WHY DO ENTREPRENEURS QUIT ENTREPRENEURSHIP? AN EMPIRICAL ANALYSIS FROM DISTRICT SHEIKHUPURA

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Abstract

Entrepreneurship plays a crucial role in economic development, yet many entrepreneurs exit their businesses, leading to questions about the underlying causes. This study explores the reasons why entrepreneurs quit entrepreneurship in Pakistan. Using an empirical approach, the research collected data from former entrepreneurs through structured surveys and interviews to identify key factors influencing their decision to exit. The findings reveal that financial difficulties, lack of access to capital, market competition, and regulatory burdens are primary reasons for entrepreneurial exit. Many entrepreneurs struggle with inconsistent cash flow, high operational costs, and limited access to credit, which forces them to shut down their businesses. Additionally, economic instability and inflationary pressures make it difficult for small business owners to sustain profitability. This study provides valuable insights for policymakers, financial institutions, and business support organizations. It highlights the need for improved financial support, entrepreneurship training programs, and policy reforms to create a more sustainable entrepreneurial ecosystem in Pakistan. By addressing these challenges, the region can promote long-term entrepreneurial success and economic growth.

Keywords: Entrepreneurship, Economic stability, financial support, operational cost

1. Introduction

Entrepreneurship is known as one of the emerging business concepts which have geared up the trend of custom buying and bringing innovation in the business world as well. Through this business type, one can start his own business with limited resources and can offer the customers different innovative ideas. With the presence of complete independence, entrepreneurs can make any decision at any time in their business. Besides this, due to the small nature of business, entrepreneurs can change their business nature and scope at any time when they need to. In the present era of globalization, every country is trying its best to limit the inflow of imports in the country and gear up the flow of exports. Thus, this can lead a country towards a stable or favorable balance of payment and strengthen the local economy and currency as well (Ahmed, 2021). It has been admitted that entrepreneurship plays a kind

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of catalytic role in economic growth, job creation, and innovation (Kuratko, 2016). Entrepreneurs are commonly described as change makers who translate ideas to economic opportunities. Pakistan, like most of the developing nations, depends heavily on entrepreneurship to improve socio-economic advancement in the country especially in the rural and semi-urban areas like the Sheikhupura District region in Punjab. Despite this importance, a significant percentage of entrepreneurs abandon their projects, leading to the failure of a given business, loss of a lot of money, and other economic consequences further on (Ahmad & Arif, 2021). It is essential to arrest the elements that lead to the occurrence of this phenomenon, notably at local levels where formations of entrepreneurship ecosystems are in their early stages.

Entrepreneurship mainly gears up the trend of the SME sector (small and medium enterprises). This business setup plays a vital role in the development and growth of an economy. Through SME setups, the volume of total goods and services produced by a country goes up. Thus, the volume of imports goes down with a considerable rise in exports of the country. Entrepreneurship gears up the innovation and creativity among the industries which increase the competition level in the market. High competition plays a positive and significant role in keeping the supply level high and stability in the prices as well. Thus, high entrepreneurship activities limit the inflation level and increase the GDP and Per Capita income level as well. Entrepreneurship activities provide direct support for economic independence and develop investment attraction for foreign investors. Increasing entrepreneurship activities develop more employment opportunities which decrease the poverty rate and improve the living standard of the society. Through enterprise behaviour and activities, the scope of the local economy goes up which strengthens the buying capacity of the local consumers and brings several imported items alternatives as well (Akhtar, 2021).

Entrepreneurial mistakes or entrepreneurial exit have been analyzed in various socio-economic settings and information has been found out that shortage of capital, inappropriate business knowledge, plan failure, and personal factors are considerable factors (Ucbasaran et al., 2013). However, in District Sheikhupura, empirical studies are limited in an attempt to justify the reasons as to why entrepreneurs close off their businesses. The current study aims at closing this gap and drawing conclusions on a variety of personal and financial, as well as social and institutional issues that influence the choice of the District Sheikhupura entrepreneurs to quit the entrepreneurship.

The volume and scope of entrepreneurship activities are going down in Pakistan. The share of entrepreneurship activities from Punjab particularly Kasur, Sheikhupura and its nearby areas are decreasing day by day. This raises an alarming situation about the survival and growth of the local economy and home industry. Thus, this research mainly aims to identify what are the factors which are persuading existing entrepreneurs in Pakistan to leave their enterprise activities and search for other earning alternatives (Asghar, 2021).

1.1: Research Objectives

The main objectives of this research are mentioned below:

- To explore the causes of entrepreneurial activity termination in Pakistan.

1.2.Research hypotheses

H_1: Lack of access to financial resources significantly influences the decision of entrepreneurs in Sheikhupura to quit entrepreneurship.

H_2: High levels of regulatory and bureaucratic barriers are positively associated with entrepreneurial exit in Sheikhupura.

H_3: Entrepreneurs experiencing lower levels of social and family support are more likely to discontinue their businesses in Sheikhupura.

H_4: Entrepreneurs with inadequate business management skills are more prone to business failure and exit in Sheikhupura.

2. Literature Review

Entrepreneurship has changed the concept and modes of doing business. It enables an individual with creative and new idea to start their own business without seeking help from others. Entrepreneurship is a mode of business which enables individuals with small investments or capital to earn on their own and create more jobs in future. The enterprise activities play a significant role in strengthening the local economy and gear up the GDP and GNP of the country as well. Over the last two decades, the trend of entrepreneurship activities has gone up rapidly. Through the increased enterprise activities India, Brazil, China and Russia became the leading emerging markets of the world during the second decade of the 21st century. With the significant impact made by entrepreneurial activities towards a country's economy, the trend of SMEs has gone up.

In developing countries like Pakistan where the volume of exports is always low in contrast to the import, Enterprise activities are highly important. Through entrepreneurial activities, the local industry can be improved and the dependence on imports can be minimized. Such activity will limit the outflow of foreign currency and will improve the value of local currency as well. Relying on imports brings threats towards the national sovereignty of the

country and causes inflation as well by making import payments in foreign currency. To avoid such a situation, several initiatives have been made by the various Govt. of Pakistan to gear up the scope and volume of the SME sector (Mubarik, 2020).

Entrepreneurs are also associated with restricted accessibility to credit, high-interest rates and lack of collateral which undermines the sustainability of the businesses (Qureshi et al., 2012). Microfinance is provided in Pakistan, but many entrepreneurs in rural and semi-urban areas do not take advantage of the services due to the lack of knowledge or willingness to cooperate with the formal financial systems because of cultural or process limitations (Aslam & Hasnu, 2016). The same was found by Manzoor et al. (2019), which determined that the entrepreneurs in the country often have to leave their business because of the shortage of working capital and the inability to expand activities. Ahmad and Arif (2021) also identified these and other causes such as inappropriate funding and failure to manage the available resources, as key issues to the cases of business termination among the Pakistani entrepreneurs. Khan (2020) also states that, although initially policymakers are developing policies at a national level that foster entrepreneurship, in practice, it cannot be realized because policies cannot be introduced at a district level. In this study that entrepreneurial competencies, such as business planning, marketing, financial literacy, and leadership determinants are decisive in venture sustainability. Managerial misconduct and ineffective decision-making are also commonly caused by the lack of training and access to formal education in particular rural settings (Rauch & Rijsdijk, 2013).

Empirical studies have cited various factors that come before the exit of businesses and they include a flooded market, changing preferences of consumers, and increased competition. According to the study conducted by Ucbasaran et al. (2013), some entrepreneurs fail to conduct the market research satisfactorily leading to the inappropriateness of the product with the demand. Informal competition with the unregistered businesses, reducing margins of formal entrepreneurs, also happens in Pakistan (Ahmad & Arif, 2021).

The existence of feedback loop between these dynamics can be traced in Sheikhupura. Competition in prices, presence of imported goods and the lack of brand loyalty make survival hard among local entrepreneurs, especially those not having a value proposition or competitive advantage.

Banks and other financial institutions mainly play a vital role towards the development and growth of business activities in any economy. In Pakistan, due to high inflation and strict fiscal and monetary policies, Banks charge high

interest rates from the borrowers who borrow the loan. Besides this, the presence of complex procedures for loans and the involvement of 3rd personal guarantee or high-value collateral, the trend of obtaining loans in the SME sector of Pakistan is very limited. The Monetary policies from 2021 to 2023 hold a high interest rate for borrowers and depositors both to control the circulation of money in the economy. As a result, the interest expense associated with the small loan amount also went up and limited the profit volume of small entrepreneurs. This situation led them towards winding up their enterprise activities (Belitski, 2021).

An increase in inflation caused a rapid increase in the cost of production as well as a decrease in consumer buying power. As a result, the business operating cost of entrepreneurship activities went up in Pakistan and forced the entrepreneurs to wind up their business activities. The increase in business operating and production costs raises severe economic challenges for small and medium enterprises which adversely affect the inventory management, marketing, quality, customization and diversity of SME-based entrepreneurs up to a great extent (Chattha, 2021).

In the present era of competition and globalization when an individual can check the markets of the entire world within a few minutes by sitting at their home, the need to achieve excellence and first-mover advantage is highly essential for all businesses. All this excellence and first-mover advantage are the result of creativity and innovation present in the business. This research and development gear up the entrepreneur's knowledge about the market, customers, trends, suppliers, advancement in the technology field and many more as well. Through R&D activities, small and medium enterprises can find ways to maximize the quality and performance of their business operations and to gain competitive advantage by offering subjective levels of value, utility and quality to each of their valued customers. (Hassan, 2022)

Although it has been asserted that there is a prodigious amount of literature writing in regard to entrepreneurship and business failure, there are still gaps in the literature regarding this topic concerning Pakistan (especially regarding entrepreneurial exit at district level). There are limited studies that expressly question why entrepreneurs abandon their activities and why this happens especially in emerging ecosystems where informal markets have a significant role to play. Scanty consideration has been given to how the local cultural conventions, social expectations and familial structures influence the process of entrepreneurial decision-making within the semi-urban settings in Pakistan. Therefore this study aims to fill this gap.

3. Research Methodology

The present study followed a quantitative design, relying on a structured survey to capture standardized information from small business owners. A survey-based approach seemed appropriate because it allows comparisons across respondents and gives some sense of how different types of constraints may be tied to exit strategies. Data were gathered at a single point in time what's known as a cross-sectional design. Admittedly, this has its limitations. It doesn't let us see how businesses evolve or adapt year after year, but it does provide a useful snapshot of conditions as they stood when entrepreneurs were making decisions about survival or closure.

The population targeted here was small business owners in Punjab, Pakistan, with "small" defined as firms employing fewer than 50 workers or operating below the local capital investment threshold. Rather than randomly sampling from the broader business community, a purposive strategy was adopted. The reason was simple: the research was concerned specifically with those who had already gone through some form of exit, whether closing, selling, merging, or handing the enterprise over to family. In total, 150 respondents participated in survey. While that number may sound modest, it is usually considered adequate for exploratory techniques such as factor analysis (the general guideline is at least 5–10 cases per variable). The sample size also allowed room for descriptive statistics and regression, though any claims about generalizability to all small firms in Pakistan should be made cautiously.

3.1: Data Collection Procedure

Data collection took place face-to-face with the support of trained enumerators. This choice wasn't incidental: quite a few respondents had limited literacy, and filling out the form alone might have been intimidating or inaccurate. In-person administration allowed clarification of questions and likely improved response quality. Participants were assured that their information would remain confidential and that participation was entirely voluntary.

3.2: Reliability and Validity

To check reliability, Cronbach's alpha was calculated for the multi-item scales. The scores all cleared the usual 0.70 mark, which suggests that, at least statistically, the items held together reasonably well in capturing the same underlying construct. Construct validity came through in the factor analysis too, where the items tended to group into categories that made sense conceptually.

4. Data Analysis

4.1. Descriptive Statistics

Descriptive statistical tests were applied to analyze the data collected from the entrepreneurs in Sheikhupura. Frequencies, percentages, Mean and Standard deviation values were observed to understand the demographic characteristics of the sample. It also enabled to understand the overall trend in the survey.

Table 1: *Demographic Statistics*

Variable	Category	F	%	M	SD
Age	18 to 25 years	16	10.7	2.81	1.05
	25 to 35 years	43	28.7		
	25 to 45 years	51	34.0		
	45 to 55 years	34	22.7		
	55 years and above	5	3.3		
Gender	Male	121	80.7	1.86	.348
	Female	29	19.3		
Industry	Manufacturing	42	28.0	1.98	.807
	Transport	77	34.7		
	Retail	23	16.0		
	Services	8	5.3		
Marital Status	Married	113	23.3	1.80	.655
	Single	35	75.3		
Highest Education	No formal education	45	30.0	3.33	.655
	Matric	95	63.3		
	Graduation	5	3.3		
	Masters	5	3.3		
Number of Dependents	2	7	4.7	3.31	0.90
	4	23	15.3		
	5	86	24.0		
	More than 5	34	56.0		

Variable	Category	F	%	M	SD
Primary Earner	Yes	85	56.7	1.43	.497
	No	65	43.3		
Average Monthly Profit	50k	24	16.0	2.65	1.01
	70k	40	26.7		
	100k	51	34.0		
	Above 100k	35	23.3		
Business Terminated	Yes	136	90.7	1.01	.282
	No	14	9.3		
Duration of Business	Less than 1 year	46	30.7	2.25	1.082
	2 years	42	38.0		
	2 to 5 years	45	30.0		
	5 to 10 years	12	8.0		
	More than 10 years	5	3.3		
Mode of Termination	Closed permanently without selling	71	47.3	1.57	.862
	Sold to another owner	46	30.7		
	Merged with another business	33	22.0		
	Transferred to another family member.	7	4.7		

The above Table 1 shows that most business owners were between 25 and 45 years of age, highlighting a concentration of entrepreneurship among middle-aged individuals, while males dominated the sample with over 80% representation. The majority of respondents were engaged in the transport and manufacturing industries, whereas retail and services made up a smaller proportion. In terms of marital status, most respondents were married, often carrying significant family responsibilities, as more than half reported having over five dependents. Education levels were generally low, with most having

matric-level education and a considerable proportion with no formal education, while very few had higher qualifications. More than half of the respondents were the primary earners in their households, reflecting their families' economic reliance on their businesses. Profit levels varied, though many earned around 70k to 100k monthly, suggesting moderate income generation. However, a striking pattern emerged with business sustainability, as the majority of ventures lasted only two to five years, and over 90% of businesses were eventually terminated. The most common mode of termination was permanent closure without selling, followed by selling to another owner or merging, with only a small fraction transferred to family members. Overall, the results suggest that while these businesses played a crucial role in household livelihoods, they faced significant challenges in long-term survival and stability.

Table 2: *Lack of access to startup capital made it difficult to sustain the business.*

Response	F	%
Strongly agree	38	18.7
Agree	93	62.0
Neutral	16	10.7
Disagree	10	6.7
Strongly disagree	3	2.0
Total	150	100

The above table 2 shows that 18.7% of the respondents strongly agree with the statement, 62% agree, 10% were neutral, 6.7% disagree and 2% strongly agree with the statement. The Mean and SD values are 2.11 and .856 respectively.

Table 3: *High operational costs reduced my profits and forced me to shutdown my business.*

Response	F	%
Strongly agree	42	28.0
Agree	93	62.0
Neutral	3	2.3
Disagree	11	7.0
Strongly disagree	1	3
Total	150	100

The above Table 3 shows that 28% of the respondents strongly agree with the statement, 62% agree, 2.3% were neutral, 7 % disagree and 3% strongly agree with the statement. The Mean and SD values are 1.91 and .806 respectively.

Table 4: *Inadequate access to bank loans or credit facilities influenced my decision to end business.*

Response	F	%
Strongly agree	31	20.7
Agree	99	66.0
Neutral	10	6.7
Disagree	10	6.7
Total	150	100

The above Table 4 shows that 20.7% of the respondents strongly agree with the statement, 66% agree, 6.7% were neutral, 6.7% disagree with the statement. The Mean and SDS values are 1.99 and .737 respectively. **Table 5:** *Rising inflation and cost of raw material negatively affected my business.*

Response	F	%
Strongly agree	46	30.7
Agree	75	50.0
Neutral	3	2.0
Disagree	25	16.7
Strongly disagree	1	.7
Total	150	100

The above Table 5 shows that 30.7% of the respondents strongly agree with the statement, 50% agree, 2% were neutral, 16.7% disagree and .7% strongly agree with the statement. The Mean and SDS values are 2.07 and 1.028respectively.

Table 6: *Intense competition made it difficult to survive in the market and forced me to quit.*

Response	F	%
Strongly agree	70	46.7
Agree	55	36.7
Neutral	6	4.0
Disagree	19	12.7
Total	150	100

The above Table 6 shows that 46.7% of the respondents strongly agree with the statement, 36.7% agree, 4% were neutral, 12.7% disagree with the statement. The Mean and SDS values are 1.83 and .995 respectively.

Table 7: *Limited demand for my product/service forced me to quit.*

Response	F	%
Strongly agree	30	20.0
Agree	89	59.3
Neutral	18	12.0
Disagree	10	6.7
Strongly disagree	3	2.0
Total	150	100

The above Table 7 shows that 20% of the respondents strongly agree with the statement, 59.3% agree, 12% were neutral, 6.7% disagree and 2% strongly agree with the statement. The Mean and SDS values are 2.11 and .871 respectively.

Table 8: *Difficulty in increasing my sales pushed me to shutdown business.*

Response	F	%
Strongly agree	30	10.0
Agree	89	55.3
Neutral	10	2.0
Disagree	3	30.7
Strongly disagree	18	2.0
Total	150	100

The above Table 8 shows that 10% of the respondents strongly agree with the statement, 55.3% agree, 2% were neutral, 30.7 % disagree and 2% strongly agree with the statement. The Mean and SDS values are 2.59 and 1.087 respectively.

Table 9: *Lack of innovation or technology adoption in the local market created challenges and my business could not survive.*

Response	F	%
Strongly agree	40	26.7
Agree	93	62.0
Neutral	9	6.0
Disagree	8	5.3
Total	150	100

The above Table 9 shows that 26.7% of the respondents strongly agree with the statement, 62% agree, 6% were neutral, 5.3% disagree with the statement. The Mean and SDS values are 1.90 and .730 respectively.

Table 10 : *Lack of government support (e.g subsidies, training or grant) pushed me to close business*.

Response	F	%
Strongly agree	29	19.3
Agree	106	70.7
Neutral	7	4.7
Disagree	8	5.3
Total	150	100

The above Table 10 shows that 19.3% of the respondents strongly agree with the statement, 70.7% agree, 4.7% were neutral, 5.3% disagree with the statement. The Mean and SDS values are 1.96 and .874 respectively.

Table 11: *Complex taxation policies increased my burden.*

Response	F	%
Strongly agree	33	22.0
Agree	95	63.3
Neutral	11	7.3
Disagree	11	7.3
Total	150	100

The above Table 11 shows that 22% of the respondents strongly agree with the statement, 63.3% agree, 7.3% were neutral, 7.3% disagree with the statement. The Mean and SDS values are 2.00 and .769 respectively.

Table 12: *Internet connectivity issues hindered my business.*

Response	F	%
Strongly agree	3	2.0
Agree	18	12.0
Neutral	1	7.0
Disagree	125	83.3
Strongly disagree	3	2.0
Total	150	100

The above Table 12 shows that 2% of the respondents strongly agree with the statement, 12% agree, 7% were neutral, 83.3% disagree and 2% strongly agree with the statement. The Mean and SDS values are 3.71 and .780 respectively.

Table 13: *Supervising employees was too time taking and affecting performance.*

Response	F	%
Strongly agree	39	26.0
Agree	83	55.3
Neutral	15	10.0
Disagree	13	8.7
Total	150	100

The above Table 13 shows that 26.0% of the respondents strongly agree with the statement, 55.3% agree, 10% were neutral, 8.7% disagree with the statement. The Mean and SDS values are 2.01and .843 respectively.

4.2 Inferential Statistics

4.2.1 Chi/Square Test

Chi-square test of independence between *exit method of business* (closed permanently, sold, merged, or transferred) and different predictors (Financial Constraints, Regulatory & Institutional Burden, Social & Family Burden).

Table 14: *Case Processing Summary for Crosstabulations Exit methods vs reasons*

Predictor × Exit Method	Valid N	Valid %	Missing N	Missing %	Total
Financial Constraints × Exit	150	100.0%	0	0.0%	150
Regulatory & Institutional Burden × Exit	149	99.3%	1	0.7%	150
Social & Family Burden × Exit	150	100.0%	0	0.0%	150

Table 14 shows the case processing summary for the three chi-square tests. For *Financial Constraints* and *Social and* Family *Burden*, all 150 cases were valid. For *Regulatory and Institutional Burden*, one case (0.7%) was missing, leaving 149 valid responses.

Table 15: *Crosstabulation of Financial Constraints and Exit Method*

Financial Constraints	Closed Permanently	Sold	Merged	Transferred	Total
5	1	0	0	0	1
6	13	1	0	0	14
7	26	7	4	4	41
8	23	13	7	2	45
9	16	4	3	1	24
10	6	5	1	0	12
11	3	3	0	0	6
12	2	0	0	0	2
13	4	0	0	0	4
14	1	0	0	0	1
Total	94	33	16	7	150

Table 15 shows that how different levels of financial pressure connect with the way small businesses eventually shut down or change hands. Out of the 150 cases, 94 businesses—about two-thirds—ended up closing their doors for good. Most of these closures cluster in the mid-to-high range of financial constraints (levels 6 through 9), which together account for more than four out of five of the permanent shutdowns. This concentration suggests that once the financial burden crosses a certain threshold, it becomes incredibly difficult to keep a business alive, regardless of other factors. Selling was the next most common path, with 33 cases (22%). Mergers and transfers, though present, were quite rare—16 cases (10.7%) and 7 cases (4.7%), respectively. Both strategies occurred most often when financial stress was moderate rather than extreme partner. The handful of transfers—mostly at level 7—hint that some owners may have passed on their ventures to relatives or acquaintances rather than letting them collapse outright.

Table 16: *Chi-Square Test of Independence for Financial Constraints and Exit Method*

Test	χ^2	df	P
Pearson Chi-Square	30.55	27	.290
Likelihood Ratio	31.28	27	.260
Linear-by-Linear Association	0.77	1	.379

Table 16 shows that if financial constraints had any connection to the way businesses exited. The Pearson Chi-Square came out at $\chi^2(27, N = 150) = 30.55$ with a p-value of .290, which is comfortably above the threshold for significance. The likelihood ratio test ($\chi^2 = 31.28$, df = 27, p = .260) pointed in the same direction, and the linear-by-linear association test ($\chi^2 = 0.77$, df = 1, p = .379) also failed to show anything meaningful.

Table 17: *Symmetric Measures (Financial Constraints)*

Measure	Value	p
Phi	.451	.290
Cramer's V	.261	.290

Table 17 the chi-square test for association between *Financial Constraints* and *Exit Method* was not statistically significant, $\chi^2(27, N = 150) = 30.55$, *p* = .290, indicating no evidence of association. The effect size, Cramer's V = .261, suggested only a weak to moderate relationship.

Table 18: *Crosstabulation of Regulatory and Institutional Burden and Exit Method*

Regulatory Burden	Closed Permanently	Sold	Merged	Transferred	Total
3	1	0	0	1	2
4	13	4	3	0	20
5	17	9	3	1	30
6	46	16	7	3	72
7	9	1	2	2	14
8	4	2	1	0	7

Regulatory Burden	Closed Permanently	Sold	Merged	Transferred	Total
9	3	0	0	0	3
10	0	1	0	0	1
Total	93	33	16	7	149

Table 18 shows how different levels of regulatory and institutional burden lined up with the ways businesses exited. Out of 149 cases, permanent closure dominated the picture (93 cases), while sales (33), mergers (16), and transfers (7) were far less common. The spread across burden levels shifts around a little, but it doesn't settle into a neat or predictable pattern. At mid-range scores—5 and 6 in particular—closures were still the most frequent outcome (17 and 46 cases, respectively). Yet this is also where alternative exits showed up more clearly. For example, when the burden level was 6, 16 businesses were sold and 7 merged. That mix hints that owners facing moderate pressure may sometimes try to offload or restructure their firms rather than shutting down outright. At the lower end of the scale (scores 3 and 4), the numbers are small, but again closure was the default, with just a handful of sales or mergers.

Table 19: *Chi-Square Test of Independence for Regulatory Burden and Exit Method*

Test	χ^2	df	P
Pearson Chi-Square	22.28	21	.384
Likelihood Ratio	18.32	21	.629
Linear-by-Linear Association	0.09	1	.759

Table 19 reports the Chi-Square Test of Independence examining whether regulatory burden was linked to exit method. The Pearson Chi-Square value was $\chi^2(21, N = 150) = 22.28$ with a p-value of .384, which falls well above the conventional threshold for significance. The likelihood ratio test ($\chi^2 = 18.32$, df = 21, p = .629) pointed in the same direction, and the linear-by-linear association was also non-significant ($\chi^2 = 0.09$, df = 1, p = .759).

Table 20: *Symmetric Measures (Regulatory Burden)*

Measure	Value	p
Phi	.387	.384
Cramer's V	.223	.384

Table 20 the chi-square test for *Regulatory and Institutional Burden* and *Exit Method* was not significant, $\chi^2(21, N = 149) = 22.28$, $p = .384$. The effect size (Cramer's V = .223) indicated a weak association, suggesting that regulatory burden was not meaningfully related to exit method.

Table 21: *Crosstabulation of Social and Family Burden and Exit Method*

Social & Family Burden	Closed Permanently	Sold	Merged	Transferred	Total
2	2	0	0	0	2
3	9	0	1	0	10
4	13	2	4	0	19
5	13	8	3	1	25
6	36	13	8	3	60
7	14	8	0	2	24
8	4	2	0	1	7
9	3	0	0	0	3
Total	94	33	16	7	150

Table 21 shows how Social and Family Burden scores lined up with the method of business exit. At first glance, the distribution looks a bit uneven, but not in a way that forms a clear pattern. Out of the 150 cases, most businesses ended through permanent closure (94 cases), with fewer being sold (33), merged (16), or transferred to someone else (7). What stands out is that at mid-range burden levels—say scores of 5 and 6—closure was still the dominant route, yet we also see a noticeable number of sales and mergers. For example, at a burden level of 6, 36 firms shut down, but 13 were sold and 8 merged.

Table 22: *Chi-Square Test of Independence for Social & Family Burden and Exit Method*

Test	χ^2	Df	P
Pearson Chi-Square	20.06	21	.518
Likelihood Ratio	27.34	21	.160
Linear-by-Linear Association	0.68	1	.409

Table 22 reports the Chi-Square Test of Independence examining the link between Social and Family Burden and Exit Method. The Pearson Chi-Square came out as $\chi^2(21, N = 150) = 20.06$ with a p-value of .518, which clearly falls short of statistical significance. The likelihood ratio test told a similar story ($\chi^2 = 27.34$, df = 21, p = .160), and even the linear-by-linear association test ($\chi^2 = 0.68$, df = 1, p = .409) offered no evidence of a meaningful relationship.

Table 23: *Symmetric Measures (Social & Family Burden)*

Measure	Value	p
Phi	.366	.518
Cramer's V	.211	.518

Table 23 shows that the chi-square test for Social and Family Burden and Exit Method didn't turn up anything significant, $\chi^2(21, N = 150) = 20.06$, p = .518. The effect size was also small (Cramer's V = .211), which points to only a weak link between these burdens and how businesses actually closed down. In other words, whether an owner shut the doors, sold the company, merged, or handed it over doesn't seem tied to family or social pressures in any consistent way. None of the factors showed a meaningful association with exit method, and the effect sizes (Cramer's V = .211–.261) were consistently weak.

4.2.2 Factor Analysis

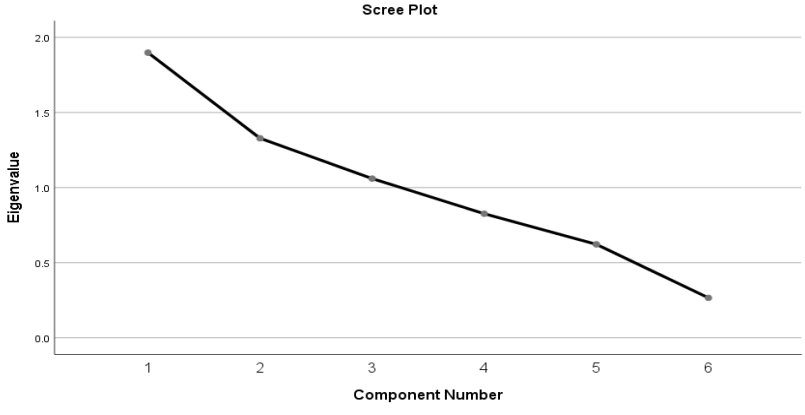
Table 24: *Communalities*

	Initial	Extraction
Financial Constraints	1.000	.405
Market Competition Pressure	1.000	.803

Regulatory and Inst burden	1.000	.757
Infrastructure barriers	1.000	.803
Human Capital Management	1.000	.694
Social and Fam burden	1.000	.825

Table 24, the communalities tell us how much of each variable's variance is explained by the extracted components. For most of the variables, the values were comfortably high—above .60—which usually signals that the factor solution is doing a decent job of capturing them. Market Competition Pressure (.803), Infrastructure Barriers (.803), and Social and Family Burden (.825) stood out in particular, with a large share of their variance explained. Regulatory and Institutional Burden (.757) and Human Capital Management (.694) also seemed to be represented fairly well, though not quite as strongly.

Figure 1: Scree Plot



The scree plot (Figure 1) illustrates the eigenvalues associated with each component. A steep decline is visible from Component 1 (eigenvalue ≈ 1.9) through Component 3 (eigenvalue ≈ 1.05). After the third component, the slope of the line flattens, with subsequent components having eigenvalues below 1. Both the Kaiser criterion (eigenvalues greater than 1) and the elbow criterion (visual flattening) justify the retention of three components. This visual evidence corroborates the rotated component matrix, confirming that the data are best explained by a three-factor solution.

Table 25: *Component Matrix*

	Component		
	1	*2*	3
Financial Constraints	.549	.111	-.301
Market Competition Pressure	.845	-.185	-.236
Regulatory and Inst burden	.084	.778	-.379
Infrastructure barriers	.872	-.162	.125
Human Capital Management	.155	.790	.215
Social and Fam burden	.302	.161	.842

Table 25, the initial component matrix shows how each variable loads onto the extracted factors before rotation. The numbers themselves are clear enough, but the interpretation feels a bit muddled at this stage because several variables spill across components. Market Competition Pressure (.845) and Infrastructure Barriers (.872) both lean heavily toward the first component, hinting that they might share an underlying dimension. By contrast, Regulatory and Institutional Burden (.778) and Human Capital Management (.790) seem to cluster on the second component. Social and Family Burden (.842), interestingly, sits almost entirely on its own within the third component. These groupings may suggest three broad dimensions of barriers.

Table 26: *Rotated Component Matrix*

	Component		
	1	2	3
Financial Constraints	.587	.217	-.114
Market Competition Pressure	.894	-.057	-.017
Regulatory and Inst burden	.068	.841	-.213
Infrastructure barriers	.824	-.101	.336

Human Capital Management	-.019	.745	.372
Social and Fam burden	.049	.025	.907

Table 26 presents the rotated component matrix. The first component pulls together Financial Constraints (.587), Market Competition Pressure (.894), and Infrastructure Barriers (.824). The second component is shaped by Regulatory and Institutional Burden (.841) and Human Capital Management (.745). The third component is the most straightforward. Social and Family Burden (.907) loads very strongly and almost exclusively onto this factor, carving out a category of its own.

Table 27: *Component Transformation Matrix*

Component	1	2	3
1	.956	.093	.279
2	-.141	.977	.158
3	-.258	-.190	.947

Table 27 show the unrotated and rotated components line up with one another. The diagonal values (.956, .977, and .947) are quite high, suggesting that the Varimax rotation did its job—clarifying the factor structure without bending it out of shape. In other words, the three-component solution seems to hold together reasonably well. Varimax is often praised for making things "cleaner," but sometimes that very neatness can smooth over subtler cross-loadings. So, while the results support the idea that the three components are meaningful, it might still be useful to keep an eye out for any overlooked complexity—especially if later interpretations feel too tidy.

4..2.3 Binary Logistic Regression (Predicting Termination)

A binary logistic regression was conducted to examine the effect of financial constraints, market competition pressure, regulatory and institutional burden, infrastructure barriers, human capital management, and social and family burden on the likelihood of termination.

Table 28: *Omnibus Tests to Model Coefficients*

Step	Chi-square	df	Sig.
Step 1	12.51	6	.052
Block	12.51	6	.052
Model	12.51	6	.052

Table 28 omnibus test of model coefficients was marginally significant, $\chi^2(6) = 12.51$, $p = .052$, indicating that the predictors, taken together, did not provide a strong improvement over the null model. The model explained between 8.1% (Cox & Snell R^2) and 18% (Nagelkerke R^2) of the variance in termination status. The Hosmer–Lemeshow test was non-significant, $\chi^2(8) = 13.30$, $p = .102$, suggesting adequate model fit.

Table 29: *Hosmer and Lemeshow Test*

Step	Chi-square	df	Sig.
1	13.299	8	.102

Table 29 the Hosmer–Lemeshow test was non-significant, $\chi^2(8) = 13.30$, p = .102, indicating that the model fit the data adequately.

Table 30: *Classification Table*

Observed	Predicted Terminated Yes	Predicted Terminated No	Percentage Correct
Yes	136	0	100.0%
No	11	2	15.4%
Overall Percentage			92.6%

The Table 30 shows the classification analysis. It reveals that the model correctly identified 92.6% of overall cases, with 100% accuracy for terminated cases but only 15.4% accuracy for non-terminated cases, indicating imbalanced predictive performance.

Table 31: *Variables in the equation*

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	Financial Constraints	-.435	.219	3.938	1	.047	.647
	Market Competition Pressure	.299	.210	2.026	1	.155	1.349

Regulatory and Inst burden	.208	.280	.548	1	.459	1.231
Infrastructure barriers	.149	.294	.256	1	.613	1.161
Human Capital Management	-.157	.189	.685	1	.408	.855
Social and Fam burden	-.301	.226	1.777	1	.182	.740
Constant	-.662	2.704	.060	1	.807	.516

Table 31 shows the examination of individual predictors indicated that only financial constraints significantly predicted termination status (B = −.435, Wald = 3.94, p = .047). The odds ratio (Exp(B) = 0.647) suggests that higher financial constraints were associated with a 35.3% reduction in the odds of termination. None of the other predictors were statistically significant (ps > .05).

5: Discussions

The results and findings of this study indicate that how entrepreneurs in Shekhupura tend to exit their businesses and what pushes them toward that decision. The most striking pattern is that more than 60% shut down without selling. That doesn't look like a carefully planned handover; it feels more like businesses being forced off the map by mounting losses, unpredictable markets, or simply having no one to take over. A smaller group, by contrast, managed to exit in more strategic ways—selling, merging, or passing the business on to family. This split between "forced closers" and "strategic exiters" matters. It suggests that while some entrepreneurs can turn exit into an opportunity, many are simply pushed out with little room to maneuver.

Interestingly, the chi-square tests didn't show much of a link between exit method and demographic or industry factors. That means whether someone is running a shop, a small factory, or a transport business, the odds of closing versus selling don't look very different. Gender didn't matter either. The common thread seems to be systemic pressures and regulatory hassles, financing bottlenecks, and a lack of structured succession options rather than personal traits or sectoral differences.

The cluster analysis segmented entrepreneurs neatly into two camps: the majority who shut down permanently, and the minority who found ways to exit more gracefully. The size of that first cluster suggests a wider problem: entrepreneurs are often unprepared for succession or resale, and the environment doesn't give them many tools to plan ahead. The second cluster, though smaller, shows it's not impossible. With the right training, mentorship,

or even basic advisory services, more people might shift from forced closures toward better exit strategies.

Correlations between business duration and the common exit factors financial stress, regulatory hurdles, family obligations there wasn't much there. The weak, non-significant links suggest that these pressures, while real, don't directly explain how long a business stays afloat. One possible reason is that many entrepreneurs get by using informal workarounds: borrowing from relatives, bending the rules to avoid regulatory costs, or cutting back operations temporarily. These coping mechanisms might mask the direct impact of barriers, at least until the business reaches a breaking point.

The factor analysis helped bring some order to the messy list of exit causes. It grouped them into three broad themes: economic and market pressures, institutional barriers, and social/family burdens. That framing feels closer to how entrepreneurs actually experience these challenges overlapping, messy, and hard to untangle. A shop owner, for example, might be hit by rising rent (economic), harassment from inspectors (institutional), and pressure from relatives to contribute to household expenses (social) all at once. Exit, in this sense, isn't usually the result of a single problem but of too many burdens piling up together.

Regression analysis offered another twist: none of the measured factors turned out to be significant predictors of business survival length. That doesn't mean these challenges don't matter it probably means we didn't capture the full picture. Things like entrepreneurial skill, timing, or sudden economic shocks may explain more than financial or regulatory hurdles on their own. Put simply, survival in this context looks less like a straight equation and more like a mix of skill, luck, and circumstance.

The findings suggest an entrepreneurial ecosystem that feels fragile and uneven. Most business owners face closure with little choice, losing not only their own capital but also whatever value their businesses might have contributed to the local economy. A minority do manage to exit more smoothly, but their path seems tied to access to networks, foresight, and planning rather than relief from financial or regulatory obstacles. What's missing are support structures that make exit less destructive: resale platforms for small firms, guidance on succession, or even simple legal and financial advisory services. If those mechanisms existed, entrepreneurs could step away without erasing the value of everything they built.

6: Conclusion And Recommendations

6.1 Summary of Findings

This research study aimed to investigate how and why entrepreneurs in Shekhupura, Pakistan closes their businesses, paying particular attention to the methods of exit and the factors behind them. Various statistical tools i.e. chi-square tests, ANOVA, cluster analysis, correlation, factor analysis, and regression were used to piece the picture together. The story that emerges is both telling and sobering.

The headline finding is hard to ignore: most entrepreneurs (around 62%) reported shutting down permanently without selling. That's not an exit that suggests careful planning; it looks much more like a forced closure, where owners walk away with little to salvage. By contrast, only about a third managed what we might call "strategic exits" selling their businesses, merging, or transferring ownership within the family.

Interestingly, when demographic factors such as gender, age, or even industry were tested against exit type, no strong patterns showed up. In other words, the tendency toward forced closure cut across the board it wasn't just young business owners, or women, or people in one particular sector. Cluster analysis divided the datat into two clear sections: those who were forced to close and those who managed a transition.

Factor analysis revealed three sets of pressures shaping these outcomes: financial and market-related obstacles, institutional and workforce-related barriers, and social or family burdens. Together, these remind us that exits aren't only about profit and loss sheets—social expectations, regulatory hassles, and human resource issues all play into the equation.

The ANOVA results showed some nuance. While financial and regulatory pressures were fairly consistent across groups, social and family burdens seemed to weigh a little more heavily in cases where businesses were transferred within families. That finding makes intuitive sense; cultural obligations can push an owner to hand over a struggling business to relatives, even when the financial logic is weak.

Regression and correlation analyses told a quieter story. They revealed weak, non-significant links between business duration and the measured burdens. This may mean that the lifespan of a business in Shekhupura is shaped less by financial or institutional problems and more by unmeasured factors entrepreneurial resilience, adaptability, or sudden market shocks. Anyone who has spoken with small business owners knows that a health scare, a shift in local demand, or an unexpected family responsibility can change everything overnight.

6.2: Policy Implications

Policymakers really do need to move quickly, as too many small businesses are shutting down under pressure and, when they do, there's often no clear or structured way forward. A few interventions might help. For instance, setting up small business resale marketplaces could give owners a chance to pass their ventures on rather than simply closing the doors. Clearer, simpler rules around ownership transfer would also lower the barriers for buyers and sellers. Debt relief programs, especially for ventures that are viable but cash-strapped, could buy struggling owners some breathing space. And it's easy to overlook, but advisory services in succession planning perhaps organized through chambers of commerce or even at the municipal level might make the difference between a graceful transition and a collapse.

Compliance with Ethical Standards

- **Conflict of Interest:** There is no conflict of Interest.
- **Informed consent:** NA
- **Funding information:** NA
- **Ethical approval:** Not Required
- **Data Availability Statement:** The data will be provided upon request anytime.

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