3. Catalyzing Women's Growth Entrepreneurship in Pakistan's Cities: Data from Karachi and Lahore

Enabling women's entrepreneurship can help boost growth, create jobs, and encourage more women to enter the labor force

Pakistan has the lowest rate of women's entrepreneurship in the world – only 1 percent of women are entrepreneurs compared to 21 percent of men.[137] Less than 12 percent of firms have female participation in ownership compared to more than 18 percent in South Asia and 34 percent globally.[138] Of these, only 6 percent of firms have majority female ownership, which is nearly half the South Asian average of 11 percent.[139] Enabling women to start a business and reducing growth bottlenecks for women who already own businesses can play an important role in boosting growth, creating jobs, and encouraging more women to enter the workforce.[140] This is particularly relevant in the case of Pakistan where more than 2 million people are expected to join the labor force every year over the next 20 years with 1 million women expected to join the labor force every three years[141] – thereby accentuating the need to stimulate entrepreneurship that can provide labor force entrants with viable job opportunities.

In Pakistan, however, women's entrepreneurship is still limited...

Gender disparities in entrepreneurship are stark in Pakistan. According to the 2012 Global Entrepreneurship Monitor (GEM) Women's Entrepreneurship Report (the last GEM gender report to include Pakistan), women are about 60 percent less likely to perceive business opportunities than men and only 34 percent of women consider themselves capable of starting a business compared to 61 percent of men. This situation persists despite the relatively high participation of women in higher education in Pakistan, with more than 45 percent of tertiary students being women.[142] Moreover, 72 percent of the women who engage in entrepreneurship have done so due to 'necessity' motivations[143] compared to 52 percent of men. This is much larger than the regional figure, where 43 percent of women report 'necessity' motivations. Women are almost three times less likely to know an entrepreneur compared to men,[144] pointing to a glaring disparity in women's networks and, consequently, their ability to gain access to information and business networks – considered crucial for entrepreneurial success. Women entrepreneurs also tend to have smaller businesses, with 89 percent of new women-led businesses reporting no employees compared to 26 percent of the businesses led by men. Even among established businesses,[145] 48 percent of women-led businesses have no employees compared to 24 percent led by men.

…due to the disproportionate barriers women face when starting a business

The gender disparity in entrepreneurship is not surprising when one considers the disproportionate challenges facing Pakistani women. They face legal constraints that directly affect their ability to engage in entrepreneurship. Married women in Pakistan cannot register a business in the same way married men can; inheritance laws disadvantage women and limit their access to assets,[146] thereby affecting initial endowments for businesses and their ability to access credit using collateral; and discrimination based on gender or marital status is not explicitly prohibited.[147]

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137 Global Entrepreneurship Monitor 2012 Women's Report (Pakistan was not included in the 2014 Women's Report).
138 Enterprise Surveys, World Bank, 2013. http://www.enterprisesurveys.org/data/exploreeconomies/2013/pakistan#gender
139 Ibid.
140 http://www.worldbank.org/en/programs/women-entrepreneurs
141 Pakistan Country Partnership Strategy FY15–19, World Bank, 2014.
142 UNESCO UIS.
143 Those with 'necessity' motives entered entrepreneurship mostly because they have no other options for work, while entrepreneurs with 'opportunity' motives chose to pursue an opportunity.
144 GEM 2012.
145 Established business owners are those who have run their business for more than 3.5 years.
146 There are province-level variations in laws influencing women's access and ownership of assets.
147 *Women, Business and the Law*, World Bank, 2016.

New granular data has helped understand these barriers better

With data on Pakistani female entrepreneurship being dated and not specifically focused on the 'opportunity' entrepreneur segment, there is a gap in understanding the scale and characteristics of the cadre of growth-potential women entrepreneurs operating in the country. To gain a deeper understanding of this growth-potential segment of women's businesses, beyond the usual subsistence level of entrepreneurship, unique pioneering surveys of over 1,000 women entrepreneurs were undertaken in the two largest commercial centers in the country, Karachi and Lahore, in 2015 and 2016 respectively. The objective was to better understand the characteristics of opportunity-seeking women entrepreneurs in these cities and to inform policymaking and program design, particularly given the very limited data available on women entrepreneurs prior to these surveys.[148]

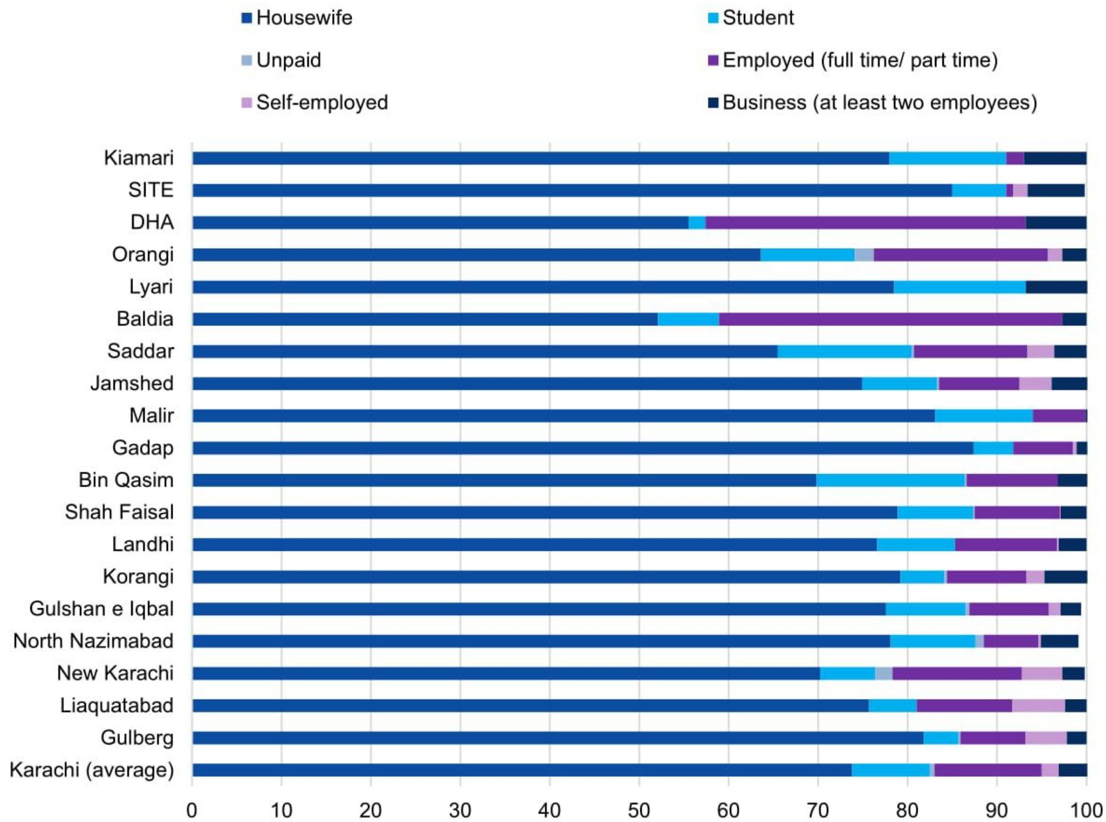
a. Drilling Down: City-Level Surveys in Karachi and Lahore

Even in metropolises such as Karachi and Lahore, very few women run their own business

The city-wide survey in Karachi finds that the entrepreneurship rate is very low among women and there is significant geographic variation in the rates across the city. As **Figure 36** illustrates, women's entrepreneurial activities vary significantly across geographical areas in the city. Interestingly, only two high-income areas, Jamshed and the Defence Housing Authority, are among those with higher entrepreneurship rates. Moreover, women-led businesses are concentrated in the services sector (e.g., beauty, business support), with around 66 percent of the women-owned businesses in the sample located in this sector. About 10 percent operate in the retail/sales sector. The remaining 24 percent are in manufacturing. On average, 5 percent of women are engaged in entrepreneurship of some kind, but only 3.2 percent fit the proxy criteria for growth-potential entrepreneurs (in business for at least 18 months and employing two full time employees).

[148] The methodology used in both city surveys was similar, but not identical. In total, 626 interviews were conducted in Karachi in 2015 and 423 interviews were conducted in Lahore in 2016/17, with both surveys seeking to survey a representative stratified sample of women entrepreneurs from the various districts and towns of Karachi and Lahore, using 1998 census information. The survey was administered in Karachi to women entrepreneurs already in business for a minimum of 18 months and employing at least two full-time employees, while in Lahore the survey was administered to women entrepreneurs in business for a minimum of 12 months. Both surveys employed additional sampling strategies to account for security considerations, the growth and change of both cities since the 1998 census, and the low incidence of women's entrepreneurship experienced (2.72 percent in Lahore, 5 percent in Karachi, with even lower rates emerging when factoring in the additional respondent selection criteria). Despite these methodological challenges, the survey provides revealing information about the characteristics and challenges of growth-potential women entrepreneurs in Pakistan's two largest cities.

Figure 36: Geographic distribution of women's economic activities in Karachi
Percent



Source: World Bank survey of women entrepreneurs in Karachi, 2015.

Women-owned businesses are concentrated in traditional sectors associated with women…

The rate of women's entrepreneurship is lower in Lahore, at 2.72 percent. Almost three quarters of the surveyed entrepreneurs are concentrated in education, salons, and apparel. Within the education sector, home-based tuition centers and medium-to-large schools are most prominent, with an average of four employees, followed by beauty salons, which tend to be smaller with an average of two employees. The apparel sector constitutes 18 percent of the sample and the primary motivation to enter the sector is the ability to earn while working from home. Overall, services far outweigh 'buying and selling' and 'retail', with over 75 percent of Lahore's female entrepreneurs in this category.

…and their owners tend to be more educated than the average Pakistani woman

Women entrepreneurs in Karachi and Lahore tend to be more educated than the average national population and are confident in their entrepreneurial traits and abilities. More than 65 percent of the women in the Karachi survey had completed middle school, followed by 16 percent with higher education. About 17 percent had no formal education or only primary schooling. In Lahore, more than half the sample (56 percent) had attained higher education (a graduate or postgraduate degree or a doctorate), followed by 37 percent who had matriculated or obtained an intermediate degree. Only 7 percent of respondents in Lahore had no formal education, or primary and secondary schooling. This result contrasts with the overall educational attainment levels in Pakistan: according to the Barro-Lee educational attainment database[149], 59.2 percent of women over 15 in Pakistan have no formal education, 11.2 percent have primary education, 14.6 percent have secondary education, and 3.5 percent have attained tertiary education.[150] The data also shows that most women in both cities have little work or business experience before starting their businesses and that gaining independence and entrepreneurial motivation are important reasons for starting a business.

Encouragingly, basic management practices are in place in such businesses…

Women entrepreneurs in both cities follow some management practices, but there are other practices that are not followed widely. The Karachi survey reveals that best managerial practices are far from being adopted, and both the quality of managerial practices and education levels are strong predictors of business performance in the sample. The Karachi and Lahore entrepreneurs in the sample tended to follow good bookkeeping practices, including records of sales (79 percent Karachi, 94 percent Lahore) and of what is owed (71 percent Karachi, 94 percent Lahore); examined and assessed their business at least monthly (70 percent Karachi, 75 percent Lahore); and had business plans (54 percent Karachi, 89 percent Lahore). There is room for improvement in several other commonly regarded good practices, such as keeping good documentation appropriate for loan applications (52 percent Karachi, 19 percent Lahore), gathering information on competitors' prices (12 percent in Karachi, 8 percent in Lahore), implementing special offers (15 percent in Karachi, 10 percent in Lahore), and using formal accountancy services (11 percent Karachi, 8 percent Lahore).

…but women entrepreneurs often lack autonomy

However, the women entrepreneurs surveyed lacked autonomy. Entrepreneurial attitudes such as self-efficacy, autonomy, and self-confidence are crucial aspects of entrepreneurial success. The survey reveals that lack of autonomy does not emerge in terms of the time available for the business, but in the choice of business premises (probably because about 61 percent of the Karachi respondents and 80 percent of the Lahore respondents had businesses located at home) and, above all, in the ability to make key business decisions (for example, 80 percent of the respondents in the Karachi services sector required permission from their families to start a business, as did 85 percent of respondents in Lahore). However, a related dimension of lack of autonomy is heavy family involvement in the business (for example, around two thirds of Karachi women, 65 percent in manufacturing and 70 percent in other sectors, had family support to start their businesses). This limited autonomy explains differences in firm performance, with the need for family permission negatively correlated with business performance (sales and employment). In Lahore, family involvement had the positive element of translating into tangible financial support that women entrepreneurs received from family and friends, with nearly 30 percent borrowing money from family and friends. However, this presumably is accompanied by the ability of lenders to interfere in the operation of the business.

Most women start a business out of necessity rather than opportunity…

Most entrepreneurs appear to have 'necessity' aspirations or a mixture of both 'necessity' and 'opportunity' aspirations, although these differing motivations do not seem to affect firm performance. In Lahore, almost 80 percent cited income generation as their primary motivation for starting a business (potentially implying necessity

[149] R. J. Barro and J. W. Lee. 2013. 'A New Data Set of Educational Attainment in the World, 1950–2010', *Journal of Development Economics*, 104: 184–198.
[150] World Development Indicators 2016.

motivations). Only 19 percent cited the desire to be independent or to capitalize on business opportunities as the impetus for starting a business. The most commonly cited reason for engaging in the current business were its perceived profitability, followed by the desire to work from home, and the availability of business opportunities. This potentially implies that, even though women-led businesses are concentrated in the typically low-productivity services sector, women entrepreneurs perceive these as being high-profitability ventures – pointing to an information gap.

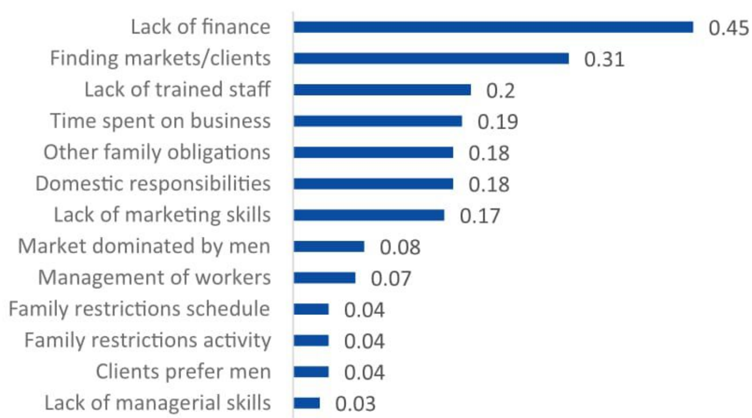
…but they remain informal

Women entrepreneurs in both cities are largely informal, which undermines their potential to grow, and tend to operate in isolation from associations or chambers of commerce. For example, 89 percent of women-owned businesses in Lahore were not registered with any official authority.

…and struggle to access appropriate financial services

Access to finance and social constraints were identified as the main challenges for women entrepreneurs in Karachi and Lahore. As **Figure 37** illustrates, social constraints, including family restrictions and domestic obligations, were identified as the main constraints by most Karachi women,[151] followed by access to finance. A significant proportion of entrepreneurs found access to finance to be the main constraint to their business and had never applied for credit. Family loans were the most common source of business finance. **Figures 38 and 39** illustrate the situation in Lahore, where lack of finance also dominates as a constraint (respondents were asked to identify three main constraints), followed by family responsibilities and finding new markets. This is a significant finding, given Karachi and Lahore's status as the largest commercial centers in the country, where presumably there would be greater availability of finance and a culture more open to women's entrepreneurial activities. These challenges are likely to be more intense in smaller urban centers.

Figure 37: Main constraints for women entrepreneurs in Karachi
Scale of 0 to 1

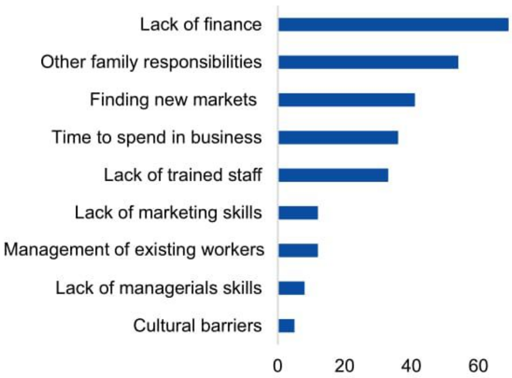


Source: World Bank survey of women entrepreneurs in Karachi and Lahore, 2015 and 2016.

[151] Aggregating categories: family restrictions – schedule, family restrictions – activity, a market dominated by men, domestic responsibilities, other family obligations, and clients' preference for men.

Figure 38: Main constraints for women entrepreneurs in Lahore

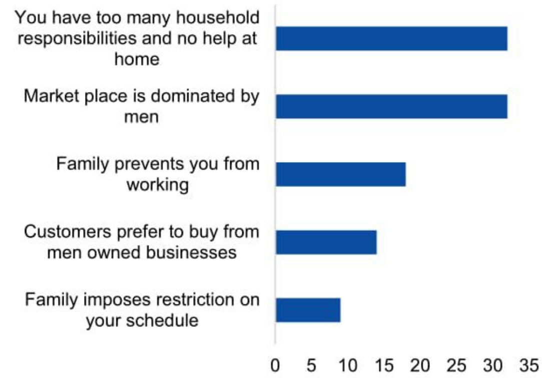
Percentage of survey respondents



Source: World Bank survey of women entrepreneurs in Karachi and Lahore, 2015 and 2016.

Figure 39: Sub-set of cultural barriers

Percentage of survey respondents



Source: World Bank survey of women entrepreneurs in Karachi and Lahore, 2015 and 2016.

b. Looking Ahead: How Can Pakistani Women Entrepreneurs Best Be Supported?

Tailored approaches are required to ensure that programs for women entrepreneurs meet their needs

What is of concern is that, even in the largest commercial centers of the country, entrepreneurship rates remain low among women. This implies that not many women enter entrepreneurship despite the relatively high proportion of women in higher education. Bringing more women toward entrepreneurship, therefore, is a key area of focus. This data, along with program implementation experience from Pakistan and elsewhere, suggests some key areas for future support delivered to women entrepreneurs:

i. **Improving the business-enabling environment for women is key to incentivizing their participation in entrepreneurship and their economic participation more generally.** Also, legislation to make work places safe and policies and programs to boost women's access to infrastructure, like public transport, improves the overall conditions for women's economic participation.

ii. **Peer networking and learning is the most useful form of support, according to women entrepreneurs.** Women entrepreneurs report isolation from peers and mainstream business networks, which directly affects their access to information, markets, and growth opportunities. Moreover, networking requires communication and negotiation skills, which can also be delivered through support programs.

iii. **Women's entrepreneurship support programs in Pakistan need to enhance the managerial capacity of participants.** As the baseline surveys show, management practices in women-led enterprises have considerable room for improvement. High-quality training curricula, leveraging easily accessible delivery channels (in-class and/or digital), is key to scaled-up capacity building.

iv. **Support strategies to enhance women's autonomy and reduce social constraints need to be an explicit focus.** With lack of autonomy being a consistent characteristic of women's reported interactions, from when and where to start a business to the time allocated to business activities and growth planning, women entrepreneurs are forced to navigate complex, competing demands on their time. In Pakistan, women's economic participation and role in public life is circumscribed by norms that restrict their mobility and access to male-dominated spaces (such as markets and trading places). Opening up these places to women's role and presence requires facilitating networks and mentoring. Social norms that constrain women will take longer to change and increasing women's domestic autonomy is likely to be an iterative, incremental process, helped along by strategies that engage with communities, families, and men. These strategies may potentially include public awareness campaigns to positively influence social norms related to women's access to public spaces such as transportation; decision making roles; and unpaid care work.

v. **The role of finance needs to be better understood and designed in a way that best suits women.** While access to finance was one of the most commonly cited challenges among women entrepreneurs in the sample, they did not consider formal finance to be a viable option, given their aversion to paying interest, lack of knowledge about the implications of taking on debt, and the perception that their financing needs were well met by personal sources such as family and friends. Financial products more closely tailored to the needs of women entrepreneurs may thus be needed.

vi. **Customizing entrepreneurship support programs for women.** First, one of the main challenges of existing support programs is to screen 'necessity' from 'opportunity' entrepreneurs. The results from the surveys suggest that managerial practices and education can be important predictors of opportunity entrepreneurship among women. Second, outreach is a problem. Most women-led businesses do not belong to any networks and operate in isolation. Even where groups exist, such as the Women's Chambers of Commerce, they are perceived as inhospitable by most women entrepreneurs. The creation of women's networks, not only for participants to programs, but more generally, such as via chambers, accelerators, SME development agencies, trade associations and universities, needs to be a priority. Third, trainings need to move beyond technical issues and focus on managerial practices and soft skills. Fourth, and most important, the content of these programs needs to aim, in addition to improving the quality of managerial practices, at increasing the autonomy of women in business decision-making, possibly by including male and older family members in programs to address social norms around control over assets and decision-making.