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Impact of characteristics of Islamic entrepreneurship on the success of startups in Pakistan

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Master of Science in Islamic Banking & Finance

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IMPACT OF CHARACTERISTICS OF ISLAMIC ENTREPRENEURSHIP ON THE SUCCESS OF STARTUPS IN PAKISTAN

This Research Project is submitted to the Department of Finance as partial fulfillment of Master of Science in Islamic Banking & Finance degree

by

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Institute of Business Administration, Karachi

Spring Semester 2017

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Dedication

I dedicate this research project to Allah Almighty, the creator, for giving me knowledge, wisdom, and understanding of my research project. He (SWT) has been my source of strength throughout the MS-IBF program.

I also dedicate this project to my parents and my wife. They really encouraged me to pursue a career in Islamic banking and that was the reason behind choosing this program. They believed in me and supported me to continue my studies and complete my degree on time, despite my full-time employment.

Thank you for believing in me and keeping me motivated.

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Abstract

This study aims to analyse the impact of characteristics of Islamic entrepreneurship on the success of startups in Pakistan. The variable characteristics of Islamic entrepreneurship are identified as maintaining work-life balance, consultation with seniors, consultation with Allah Pak (Istikhara), relevant education, required knowledge of the business, work experience, initial source of funding, interest based borrowing, always pray, pay zakat and Sadaqahs.

The study method uses examining surveys through questionnaires and interviews. Sixty start-up businesses in Pakistan were selected as a sample for this study. They have been surveyed as case study to find out if their start-up business is successful or not from Islamic perspective and impact of faith based values on their success and failure. The concept of success and failure was also differentiated from Islamic perspective and secular perspective.

This paper also aims to describe the reasons of failures of most start-up businesses by the young entrepreneurs and the business ethics and characteristics of Entrepreneurship in the light of Qur'anic verses and the Ahaadeeth Mubaarakah of Prophet Muhammad's (S.A.W).

The Data Analysis was performed using Tableau for the results and key findings of this study. The results showed that the characteristics of Islamic entrepreneurship collectively impacted on the success of start-up businesses significantly. This finding implied that for the success of start-up from Islamic perspective, entrepreneurs must have all these characteristics.

The theoretical and conceptual implications of this study are expected to be an input for educational institutes for developing Islamic Entrepreneurship programs. The practical implications of this study will help fresh graduates and young entrepreneurs to start businesses successfully by following the characteristics of Islamic Entrepreneurship as laid down in Qur'an and Sunnah.

Keywords: Start-up Business; Entrepreneurship; Islamic Entrepreneurship; Faith based values

Chapter 1

Introduction

In the past few years, Startups in Pakistan are rapidly expanding and gaining international attention with the success stories one after another. There was only one incubator in Pakistan till 2014 and now around 80+ incubators and accelerators. The Government of Pakistan also instigated national and provincial incubators for startups to promote the new wave of technological entrepreneurship in the country. The universities and educational institutes are also working to promote entrepreneurial careers and taking initiatives to create an environment for fresh graduates to go for the entrepreneurship instead of corporate jobs. (Digital growth and Startup success in Pakistan - By Omar Shah - CEO & Founder COLABS)

Despite the government efforts on the promotion of startups in Pakistan, as per the 3rd global start-up ecosystem report on the global perspective of Startup ecosystem and country-wise performance presented by Start-up Blink, Pakistan is still falling behind many other countries like India, South Africa, and Azerbaijan who have improved significantly.

For a successful entrepreneur, one needs to understand that the success of an entrepreneur will mainly depend on how he connect and emotionally engage with other people (Edward D. Hess, Katherine Ludwig - 2020)

There is another term related to entrepreneurship introduced recently around 50 years back, i.e; social entrepreneurship (Drayton, 2002). When we study social entrepreneurship, it was found that this topic has not received much attention in the previous researches (Dacin et al. 2011; Nichols 2006; Pless 2012). Mair and Marti defines social entrepreneurship as the entrepreneurial activity which generally evolves with the entrepreneurship combining with the social work (Mair and Marti - 2006). Social entrepreneurship was defined by Austin as “entrepreneurial activity embedded with a social purpose.” (Austin et al – 2006). Few scholars have also considered that ethics and entrepreneurship are interrelated (Harris et al. 2009; Wempe 2005)

A prevalent form of faith-based organizations have been performing social activities since many years like Churches and non-profit charitable institutions (Dees, 1998). However, for-profit organizations also perform social activities in the name of corporate social responsibilities etc. which are some-how beneficial for the society and they are able to achieve “the double bottom

line” by contributing towards the society along with achieving financial objectives as well (Emerson & Twersky, 1996).

In previous studies, many Christian scholars have considered faith, church, business and social entrepreneurship and claimed that for the alleviation of many social ills and to break the cycle of poverty among underprivileged regions of the world, Faith-based social entrepreneurship has the ability to play an important role (Christiansen, 2008; Rundle & Steffen, 2003; Tunehag, 2009).

The study of the Entrepreneurship from Islamic perspective and its impact on the society has now become really important, because Muslim are now 23% of the world’s population and Islam is the 2nd Largest Religion in the world and expected to grow 26% of the world population by 2030 (Pew Research Centre, 2011). Jafar Jafari projected that the Muslim population in the world to grow by about 35% between 2010 and 2030 to 2.2 billion (Muslim world and its tourisms, Jafar Jafari, Noel Scott, 2014). Since Islam is a complete code of life, so it is very important for many Muslims and play vital role in their life (Pew Research Centre, 2012).

A very famous Hadith narrated by Al-Bukhari; “The Prophet (Peace Be Upon Him) is asked by the Hazrat Gabriel (A.S.) about Islam, Iman, and Ihsan and explains that Islam is the testimony that there is no God but Allah, that Muhammad is His messenger, to perform prayers, to pay Zakat, to fast in Ramadan and to make the pilgrimage if able to do so. Iman is the belief in Allah, His angels, His books, His messengers, the last day and divine destiny. Ihsan is to worship Allah as if you see Him, while not seeing Him, although He sees you”. The characteristics of Islamic Entrepreneurship are linked to these beliefs and submission to God”.

Islamic Entrepreneurship is the composition of two concepts, i.e; Islam and Entrepreneurship and based on three interrelated pillars: the entrepreneurship, socio-economic/ethical values, and faith-based values (Ali Aslan Gümüşay, 2014). Islam is a complete code of life. It discusses all spheres and fields of human life including Aqaaid (Belief System), Ibadaat, Muamalaat and Ikhlaqiat. All Muslims are expected to live their lives in all aspects in accordance with the Qura’an, Sunnah and Shariah Law. When we study Islam, we find that Ibaadat clearly reflects Man to God activities and we find very clear instructions in sources of Shariah (Quran, Sunnah, Ijma & Qiyas) related to Ibadaat including what, when, how and how much to do. On the other hand, Muamalaat reflects Man to Man activities which includes Political, Economic and Social Muamalaat as well and a large volume of Fiqh and sources of Shariah describes Muamalaat.

Entrepreneurship is a worship in Islam, if the entrepreneur activities performed as per the guidelines of Shariah keeping the notion of Halal and Haram (Machmud, A., & Hidayat, Y. M., 2020). In Entrepreneurship from Islamic perspective, the final ownership lies with Allah (Quran 24:33) with humans as caliphs and trustees (Quran 2:30; 57:7). Entrepreneurship is part of Islamic Economic System. Islamic Entrepreneurship perform as a vehicle towards global acceptance of the Islamic Economics System (Kuran, 1993; Rudnycky, 2009). The fundamentals and characteristics of Islamic Entrepreneurship are taken from the Quran and Sunnah.

When entrepreneurs, particularly Muslim Entrepreneurs participate in business activities, so it is also anticipated that they should do all their financial dealings and transactions in accordance with the Shariah Law. Islam emphasizes on the importance of doing business activities which involves trading and manufacturing. The basic framework of entrepreneurship in Islam is based on taqwa (Machmud et al., 2018). In addition to taqwa, there are other elements and guidelines as well that supplement Islamic Entrepreneurship covering law of contracts and business ethics, which are mainly differentiated by the notion of Halaal and Haraam (permitted and prohibited respectively) in the light of Shariah law.

After the Islamization of knowledge movement in 1970s and 1980s, Islamic Entrepreneurship has concentrated on adopting and adapting entrepreneurship for Muslim-majority countries and this development of looking economics, business and finance with Islamic lens is some-how linked with that movement through the International Institute for Islamic Thought. Theories on Islamic economics (Chapra 1992, 2000; Naqvi 1994; Siddiqi 1981) and Islamic finance (Usmani 2001; Zaher and Hassan 2001) are now became part of a strong value-based development agenda.

The financial side of any business is very important for entrepreneurs but particularly, when we study about financial dealings in Islamic context, so we find that Islam denominates the specific prohibitions for all financing and investment of business activities. These prohibitions include Riba (Interest), Gharar (Uncertainty), Qimar/ Mayser (Gambling) and dealing in Haram goods and services. Islam also highlights the importance of business activities that are beneficial for the society and at the same time limits us to avoid the activities that are harmful for the society in any manner.

For the success of a start-up business, many factors such as legal system, taxes, subsidies, education and experience are important that may help in shaping the business environment and making changes that lead to growth (Feldman 2014).

There are several factors which influence the success of start-up businesses, which includes vision, ability of taking risk, formulating the business plan, working hard, and building relationship with all the stakeholders (Steinhoff & Burgess, 1993). Success is defined in various ways, some define success as the process of achievement, and some define as outcome (Whipple & Frankel, 2000). Business success is the aim of every start-up (Bhide, 1996; Mariotti & Glackin, 2007; Reijonen & Komppula, 2007). A business is considered successful, when its current results have increased from the previous results. Many scholars have studied the relationship between entrepreneurial characteristics and success of businesses (Szonyi et al., 1983, Hofer & Sandberg, 2003; Harefa, 2007, Kaufmann & Dant, 1998; Venkataraman, 2002).

Although, business success is an integral part for an entrepreneur, but from Islamic perspective success cannot be considered simply by material reward, but it must involve socio-economic and metaphysical achievement—which is both in this world as well as in the hereafter. In other words, to achieve material and spiritual well-being and satisfaction is success and termed as *falah* (Beekun 1996, p. 1).

Since the Muslim market is increasing and in order to respond the demand, the entrepreneurs are developing new products and various conferences on different platforms have also started focusing towards the awareness of Islamic finance and characteristics of Islamic entrepreneurship and its impact on the economic system.

The impact of entrepreneurial characteristics and its relationship with business success has been broadly studied (Szonyi et al., 1983, Hofer & Sandberg, 2003; Harefa, 2007, Kaufmann & Dant, 1998; Venkataraman, 2002) but there are not many studies on characteristics of Islamic Entrepreneurships. Most of the previous researches focused on economic aspects (Casson, 2003), and social perspectives (Shapero & Sokol, 1982) but with respect to religion or Islamic perspective, very little research done.

Entrepreneurs often make same avoidable mistakes which resulted in Start-up failure. Most start-ups fail because of lack of focus and lack of knowledge about the market. Failing to communicate effectively is another important reason of failure (David Feinleib, 2011)

This research will cover mainly the faith based values by Muslim entrepreneurs and addresses the deficiencies of previous researches and targets to examine the impact of the characteristics of Islamic entrepreneurship on the success of startups in Pakistan.

Chapter 2

Literature Review

Since many researchers and writers write on this subject, so we can find many definitions of entrepreneurship. “Profits from bearing uncertainty and risk” (Knight, 1921), “Creation of new organizations” (Gartner, 1985), “A dynamic process of vision, change and creation” (Kuratko & Hodgetts, 2004).

From the above definitions, we can find the below common elements and characteristics of entrepreneurship:

- Profit Earning
- New initiatives and innovations
- Creating business and organizations
- Process of change, creation and innovation

How entrepreneurs manage themselves are concerned with the personal skills of an entrepreneur (Harefa, 2007). How entrepreneurs handle relationships are concerned with Social Skills and for a successful entrepreneur both skills are required.

Three broad categories of characteristics related to personality have been identified in the previous researches: (1) the personal values like duty, responsibility, honesty, and moral & ethical behavior; (2) risk-taking tendency; and (3) the need for achievement.

When we see the characteristics of entrepreneurship so many of these relates to behavior and personality which develops over the time, primarily from their early education and through relationships with parents and teachers. Many values including both faith based and ethical values, raised and developed in one's family, school, community, and culture and those values stay with them for a lifetime and support them to become a successful person or an entrepreneur. No doubt, risk-bearing is one of the key factor in the entrepreneurship ecosystem but these personal values play a vital role towards the way an individual actually behaves and will be expressed regardless of the circumstances.

According to John Stuart Mill, risk-taking is the key factor in distinguishing entrepreneurs from managers (Mill 1984). Some researchers suggested that entrepreneurship primarily involves identification, evaluation, mitigation of risk (Palmer 1971). The risks involve not only financial success, but career growth and family life (Liles 1974, Sarachek 1978). According to Schumpeter

(1934), risk-taking is inherent in ownership and since entrepreneurs are not necessarily the owners, so they are not always risk-takers. According to this school of thought, risk-taking is not a desire of an entrepreneur to try his gambling skills, but entrepreneurs prefer to take moderate risks in situations where they have some degree of control or skill in realizing a profit. They usually avoid taking high risk or certainty (McClelland 1961, McClelland and Winter 1969). Many studies of the subject included risk-taking as an important characteristic of the entrepreneur.

The need for achievement is a specific value broadly believed by individuals in certain cultures. The individuals who have learned the value of productiveness and sincerity in the process of growing up are most likely to have a willingness to work hard and achieve something significant.

Islam encourages certain types of financial contracts, especially partnerships such as Mudarabah and Musharakah. Mudarabah is a special kind of Partnership where one person participates with his capital, called Rab-ul-Mal, and other person participates with his efforts, called Mudarib and they both share the profit in an agreed manner i.e; the percentage of actual profit to be earned by the business. The reference of this type of partnership is derived from Sunnah, where Hazrat Muhammad (S.A.W) established a contractual relationship with Hazrat Khadija (R.A.) on the basis of Mudarabah.

Islam itself is an “entrepreneurial religion” (Kayed and Hassan 2010) since it encourages trading and entrepreneurial activity, i.e., opportunity pursuit, risk-taking and innovation. Allah pak says in Qura’an: “But seek the abode of the Hereafter in that which Allah has given you, and forget not your portion of the world, and be kind even as Allah has been kind to you, and seek not corruption in the earth; for Allah loves not corrupters.” (28:77)

A saying of the prophet narrated by Ahmad: “Even when the day of judgement approaches, if anyone has a plant in hand, he should quickly plant it.”

Business success is the aim of every entrepreneur (Bhide, 1996; Mariotti & Glackin, 2007; Reijonen & Komppula, 2007). According to Whipple & Frankel, success is the process of achievement; on the other hand, some define success as an outcome (Whipple & Frankel, 2000). From Islamic perspective, the characteristics of successful entrepreneurs are not only measured in terms of an outstanding performance in the business or success as a manager and higher profits earned but the successful entrepreneurs are the individuals who successfully comply with the Islamic values and guidelines in all aspects of life. Thus, the entrepreneurs who always comply

with the commands of Allah S.W.T., will always receive guidance and tawfiq from Allah S.W.T. This is mentioned by the Qur'an, Allah says which means:

“Is it they who would portion out the Mercy of thy Lord? It is We Who portion out between them their livelihood in the life of this world: and We raise some of them above others in ranks, so that some may command work from others. But the Mercy of thy Lord is better than the (wealth) which they amass.” (al-Zukhruf:32)

Prophet Muhammad said, which means:

What is the best search? He said the meaning: "People who work with their hands and every transactions are clean." (al-Badhar)

Therefore, it is clear that our Deen, Islam calls for every believer engaged in trading to practice the values in all financial dealings. So the values described by Islam need to be understood and practiced by the Muslim entrepreneur, since it is now clear that the entrepreneurial practices are part of understanding Islam. (Shuhairimi Bin Abdullah (2013) - The characteristics of Successful Entrepreneurs from Islamic Perspective)

The definition of success from Islamic perspective is termed as "al-Falah". According to Muhammad Akram, al-Falah refers to be successful in the world and the life hereafter. (Muhammad Akram (2003) Islamic Economics and Finance: A Glossary, h: 60.)

As per the framework of Islamic entrepreneurship, successful entrepreneurs are those individuals who have strong faith and high commitment to the Islamic values in every aspect of life. (Shuhairimi Bin Abdullah (2013) The characteristics of Successful Entrepreneurs from Islamic Perspective)

This assertion phrased by the Qur'an,

“And He provides for him from (sources) he never could imagine. And if anyone puts his trust in Allah, sufficient is (Allah) for him. For Allah will surely accomplish His purpose: verily, for all things has Allah appointed a due proportion.” (al-Talaq:3)

Rasulullah S.A.W. says: “Verily Allah likes three things for you and He disapproves three things for you. He is pleased with you that you worship Him and associate nor anything with Him, that you hold fast the rope of Allah, and be not scattered; and He disapproves for you irrelevant talk, persistent questioning and the wasting of wealth.” (Muslim)

Based on the above Hadith, it was clear that the Prophet Muhammad (Peace Be Upon Him) instructed his followers to always put the interests of religion first rather than anything else.

Sudin Haron conducted a research and he found that a successful entrepreneur is always grateful for what he has been awarded and for all the blessings he has. (Sudin Haron (1990) *Ke Arah Menjadi Usahawan Berjaya*, p : 156.)

Successful entrepreneurs are those who also always focus to their responsibilities towards dependents or family members. Since they are not only successful as a businessman, but at the same time they are leaders of family members.

Entrepreneurship in Islam is considered as *Ibada'at* and the reward of the same will be granted by Allah (SWT), if implemented according to the divine commandments and guidelines (Nur Suhaili Ramli). Islamic Entrepreneurship is a part of Islamic Economic System and must operate under the sphere of this system (Kuran, 1993; Rudnycky, 2009).

Successful entrepreneurs from Islamic perspective are different from what we normally have the perception of a successful entrepreneur. The definition of success from Islamic perspective is to receive the rewards given by Allah SWT through a series of planned processes that involve right intention, sincere prayers and hard work. Failure is something that allows to improve oneself and to make more better decisions. (Prochaska et al., 1994).

The Prophet Muhammad's (Peace be Upon Him) was a successful entrepreneur. He did the trading business with Hazrat Khadija (R.A.) based on Mudarabah Partnership, where The Prophet Muhammad (Peace Be Upon Him) was Mudarib and Hazrat Khadija (R.A.) was Rab-ul-Mal. And the business and entrepreneurship strategy he (Peace Be Upon Him) followed is based on nothing but being honest, fair, friendly, capable and helpful (Hafidhuddin, 2006). His (Peace be Upon Him) success being an entrepreneur and trader was based on Sadaaqaat and Amanat, as well as relevant knowledge and skills (Khan et al., 2010).

The success of an entrepreneur from Islamic perspective depends very much on his personal integrity in his business dealings, and at the same time avoiding the wrong business practices that contradict the Shariah Law (Zulkifli & Saripuddin, 2015; Abdullah & Mikail, 2013; Anggadwita et al., 2017). For being a successful entrepreneur from Islamic perspective, he must possess the characteristics that are in accordance with the teachings of Islam like Honesty, Trust, Taqwa, Tawakkal and Gratitude (Yunus et al., 2019).

According to Bhuiyan, (1996) Islamic entrepreneurship develops, when entrepreneurs play their role in the society without negotiating on Islamic values to develop a peaceful and prosperous society. So an Islamic entrepreneur does the job of initiating, planning, guiding and controlling in

his business as per the divine guide line and ensures justice and welfare. His focus is not monetary but serving society as directed by his divine guidance.

To understand this high number of start-up failures (George Stalk, 2012), and to find out the reasons of start-up failures, we first need to study Entrepreneurship, Islamic Entrepreneurship, its characteristics and start-up ecosystem.

Chapter 3

Start-up / Entrepreneurship Ecosystem

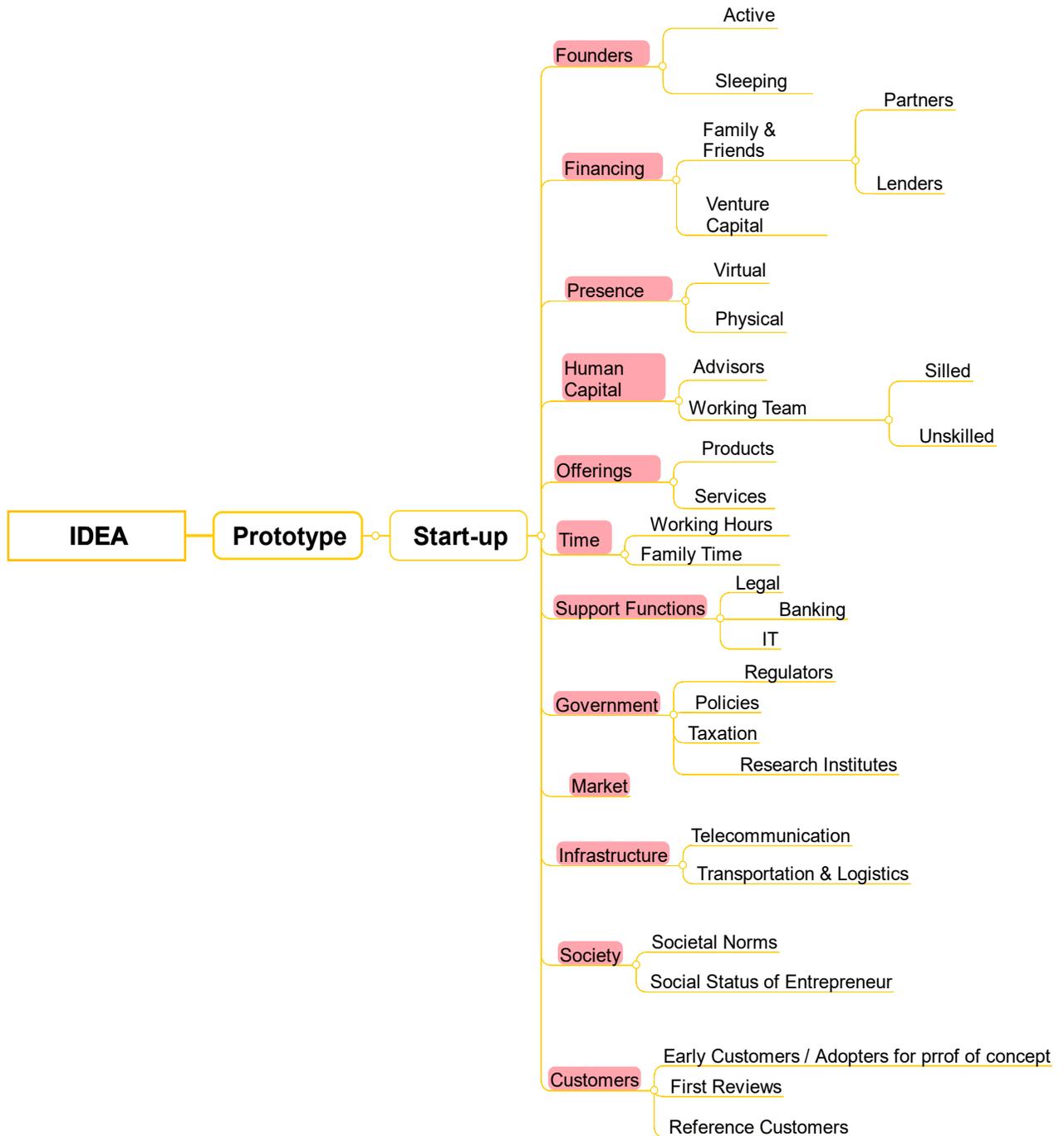


Figure 1: Ontology of Start-up Ecosystem (Un-directed Graph)

The discussions and deliberations on the concept of the entrepreneurial ecosystem started between the 1980s and 90s. The characteristics of the successful entrepreneurship ecosystem have been described by many scholars (Stam and Spiegel 2015; Mack and Mayer 2015; Motoyama and Knowlton 2016; Qian 2016; Spiegel 2017; Stam and Bosma 2017). It was argued by many researchers that in order to identify market gaps and increase the competitive advantage of startup business, the characteristics of a successful ecosystem will help the entrepreneurs.

The entrepreneurial ecosystem approach is based on ideas, innovations, Financing, capital, founders, human capital, relationships and trust among different stakeholders like governments, research institutes, academia, corporations, private equity, private and public labs, and success stories of startups (Groth 2015). Although, very limited research and studies are available with a systemic approach to local entrepreneurship. (Acs et al. 2014), on the other hand, regional entrepreneurial differences are described by many researchers (Marshall 1920; Saxenian 1994; Audretsch 2012; Bosma et al. 2014; Stam 2008).

The above diagram is beneficial for the entrepreneurs or students who are looking forward to convert their business ideas into start-ups. The elements mentioned in the above diagram impact the decision and success of start-ups. The process starts with the idea to be converted into prototype and then start-up. But before that one should have the idea of all the stakeholders of start-up ecosystem including Government, Leadership and founders of start-up business, Success stories having visible successes, early customers or adopters for proof-of-concept, Markets, Human Capital and Financial Capital.

Chapter 4

Rational of Study

The purpose of this paper is to identify the impact of characteristics of Islamic Entrepreneurship on the success of start-up businesses in Pakistan. This paper also highlights the few important qualities of Entrepreneurs from Islamic perspective, which help entrepreneurs, especially young Muslim entrepreneurs, students and organizations to start new ventures and business in accordance with the teachings of Islam. This paper uses authentic sources for references from Holy Quran and Ahadeeth.

Chapter 5

Research Methodology

This study aims to examine the impact of characteristics of Islamic entrepreneurship on the success of Start-up businesses in Pakistan. The data was collected from 50 entrepreneurs and start-ups in Pakistan through questionnaires and interviews. The questionnaire was designed to survey the behavior of start-up businesses and entrepreneurs from Islamic perspective and measurements were performed using five Likert scales. The Data was collected from September-December 2021. The participants of the survey are from different industries including consultancy, software houses, online retail businesses and tech-based start-ups. The questionnaire was sent to various start-ups but very few responded or accepted to give interviews. The convenience sampling technique use while survey.

The independent variables in this study are the characteristics of Islamic entrepreneurship, which an entrepreneur must possess while running their business as mentioned in the Qur'an and Ahadith, including honesty, willingness to work hard, keep promises, always perform prayers, pay zakat and Sadaqahs, (Anisah & Wandary, 2015). The researcher further add few more independent variables which were not covered in the above study including taking interest based loans, Transparency, sincerity, work-life balance, `knowledge and experience, patience, consultation and Tawwakal.

The dependent variable is business success that is achieving its goals (Machmud et al., 2018; Machmud & Ahman, 2019, Herlinawati et al., 2019). Cluster Analysis was used to examine the effect of the application of Islamic and Ethical values (always perform prayers, pay zakat and Sadaqah, Transparency, Sincerity, Work-life balance, Knowledge and Experience, Consultation, Patience, honesty, willingness to work hard, keep promises and Tawwakal,) on business success (Growth in overall business, sales volume, customer portfolio, profits, contribution in society, self-satisfaction, performing responsibilities towards the dependent family members)

Chapter 6

Reasons of Startups failure from Islamic perspective

6.1 Lack of Sincerity

Sincerity is the foundation of everything else in Islam. In other words, Right Intention is the fundamental principle of Islam. Sincerity in Islam means to obey Allah and his Messenger (Peace Be Upon Him) with unshakable faith. It means to do good deeds for Allah's pleasure.

A successful entrepreneur from Islamic perspective must be sincere in his dealings. The Prophet (Peace Be Upon Him) said: "Verily, deeds are only by intentions. Verily, every person will have only what they intended. Whoever emigrated to get something in the world or to marry a woman, then his emigration is for whatever he emigrated for." (Muhammad ibn Ismā'īl al-Bukhārī. Ṣaḥīḥ al-Bukhārī. (Bayrūt: Dār Ṭawqāl-Najjāh, 2002)

References from Qura'an:

"Is it not to Allah that sincere devotion is due?" (39:3)

"But the sincere servants of Allah—for them is a sustenance determined." (37:40-41)

"Then see what the end of those was who were warned, except for the sincere servants of Allah." (37: 73-74)

6.2 Lack of Knowledge and Experience

Most start-up businesses and entrepreneurs fail due to their lack of knowledge and experience in the relevant field, market or trade rules. A successful entrepreneur must have the knowledge of business and the relevant market norms.

Omar ibn al-Khattab would hit those who sat in the market, oblivious to the rules of trade, and he would say, "He shall not sit in our market who does not understand Riba. It is not permissible for a person to sit in the market until he knows the rules of selling and buying.

6.3 Greed

A strong selfish desire for gaining more and more of anything, including power, money and food is known as greed. This characteristics of human being is very dangerous and damaging that it destroys everything in one's life and take away his power to succeed.

Greed is one of the worst thing, which every Muslim should avoid and being an entrepreneur he or she must not have selfish desire for earning more and more as it is so damaging that it takes away the power to succeed from entrepreneurs. In order to be a successful entrepreneur, he should

be content with what he has. This world has enough to satisfy human needs, but not every man's greed. A successful entrepreneur from Islamic perspective must not run after more and more rather he or she looks for opportunities to help others and contribute for the betterment of the society.

Reference from Hadith:

Reported by Ka'ab b Malik (R.A): Messenger of Allah (peace be upon him) said: "Two hungry wolves sent in the midst of a flock are no more destructive to them than a man's greed for wealth and fame is to his Deen" (At Tirmidhi)

6.4 Entrepreneurial Mindset instead of Tijarah Mindset

Entrepreneurial mindset only thinks about the materialistic approach of earning profits and getting success, however on the other hand, Tijarah mindset aims to be honest, faithful and trustworthy being afraid of Allah with Dua to have Barakah in his business.

"Verily, the traders will be raised on the Day of Resurrection with the wicked except for those who fear Allah, behave righteously, and are truthful." (Al-Tirmidhi 1210). "Verily, a truthful and trustworthy trader will be counted among the siddeeqs and the martyrs." (Al Tijarah 2139)

6.5 Workaholic

Most of the young entrepreneurs proudly say that they are workaholics. This is not a good quality for a successful entrepreneur from Islamic perspective, because being workaholic usually motivate them to involve in business at the sacrifice of their, health, family and social life. Islam always emphasizes on a balanced life, which also involves the family, health and other areas of social life.

6.6 Pleasure-centered

Pleasure-centered persons are the opposite of workaholics, and which is also not a good quality of an entrepreneur from Islamic perspective. As such people get bored with each succeeding level of fun and always cries for more and more. This is also one of the reasons, due to which most entrepreneurs fail in their start-up businesses.

6.7 Lack of Fear of Allah

Every Muslim must have fear of Allah. This characteristic is the basic requirement of being successful in any field of life. A successful entrepreneur must also have fear of Allah while doing his business dealings.

Reference from Hadith:

Narrated by Abu Huraira, The Prophet Said; “There was a merchant who used to lend the people, and whenever his debtor was in straitened circumstances, he would say to his employees, forgive him so that Allah may forgive us. So, Allah forgave him”. (Volume 3, Book 34, No. 293)

6.8 Excessive Oaths

The Entrepreneurs from Islamic perspective must not involve in making too many oaths while they are dealing in business activities. The Prophet (P.B.U.H) is reported to have said, “be careful of excessive oaths in a sale. Though, it finds markets, it reduces abundance”

6.9 Prohibited Elements of Financial Transactions

Most business and startups fail due to dealing of Haram goods and services and involvement of prohibited elements in their financial dealings, such as hoarding of merchandise, interest (Riba) based borrowing. A Muslim Entrepreneur must be careful while entering into business contracts that there must not be Gharar (Uncertainty) and Qimar (Gambling) involved in the contracts as these are the clear prohibitions of financial contracts which make the transactions non-shariah compliant.

Chapter 7

Characteristics of an Islamic Entrepreneur

Islam is a complete code of life. Every believer of Islam must follow the Shariah. Shariah means the Devine Law and the sources through this Devine Law came to us are called sources of Shariah. There are two primary sources of Shariah: 1. Holy Qura'an and 2. Sunnah of the Holy Prophet (Peace Be Upon Him). In addition to these sources, we have two secondary sources of Shariah as well. 1. Ijma (Consensus of Scholar of Ummah on any particular issue) and 2. Qiyas (to apply a recognized rule of Shariah expressly mentioned in Holy Quran and Sunnah to the similar thing or situation by way of analogy).

So, when we look into the Holy Qura'an, we find multiple verses where Allah Almighty clearly instructed to do Trading along with the characteristics of an entrepreneur.

Reference from Qura'an:

“Those who consume interest will stand ‘on Judgment Day’ like those driven to madness by Satan’s touch. That is because they say, trade is no different than interest, but Allah has permitted trading and forbidden interest. Whoever refrains—after having received warning from their Lord—may keep their previous gains, and their case is left to Allah. As for those who persist, it is they who will be the residents of the Fire. They will be there forever.” (2:275)

An Islamic Entrepreneur must rely on intrinsic factors instead of extrinsic factor. He should avoid taking loans and rely on his available means and resources. We have case studies and the success stories of Pakistani Entrepreneurs like Awan Sports, Nizam Sons, Hafiz Garment Tannery etc., where we can see that their success is based on these characteristics of Islamic entrepreneurs.

On the other hand, we have many other success stories from western world as well, who were on the height of success in their lives but ended up by committing suicides. The reason is simple that, since they do not believe in life hereafter so from their secular thinking, they think that they have achieved everything and there is nothing left for them in this world. But, for Muslims we have Life Hereafter which is permanent.

Following are the characteristics of Entrepreneurship from Islamic perspective found from the Sources of Shariah:

7.1 Consultation: Take Advices from Seniors and Experienced

Young Entrepreneurs usually get annoyed when someone senior or more experienced gives them advice. A successful entrepreneur always make decisions after taking advices.

Reference from Qura'an:

“And those who have responded to their lord and established prayer and whose affair is [determined by] consultation among themselves, and from what we have provided them, they spend” (42:38)

7.2 Transparency & Fairness

A successful entrepreneur from Islamic perspective is the one who remain transparent in all his business dealings. He must disclose the defects, if any, in the commodity he is offering to sell. If he doesn't disclose the defects of the subject matter in a sale transaction, such seller will definitely attract Allah's wrath upon himself.

Reference from Qura'an:

“They believe in Allah and the Hereafter, and bid the Fair and forbid the Unfair, and hasten towards good deeds. They are among the righteous” (3:114)

7.3 Patience

Don't expect immediate results and when a calamity strikes or in any adverse situation, a Muslim entrepreneur is encouraged and expected to be patient. He should apply the Lemonade Principle. “When Life throws you Lemons, make Lemonade”. There is no bad day for a believer. Of course one may face difficult times, but every difficulty comes with an opportunity to experience and learn, and turn it into something that will bring him closer to Allah.

Reference from Qura'an:

“And (O Prophet) be patient about the decision of your Lord, because you are in front of Our Eyes. And proclaim the purity of your Lord along with His praise when you stand (in Prayer)” (52:48)

7.4 Akhlaaq (Morality)

Akhlaaq plays an important role in developing human virtue and perfection. A Muslim must be careful in his everyday life, which consists of the immediate family members, other relatives,

friends, neighbors and work colleagues. A successful Muslim entrepreneur must possess the quality of Akhlaaq in his business dealings.

Reference from Hadith:

“God shows mercy to a person who is kindly when he sells, when he buys and when he makes a claim” (Bukhari). Allah’s Apostle said: “May Allah’s mercy be on him who is lenient in his buying, selling, and in demanding back his money” (Volume 3, Book 34, Number 291).

7.5 Acceptance

Accepting New Ideas and Learning new developments in any field is the quality of a successful Islamic entrepreneur. Opening yourself for alternatives is an integral component of being successful. If you limit yourself to what you know only, than you are missing many brilliant ideas and opportunities that comes from places outside of your comfort zone. A successful entrepreneur always welcome new ideas.

7.6 Available Means & Resources

For a successful start-up business, an entrepreneur must initiate the business idea considering his available means and resources (AMR). His available means are the people he knows directly and his available resources refer to the tangible objects and skills he has. One of the reason of most start-up failures is that most entrepreneurs jump from their AMR to FFMR (Far Fetched Means & Resources) and then UFFMR (Ultra Far Fetched Means & Resources) and then SUFFMR (Super Ultra Far Fetched Means & Resources).

7.7 Problem Solving Attitude

A successful entrepreneur must possess the attitude of Problem solving. he must see every problem as an opportunity. For a successful entrepreneur, bigger the problem, bigger the opportunity.

7.8 Belief (Tawakkal)

For a successful star-up business, the first rule of business is to use two important beliefs. First belief in the sixth sense, that you can do it and you will do it. Second belief that Allah will give you the best as long as you put in the work. Believe in your dreams, ask Allah for help and make sure to give your Zakat properly (if it is applied on you) and you will see success in a whole new way.

Reference from Qura’an:

“And provides him (with what he needs) from where he does not even imagine. And whoever places his trust in Allah, He is sufficient for him. Surely Allah is to accomplish His purpose. Allah has set a measure for everything” (65:3)

In addition to the above, following are few more characteristics that influence the success of an entrepreneur:

1. Paying Zakat (Mandatory Charity) and Sadaqahs
2. Performing regular prayers
3. Stopping business during prayer times
4. Don't ask for anything, and always thanks to Allah for everything He has given to you.
5. Managing time effectively
6. Continue learning and accepting new techniques and methods
7. Taking baby steps
8. Practicing regular Dua and Astaghfar
9. Unshakable faith on Allah Pak
10. Be prepared for uncertainty

Chapter 8

Key Findings

According to our survey results, 70% of Pakistani start-ups consult with their seniors (from family or field experts) and their business is continuously growing since its foundation. One of the notable finding of the survey is shown in Figure 1 that only 23.33% of startups do Istikhara as well. However, it was found that 15% startups do consult with seniors but still their business is not growing.

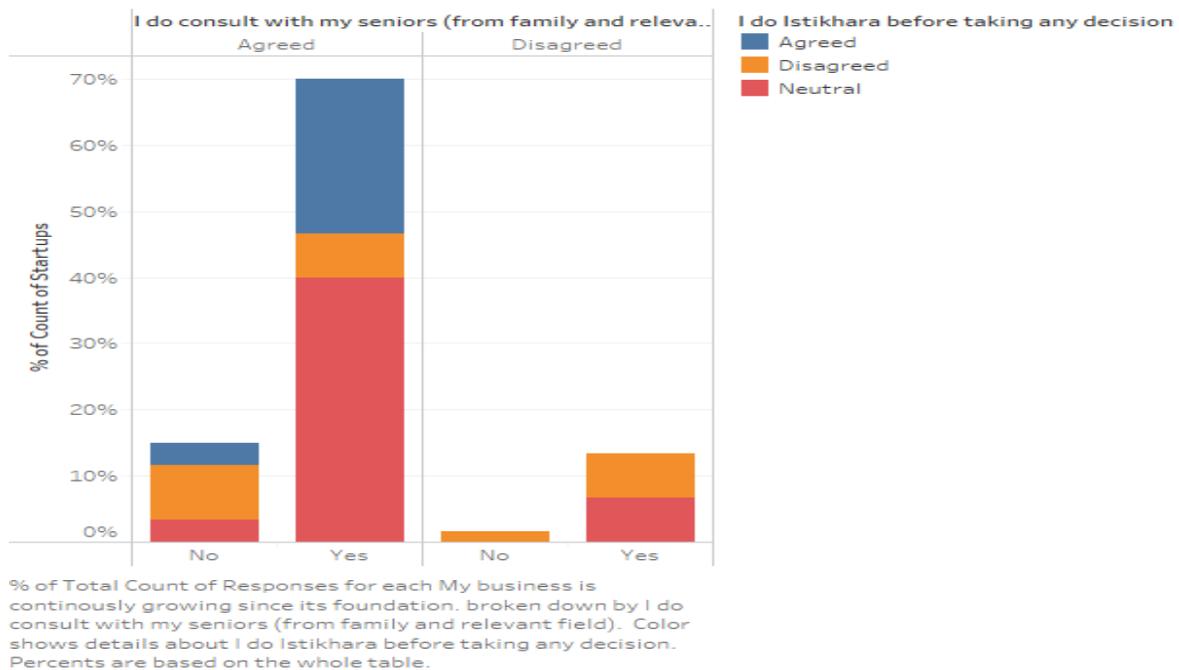
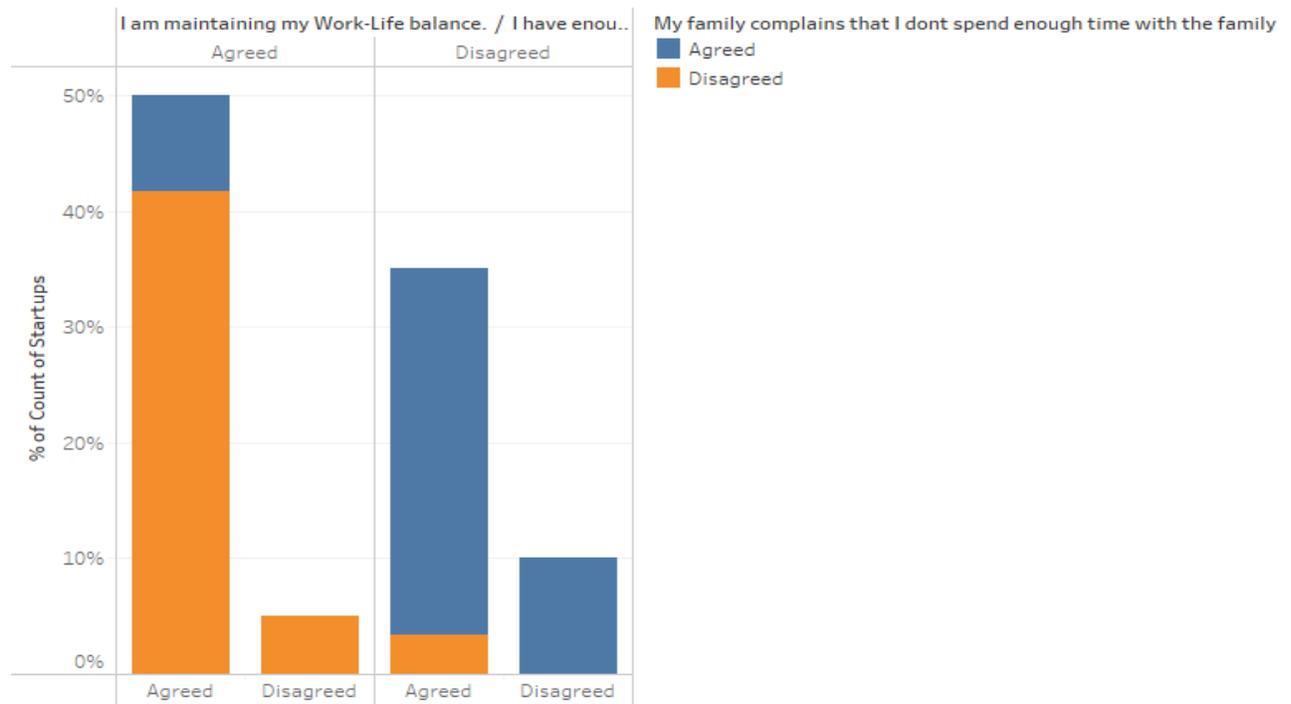


Figure 2: Consultation with seniors and Practicing Istikhara

Maintaining work-life balance is another key factor while assessing the success of startups from Islamic perspective. According to our survey results, Majority of startups responded that they are maintaining their work-life balance but families of 8% of these startups still complain that they don't spend enough time with the family (Figure 2). The interesting part of our findings is that 95% of startups who claim that they are maintaining the work-life balance, they have the required experience of the business they are doing. Another key finding of our survey results is that the majority (57%) of the startups dont work more than 10-12 hours a day because they have the required knowledge of the business (Figure 3).



% of Total Count of Responses for each I have enough experience of this business broken down by I am maintaining my Work-Life balance.. Color shows details about My family complains that I dont spend enough time with the family. Percents are based on the whole table.

Figure 3: Maintaining Work-Life Balance

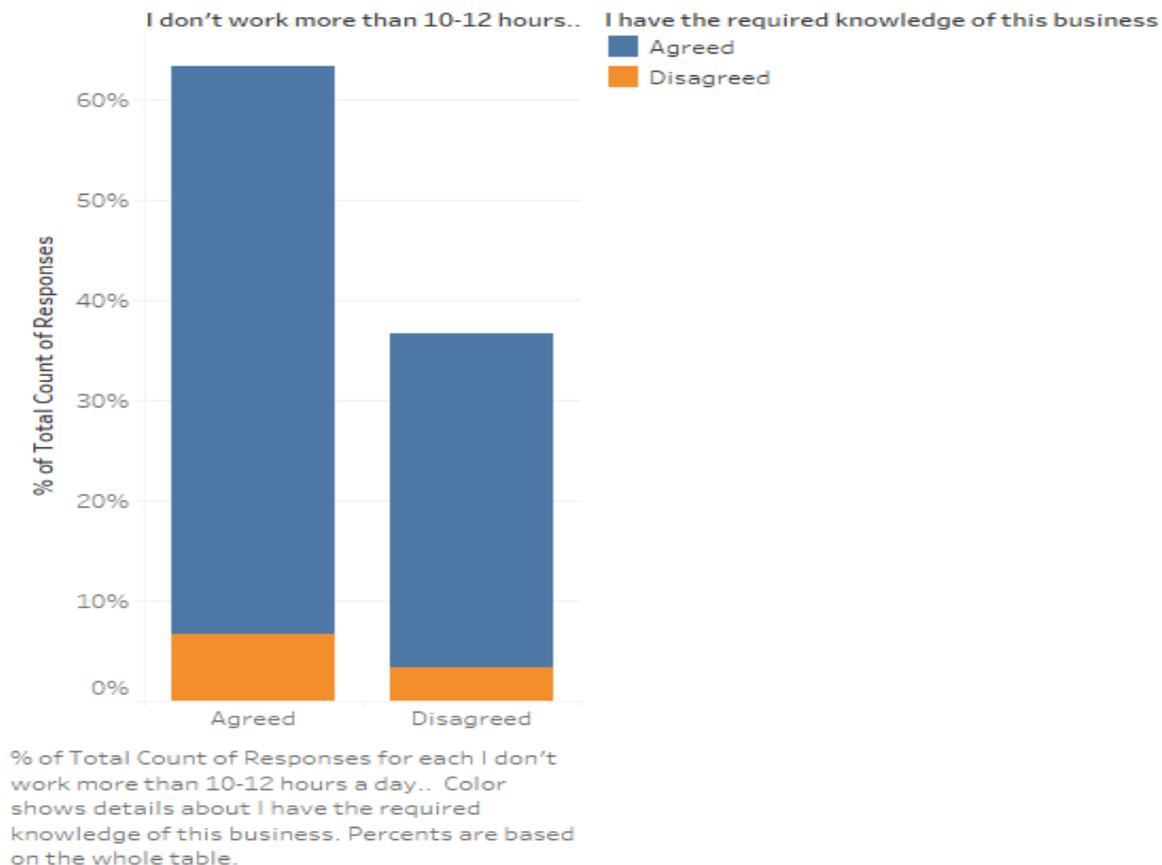
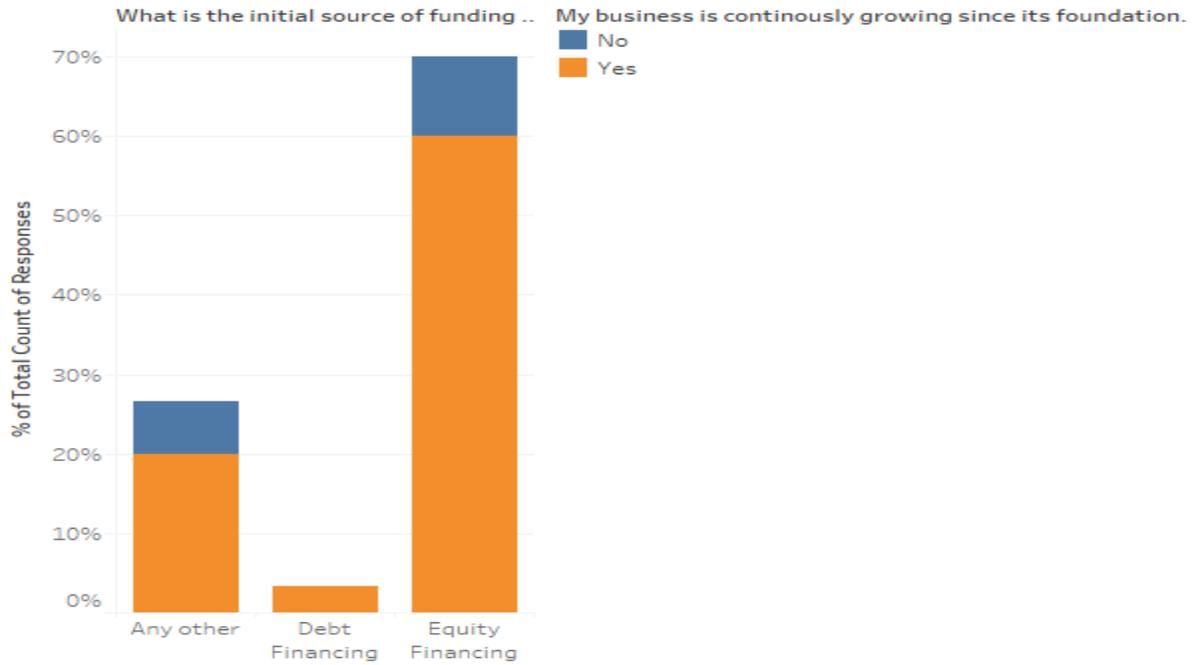


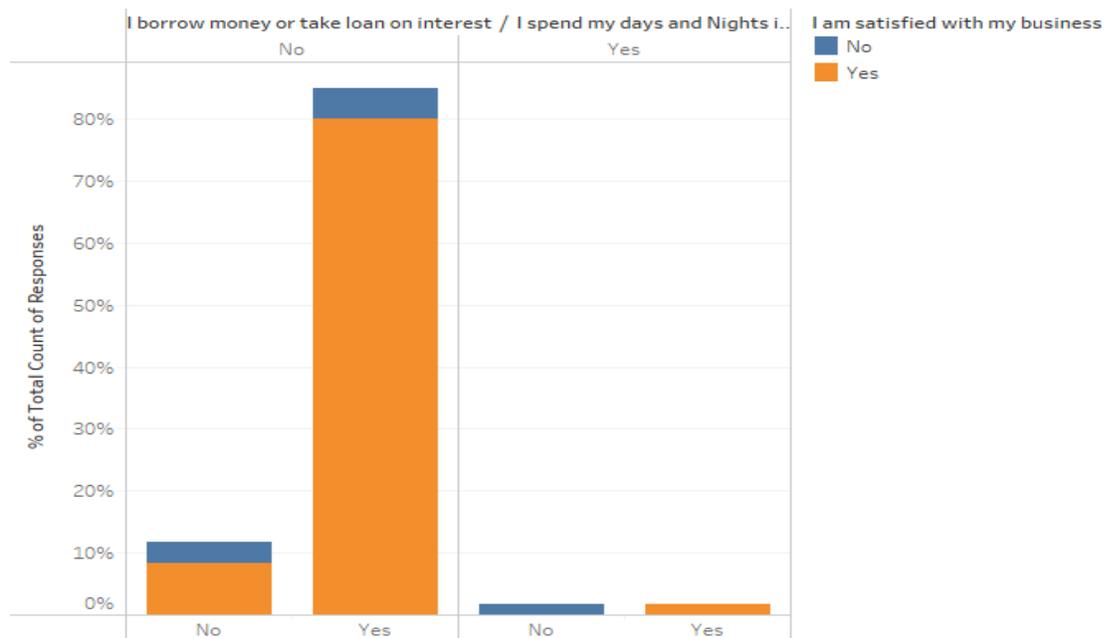
Figure 4: Impact of relevant knowledge and Experience on maintaining work-life balance

Interest is one of the major prohibitions in Islam and majority of Muslims try to avoid doing interest-based transactions and our survey results support this mindset. According to our survey results, the initial source of funding of 96% of Pakistani startups is Equity Financing or loans from family and friends. On the other hand, relatively a very small number of startups raised capital for their businesses through debt financing (Figure 4). Additionally, the respondents were asked during the survey about borrowing money on interest during the business and according to the responses, 95% of Pakistani startups don't borrow money on interest and out of which 85% startups responded that they are satisfied with their businesses and spend their days and nights in peace (Figure 5)



% of Total Count of Responses for each What is the initial source of funding of your Start-Up. Color shows details about My business is continuously growing since its foundation.. Percents are based on the whole table.

Figure 5: Initial Source of Funding for Startups



% of Total Count of Responses for each I spend my days and Nights in peace broken down by I borrow money or take loan on interest. Color shows details about I am satisfied with my business. Percents are based on the whole table.

Figure 6: Interest based borrowing and its impact on business growth

Relevancy of education with the business and the relevant experience is also another important factor for the success of startups. According to our survey results, 70% startups responded that their education is relevant with the business and they have worked as an employee before startups and an important finding is that the majority of these startups responded that their customers are increasing (Figure 6 and 7)

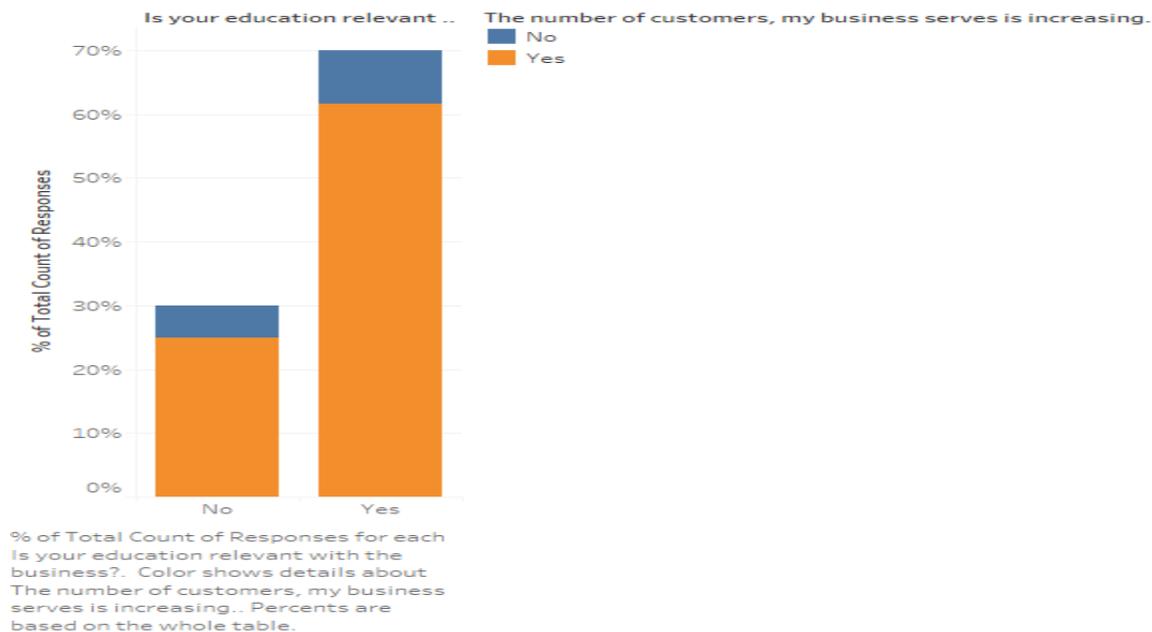


Figure 7: Impact of relevant education on the number of customers

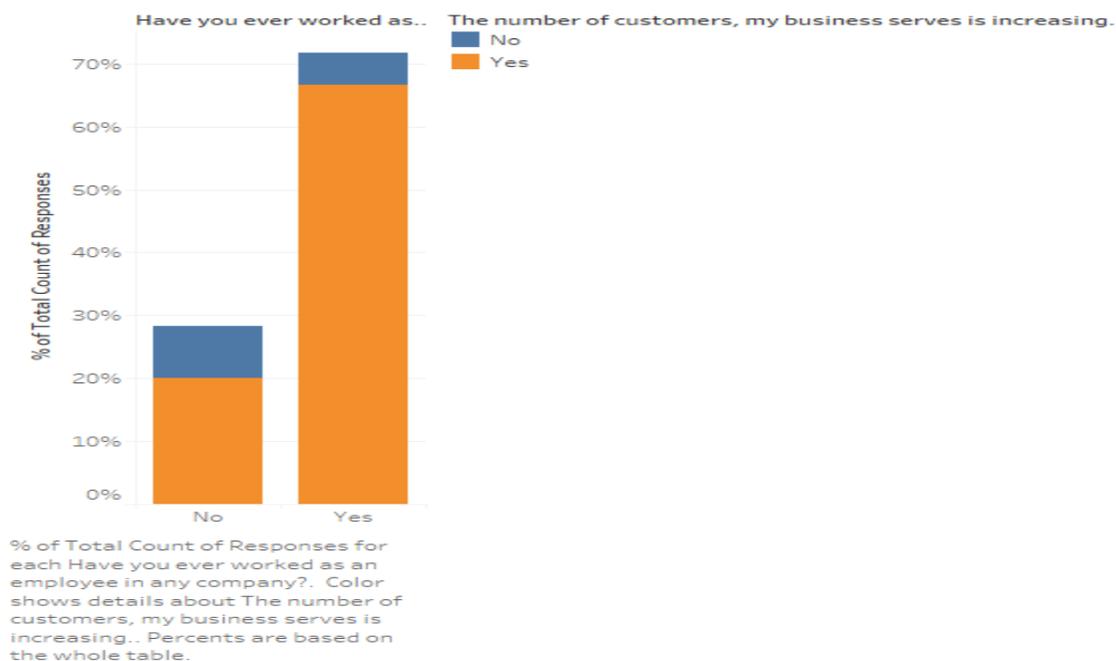


Figure 8: Impact of experience on the number of customers

The survey results showed that the characteristics of Islamic entrepreneurship together significantly impacted on the success of startups. Partially, the variables of honesty, willingness to work hard, keeping promises, regular praying, paying zakat and sadaqahs have also significant effect on business success, while the variable of having relevant knowledge and experience partially significantly influence the business success. This finding implies that for the success of startups from Islamic perspective, entrepreneurs must possess the characteristics of Islamic Entrepreneurship.

Chapter 9

Conclusion

Most of the young entrepreneurs fail in the start-up businesses, and they are just unable to identify the reasons of their failure. And one of the main reason is to separate business from religion. In this paper, we made an effort to clarify the misconceptions that the religion and business are separate from each other. The fact is that Islam is a complete code of life and also discusses the economic and financial matters under the chapter of Muamalaat. When we deeply study the Muamalaat in Islamic context, we find the basics of entrepreneurship and business ethics to be followed by Entrepreneurs while involving in any sort of business dealings. But unfortunately the Islamic perspective of entrepreneurship is missing in the current world and even most Muslim entrepreneurs are doing businesses with purely materialistic approach, greed and without the right intention.

After conducting interviews and collecting responses through questionnaires, it can be concluded that Muslim entrepreneurs have a strong mindset towards the faith-based values. As per our findings, characteristics of Islamic Entrepreneurship have a very significant impact on the success of a large number of Pakistani startups. They accept and follow the faith-based values at large and avoid prohibitions as per the guidelines extracted from the Quran and Sunnah. Moreover, it was also studied that the success from Islamic perspective is not limited to material success. It also involves spiritual well-being, satisfaction, contribution towards society and performing their responsibilities of dependents and family members.

So, in order to be a successful entrepreneur from an Islamic perspective, an entrepreneur must also maintain the work-life balance along with his business growth.

Limitations of this study are limiting the characteristics of Islamic entrepreneurship to analyse the impact on the success of startups, as there are many other factors that can impact or effect the success of any business. Moreover, another limitation is the limited sampling, so the results of this study cannot be generalized. Additionally, many questions remain: Is faith-based entrepreneurship similar to social entrepreneurship? Is it possible for various social entrepreneurship organizations to partner with faith-based organizations? If so, could this enable an increase in effectiveness through the reduction of organizational redundancies? More research

attention should be focused on the intersection between social and faith-based entrepreneurship, and its ability to provide significant improvement for the world's social ills.

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