

## Empowering Women through Microfinance: A Case Study of Pakistan

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**Abstract:** The purpose of this paper is to critically evaluate the increasingly important topic of women empowerment which plays a determining role in the economic development of any nation. The paper is designed to study the empowerment of women through microfinance in the context of a developing nation like Pakistan. Pakistan is a largely patriarchal society where women face numerous challenges in terms of setting up and managing business ventures while respecting the cultural norms and practices deeply embedded in the society. This a review paper and the methodology used is desk research. A number of scholarly articles and reports have been reviewed to get an insight into this topic. The paper mainly attempts to identify the definition of empowerment, women empowerment; major challenges faced by women globally, Pakistani women in the labour market, the outreach of Microfinance Institutes to women entrepreneurs in Pakistan. Last but not the least, it provides recommendations for the future on how to further increase women empowerment in Pakistan.

**Keywords:** Empowerment, Women Empowerment, Microfinance, Development, Labour market, Women entrepreneurs.

### INTRODUCTION AND BACKGROUND

The World Bank recognizes empowerment as a primary component of a nation's development [1]. Furthermore, the role of women in economic development has been identified as critical which brings us to the increasingly important topic of Women Empowerment.

Women Empowerment has been given much attention over the past few decades due to the fact that women play an undeniably vital role in the socio-economic development of a nation. So much so, the United Nations' Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs) list 'Promote Gender Equality and Empower Women' as the third and fifth goal respectively [2-3]. However, it is widely understood and rightly so that achievement of goals such as promoting gender equality and empowering women is substantially affected by factors such as a stable government, physical and mental health, financial and socio-economic support as well as basic infrastructure [4]. Growing evidence shows that the accessibility of particularly the women, to financial services is a key determinant of women empowerment [4]. This draws us to the second part of the topic that looks at the role of Microfinance in empowering women. The Khushhali Microfinance bank in Pakistan, built in 2000, refers to microfinance as "banking for the poor" [5]. Men and women rely on their entrepreneurial skills and financial products offered by the Microfinance Institutes to establish and run business ventures. The Khushhali Microfinance bank further states that poor people usually borrow money in small amounts (less than US\$200) which are repaid within six

months to a year [5]. Muhammad Yunus, the pioneer of microcredit and microfinance, rightly asserts, "The developing world is full of entrepreneurs and visionaries, who with access to education, equity and credit would play a key role in developing the economic situations in their countries". Generally, microfinance has shown to improve the standard of living for people of the developing nations by providing them with opportunities that pull them out of poverty as they engage in entrepreneurial activities.

### EMPOWERMENT

Much confusion looms around the formal definition of the word empowerment. The word empowerment has been assigned various definitions depending on whether the context of its usage is sociocultural, political, or economic. World Development Report 2000/2001 states that an extensive discussion regarding the definition of the word has led to the conclusion that in its sociocultural or political context, the word has several meanings which include the ability to be strong, ability to have self-control or self-power, ability to rely on one's self for decision making, ability to live a life with dignity, ability to fight for individual or collective rights, and so on and so forth [6]. The report further established and rightly so,

that the definition varies widely based on the local value and the belief system of the society it is embedded in [6].

The World Bank, 2002, describes empowerment as, “Increasing the capacity of individuals or groups to make choices [about what they want] and to transform those choices into desired actions and outcomes” [6]. The definition can further be divided into two parts in an attempt to employ it in the economic context:

- Shedding additional light on the first part of the definition that states, “increasing the capacity of individuals or groups to make choices” can be explained as providing the necessary skills and resources required for making choices that result in rational economic decisions in order to increase the capability of an individual or a group.
- The second part of the definition that states, “To transform those choices into desired actions and outcomes” can be understood as facilitating in transforming the skills and resources by providing them with a platform to produce goods and services that have an economic value in the society they live in.

Hence, in the economic context, the empowerment can be defined as increasing the capacity of an individual or a group by providing necessary skills and resources along with a platform for them to be able to produce goods or services that have an economic value permitted by the sociocultural and political circumstances at hand.

### **WOMEN EMPOWERMENT**

Kofi Annan, the seventh UN Secretary General highlighted the importance of women empowerment in the UN Commission on the Status of Women (CSW) held in February 2005 by stating, “There is no tool for development more effective than the empowerment of women” [7]. While it is widely agreed upon that women empowerment is an important element of economic growth as women not only constitute a part of a society but their role is cross-cutting since they are members of several disempowered subsets of society like the poor, ethnic minorities, religious minorities, etc [1], the conceptual understanding of women empowerment remains an open area of discussion.

As we now know what constitutes empowerment, let us turn our attention to what is understood by women empowerment. Undoubtedly, the social and cultural context is particularly important for studying and understanding women empowerment due to the fact that the concept may vary from culture to culture or society to society. By integrating the definition of empowerment as discussed in the first section, we can generally define women empowerment as, “Increasing the capacity of a woman or a group of women by providing them with the much needed

resources along with a platform which permits them to make choices and decisions that allow them to be a productive member of the society”.

Additionally, during the process of women empowerment, it is important to emphasize that the measures taken by the state or other bodies should carefully encapsulate the local beliefs and the value system so as to build on the cultural strengths.

In this paper, we shall focus on the role of women entrepreneurs in the labour market and the process of empowerment through microfinance. In the next section, we shall discuss the challenges faced by women in the labour market globally.

### **CHALLENGES FACED BY WOMEN IN THE LABOUR MARKET GLOBALLY**

Despite massive efforts, particularly, by United Nations, women still face numerous challenges in the labour market globally. The Millennium Development Report 2015 establishes that women continue to encounter discrimination in terms of access to work, economic assets as well as representation and participation in the decision making process be it at personal or societal level [8]. The report further states that it is more likely for women to live in poverty as compared to men. For instance, it is recorded that in the regions of Latin America and the Caribbean, the ratio of women to men in poor households increased from 108 to 117 women for every 100 men from 1997 to 2012, despite the fact that poverty rates for the entire region have declined during the mentioned years [8]. To emphasize, the primary reason noted for the gender based poverty is the fact that women still remain disadvantaged in the labour market. The report claims that approximately half of working-age women participate in the labour market in comparison to three quarters of working-age men [8]. Additionally, it is highlighted that on an average women earn about 24 percent less than men globally. The data recorded on unemployment rates by level of education shows that 85 percent out of 92 countries studied from 2012 to 2013, women are clearly at a disadvantage as women with higher levels of education remain unemployed than men with the same level of education [8]. At the end of Millennium Development Goals, it was concluded that more work needs to be done for gender inequality and women empowerment which made it necessary for United Nations to make it as goal 5 of Sustainable Development Goals which are targeted to be achieved by 2030. The Sustainable Development Goals Report 2017 suggests that the goal of gender inequality and women empowerment requires steadfast efforts and clearly defined framework to overcome gender-based discrimination [9]. The surveys taken in the years from 2005 to 2016 suggest that one out of five girls and women ranging from age 15 to 49 have reported to have been subjected to physical or sexual abuse. Furthermore, data collected between 2000 and 2006

estimates that globally women tend to spend three times more on unpaid domestic activities as compared to men [9]. Women representation in the parliament remains as low as 23.4 percent in 2017. Studies (2009-2015) based on 67 countries showed that less than a third of senior level and middle management level positions were assumed by women [9].

As evident in the reports by United Nations, we know that women face numerous challenges worldwide. Now we shall discuss some of the prominent issues encountered by women in the labour market, particularly as entrepreneurs. According to a research carried out by United Nations in 2006, women entrepreneurs face challenges like rules and regulations by the state government, little or no access to finance, lack of access to information technology, inability to build an infrastructure and other facilities that increase efficiency and result in the growth of business.

Furthermore, study by Mayoux [17] and United Nations [18] concluded that financial management issues, liquidity problems, lack of managerial skills, poor record keeping of sales and transactions, sales and promotion issues, human resource management, social and business network limitations, lack of entrepreneurial advice, low level of demand are a prominent set of barriers to mention a few [10]. Furthermore, other barriers highlighted are cultural obstacles, no motivational vigour, and transition problems [10].

Anshuja Tiwari in her book Women Entrepreneurship and Economic Development, names a few challenges in the case of India. It is important to highlight here that the socio-cultural, political and economic conditions for countries across the region are largely shared. Thus, it would not be wrong to say that most of the issues faced in India stand true for Pakistan as well. Tiwari suggests [11]:

- *Lack of motivation:* One of the issues faced by women entrepreneurs is lack of motivation for independence and assuming roles other than the traditional roles inflicted upon them by the society.
- *Lack of access to financial capital:* Difficulty in acquiring funds due to the inability to provide collateral and following the conventional but complicated bank loan procedures deter them from starting a business venture. On the other hand, personal savings or loans from relatives are inadequate as well as unreliable for a business to run smoothly.
- *Inability to market the goods and services:* Women encounter issues in marketing and sales of their goods and services due to inability to reach out to people. This in turn, allows the middlemen to capture a huge chunk of the profit made.
- *Scarce raw materials:* Women entrepreneurs have problems in terms of availability of raw materials

which results in the downfall of their business venture.

- *Competition by the rivals:* Many businesses setup by women entrepreneurs are not structurally organized which puts them at a disadvantage as compared to other well organized businesses.
- *Inefficient production:* High costs of production due to lower levels of skills and inability to operate under economies of scales negatively impact women entrepreneurs.
- *Family Responsibility:* Women entrepreneurs are expected to fulfil familial responsibilities by striking a balance between work and home. This usually results in a conflicting situations resulting in poor decisions and unhealthy outcomes.
- *Discrimination:* One of the most prominent challenges faced by women entrepreneurs is the societal hindrances. Women entrepreneurs face discrimination despite claims of constitutional equality between the two genders.
- *Vulnerability to risk:* Undoubtedly, women entrepreneurs are more vulnerable to risk and have a lesser ability to bear economic risks as compared to men since they are usually devoid of specialized skills or training.
- *Inadequate knowledge or skills:* Literacy rate among women in countries of South Asian region is relatively low which puts women at a disadvantage as entrepreneurs as they remain behind in terms of growing technology, marketing strategies, and insufficient information are just a few examples.

## PAKISTANI WOMEN IN THE LABOUR MARKET

Women's Economic Participation and Empowerment – Status Report 2016 published by United Nations rightly asserts that women's economic empowerment (WEE) is a multifaceted issue on its own [12]. Pakistan's humanitarian crises as well as complex emergencies over the course of the past fifteen years has added to the challenge [12]. Although Pakistan has remained a prominent signatory to numerous International Labour Organization (ILO) conventions, yet according to The Global Gender Gap Report 2015, Pakistan stands at 143 in terms of economic participation and opportunities and 135 in education acquirement [13].

In the context of Pakistan, the social and economic vulnerabilities cause women to remain underpaid and overworked. This situation occurs despite overcoming structural as well as social barriers that stand in the way when seeking employment. This is largely due to the fact that women representation in micro and macroeconomic policy making is minimal which results in government architecting policies that aim at generating more income rather than putting an effort to bring women upfront in economic activities.

Furthermore, according to the Women's Economic Participation and Empowerment – Status Report 2016 by United Nations, only twenty six percent of the Pakistani women participate in the labour force for the age group 15-64 years which approximately accounts for 14.4 million Pakistani women while 41 million women remain out of the labour force [12]. The highest percentage (70%) of women already employed lies in the age bracket ranging from 25 to 29 years which is equal to around 8 million women [12]. It is evident in the figures presented that a large sum of women in this prime age remain out of the labour force. Further distinction of the demographics show that almost 26% of women in the labour force are married and 24% of them have at least one child under the age of three [12]. Surprisingly, a larger sum of women are employed in rural areas as compared to urban areas despite higher education level in the cities and better employment opportunities available in the cities [12]. Now let us turn our attention to the kind of women entrepreneurs in Pakistan. Aasia Saail Khan from Lahore Chamber of Commerce and Industry gives us two main categories of women population in Pakistan which shall be discussed as follows [14].

Type of women population in Pakistan in terms of education and employment type:

- *Rural Women:* Women belonging to the rural areas of Pakistan mainly work on agricultural fields looking after crops and animals. They are also expected to play their traditional gender role as given to them by the society. Despite being the backbone of rural economy, these women are largely overworked and underpaid.
- *Urban Women:* The 12 % urban women that are employed [12] can further be distinguished into four categories.

*They are:*

- *Unskilled Labour:* These are the kind of women who are uneducated and assume jobs that require little or no education. For instance, working as helper in a household.
- *Skilled Labour:* These include women who have received some kind of education. Such women work from home or at factories as they can perform tasks like sewing, embroidery, stitching and have other vocational skills.
- *Women in Service Sector:* Women that have completed high school make up this category of urban women who work in the service sector including offices, hospitals, clinics, and food and retail industry.
- *Graduate Level:* This category consists of fairly as well as highly qualified women who work across a wide range of fields as doctors, engineers, IT Professionals and so on and so forth.

The Women's Economic Participation and Empowerment – Status Report 2016 by United Nations highlighted the employment industry of women across the country. According to the report (United Nations, 2016), 39%, 73%, 22%, and 20% of the labour force constitutes of women in agriculture and forestry, hunting and fishing, community, social and personal services and manufacturing sector respectively [12]. The distribution of participation in agriculture is in such a way that 47% women are responsible for animal rearing, whereas 23% are involved in mixed farming and 18% in growing non-perennial crops [12].

The report suggests that approximately 32% of women that participate in the labour force have a college degree or higher whereas, almost a similar percentage does not have any kind of education [10]. The reason why urban educated women do not participate in labour force is largely due to the kind of nature of the jobs available for women.

In terms of occupation, the women's share of employment is highest in skilled agriculture and fishery standing at 38% followed by professionals that stand at 30%, elementary occupations at 21%, and sewing and crafts at 18% [12]. Within the occupations, the share of women's employment is high in the category of skilled agriculture and is mainly focused on livestock and dairy producers. Among the category of professionals, women are usually involved in primary and secondary education. A nominal number participates in the fields of science, technology, engineering or mathematics. Even a smaller percentage of women (0.3%) are at senior management posts or owners of private enterprises (12%) [12].

The report further establishes that home based workers make up 33% percent of the labour force; 30% women and 3% men where women's contribution stands at 65% of the total wages of Rs.400 billion [12]. It would not be wrong here to say that home based workers are largely underpaid due to lack of regulatory framework despite high contributions towards the GDP.

Now that we have a clearer picture of the make-up of Pakistan's economy in terms of women employment and their participation in the prominent sectors, let us turn our attention to the next topic.

#### **MICROFINANCE BANKS AND INSTITUTES AND THEIR OUTREACH TO WOMEN ENTREPRENEURS**

This paper shall now focus on Microfinance Banks and Institutes in Pakistan and the level of their outreach to specifically women entrepreneurs across the country. Undoubtedly, Pakistan has increased its focus on facilitating Microfinance institutes over the past few years. However, unfortunately the outreach to women entrepreneurs has remained as low as 59% which is one of the lowest figures noted globally [15]. This is largely

due to a number of challenges that women entrepreneurs encounter.

National Rural Support Program (NRSP), a nationwide not for profit organization established in 1991, highlights that women entrepreneurs are hampered by extreme levels of poverty which makes them incompetent in the market [16]. After much research, NRSP establishes that despite having vocational skills in raising livestock, sewing and embroidery, cooking, these women are still not able to transform these skills into a marketable good or service [16]. They are primarily bereft of sufficient funds, microcredit as well as the ability to run a business on the basis of a regulatory framework. Additionally, NRSP notes that women have no voice in most of the scenarios [16]. For instance, women in rural areas raise livestock but have no say in deciding when to buy and sell. Similarly, women also do not have the decision making power in terms of education and marriage as it is dominantly a patriarchal society. The paper shall point out the most trying challenges in the case of Pakistan. The list is as follows:

#### **Access to financial capital**

One of the first challenges faced by a typical entrepreneur in Pakistan is the lack of funds due to widespread poverty. Although women's access to financial capital has increased in Pakistan, however, there still remains a considerable gap between genders [12]. Even though microfinance institutions particularly the large scale Non-Profit Organizations emphasize on women by providing them with the necessary information and skills for survival yet the number of women clients has remained noticeably low.

#### **Lack of training**

Another issue at hand is the fact that vocational training provided to women is limited to a couple of traditional skills like embroidery, knitting and sewing whose monthly incomes accumulates to an amount that is well below the minimum wage [12]. Moreover, the report suggests that merely an 11% of women acquire training. This constrains women from entering into areas in which they might have flourished otherwise.

#### **Lack of education**

Women entrepreneurs also face challenges due to the amount of education received. The Women Economic Empowerment and Participation Status Report 2016 by United Nations notes that net enrolment for both boys and girls remain low. Approximately 40% and 30% girls and boys from age 6-10 are not enrolled in any educational institute. The figure for middle school children (11-13 years) increases to 70% and 60% for unenrolled girls and boys respectively. An even higher number

is noted for unenrolled high school age boys and girls [12]. It is important here to emphasize that the 2016 report does not reflect the literacy rate of present women entrepreneurs of Pakistan which is highly likely to be lower than the figures documented for the present generation.

#### **Lack of management capacity and skills**

With little or no education, women entrepreneurs in Pakistan lack the ability to manage a business venture. They lack the ability to keep record of the transactions carried out, lack technological know-how as well as lack the ability to properly market their goods and services. Non-existent or no record keeping deprives them from recording the profit and loss and observing future trends for the good or service. No technological knowledge gives them a clear disadvantage over competitors who make use of technology to operate efficiently. Lack of marketing abilities is another management flaw which comes at the cost of lower net profits as middle men pockets a major chunk of money made from selling goods in the market.

- *High risk vulnerability:*  
The combination of factors such as lack of education, limited vocational skills, little market knowledge, negligible technological know-how for the majority of women entrepreneurs across Pakistan make them extremely vulnerable to high risk in business ventures.
- *Society assigned gender roles:*  
Many women entrepreneurs encounter gender role issues where they are expected to fulfil their familial responsibilities with little or no support from the family. Along with that, as a female member of the household, women entrepreneurs in Pakistan are expected to participate in the labour market according to the cultural norms embedded in the society which means women have a limited choice in the type of business ventures they can invest in.
- *Access to infrastructure and other resources:*  
The Pakistan Demographic and Health Survey, 2012-13 (as cited in World Economic and Empowerment Status Report – 2016) illustrates that merely 2% of women in Pakistan possess ownership of land whereas, only 7.4% of women possess joint ownership of a house [12]. This means that women entrepreneurs in Pakistan lack infrastructure and other resources which suggests that they are highly dependent on male members of the household in terms of the usage of resources for entrepreneurial activities.

Above are some of the main challenges faced by Pakistani women entrepreneurs. It would be very interesting here to highlight that the report by The World Bank has established that even among the 59% women entrepreneurs that are successfully financed, approximately 50 to 70 percent of them are not the final utilizers of the funds [15]. In many cases, male members of the family who have defaulted or have a bad credit history get funds approved through the female members of the family. The World Bank Report (2016) further suggests that only 28 % of the urban women borrowers were the final users of the fund whereas, 68% of the rural women clients were final utilizers of the funds [12].

In the next section, the paper shall focus on future recommendations as to facilitate the efforts taken by women entrepreneurs all across Pakistan.

### CONCLUSION AND FUTURE RECOMMENDATIONS

The World Bank Report asserts that the layout of the policies in Pakistan is gender neutral in that it does not limit nor promote access to funds for women [15]. The State Bank of Pakistan, a key player in policy making on microfinance, believes in market-based mechanism. The World Bank Report emphasizes that the efforts taken at the policy level have not aided much in increasing the outreach to Pakistani women entrepreneurs [15]. Thus, it is strongly recommended that along with additional efforts at policy making level measures should be taken to translate those policies into actions that facilitate women entrepreneurs. Diversified micro financing products should be introduced with easy accessibility. Women entrepreneurs should especially be facilitated in acquiring funds and ensuring they utilize them in entrepreneurial activities. Additionally, the training provided to women entrepreneurs should focus on skills other than the traditional ones. One of the most important measure that should be taken care of is that the women entrepreneurs should be provided basic education as to enable them to run and manage the business independently. This can be done by workshops and training sessions provided by the Micro finance institutes under the supervision of the governing authority. Last but not the least, it will be interesting here to introduce the mechanism of Islamic Microfinance Institutes which design and sell products that are Shariah compliant. This can very well be a future topic of research as Islamic Banking and Finance is also gaining increasing attention over the past few decades.

To conclude, Pakistan has yet to work towards providing its women entrepreneurs the necessary skills and platform to be independent in their own respect. Despite, global progress in women empowerment the world is still far from achieving this feat. Although challenging, it is not an unachievable objective.

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