



studied and found evidence of a causal relationship between the development of enterprises, poverty mitigation and management of the financial policy. However, these critical factors have been challenging features to attain the global Millennium Development goals (MDGs) by 2015.

Depending on the situations of developing countries, there is an almost declining trend in employment opportunities for female workers. Therefore, they are encouraged to create jobs for themselves and become entrepreneurs. There is a long way to go for female entrepreneurs to compete and achieve the level of men-owned enterprises. It is a commonly observed phenomenon that female-owned businesses are smaller compared to men-owned businesses (Blank, 2010; Bruhn, 2011). The encouragement of female entrepreneurs requires a detailed analysis of environmental and social factors affecting them, and policies pursued by the government to promote them. A deep analysis will help the government to formulate policies, identify gaps in policies and social set up.

Financial market i.e. microfinance institutions are a source of funding to poor and assist the poor business owners to establish and successfully run their ventures either individually or jointly. At the start, this sector was only providing services based on gender while over time, when female entrepreneurs invested in long run projects and became the largest source of funding, it became a part and parcel of microfinance institutions as a tool to mitigate poverty. It is strongly believed in the literature that economic integration and globalization stream into developing countries brought the idea of women entrepreneurship there. Whereas, this concept has been a diminished idea before this (ILO, 2006).

Over time, innovations are continuously being introduced in this concept of women entrepreneurship together with risk-bearing. It has been realized by researchers and policymakers that it is a potential channel to uplift the growth index and responsible to bring employment opportunities, profitability, and innovation in the long run. As pointed by Ghani *et al.* (2011), women constitute a group of the major driver to economic growth for the last few decades. Women entrepreneurs constitute human resources meant to overcome the economic challenges globally. As argued by Kalim (2012), female entrepreneurs are an important human resource that helps meeting the economic challenges in the modern high tech world and to empower women. They diversify the production services, Stevenson and Onge (2005). The role of this sector in poor countries is different from the developed world. Iaona (2007) mentioned that the contribution of female entrepreneurship varies from country to country and region to region depending upon several factors including their cultural and ethical beliefs, their access to natural resources and policies pursued at the national level to promote female entrepreneurship.

As far as the case of Pakistan is concerned, it is ranked as 132 out of 134 countries in terms of economic activities pursued by women Nadgrodkiewicz (2011). On the same lines, Global Entrepreneurship Monitor GEM (2010) reported that female entrepreneurship is approximately 4% less than the male activity of entrepreneurship in Pakistan. A government of Pakistan survey conducted revealed that approximately 6.6 million people are employed in the household and out of the approximately 0.5 million are women. 15% of these employed females are proprietors and self-employed, while 30% are serving as unpaid workers, and the rest of all (55%) are paid, workers. Like other developing regions, in Pakistan female-owned businesses are in sub-sectors like fresh designing, food retailing, knitting and dressmaking. Against this backdrop, there is little evidence on the research

based on the issue of female entrepreneurs as per developing countries and specifically for Pakistan.

According to the GEM (2016) survey, the entrepreneurial ventures in Pakistan, while the female enterprise's contribution is lower than 3.43%. Compared to male entrepreneurs, which is four times of this. This calls for research focusing on business, which are either home, based or non-home based, run by female entrepreneurs to get an idea on the state of female enterprises in Pakistan. This will serve to highlight the role played by females to make their household financially viable.

To run small businesses, the poor need credit for financing. Microcredit Summit (1997), argued that microfinance provides credit to poor families and helps them creating job opportunities. Furthermore, the World Bank asserted that it is a tool to address the issue of poverty and income inequality. Similarly, Islamic microfinance market is an important source, which plays an important role in the development of the economy, by providing financial services without interest (riba)

### **Objectives /Organization of the Study**

The present analysis is intended to meet the following broad objectives:

- ✓ How different Islamic Financing techniques can be used as a mode of Microfinance.
- ✓ Pinpointing the major social, environmental, legal and economic factors affecting the performance across female entrepreneurs in Pakistan.
- ✓ Identifying, and highlighting the obstacles to the operation of female-owned enterprises.

### **Review of Literature**

The evidence of a theoretical and empirical relationship between microcredit and economic development through sound women entrepreneurship has been found in numerous studies. Akter et al (2018) studied the relationship between women entrepreneurship and microcredit programs from a social service perspective. The study conducted for women borrowers who utilized funds to run small businesses. The indicators of success showed that utilization of microcredit resulted in development from a social perspective and helped to improve the overall development. Shajahan (2017) discussed the role of Islamic microcredit for the enhancement of entrepreneurship in women in Bangladesh. The study discussed that although conventional microcredit programs have received noticeable success in fostering economic growth through women's credit programs, still there is a space available for the Islamic microcredit program. The study utilized the existing literature review and explained its significance. Bruhn (2009) studies the performance and profitability of female-owned firms in developing countries, with a special focus on Latin American countries. The study employed data from different secondary data sources and found that for small-sized firms profitability of male-owned firms is higher than female-owned firms. As far as the obstacles to growth were concerned, the study highlighted that the difference in profitability is not caused by credit access or regulatory burdens specifically. A critical finding of the study suggested that as a general practice, in terms of sales, cost structure and size of workers, female enterprises are less in number.

Blank (2010) documented the evolution in female-owned enterprises and businesses over time. Including the reasons for differences between these two kinds of enterprises, this report also discussed and highlighted the outcomes of these differences. The study







repayment are settled according to an agreed contract. However, Credit risk is involved in this case.

Microfinancing holds a central place in the case of Pakistan, where there are hundreds of nonprofit organizations, NGOs, programs from international development funds that are in action to alleviate poverty through microfinancing. In this context, the role played by Pakistan Poverty Alleviation Fund (PPAF) is highly appreciable, as females entrepreneurs as most of their creditors comprise of females (Mustafa & Ismailov, 2008) have utilized majority of the funds provided by them. National Rural Support Program (NRSP) and Khushali Bank and First Women Bank Limited have initiated similar efforts. All these institutes are meant to improve the state of women in Pakistan and hence contribute to the overall development targets (Micro watch, 2008). These are not only credit providers, rather serve through training programs, introducing innovative business opportunities and advisory of business management at large scale across the country.

### **Methodology/ Sample**

The present research study tried to explore the way, Islamic microfinance is an answer to improvement in women entrepreneurship. However, the second part of this study highlights social and environmental factors acting as a hindrance to female-entrepreneurship development. To collect information on their demographic profile including information on their age group, age at which they started a business. The study used a convenient sampling method and 55 women entrepreneurs were chosen (24 women from the formal sector and rest from the informal sector). The data is collected from women running their businesses by funds taken from formal (Akhuwat Foundation) and informal sector (family members, relatives and money savers), member-based organizations, and NGOs.

### **Results Interpretation**

The present research study is exploratory in nature, data is collected through questionnaires, and semi-structured interviews. Table 1 below pinpoints the factors responsible for causing hindrance to the development or operations of female entrepreneurs in five major administrative units of Pakistan.

#### ***A Snapshot of Major Findings***

We divided the whole sample into major divisions of all the provinces. The details of findings for all provinces are as under:

#### **Punjab**

We collected data from major divisions of Punjab including Multan, Lahore, Bahawalpur, and Rawalpindi. The entrepreneurs thus selected mentioned that access to capital, information, networking channels, and guidelines from their peers are major factors, which act as a hindrance to their business. Also, a few of them told that gender discrimination, their family responsibilities, and social unacceptance also deter their working as an entrepreneur.

#### **Sind**

The data is collected from Mirpur Khas, Karachi and Hyderabad. The entrepreneurs

selected highlighted that gender biasedness, work and family life balance, security and above everything the lack of access to finance are among major factors hindering the women entrepreneurs to start and develop their businesses.

### **Baluchistan**

The data is collected from major divisions of Quetta, Kalat, and Sibi. The major constraints to their business include cultural constraints, security, and lack of managerial skills, lack of networking facilities to talk and negotiate with banks, their dual roles, their marketing skills and abilities and lack of provision of support from the government.

### **KPK**

The major areas include Bannu, Kohat, Hazara, and Peshawar. The constraints highlighted by women working in these areas include unequal access to market opportunities, less knowledge about marketing and business strategies, security issues, gender biasedness at its peak and access to proper banking finances.

### **Conclusion and Recommendations**

We conducted this analysis to find out the barriers to women entrepreneurs in the country and the role of Islamic microfinance institutions to enhance the female entrepreneurial efforts in the country. The major findings show that microfinance institutions are providing funds to start and run the businesses to female business owners. Out of our sample in this study, 62% are those who use this fund facility for their business while the rest of 38% use funds from different sources. There are various factors, which have been highlighted by these women, which act as a hindrance to their performance. Along with other social and cultural barriers, their access to finance, lack of proper training, advisory on how to run business and access to their peers for their feedback and advice are among major factors. The government and policy institutes must put all their efforts to provide these facilities to them for the smooth functioning of this sector.



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