

Summary Barriers to Women Entrepreneurship

An initial study

Carried out by ADB in conjunction with SMEDA

February 2023



1. Background and Objective of this study

1.1. The objective of this study is to:

- Develop a comprehensive understanding of Women entrepreneur landscape and ecosystem in Pakistan
- Document the major barriers to Women Entrepreneurship as an input into the development of a Women Entrepreneurship Policy in the next phase

1.2. Why focus on Women Entrepreneurship (WE)?

- Women's participation in the Labour Force is low
 - Female participation rate – 21.4%
 - Male participation rate – 67.9%
- The proportion of WE in the Labour Force is low
 - Females – 19.0%
 - Males – 40.4%
- These statistics indicate that there is a large economic opportunity if WE is increased to:
 - Add to GDP
 - Reduce female unemployment/under employment
 - Reduce social welfare payments as a result of increased employment
 - Increase the well-being and social/financial inclusion of women
- Achieving these benefits will require additional Government policies and actions that will encourage/enable women entrepreneurs to overcome the barriers to:
 - Join the Labour Force to become WE
 - Existing unpaid women workers/employees in the Labour Force to become WE
 - Existing WE in the Labour Force to grow their businesses, become employers and graduate to larger more formal businesses

2. Impetus for this study

This study is a deliverable under policy action 1.9 (b) of the WIF PAK Policy Loan negotiated between ADB and MOF. Disbursement of the loan is the subject of a number of policy actions by various Government Institutions relating to the improvement of WE in Pakistan.

Specifically:

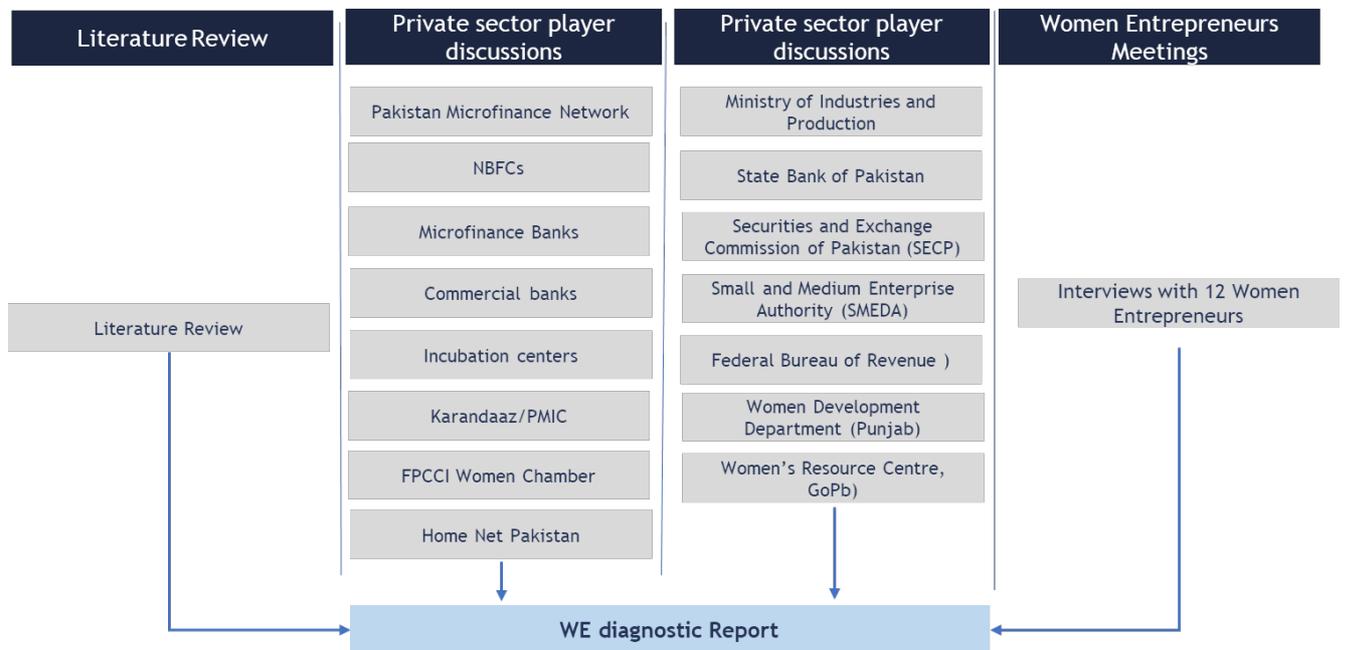
Policy Action 1.9: MOIP:

- (a) established the Consultative Group on Supporting Women owned SMEs,
- (b) issued findings of an independent diagnostic on key barriers to women entrepreneurship endorsed by the Consultative Group on Supporting Women owned SMEs

MOIP has delegated execution of this policy action to SMEDA.

3. Methodology, document key barriers to WE through:

- Review of recent Literature/studies on WE
- Interviews with key Institutional and industry stakeholders
- Interviews/discussion groups with some WE



4. Some overall observations

- There is no common definition of a Women Entrepreneur (WE) in use. As a result, there is no basis for measuring or understanding the number and contribution of WE today.
- The lack of gender disaggregated data on Entrepreneurship (including WE) across Government departments severely limits policy making and development activities
- Entrepreneurs (including WE) are present in all sectors of the economy. Separate government departments are responsible for the regulation and development of different industry sectors eg
 - Agri – Dept of Agriculture
 - Manufacturing – Ministry of Industries and Production
 - International Trade – TDAP
- However, apart from the Labour Force Survey data, there is little or no detailed data of Entrepreneurs or WE, especially at the industry sector level
 - MOIP periodically collects and publishes some gender disaggregated data on Small and Large Manufacturing enterprises
 - Agri statistics are collected regularly but there is no separation between subsistence farming and enterprises and no gender disaggregation
 - There appears to be no source of Entrepreneurship data for the Services sector despite its ~60% contribution to GDP
- The current development support for WE is piecemeal and does not cover all WE. There is no coordinated strategy or approach for WE development. In practice, key stakeholders typically focus on a subset WE eg:
 - RSPs, Government extension services – low income informal rural WE
 - Women Chambers, Incubators, Universities, SMEDA – urban formalized WE
 - MFIs/MFB – urban/peri urban informal/formal WE
 - Commercial Banks – urban formalized WE with assets, recurring income
 - HomeNet – Home Based WE
- Increasingly government policies are being developed focusing on Women in general, but there is little or no reference to WE in these policies eg
 - Federal government policies– Gender policy, National SME Policy, SBP Banking on Equality, National Financial Inclusion Policy
 - Provincial Women Development authorities – Women Development Policies
- Most attention is being given to Urban formalized (or near formalized) WE, even though this is only ~17% of the WE Universe. These WE have already overcome significant barriers to get to this position.
- The funding model for WE related activities is not sustainable. Most funding is project based and when the funding stops, development activity stops.
- Increasing WE will require an expanded policy framework, significant additional co-ordination across government departments, the development sector and private sector, changes to the funding model and consistent sustained effort.

5. How many Women are engaged in Entrepreneurial activity in Pakistan?

The most comprehensive and up to date source of data on WE is the national **Pakistan Labour Force Survey** which provides gender disaggregated data on:

- Own account workers (ie Self Employed workers) who are owner-operators without employees who operate an enterprise for profit alone or with one or more partners or contributing family workers; they do not employ any person to work in the enterprise on a regular basis as an employee.

Own account workers (ie Self Employed workers)



who are owner-operators without employees who operate an **enterprise for profit alone or with one or more partners** or contributing family workers; **they do not employ any person** to work in the enterprise on a regular basis as an employee.

- Employers who own the economic unit in which they work and control its activities on their own or in partnership with others (including temporarily but excluding their partners and family helpers) — and in this capacity, employ one or more persons to work as an employee on a regular basis.

Employers



who own the economic unit in which they work and control its activities on their own or in partnership with others (including temporarily but excluding their partners and family helpers) — and in this capacity, **employ one or more persons** to work as an employee on a regular basis.

Additional data is available for more larger and more formal businesses from SECP on

- Women owned or run Incorporate Companies registered with SECP with >50% ownership by women, or with a Woman CEO, or with a majority of Women directors

Women owned or run Incorporate Companies



registered with SECP with **>50% ownership by women**, or with a **Woman CEO**, or with a **majority of Women directors**

6. How many women are involved in Entrepreneurial activity in Pakistan today?

According to the Pakistan Labour Force Survey 2020-2021, there were 16.84m Women in the Labour Force representing 21.3% of working age women:

Table 3.2 Distribution of working age population by sex

Indicator	2018-19 (Million)			2020-21 (Million)		
	Total	Male	Female	Total	Male	Female
Employed	64.03	49.33	14.70	67.25	51.91	15.34
Unemployed	4.71	3.08	1.64	4.51	3.01	1.50
Out of Labour Force	84.74	25.01	59.73	88.07	26.00	62.07
Labour Force	68.75	52.41	16.34	71.76	54.92	16.84
Working Age Population	153.49	77.42	76.07	159.83	80.92	78.91

Source: Pakistan Labour Force Survey 2020-2021

Of these, 19% are classified as Women Own Account Workers (ie Self Employed Women) and 0.1% as Woman employers:

Indicators/Year	2018-19			2020-21		
	Total	Male	Female	Total	Male	Female
Employment Status (%)						
Employers	1.5	1.9	0.1	1.4	1.8	0.1
Own Account workers	35.8	40.2	21.2	35.5	40.4	19.0
Contribution Family Workers	22.9	12.8	56.9	21.1	10.8	55.9
Employees	39.8	45.1	21.8	42.0	47.0	25.0
Employment by Sector (%)						
Agriculture	39.2	30.0	69.8	37.4	28.4	67.9
Industry	24.0	27.1	13.8	25.4	28.5	14.7
Services	36.8	42.9	16.4	37.2	43.0	17.4

Source: Pakistan Labour Force Survey 2020-2021

Based on this data, there are ~3.22 million Women Entrepreneurs in Pakistan, 3.2m Women Own Account Workers (ie Self Employed Women) and ~17,000 Women Employer

	Total	Men	Women
Labour Force (millions)	71.76m	54.92m	16.84m
Own Account Workers %	35.5%	40.4%	19.0%
No. Own Account Workers	25.47m	22.19m	3.20m
Employers %	1.4%	1.8%	0.1%
No. Employers (millions)	1.0m	0.98m	0.017m

Source: Pakistan Labour Force Survey 2020-2021, team analysis

This equates to Women Entrepreneurship Ratio of 4% (3.2m WE /78.9m working age women) compared to the widely quoted number of 1%.

7. Contribution of WE to the economy

Table 4.24 Average Annual Income of Self Employed by Major Industry Divisions

Major Industry Divisions	Average Annual Income (2020-21)		
	Total	Male	Female
Total	282695	308665	88365
Agriculture, forestry, hunting and fishing	246914	276007	88953
Mining & quarrying	860993	860993	-
Manufacturing	264845	346583	74155
Electricity, gas and water	205185	205527	18000
Construction	413728	413797	360000
Wholesale & retail trade and restaurants & hotels	338084	340747	130575
Transport, storage and communication	258366	258425	179754
Financing, insurance, real estate and business services	561698	561698	-
Community, social and personal services	301946	333354	121005

Source: Pakistan Labour Force Survey 2020-2021

- The average annual income of self-employed WE is PKR88,365
- Multiply by 3.2m WE
- Equals PKR 283b contribution to the economy by Self Employed Women

8. What is the size of the opportunity if we improve WE?

Scenario	No. of SE WE*	Contribution to economy
Current Situation (SE)	3,200,000	283b
Increase SE WE ratio from 4% to 5%, same average annual income	+800,000	+70.7b increase in GDP +~25b reduced social welfare
Increase SE WE average annual Income by 10%	-	+28.3b
Both	+800,000	+124b

*Insufficient data is available to estimate the contribution of Women Employers to the economy. Estimates can be made when FBR publishes gender disaggregated tax data as required under its policy action

9. Segments within the WE population

Within the overall population of WE, we have identified 6 segments based on location and stage of maturity of the WE. It is important to take these differences into account when developing the WE policy and policy actions as there are likely to be different priority and intensity and delivery mechanisms between segments.

Urban Self Employed WE



- Operators of small rural non-farm local businesses
- Generate less than 150m revenue, and employ 1-10 people
- Operate from homes or a community centre
- Often driven by financial necessity, they value the steady income their business provides
- Funded by savings, family & friends, RSPs, MFIs

Rural Self Employed WE



- Rural non-farm, home-based and out of home business owners
- Low level of literacy
- Mostly informal
- Mostly necessity driven
- Funded by savings, family & friends, some RSPs MFI. Gov
- Mostly operate the business as a secondary priority to household work

Urban Small Business



- Operators of small urban businesses
- Generate less than 150m in revenue, and employ 1-10 people
- Serving a large, local customer base, they operate from an office or a co-working space
- Value the steady income potential from entrepreneurship
- Funded by Savings, Family & friends, MFI, MFB, some CB

Rural Small Business



- Operators of small rural non-farm local businesses
- Generate less than 150m in revenue, and employ 1- 10 people
- Operate from homes or a community centre
- Often driven by financial necessity, they value the steady income their business provides
- Mostly informal
- Funded by savings; family & friends, MFIs, MFBs, Agri focused CBs

Agri WE



- Farm-based business owners, focused on growing & selling agriculture products for profit
- May employ people formally
- Mobility constraints mean they usually work full time but from home, selling primarily through offline channels such as local markets, Aarthis and Mundies
- Are engaged as entrepreneurs due to necessity, given absence of other income opportunities
- Funded by savings, family & friends, RSPs, Gov, Agri focussed CBs

Medium Employer



- Rural or urban women with non-farm businesses
- Formal business structure
- Generate >150m-800m revenue or employ more than 10 people
- Operate from a formal office setting
- Equity and Commercial Bank funded
- May access regional, national and international markets and suppliers

The segments and their estimated size is set out in the following table.

WE Segment	Approximate No.*
Urban Self Employed WE	~553,000
Rural Self Employed WE	~873,500
Urban Small Business	~2,900
Rural Small Business	~14,100
Agri WE	~1,775,000
Medium Employer	Very small
Total	~3,218,000

*Calculated by applying the Urban/Rural/Agri split from the overall Labour Force Survey to the population of WE

10. Barriers to Women Entrepreneurship

Based on our review of published literature on WE, interviews with key institutional stakeholders and with a focus group of Self-Employed Women Entrepreneurs, we have identified that there are a number of common barriers that face all SE and Small Employer WE in varying degrees depending on their segment and location. From the review of recent literature, we have some documented some indication of the scale of these barriers.

Barrier	Details	Some examples of the scale of the barrier (see Appendix 2 for more detailed analysis)
Low levels of literacy	<ul style="list-style-type: none"> • Reading, Writing, Maths • Financial literacy • Digital Literacy • Business or vocational skills 	<ul style="list-style-type: none"> • 60% of Rural Adult women are illiterate • 30% of Urban adult women are illiterate • 83% of Woman Labour force has had no vocational training
Restrictions on mobility	<ul style="list-style-type: none"> • Lack of Permission • Lack of access to transport 	<ul style="list-style-type: none"> • Only 30.8% women allowed to travel outside local area for work • Only 35.2% women allowed to travel outside local area for education
Limited Access to Information (A2I)	<ul style="list-style-type: none"> • Lack of local physical sources • Digital sources <ul style="list-style-type: none"> • Low access to internet • Low Mobile phone ownership • Low use of internet 	<ul style="list-style-type: none"> • Only 19% of households have access to the internet • Only 25% of women own a mobile phone • Only 52% of mobile phones are smartphones that can access digital financial services • Only 14% of women use the internet
Limited Access to Finance (A2F)	<ul style="list-style-type: none"> • Lack of Credit history • Lack of Understanding of obligations • Lack of permission from family • No local loan office • Lack of awareness of loan offerings 	<ul style="list-style-type: none"> • ~55% of WE are not aware of financing opportunities from Donors/Government programs • >25% pf women are not aware of what is available from banks • 32% of WE have no credit history which severely limits their ability to borrow
Negative attitudes towards dealing with women in business	<ul style="list-style-type: none"> • Reluctance to buy from women • Reluctance to lend/transact with women businesses • Family not supportive 	<ul style="list-style-type: none"> • 36% of people are reluctant to buy from women business • 29% of people are reluctant to do business with WSMEs • 21% are reluctant to lend/transact with women business
Limited time for WE	<ul style="list-style-type: none"> • Insufficient time for Entrepreneurial activity 	<ul style="list-style-type: none"> • On average, Women spend >4.5 hours a day on domestic duties which limits time for WE

Different intensity of common and specific barriers by segment.

BARRIER	DETAILS	U SE	R SE	U S	R S	M	Agri
LOW LEVELS OF LITERACY	Reading, Writing, Numeracy						
	Financial literacy						
	Digital Literacy						
	Business or vocational skills						
RESTRICTIONS ON MOBILITY	Lack of Permission						
	Lack of access to transport						
LIMITED ACCESS TO INFORMATION	Lack of local physical sources						
	Digital sources: access to internet, mobile phone ownership, use of internet						

BARRIER	DETAILS	U SE	R SE	U S	R S	M	Agri
LIMITED ACCESS TO FINANCE	Lack of Credit history						
	Lack of Understanding of obligations						
	No local loan office						
	Lack of awareness of loan offerings						
NEGATIVE ATTITUDES TOWARDS WEs	Reluctance to buy from women						
	Reluctance to lend/transact with women businesses						
	Family not supportive						
TIME CONSTRAINTS	Lack of time for WE due to time spent on Domestic Duties						

BARRIER	DETAILS	U SE	R SE	U S	R S	M	Agri
CAPACITY AND RESOURCES	Low business and management skills						
	Low availability of highly skilled resources for business operations						
	Affordable specialized financial management services (legal services, audit firms etc)						
	Limited or low information on business formalization (registration, A/c opening etc.)						
	Limited logistical support (input, suppliers, storage, delivery etc.)						
	Market linkages (distributors, suppliers)						
BUSINESS GROWTH AND CONSOLIDATION	Information on product licensing, patents, ISO standards						
	Business Network (Industry/Trade associations)						
	Limited access to regional & international markets						
	Restrictive policies and regulations (e.g., Disincentivized federal/provincial tax regime)						



11. Major areas for potential Policy Intervention /Action

- Improving collection and analysis of detailed WE Data by the Government Departments responsible for regulation and development of their industry sectors, (especially covering the Agriculture and Services sectors)
- Improve Literacy (General, Financial, Digital, Business)
 - Consider inclusion of financial/business literacy in Middle School, Senior School, University, Adult Literacy Centre curriculums
- Broaden access to WE Information/Services by leveraging existing social/commercial infrastructure for delivery /access to WE relevant information including:
 - NRSP/RSPN community outreach officers
 - BISP physical network
 - Digital platforms of Telcos, MFBs, Commercial Banks to access women customers
 - PPP with corporates that have a vested interest in more WE using their platforms of products – eg Google, Microsoft, Engro, Nestle, Nike, Meat processors, Cotton producers, Textile companies
- Include minimum targets in government procurement policies to purchase from WE
- Additional areas will be developed during the next phase of the project.

12. Stakeholder Ecosystem Map

During the course of this study we have developed a map of the key stakeholders including:

- Federal Departments and their WE relevant policies
- Provincial Departments and their WE relevant policies
- Develop Organizations/NGOs
- Incubators, etc
- Trade Associations
- Financial Institutions

Major representatives in each category have been interviewed as part of this study.

13. Next Steps and indicative timelines

13.1. Barriers to Women Entrepreneurship Study finalized and endorsed (Feb-Mar 2023)

- Presentation of this study to Consultative group
- Endorsement of the study by Consultative group

13.2. Develop Women Entrepreneurship Policy & Action Plan (Mar-Jun 2023)

- Conduct One-one meetings with key stakeholders on policy development
- Review of existing policies
- Develop proposed Women Entrepreneurship Policy in conjunction with key stakeholders
- Develop Action plan for implementation of policy

13.3. Review & Sign off Women Entrepreneurship Policy & Action Plan (July- Aug 2023)

- Strategic workshop with consultative group
- Approval of policy and action plan for implementation of policy
- Publication of Women Entrepreneurship policy document

13.4. Roll out and Implementation plan for Women Entrepreneur policy (Sep- Dec 2023)

- Implementation of policy actions targeted for 2023
- Publication of implementation report

14. Conclusion and Action Required

We hereby submit this study of the Barriers to Women Entrepreneurship for your endorsement.