



Access to Finance for Women Entrepreneurs of Pakistan

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Women of Pakistan

Rural and Urban

- **Rural Woman:** The Rural women of Pakistan work in fields, look after the animals, look after their homes, they have to walk on foot to get clean drinking water for their family and then they are also expected to fulfill their traditional gender roles. In South east Asia in spite of The Rural Woman being undocumented she remains the backbone of the Rural Economy. She works more and is paid less.
- **Urban Women:** The urban women consist of the following categories.
 - **Unskilled labour:** The unskilled women is uneducated and is working in households or performing other menial jobs. These women are not included in the economy of the country so consequently they do not have any idea about the financial sector.
 - **Skilled Labour:** The women who have not finished high school but have attained a skill like stitching, embroidery, sewing, salons from their homes or from technical institutions of Pakistan are skilled labour working from homes and in factories.
 - **Women in Service Sector:** These women are educated till High School and work in various service sector oriented organizations like Offices, Clinics, Hospitals, Salons, Retail and Food Industry.
 - **Graduate Level:** These women are fairly highly/professionally educated and are aware of banking procedures. They are Officers, Bankers, Doctors, IT Sector and Engineers etc.

Sectors of Women Entrepreneurs

- **Cottage Industry** The majority of Rural and Urban women who are not highly educated who have developed Handicraft and other Skills to make products but have no knowledge or access to finance. They have no access to markets. They are paid very little and the middle person makes more money on their product.
- **The Term SME needs to be changed to MSME** We need to add Micro to Small and Medium Enterprise
- **Micro Sector** In Pakistan majority of women entrepreneurs belong to this sector. Not enough education , Not enough knowledge of the market, Lack of knowledge to improve and develop their product, Lack of Finance and no knowledge of Access to Finance. These are the reasons which stop them from going to the next level.
- **Small Sector** Some women develop from Micro to Small level and in these cases they either have more finances or have support from the men of their family . Or, they are fighters and have perseverance and drive and have reached there with sheer hard work.
- **Medium Sector** Very few women reach this status and these are the warriors who are educated and driven and have knowledge on access to finance
- **Corporate Sector** Women in this sector are few and far between. They are there because they inherited this position and the men of their family let them have it. Very seldom it is the woman who has created this niche for herself , if she has then she is an awesome woman

History of WEDRC

Women Entrepreneur Development & Resource Center

- Promotion and encouragement of Women Entrepreneurship in Pakistan could act as a catalyst for jump starting the economy and also to accelerate the process of Economic Growth and Development.
- In realization of the fact that women members at the Lahore Chamber need to be supported , encouraged and made part of the economy, the LCCI and a donor agency Center for International Private Enterprise (CIPE) joined hands with sheer dedication to bring forward the hidden potential of Pakistani Women Entrepreneurs. This dynamic combination soon became a strong base to spread the message across the board. At the LCCI it was initiated in the early 2000.
- Now the time has come, when we must realize that empowering women , means empowering families. It could be a blessing not a threat to this society.

Problems faced by Women Entrepreneurs

- There is a huge gap between Pakistan's SMEs and the formal banking sector. SMEs mostly rely on personal savings/funds from family & friends as a primary source of their financing, because the opportunity cost of equity loan from family and friends is lower. Further, more than 50% of SMEs particularly women entrepreneurs approached banks, faced difficulties in obtaining loans because poorly enforced creditor rights has made banks risk averse and strengthen the demand for collateral.
- In Pakistan, the cost of leasing has been quite high and it serves the constraint for medium size and large firms. The small firms on the other hand hardly make use of this facility.
- The unregistered status of firms has a negative impact on their access to institutional finance, yet they prefer to remain in informal sector. Further, real problem is the common practice of small businesses to avoid regular account keeping.
- The major problem that SMEs face to avail the facility of export financing is that it is available only against letters of credit whereas, most of the SMEs are indirect exporters.
- High cost of finance (markup rates of banks), Collateral requirements of banks and cumbersome document procedure, delays in the loan process are the basic obstacles which make banks risk averse.
- The attitude of banks towards SMEs varies area to area. Bank officials sitting in big cities are more cooperative and facilitating than the officials of small cities. The strategy of banks to entertain the SME clients should be same throughout the country irrespective of the areas and mind set of designated officers.

Recommendations

- Encouraging a more proactive attitude towards learning about MSME financing schemes and products.
 - It has been observed that generally female entrepreneurs are not aware of financial schemes and products for MSME's offered by financial institutions. Female entrepreneurs thus need to adopt a more proactive approach to learning about business financing.
 - Reporting of negative bank experience.
 - Unpleasant bank experiences should not become reason for avoiding banks finances.
- Maintaining proper books of accounts.
 - There is a urgent need for female entrepreneurs to devote time and resources to maintaining proper books of accounts. They should be encouraged either to develop their won accounting skills by relevant short courses or to consider using the services and advice of professional accounts.
- Effective lobbying and establishment of women forum.
 - Create awareness of financing schemes for female entrepreneurs, discuss problems in access to finance, develop their activity and finance skills as a well build lobby for ensuring access to finance for women entrepreneurs.

New Government Initiatives

- The current Government of His Excellency Mian Muhammad Nawaz Sharif, Prime Minister of Pakistan has started an initiative to give small business loans to All young men/women. The category for the loan is as follows;
 - Age not more than 35 Years. Entrepreneurial potential.
 - Focus on women 50% of loans will go to women borrowers.
 - Debt-Equity ratio 90:10 with tenor of up to 7 years
 - Pricing 8% fixed for borrower but government will pay the difference of the cost at KIBOR+500bps.
- This is a big step in promoting and bringing the women entrepreneurs in the main stream economy.

Thank You