

Ecosystem for Business Startup in Punjab:

Issues, Challenges, and Way Forward

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Abstract

The study examined the business startup ecosystem in Punjab, Pakistan to explore the factors responsible for its growth as well as those that obstruct this growth. The key developments that took place in the past two years (2022–2024) with respect to, (i) Punjab Government’s initiatives, (ii) key facilitation issues experienced by the relevant organizations, and (iii) regulatory inefficiencies and infrastructure gaps faced by the clients and potential entrepreneurs and startups, were analyzed. Isenberg’s Entrepreneurship Ecosystem Model and Stam’s Entrepreneurial Ecosystem Framework were used to theorize Punjab’s startup ecosystem. The study used a convergent mixed methods research design and used convenience sampling to study four BFCs in Punjab. Survey method using both questionnaire and interviews was employed to gather information from public and private stakeholders in order to understand the startup ecosystem in Punjab. The study found that the business startup ecosystem in Punjab has experienced significant growth over the past two years due to government initiatives such as the BFCs, nevertheless, there were notable challenges that were reducing the potential of such initiatives. The study found that bureaucratic hurdles, regulatory complexities, and limited access to finance continue to delay entrepreneurial success in spite of Punjab’s improvement in global rankings and pro-business policies. The findings from quantitative and qualitative analyses revealed that awareness about BFCs was low, barriers in digital literacy were prominent, and deficiencies in infrastructure

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impeded the smooth and sustainable functioning of BFCs and other government initiatives. The regulatory overlaps and inconsistent service delivery continued to pose challenges despite efforts by the government to simplify business registration and compliance processes. The study recommends the expansion of BFCs, strengthening of digital integration, awareness and stakeholder engagement, increased monitoring and accountability, regulatory simplification, improved infrastructure, and increasing financial support as viable policy measures to improve the business startup ecosystem in Punjab.

Keywords: *business facilitation centers, entrepreneurial ecosystem, public service delivery, Punjab, Pakistan.*

1. Introduction

Global literature on entrepreneurial ecosystems highlights the importance of institutional efficiency, market connectivity, human capital, and regulatory coherence in enabling startup growth (Fotopoulos & Qian, 2025; Carayannis et al., 2022). Scholars such as Stam (2017, 2015) and Isenberg (2011) argue that entrepreneurial ecosystems are shaped by interactions among multiple actors. These stakeholders include government organizations, financial institutions, regulatory bodies, and business support organizations and their coordination determines the vibrancy and sustainability of entrepreneurial activity (Stam, 2017). These scholars have also argued that ecosystems may underperform if regulatory processes are fragmented, administrative procedures are inconsistent, and foundational services lack integration even in the presence of policy intent and infrastructural investments. In emerging economies, the regulatory environment plays a particularly decisive role. Mason and Brown (2014) argue that startups in developing countries do not primarily struggle due to weak innovation potential but because of taxing compliance systems, low investor confidence, and inconsistent institutional support. Likewise, Autio et al. (2018) highlight that ecosystem maturity depends on enabling institutions that reduce uncertainty, provide predictable regulatory pathways, and facilitate access to finance. These insights are supported by studies from South and Southeast Asia where startups routinely face fragmented approval process, infrastructural bottlenecks, and limited coordination among public sector organizations (Nambisan, 2017; Nambisan & Baron, 2013).

In Pakistan, the national startup ecosystem has expanded over the past decade, driven by demographic advantages, digital adoption, and increased availability of incubation and acceleration programs ([SECP, 2024](#); [I2I, 2024](#); [Ignite 2023](#)). The Global Startup Ecosystem Index 2024 ranked Pakistan at the 71st spot out of 100 countries ([StartupBlink, 2024a](#)) which showed a rank improvement of five compared to previous year. The Business Ready Report (B-READY) of 2024 placed Pakistan in the top quintile with respect to operational efficiency giving

it a score of 89.23 ([World Bank, 2024](#)). However, with respect to regulatory framework and public services, Pakistan's score was 44.97 and 41.69, respectively, that placed the country in the fourth quintile ([World Bank, 2024](#)). With respect to sub-indicators, Pakistan got a score of 91.50 in business entry, 54.25 in business location, 59.21 in utility services, 53.45 in labor, 67.97 in financial services, 45.71 in international trade, 57.48 in taxation, 41.99 in dispute resolution, 46.24 in market competition, and 48.79 in business insolvency ([World Bank, 2024](#)). Evidence highlights that despite the growth of startups in Pakistan, persistent issues such as limited early-stage financing, low female participation, and insufficient alignment between regulatory frameworks and market needs ([SECP, 2024](#); [I2I, 2024](#); [Ignite 2023](#)). The startups in Pakistan secured around 22.5 million USD in funding in 2024 which showed a 70 percent decline from the previous year ([Khan, 2025](#)). In 2023, Pakistan's startups funding saw a decline of 77 percent compared to 2022 diminishing the country's appeal for foreign venture capital due to continued macroeconomic instability, high inflation rate, dollar liquidity crisis, high-interest rates including the USA rate of 5.5 percent, and rupee devaluation ([Ahmad, 2024](#)).

Punjab represents a critical subnational case within Pakistan's entrepreneurial landscape because of its demographic size, industrial base, and concentration of business services. Four cities of Punjab ([StartupBlink, 2024a](#)) were ranked among the top six cities with respect to business startup ecosystem that included Lahore (2nd spot, regional rank of 12th in South Asia), Faisalabad (4th spot), Multan (5th spot), and Jhelum (6th spot). Though Lahore elevated its global rank to 217th among cities in 2024 with 31 ranks improvement compared to 2023 but other cities of Punjab witnessed a rank decline ([StartupBlink, 2024b](#)). These statistics show that the business startup ecosystem in Punjab, the largest province in Pakistan with respect to population, has experienced significant growth over the past decade ([Invest2Innovate \[I2I\], 2024](#); [Startup Punjab, n.d.](#)). Nevertheless, the startup ecosystem in Punjab continues to experience considerable challenges in the entrepreneurial landscape ([Khan, 2024](#); [I2I, 2024](#); [I2I, 2021](#)). Though Punjab has made significant development in fostering ease of doing business and facilitating entrepreneurship over the past two years, there are numerous structural and operational factors that are continuing to hinder these developments and obstructing sustainable growth. The facilitation and operational challenges obstruct the development and sustainability of startup ecosystem highlighting the need to address these challenges for a robust, inclusive, and sustainable business startup ecosystem in Punjab ([SECP, 2024](#); [I2I, 2024](#); [Ignite 2023](#)).

Though Punjab Government has taken initiatives such as Business Facilitation Centers (BFCs) to simplify compliance and reduce bureaucratic hurdles, the empirical evidence suggests that systemic bottlenecks exist ([Qureshi et al., 2024](#); [Alam et al., 2024](#); [Qamar et al., 2023](#); [Raza, 2020](#)). Literature on regulatory reforms in emerging economies show that single window systems often fail to achieve



intended efficiency in the absence of departmental coordination, digital integration, and staff capacity (Ács et al., 2014). This is somewhat true for Punjab too as some evidence suggests gaps in departmental responsiveness, digital platform usability, and interagency communication (ADB, 2025; MPDD Punjab, 2025). A significant gap in existing literature is the scarcity of province specific empirical studies examining how entrepreneurs' experience regulatory procedures and facilitation services in Punjab. While the national assessments provide useful macrolevel analysis but they rarely capture intra-provincial variations such as differences between major urban centers and secondary cities where administrative capacity and service delivery may differ. The comparative scholarship from India and Bangladesh shows that provincial ecosystems vary widely due to administrative culture, leadership commitment, and local institutional arrangements (Khanna & Palepu, 2010). Punjab's ecosystem remains understudied in this respect.

The study has therefore tried to document how institutional performance, regulatory frameworks, and support infrastructure join to shape entrepreneurial trajectories in Punjab. This study will examine the business startup ecosystem in Punjab, Pakistan describing its growth as well as the factors hindering this growth. This paper will analyze the key developments that have taken place in the past two years (2022 – 2024) to know about the initiatives taken by the (i) Punjab Government, (ii) key facilitation issues experienced by the relevant organizations, and (iii) regulatory inefficiencies and infrastructure gaps faced by the clients and potential entrepreneurs and startups. The paper by exploring government policies, ease of doing business indicators, and the effectiveness of BFCs will determine the situation of Punjab's startup ecosystem and provide evidence-based policy recommendations to strengthen entrepreneurial landscape in Punjab.

2. Theoretical and Conceptual Framework

Entrepreneurial ecosystem models are generally used to theorize the institutional, regulatory, and operational conditions that influence the development of startups. For this specific study, Isenberg's Entrepreneurship Ecosystem Model (2011) and Stam's Entrepreneurial Ecosystem Framework (2017, 2015) were used to theorize and situate Punjab's startup ecosystem within established theoretical debates. Isenberg (2011) conceptualized entrepreneurship ecosystem as a complex of six interdependent domains, which were, policy, finance, culture, supports, human capital, and markets. These domains interact dynamically and inefficiency in one can potentially undermine the performance of the entire ecosystem. The policy domain consists of regulatory frameworks and governance structure, the finance domain includes availability of credit, venture capital, and public finances, and the culture domain comprises of social norms, trust, risk attitudes, and entrepreneurial legitimacy. Support domain includes technical assistance, incubators, and accelerators, human capital

contains skilled workforce and managerial capacity, and market domain consists of factors such as demand, customer access, and supply chain linkages.

Isenberg (2011) argues that the effectiveness of an entrepreneurship ecosystem depends on the coordination among these domains and the ability of institutions to reduce friction in business operations. The ecosystem's capacity to generate and scale entrepreneurial ventures can be weakened by fragmented regulatory processes, underperforming support institutions, and limited access to finance. The model can be used to theorize the entrepreneurial ecosystem of Punjab where policy intentions are strong but interdepartmental coordination, institutional capacity and service delivery mechanisms remain weak (ADB, 2025; MPDD Punjab, 2025; Qureshi et al., 2024; Alam et al., 2024; Qamar et al., 2023; Raza, 2020). The model also helps to theorize that BFCs alone cannot be sufficient to strengthen entrepreneurial ecosystem if other elements of ecosystem, such as regulatory efficiency, financial access, and digital readiness do not function cohesively.

Stam (2017, 2015) conceptualized entrepreneurial ecosystem as a composition of framework conditions and systemic conditions, where the former comprises of formal institutions, infrastructure, economic environment, and demand conditions and the latter consists of networks, leadership, talent, knowledge, support services, and finance. Entrepreneurial success depends on the quality of these conditions and the value they collectively generate. The ecosystem's ability to support startups is reduced due to systemic bottlenecks such as weak institutions, limited administrative transparency and poor regulatory alignment. So, keeping in view Stam's (2015) model, it can be theorized that presence of BFCs represent a significant systemic improvement nevertheless the presence of coordination gaps, uneven service quality, and infrastructural deficits may indicate that the framework and systemic conditions are not still fully aligned.

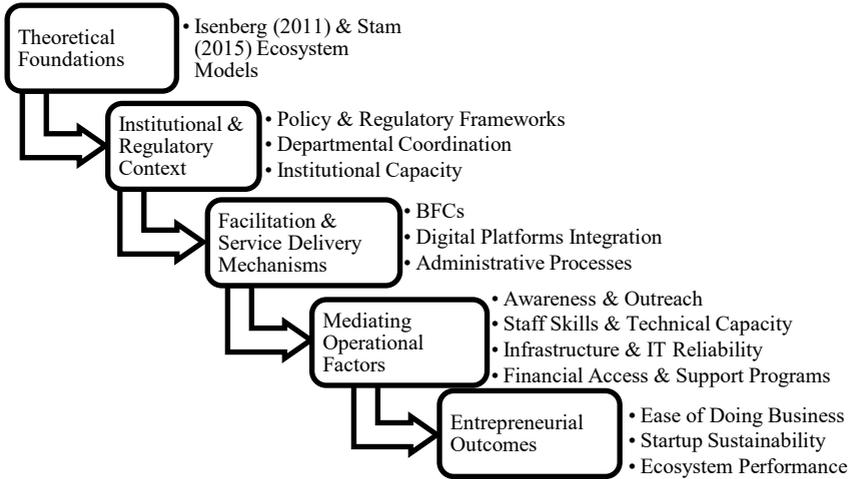
Building on these theoretical models, this study conceptualizes Punjab's startup ecosystem as a product of interactions between institutional efficiency, regulatory processes, facilitation mechanisms, service delivery quality and entrepreneurial outcomes. This framework positions BFCs as a central institutional intervention intended to streamline processes, reduce transaction costs and improve access to essential business services. It is also important to mention here that the effectiveness of BFCs may depend on several mediating factors, such as, (i) interdepartmental coordination (communication speed and approval timelines, etc.), (ii) digital integration (usability of platforms, system uptime, and digital literacy), (iii) regulatory clarity (overlaps, redundancy, alignment across departments), (iv) infrastructure and capacity (staff skills, physical space, IT systems), and (v) financial access (loan schemes, credit facilitation, and financial literacy). These factors can collectively shape entrepreneurs' perception of business environment thereby influencing startup sustainability. The below figure reflects how institutional processes and operational conditions interact with facilitation mechanisms to shape



entrepreneurial outcomes.

Figure 1

Theoretical and Conceptual Framework



3. Methods

The study used a convergent mixed methods research design to integrate qualitative and quantitative data in order to provide a comprehensive assessment of the startup ecosystem in Punjab. This design suits policy research as it allows simultaneous examination of institutional processes, service delivery dynamics, and entrepreneurs’ experience. The quantitative and qualitative data were collected simultaneously but analyzed separately and then merged to triangulate findings using fishbone analysis. The target population was registered businesspersons and startup owners in four major districts of Punjab, that were, Lahore, Rawalpindi, Sialkot, and Faisalabad using convenience sampling. The reason for choosing these districts was that out of six BFCs, four were present in these districts.

A convenient sampling strategy was used to choose businesspersons for survey. The Chambers of Commerce and Industry in the chosen districts were requested to circulate the online questionnaire among their registered members. A total of 103 responses were received and three responses were excluded due to missing values, resulting in a final sample of 100 respondents. The exploratory quantitative survey was designed on the basis of ecosystem theory (Stam, 2015; Isenberg, 2011) and findings from national reports (SECP, 2024; Ignite, 2023) and four domains of business system, that were, business characteristics, facilitation experiences, operational challenges, and recommendations for ecosystem improvement were included.

The qualitative component included semi-structured interviews with managers of BFCs in the selected districts, officeholders of Lahore and Rawalpindi Chambers of Commerce and Industry, and officials from Punjab Industries, Commerce, and Investment Department and Punjab Board of Investment and Trade. This sampling ensured that both service providers and recipients were included in the study. The interviews were conducted both in-person and via telephone.

The ethics of informed consent, confidentiality, anonymity, and voluntary participation were strictly observed. No identifying information was presented in the findings of the study. The major limitations of the study include the lack of random sampling, no pretesting of the survey instrument, no assessment of the psychometric properties of the survey tool, and exclusion of South Punjab region due to time and resource constraints. These limitations can greatly affect the generalizability of this study and the results of this study should also be interpreted keeping in view these limitations.

4. Situation Analysis

Punjab Government has recently announced to initiate 100,00 small and medium sized business (SMBs) startup. Under this scheme, government land will be provided to youth without lease and interest-free loans under Easy Business Finance scheme ranging from 1 million PKR to 30 million PKR that can be repaid in easy installments ([Recorder Report, 2025a](#)). Additionally, the Punjab Government has launched Easy Business Card that will offer loans worth 0.5 million PKR to 1 million PKR ([Dawn Staff Reporter, 2025](#)).

Punjab Government has launched to date one of the largest business finance initiatives under two schemes, namely, Easy Business Finance Scheme and Easy Business Card Scheme ([Recorder Report, 2025b](#)). The Easy Business Finance Scheme has been allocated more than 84 billion PKR and aims to provide interest-free loans (repayable over five years in easy monthly payments) ranging from 1 million PKR to 30 million PKR to eligible men, women, transgender individuals, and persons with disabilities aged 25 – 55 years residing in Punjab ([Recorder Report, 2025b](#)). Likewise, the Easy Business Card Scheme has been allocated more than 48 billion PKR to support startups and SMBs by offering interest-free loans (repayable over three years in flexible monthly payments) ranging from 0.5 million to 1 million PKR to facilitate payments to vendors for raw materials in addition to utility bills and governmental fees and taxes ([Recorder Report, 2025b](#)). The card also allows cash withdrawal of up to 25 percent ([Recorder Report, 2025b](#)). To support and assist applicants with information and guidance regarding these schemes, a dedicated toll-free helpline, 1786, has also been established.



Table 1

Punjab Business Finance Initiatives

Feature	Easy Business Finance Scheme	Easy Business Card Scheme
Target Allocation	84+ billion PKR	48+ billion PKR
Target Beneficiaries	Men, Women, Transgender, and persons with disabilities, aged 25 – 55 years residing in Punjab	Startups and Small & Medium Businesses
Loan Amount Range	1 – 30 million PKR	0.5 – 1 million PKR
Loan Type	Interest free loans	Interest free loans
Repayment Period	5 years, easy monthly installments	3 years, flexible monthly installments
Purpose	Business establishment or expansion	Payments to vendors for raw materials; utility bills; government fees and taxes
Additional Features		Cash withdrawal facility up to 25% of limit
Support Services	Toll free helpline, 1786	Toll free helpline, 1786

BFCs ([Punjab Board of Investment and Trade \[PBIT\], n.d.-a,b,c](#)) are a landmark initiative by Government of Punjab to create a favorable environment for businesses and investments in the province by ending bureaucratic red tapeism by simplifying procedures and enhancing the Ease of Doing Business (EoDB). BFCs, when inaugurated, brought 26 departments together under one roof to issue Registrations, Licenses, Certificates, and Other documents (RLCOs). Currently, there are six strategically located BFCs in Gujranwala, Multan, Lahore, Rawalpindi, Sialkot, and Faisalabad. As opposed to Government claims of 36 department working together in each BFC, a total of 27 – 33 departments operate in these BFCs. Seeing the success of these BFCs in Punjab, the Federal Government has decided to setup a BFC in Islamabad. In the past year, BFCs across Punjab have attracted multiple high profile visits, notably, the Consul General of the USA in Lahore, President of Coca-Cola’s Global Commercial Products Supply, Ambassadors of the Republic of Tajikistan, Republic of Korea, Indonesia, and Romania, and Turkish Consul General, highlighting the international recognition of Punjab’s effort to create a more favorable business

environment and demonstrating the global interest in Punjab's economic development initiatives.

The strategic collaboration between BFCs and Maryam ki Dastak has ensured door-to-door service delivery for efficient business facilitation by enhancing the accessibility and convenience of public services in addition to a more inclusive approach to service delivery. The BFCs are redefining convenience, streamlining operations, saving and reducing turnaround time, reducing costs, enhancing transparency, minimizing paperwork, and setting new benchmarks for EoDB in Punjab. BFCs in a year since their inauguration have assisted more than 30,000 clients and have issued 22,549 RLCOs. Of these, 5,854 have been issued in Lahore, 2,852 in Rawalpindi, 2,902 in Gujranwala, 2,444 in Sialkot, 3,080 in Multan, and 4,245 in Faisalabad. Though the BFCs are improving the startups ecosystem in Punjab, they are facing some facilitation issues and operational challenges that are discussed below.

4.1. Facilitation Issues at BFCs in Punjab, Pakistan

4.1.1. Awareness and Outreach:

A significant number of businesses, particularly in rural areas, remain unaware of the services offered by BFCs. The lack of targeted awareness campaigns limits the potential of these centers to attract entrepreneurs and investors who could benefit from streamlined regulatory processes. A BFC manager summarized this insight in the following words *"Many businesses in rural areas are unaware of the services we provide. Entrepreneurs still rely on traditional methods and intermediaries to navigate regulatory processes. This lack of awareness restricts the impact of our efforts"*..

4.1.2. Limited Scope of Services:

BFCs aim to act as one-stop solutions for businesses their range of services is often insufficient. For example, essential services like intellectual property registration (trademarks and copyrights) and integrated tax facilitation are absent, leaving businesses to navigate multiple agencies. While discussing this aspect, an office of BFC said, *"We often have to redirect clients to other departments for services we do not offer, e.g., intellectual property registration or tax-related queries thus undermining the purpose of being a one-window facility"*. The BFCs in Punjab therefore do not fully cover facilities needed by startups and businesses resulting in inefficiencies and reliance on external agencies and consultants.

4.1.3. Integration and Coordination Gaps:

The BFCs in Punjab have integrated 33 departments of which 28 are provincial and five federal departments but continuous coordination among these is still lacking. The departments are operating in seclusion leading to delays in processing applications and approvals. A manager of a BFC in Punjab said, *"The lack of real time communication between departments often delay approvals. We have to sometime wait for weeks to get responses from other departments. The process of*



redirecting files to BFC from other departments is very slow and may often take months”.

4.1.4. Regulatory Overlap and Complexity:

A major hurdle for businesses in Pakistan in general and Punjab in particular is the outdated regulatory frameworks and overlapping compliance requirements. In spite of the efforts to simplify processes, the redundant regulations continue to complicate the operational landscape for startups. A respondent from Punjab Board of Investment and Trade said, *“Startups as well as other businesses are often overwhelmed by redundant regulatory requirements. Simplifying these processes is essential to improve the ease of doing business”*. The potential investors are being discouraged due to overlapping regulations and outdated compliance frameworks.

4.1.5. Digital Literacy Barriers:

A lot of entrepreneurs in Punjab particularly those belonging to semi-urban and rural areas lack the digital skills required to effectively use online services provided by the BFCs. This creates a reliance on in-person visits that diminishes the intended efficiency of these centers. A respondent from a BFC said, *“Many clients struggle to use our digital portals, especially those from rural areas. We need more user-friendly systems and digital literacy programs. Though we have introduced Maryam ki Dastak app to facilitate clients but there is a need to help them develop digital skills so that they could use such apps more effectively”*. Entrepreneurs, particularly in rural areas, often lack the technical skills to use digital platforms which leads to a preference for manual processes.

4.1.6. Limited Collaboration with Private Sector:

Partnerships with trade bodies, chambers of commerce and private stakeholders in some of the districts where BFCs have been created are minimal which reduces the capacity of BFCs to address specific challenges faced by businesses. A respondent from Rawalpindi Chamber of Commerce said, *“We need stronger partnerships with trade bodies and chambers to understand business needs better. Currently, there is a limited input from the private sector...”*. Insufficient collaboration with private stakeholders restricts the capacity of BFCs to address real-world challenges faced by businesses.

4.2. Operational Challenges at BFCs in Punjab, Pakistan

4.2.1. Inadequate Infrastructure:

The lack of appropriate physical and technological infrastructure reduces the ability of BFCs to provide efficient and timely services. Many BFCs in Punjab face physical and technological infrastructure limitations, e.g., insufficient IT resources prevent the full automation of case processing and a lack of well-resourced office space affects customer experience. Highlighting this viewpoint, a respondent at a BFC shared, *“Some of our facilities are outdated as we do not have enough space or resources to handle the growing number of clients”*.

4.2.2. Technical Capacity Deficiencies:

Another identified challenge was the shortage of skilled staff at BFCs which is hindering efficient management of technical and operational demands. A lot of processes still rely on manual interventions increasing the likelihood of delays and errors. A respondent in a BFC said, *"The lack of trained IT staff is a major hurdle. We frequently face delays because we do not have the expertise to troubleshoot system errors quickly"*.

4.2.3. Inconsistent Service Quality:

The third operational challenge was that the service delivery across BFCs in Punjab was not consistent. Some centers were meeting efficiency targets but others lagged due to inconsistent staff training, uneven resource distribution, and a lack of standardized operational procedures. A member from business community in Lahore said, *"The quality of service varies from center to center. Some are well-staffed and efficient, while others struggle to meet even basic standards"*. The inconsistency in service quality across different BFCs undermines their overall effectiveness.

4.2.4. Bureaucratic Delays:

Another identified challenge was the presence of bureaucratic hurdles that undermined the effectiveness of BFCs. A respondent from a BFC said, *"There is a strong need to monitor relevant departments at district and division level. The applications from other departments should be routed to BFC immediately. There should be monitoring at weekly or monthly bases to see if observations from other departments were relevant or not"*.

4.2.5. Sustainability Concerns:

A significant challenge identified during the study was the long-term sustainability of BFCs due to funding as well as the absence of a legal framework to back the BFCs. Many centers relied on ad-hoc funding and lacked consistent financial resources to upgrade their systems, expand services, and train staff regularly. A respondent from Punjab Industries, Commerce, and Investment Department said, *"Without consistent funding, it is a challenge to upgrade our systems and expand our services to underserved areas. There is also a need to back these BFCs through a legal mandate"*. This showed that the financial sustainability of BFCs was a concern with many centers struggling to secure resources for operations and improvements.

4.2.6. Technical Downtime:

Another operational challenge that affected the BFCs was the frequent system downtime and power outages that disrupted service delivery causing delays in the processing of applications and approvals. These disruptions indicated the need for more robust IT infrastructure and backup systems. A staff member at a BFC said, *"System downtime are a frequent issue. Businesses lose time and it creates*



frustration among clients”.

5. Findings

The study sample included businesses from diverse sectors (see Table 2, below).

Table 2

Descriptive Statistics of Sampled Businesses in Punjab (n = 100)

Variables	Frequency	Percentage
Nature of Business		
Agriculture	10	10.0
IT/Tech	13	13.0
Manufacturing	16	16.0
Retail	26	26.0
Services	16	16.0
Other	19	19.0
Time since Business		
< 1 year	29	29.0
1 – 5 years	23	23.0
6 – 10 years	29	29.0
> 10 Years	19	19.0
Size of Business		
Micro (1 – 10 employees)	23	23.0
Small (11 – 50 employees)	19	19.0
Medium (51 – 250 employees)	35	35.0
Large (> 250 employees)	23	23.0

Retail business (26 percent) was the most prevalent followed by manufacturing and services (16 percent each). The IT sector accounted for 13 percent, while agriculture made up 10 percent, with an additional 19 percent in other sectors. Business longevity varied significantly, with nearly a third (29 percent) being less than a year old, and an equal proportion operating between 6 to 10 years. Medium-sized businesses (51 – 250 employees) dominated the sample (35 percent), while micro and large businesses each constituted 23 percent, and small enterprises accounted for 19 percent.

Perceptions regarding the ease of starting a business were mixed as can be seen

in the below Table 3.

Table 3

Descriptive Statistics of Business Ecosystem Facilitation Provided by the Punjab Government (n = 100)

Variables	Frequency	Percentage
Ease of Starting Business		
Very Difficult	15	15.0
Difficult	15	15.0
Neutral	23	23.0
Easy	26	26.0
Very Easy	21	21.0
Availability of Business Support Services		
Very Poor	21	21.0
Poor	14	14.0
Neutral	23	23.0
Good	21	21.0
Excellent		
Government policies Support Business Growth		
Strongly Disagree	16	16.0
Disagree	29	29.0
Neutral	23	23.0
Agree	17	17.0
Strongly Agree	15	15.0
Current Tax Incentives Effectiveness		
Very Ineffective	27	27.0
Ineffective	25	25.0
Neutral	15	15.0
Effective	14	14.0
Very Effective	19	19.0



Variables	Frequency	Percentage
Ease of Accessing Credit/Financial Resources	20	20.0
Very Difficult	19	19.0
Difficult	22	22.0
Neutral	21	21.0
Easy	18	18.0
Very Easy		

While 47 percent of respondents found the process easy or very easy, 30 percent reported difficulties, and 23 percent remained neutral. The availability of business support services yielded similarly varied responses, with 42 percent rating them as good or excellent, while 42 percent found them poor or very poor. There was notable skepticism regarding the government's role in fostering business growth, as 45 percent of respondents disagreed or strongly disagreed that policies were supportive, compared to only 32 percent who expressed agreement. Current tax incentives were viewed unfavorably, with more than half (52 percent) rating them as ineffective, while only 33 percent considered them effective. Access to financial resources remained a challenge, as 39 percent reported difficulties in obtaining credit, while a similar proportion (39 percent) found the process relatively easy.

The data shown in below Table 4 presents the issues faced by businesses in Punjab.

Table 4

Descriptive Statistics of Issues Faced by Businesses in Punjab (n = 100)

Variables	Frequency	Percentage
High Tax Rates		
No	65	65.0
Yes	35	35.0
Limited Access to Finance		
No	72	72.0
Yes	28	28.0
Corruption		
No	80	80.0
Yes	20	20.0

Variables	Frequency	Percentage
Regulatory Hurdles		
No	75	75.0
Yes	25	25.0
Poor Infrastructure		
No	82	82.0
Yes	18	18.0
Political Instability		
No	82	82.0
Yes	18	18.0
Skilled Labor Shortage		
No	72	72.0
Yes	28	28.0
Energy Shortages affecting Business		
Not an Issue	15	15.0
Insignificant	19	19.0
Neutral	27	27.0
Significant	14	14.0
Very Significant	25	25.0
Law and Order Impact on Business		
No Impact	26	26.0
Low	13	13.0
Neutral	17	17.0
High	23	23.0
Very High	21	21.0
Quality of Infrastructure		
Very Poor	12	12.0
Poor	26	26.0
Neutral	12	12.0



Variables	Frequency	Percentage
Good	26	26.0
Excellent	24	24.0
Delays in Regulatory Approvals		
Never	22	22.0
Rarely	14	14.0
Occasionally	17	17.0
Frequently	25	25.0
Always	22	12.0

The results showed that 35 percent of businesses identified high tax rates as a key concern, while 28 percent cited limited access to finance as a major constraint. Regulatory hurdles (25 percent) and corruption (20 percent) were also reported as challenges, though to a lesser extent. Poor infrastructure and political instability were each highlighted by 18 percent of respondents, while 28 percent faced shortages of skilled labor. Energy shortages presented a significant barrier for some businesses, with 39 percent rating them as a major issue, whereas 27 percent expressed neutrality. Concerns regarding law and order were also notable, as 44 percent of businesses reported a high or very high impact on their operations. Infrastructure quality assessments were divided, with half (50 percent) of respondents rating it as good or excellent, while 38 percent considered it poor or very poor. Regulatory approvals were often delayed, as 37 percent reported frequent or constant delays, while 22 percent stated they had never encountered such issues.

Table 5 below shows the recommendations given by sampled businesspersons in Punjab.

Table 5.

Descriptive Statistics of Recommendations given by Businesses in Punjab (N = 100)

Variables	Frequency	Percentage
Improving Taxation Policies		
No	35	35.0
Yes	65	65.0
Facilitating Infrastructure Development		
No	38	38.0
Yes	62	62.0

Variables	Frequency	Percentage
Yes		
Ensuring Energy Availability		
No	44	44.0
Yes	56	56.0
Easing Regulatory Processes		
No	41	41.0
Yes	59	59.0
Provision of Financial Support Systems		
No	42	42.0
Yes	58	58.0
Facilitating Public-Private Partnerships		
Very Ineffective	16	16.0
Ineffective	18	18.0
Neutral	20	20.0
Effective	25	25.0
Very Effective	21	21.0
Required Government Support		
Access to Finance	19	19.0
Improved Infrastructure	24	24.0
Reduction in Regulatory Hurdles	18	18.0
Tax Relief	15	15.0
Training and Skill Development	24	24.0
Digitization and E-Governance		
Strongly Disagree	16	16.0
Disagree	21	21.0
Neutral	11	11.0
Agree	26	26.0
Strongly Agree	26	26.0



Variables	Frequency	Percentage
Overall Business Ecosystem in Punjab		
Very Poor	19	19.0
Poor	22	22.0
Neutral	20	20.0
Good	24	24.0
Excellent	15	15.0

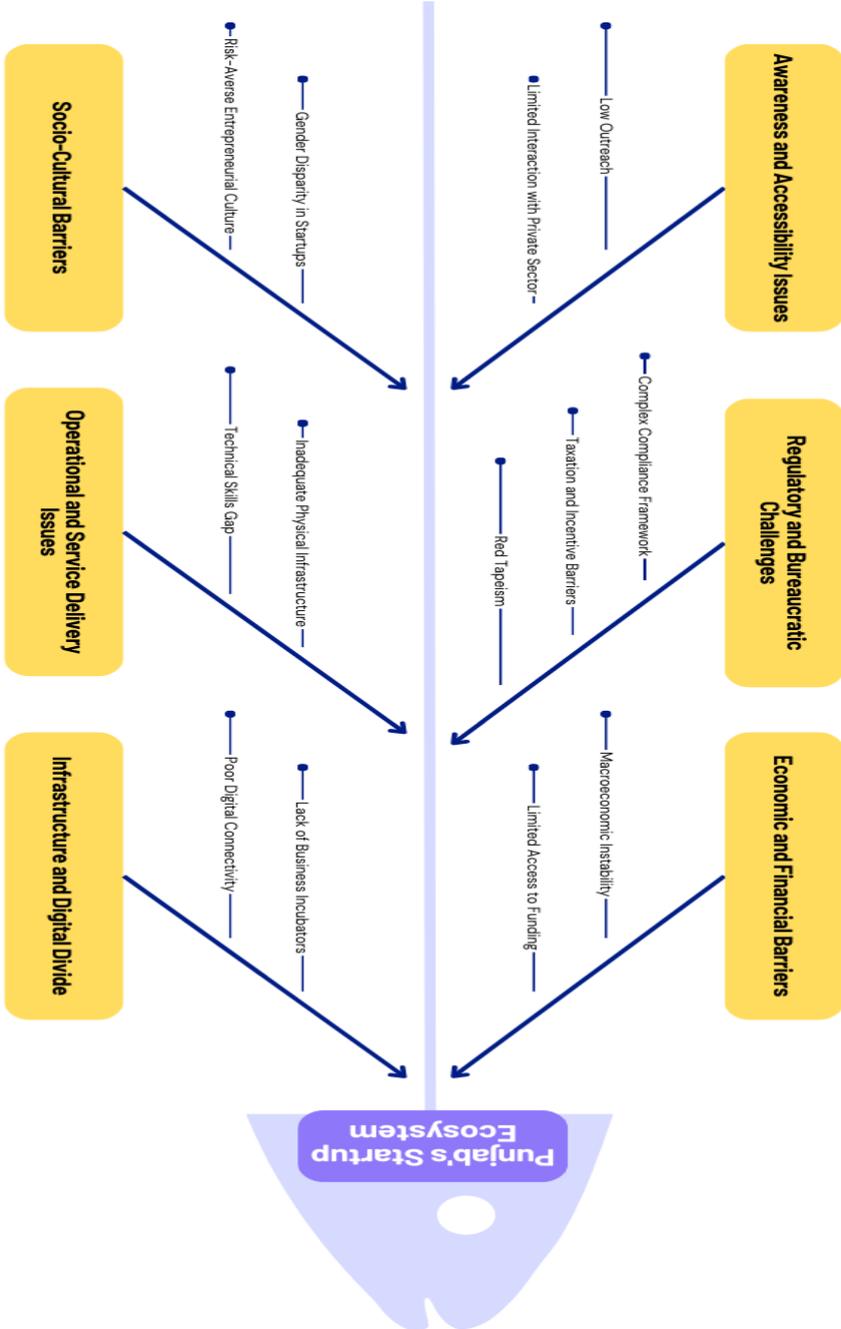
A clear consensus emerged on the need for tax policy reforms with 65 percent of respondents advocating for improvements. Similarly, 62 percent emphasized the importance of infrastructure development, while 56 percent called for better energy availability. Regulatory inefficiencies were a key concern as 59 percent urged for simplified business processes and 58 percent highlighted the need for stronger financial support mechanisms. The role of public-private partnerships was viewed positively by 46 percent though 34 percent remained neutral or skeptical about their effectiveness. When asked about the type of government support needed, improved infrastructure (24 percent) and skill development programs (24 percent) were the most frequently cited followed by better access to finance (19 percent). A notable push for digitization and e-governance was observed as 52 percent supported the initiative though 37 percent remained neutral or opposed. Regarding the overall business environment in Punjab, 39 percent considered it favorable while 19 percent rated it as very poor which indicates a need for better monitoring and evaluation.

6. Fishbone Analysis

The purpose of a fishbone analysis is to systematically identify, organize, and analyze the possible causes of a problem.

Figure 2.

Fishbone Analysis of Business Startups Ecosystem in Punjab



On the basis of situation analysis, facilitation issues, operational challenges, and the quantitative insights, the fishbone analysis highlighted following factors that are affecting business startup ecosystem in Punjab.

Table 6

Fishbone Analysis of Punjab's Entrepreneurial Ecosystem

Category	Challenges	Description
Economic and Financial Barriers	Macroeconomic Instability	Fluctuating economic policies, inflation, and exchange rate issues.
	Limited Access to Funding	High-interest rates, lack of venture capital, and investor reluctance.
Regulatory and Bureaucratic Challenges	Complex Compliance Framework	Multiple regulatory bodies and slow approval processes.
	Taxation and Incentive Barriers	Short-term tax exemptions and high corporate tax.
Infrastructure and Digital Divide	Lack of Business Incubators & Accelerators	Sector-specific incubators missing and outdated business support models.
	Poor Digital Connectivity	Low rural internet penetration and limited digital tools for entrepreneurs.
Awareness and Accessibility Issues	Low Outreach of Government Programs	Lack of awareness campaigns and insufficient engagement with entrepreneurs.
	Limited Collaboration with Private Sector	Weak partnerships with trade bodies, chambers, and investors.
Operational and Service Delivery Challenges	Inadequate Physical Infrastructure	Business facilitation centers with limited facilities and outdated office spaces.
	Technical Skill Gaps	Untrained staff, reliance on manual processes, and lack of IT support.

Socio-Cultural Barriers	Gender Disparity in Startups	Low female-led businesses and minimal investment in women-led enterprises.
	Risk-Averse Entrepreneurial Culture	Fear of failure and preference for traditional employment over startups.

7. Discussion

The above findings reveal a complex but familiar pattern in the evolution of entrepreneurial ecosystems in developing economies, that is, strong policy ambition coupled with uneven institutional performance. Nevertheless, it is pertinent to mention that BFCs are relatively a new initiative and may require some time to institutionalize themselves in the business landscape of Pakistan. The experience of entrepreneurs in Punjab, particularly their concerns about regulatory delays, administrative fragmentation, and uneven service quality, reflect what entrepreneurial ecosystem theorists have long contended, that is, ecosystems are only as effective as the weakest institutional links that connect their various components (Audretsch et al., 2024; Yildirim et al., 2021). While Punjab has demonstrated meaningful policy commitment through the establishment of BFCs, digital service portals, and provincial financing schemes, these interventions will require some time to translate into predictable, efficient, and user-friendly processes. Nevertheless, this translation may get affected in the absence of coherent administrative systems and coordinated bureaucratic behavior (Khanna & Palepu, 2010).

Interpreting the findings of this study through Isenberg (2011) ecosystem model suggests that Punjab has made progress in domains such as policy intent, business support infrastructure, and market access but continues to struggle with the integration of regulatory processes, financial mechanisms, and human capital capacities. Entrepreneurs' experiences of redundant documentation, inconsistent departmental presence at BFCs, and slow cross-departmental verification illustrate the presence of institutional friction whereby seemingly supportive institutions inadvertently generate barriers due to fragmented governance structures (Maedgen & Wlezien, 2024). Likewise, the findings also resonate with Stam's (2017, 2015) framework which differentiates between framework conditions (policy, institutions, and infrastructure) and systemic conditions (networks, leadership, coordination, and support services). Though Punjab has invested in improving framework conditions particularly through physical BFC infrastructure and digital portals but the systemic conditions necessary for seamless service delivery needs improvement. The lack of coordination among revenue, excise, environment, district administration, and law enforcement departments demonstrate that systemic integration needs maturation.



Global evidence, particularly studies of entrepreneurial ecosystems in India, Bangladesh, Indonesia, and several African economies, highlight how bureaucratic and institutional fragmentation and slow administrative responsiveness often undermine digital and policy reforms (Autio et al., 2018; Nambisan, 2017; Nambisan & Baron, 2013). The challenges in Punjab closely align with this evidence as entrepreneurs in this study repeatedly identified inconsistent service standards, limited digital literacy, and infrastructural bottlenecks (Ács et al., 2014). These themes have widely been documented in assessment of emerging market ecosystems where digital reforms typically outpace the institutional capacities required to sustain them. Additionally, the financial constraints reported by entrepreneurs in Punjab, particularly the difficulty in accessing credit and understanding eligibility for provincial loan schemes, echo findings from local studies indicating that startups struggle with documentation burdens, collateral requirements, and regulatory ambiguity (Qureshi et al., 2024; Ignite, 2023).

1. Policy Recommendations

The study proposes following policy recommendations to improve the business startup ecosystem in Punjab.

Table 7

Policy Recommendations for Improving Entrepreneurial Ecosystem in Punjab

Policy Recommendation	Short-Term (0 – 2 years)	Medium-Term (2 – 5 years)	Long-Term (5+ years)
Expansion of BFCs	Establish satellite offices in key industrial zones and Chambers of Commerce.	Expand BFCs to more districts, focusing on underserved business hubs.	Ensure every district in Punjab has at least one fully operational BFC.
Strengthening Digital Integration	Implement real-time tracking for business applications and licensing.	Introduce AI-driven automated business registration and regulatory approvals.	Achieve 100 percent digital processing of all business-related services.
Awareness & Stakeholder	Launch media campaigns and	Develop public-	Integrate entrepreneurship

Policy Recommendation	Short-Term (0 – 2 years)	Medium-Term (2 – 5 years)	Long-Term (5+ years)
Engagement	conduct seminars in collaboration with SMEs.	private partnerships for business awareness programs.	education into the formal academic curriculum.
Policy Reforms & Accountability Measures	Reduce bureaucratic hurdles by streamlining licensing and regulatory approvals.	Mandate regular performance audits for business facilitation services.	Establish an independent regulatory body to oversee startup policies.
Improving Access to Finance	Enhance existing interest-free loan programs and expand credit lines.	Develop a venture capital framework to attract private investment in startups.	Introduce a state-backed venture capital fund for high growth startups.
Enhancing Infrastructure Support	Improve IT infrastructure at BFCs and ensure uninterrupted power supply.	Develop co-working spaces and startup hubs in secondary cities.	Establish technology parks to support high-tech startups and SMEs.
Regulatory Simplification	Consolidate regulatory processes into a single-window system.	Introduce an online dispute resolution system for businesses.	Achieve full harmonization of business laws to ensure consistency and transparency.

2. Conclusion

The business startup ecosystem in Punjab has experienced significant growth over the past two years due to government initiatives such as the BFCs, nevertheless, there are notable challenges that are hindering the potential of such



initiatives. The study found that bureaucratic inefficiencies, regulatory complexities, and limited access to finance continue to delay entrepreneurial success in spite of Punjab's improvement in global rankings and pro-business policies. The findings from quantitative and qualitative analyses revealed that awareness about BFCs was low, barriers in digital literacy were prominent, and deficiencies in infrastructure impeded the smooth and sustainable functioning of BFCs and other government initiatives. The regulatory overlaps and inconsistent service delivery continued to pose challenges despite efforts by the government to simplify business registration and compliance processes.

The above analysis showed that high taxation, limited capital access, political instability, energy shortages, and stringent regulatory processes were the major concerns for startups. In addition, inadequate technical capacity, backlogs, and frequent system downtimes were hindering the efficiency of business support services. The fishbone analysis revealed that economic instability, weak collaboration between public and private sectors in few districts, and a risk-averse culture were the major obstacles to the startup ecosystem's expansion. Addressing these structural and operational constraints are critical to foster a more inclusive and sustainable business startup environment in Punjab. The study recommends the expansion of BFCs, strengthening of digital integration, awareness and stakeholder engagement, increased monitoring and accountability, regulatory simplification, improved infrastructure, and increasing financial support as viable policy measures to improve the business startup ecosystem in Punjab.

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Appendix A

Questionnaire

Business Environment in Punjab: Survey on Facilitation, Issues, and Recommendations

Section 1: General Information

1. What is the nature of your business?

- Manufacturing
- Retail
- Services
- Agriculture
- IT/Tech
- Other (Please specify: _____)

2. How long have you been operating in Punjab?

- Less than 1 year
- 1–5 years
- 6–10 years
- More than 10 years

3. What is the size of your business? (Number of employees)

- Micro (1–10 employees)
- Small (11–50 employees)
- Medium (51–250 employees)
- Large (251+ employees)

Section 2: Facilitation Provided

4. How would you rate the ease of starting a business in Punjab?

- Very Easy
- Easy
- Neutral
- Difficult
- Very Difficult

5. Rate the availability of business support services (e.g., financial assistance, training programs).

- Excellent
- Good
- Neutral

- Poor
- Very Poor

6. Do you believe the government policies support your business growth?

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

7. How effective are the current tax incentives for businesses in Punjab?

- Very Effective
- Effective
- Neutral
- Ineffective
- Very Ineffective

8. Rate the ease of accessing credit and financial resources for your business.

- Very Easy
- Easy
- Neutral
- Difficult
- Very Difficult

Section 3: Issues Faced

9. What are the biggest challenges faced by your business? (Select all that apply)

- High tax rates
- Regulatory hurdles
- Corruption
- Limited access to finance
- Poor infrastructure
- Skilled labor shortage
- Political instability
- Other (Please specify: _____)

10. How significant is the issue of energy shortages for your business operations?

- Very Significant
- Significant



- Neutral
- Insignificant
- Not an Issue

11. Rate the impact of law and order conditions on your business.

- Very High Impact
- High Impact
- Neutral
- Low Impact
- No Impact

12. How would you describe the quality of infrastructure (roads, logistics, internet, etc.)?

- Excellent
- Good
- Neutral
- Poor
- Very Poor

13. Do you face delays in regulatory approvals (e.g., licenses, permits)?

- Always
- Frequently
- Occasionally
- Rarely
- Never

Section 4: Recommendations

14. Which areas need the most improvement to enhance the business environment? (Rank 1 to 5)

- Tax Policies
- Infrastructure Development
- Energy Availability
- Regulatory Processes
- Financial Support Systems

15. How would you rate the effectiveness of public-private partnerships in improving the business environment?

- Very Effective
- Effective
- Neutral

- Ineffective
- Very Ineffective

16. What type of government support would benefit your business the most?

- Tax relief
- Improved infrastructure
- Access to finance
- Training and skill development
- Reduction in regulatory hurdles

17. Do you think the implementation of digitalization and e-governance can improve business operations in Punjab?

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

18. Please rate the overall business environment in Punjab.

- Excellent
- Good
- Neutral
- Poor
- Very Poor

