	
To Be own boss	neutral	55	77.69
	concerned	78	89.03
	actively concerned	49	110.93
	Total	182	
Quick Plan for Own Business (5 years)	neutral	55	75.47
	concerned	78	88.17
	actively concerned	49	114.80
	Total	182	
Late Plan for Own Business (10 years)	neutral	55	76.19
	concerned	78	95.45
	actively concerned	49	102.40
	Total	182	

<Table 13> Test Statistics[a,b] of the Variables Presented in Table 12

	Chi-Square	df	Asymp. Sig.
Choosing Entrepreneurship as career	3.447	2	.178
Preferring entrepreneurship to employee	11.051	2	.004
Prepared to be an entrepreneur	1.717	2	.424
Efforts to Start own business	15.150	2	.001
Commitment to startbusiness	11.911	2	.003
To Be own boss	12.811	2	.002
Quick Plan for Own Business	19.078	2	.000
Late Plan for Own Business (10 years)	8.298	2	.016

a. Kruskal-Wallis Test
b. Grouping Variable: Education helps in Entrepreneurship

5.4. Education and Entrepreneurship

Level of education apparently creates awareness among graduates. Therefore business education theoretically show positive trend of entrepreneurship in Pakistan. The question related to education and its impact on entrepreneurship is also evaluated in the survey. Kruskal-Wallis results are presented in Table 12 and their statistical test results are presented in Table 13. The results are highly significant in general, indicating positive relationship between the education and the choice of entrepreneurship; education and efforts of the business graduates to start business; education and commitment to start business; education and the desire of becoming boss; education and the plan of owning of business in the short run as well as long run.

5.5. The Role of Government

In the free market economies, governments have least interventions in the business activities of the private sector. Keeping in view the existing gap between entrepreneurial education and the venture capital, it is explored as to what extent government can reduce gap. The paper also explores the role of government in reducing the gap between entrepreneur and venture capitalist and its impact on the trend of entrepreneurship among the business graduates. Results are presented in Tables 14 and 15. The Kruskal-Wallis test reveals highly significant impact of the government in reducing the gap between venture capitalist and entrepreneurship.

<Table 14> Role of the Government (Kruskal-Wallis Test)

Govt. can reduce gap between Ent. and VC		N	Mean Rank
Choosing Entrepreneurship as career	neutral	59	81.36
	concerned	72	99.33
	actively concerned	57	102.01
	Total	188	
Preferring entrepreneurship to employee	neutral	59	76.17
	concerned	72	97.83
	actively concerned	57	109.26
	Total	188	
Prepared to be an entrepreneur	neutral	59	84.04
	concerned	72	97.13
	actively concerned	57	102.00
	Total	188	

Efforts to Start own business	neutral	59	70.99
	concerned	72	98.40
	actively concerned	57	113.90
	Total	188	
Commitment to start business	neutral	59	75.61
	concerned	72	98.85
	actively concerned	57	108.56
	Total	188	
To Be own boss	neutral	59	67.21
	concerned	72	93.89
	actively concerned	57	123.52
	Total	188	
Quick Plan for Own Business (5 years)	neutral	59	73.08
	concerned	72	104.83
	actively concerned	57	103.62
	Total	188	
Late Plan for Own Business (10 years)	neutral	59	73.40
	concerned	72	101.68
	actively concerned	57	107.27
	Total	188	

<Table 15> Test Statistics[a,b] of the Variables Presented in Table 14

	Chi-Square	Df	Asymp. Sig.
Choosing Entrepreneurship as career	6.278	2	.043
Preferring entrepreneurship to employee	14.145	2	.001
Prepared to be an entrepreneur	3.897	2	.143
Efforts to Start own business	21.675	2	.000
Commitment to start business	13.579	2	.001
To Be own boss	37.104	2	.000
Quick Plan for Own Business (5 years)	16.352	2	.000
Late Plan for Own Business (10 years)	15.322	2	.000
a. Kruskal-Wallis Test			
b. Grouping Variable: Govt. can reduce gap between Ent. and VC			

5.6. Interview Guide

After getting expert opinion from the established and successful entrepreneurs and venture capitalists of the region, the following elements have been extracted from them in order to open the door of entrepreneurial opportunities for the young business graduates:

➢ Trust
➢ Devotion
➢ Responsible Behavior
➢ Spark to do anything to become an entrepreneur
➢ Intensity to grab opportunity
➢ Selling Skills

These are the most important five elements which business

graduates lack in becoming the entrepreneurs in true business sense as per findings of the interviews of venture capitalists. They are looking forward for such people who are endowed with the capabilities listed above. When it comes to making of an investment, if these five factors or elements exist in young entrepreneurs, the venture capitalists are willing to be an angel for them.

Another of the factors which is majorly responsible for the gap between the both sides is the difference in the mindset. Both have totally different approach towards business. The interviews of the venture capitalists strongly recommend business schools to address these issues seriously.

6. Conclusions

Findings of this study are based on interviews of the venture capitalists and the data collected from the young business graduates through questionnaire. Our findings support Elston et al (2009) and Vivarelli, et al (2004) that motivational factors play significant role in the launching of entrepreneurial activities in the Economy of Pakistan. The Pakistani youth is enthusiastic in launching their own business by choosing entrepreneurship as their career. Financing is the main constraint. The venture capitalists do not seem confident about the trainings of business education of the prospective entrepreneurs in running the business. The graduates are motivated from the businessmen and strongly desire to join as entrepreneurs. Majority of the financiers are reluctant to accommodate young graduates by providing them with seed money. There is communication gap between the two parties. Findings of the study reveal leading role of the government which can reduce this gap through certain arrangements. Industry linkage of the business schools, initiatives of the financial institutions in providing funding for the small and medium level projects prepared by the graduates during their studies, setting up placement bureau in the business schools and arrangement of open houses in the business schools on regular basis can bring the venture capitalists and the young graduates together. These arrangements will also build confidence and trust from both sides of the business. In reality the priorities of the two sides of the businesses are not matching on account of the lack of information to the venture capitalists about curricula of the business schools. For the recognition of young entrepreneurs to the venture capitalists, the educational institutions should provide the platform. There is great potential in creating the entrepreneurial culture in the country provided that the venture capitalists and the business schools come in close contact with each other.

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