ADVOCACY STUDY

Unlocking the Potential – Defining and Empowering Women in Informal Enterprises through Microfinance in Pakistan

Draft for Review

28th Nov 2023

Table of Contents

Executive Summary 3

1. INTRODUCTION AND CONTEXTUAL UNDERSTANDING 3

1.1 FBLT Project Background 3

1.2 Rationale & Need for Developing a Definition for WIEs 3

2. RESEARCH METHODOLOGY 4

2.1 Research Objectives 4

2.2 Methodology 5

2.3 Challenges and Constraints of this Study 6

3.1 Defining Informal Entrepreneurship 7

3.1.1 Global Definitions of Informal Entrepreneurship 7

3.1.2 Gender-Specific Definitions 8

3.1.3 Comparative Analysis of definitions in the context of Pakistan 9

3.2 Gaps and Limitations of Current Definitions 11

4. UNDERSTANDING WOMEN- OWNED INFORMAL ENTERPRISES 11

4.1 Women Informal Entrepreneurs Contribution in the Socio-Economic Sphere 11

4.2 Understanding the Needs and Challenges Faced by the WIEs 12

4.2.1 Business and Financing Needs 13

4.2.2 Demographics & Other Attributes 13

4.3 Case Studies of WIEs in FBLT Project 14

4.4 Importance of Academia and Incubation Centers 15

5. THE PROPOSED DEFINITION 16

5.1 Developing a Comprehensive Definition 16

5.1 Parameters of Developing the Proposed Definition 17

5.3 Incorporating Comments of Industry Stakeholders from Group Consultative Meeting 18

Revised Definition 19

6. THE ADOPTION PROCESS AND WAY FORWARD 20

6.1 Stakeholder Engagement and Endorsement: 20

6.2 Policy Implications:.....20

6.3 Implementation Strategies:.....20

7. CONCLUSION.....20

Annexure 1.....21

Annexure 2.....26

Annexure 3.....27

Annexure 4.....28

Executive Summary

This research study, conducted in partnership with JICA Pakistan, HomeNet Pakistan, HBL MfB, and Pakistan Microfinance Network, explores the critical issue of financial inclusion for Women Informal Entrepreneurs (WIEs) in Pakistan. The study sheds light on the "Financial Inclusion of WIEs through Business Booster Loan & Trainings" (FBLT) program, aiming to redefine Women Owned Microenterprises, enhance financial inclusion, and empower this significant economic segment. The findings reveal that the informal sector constitutes 35-45% of Pakistan's GDP, with women contributing significantly, despite facing challenges such as limited access to finance, gender-sensitive policies, and restricted opportunities. The study emphasizes understanding the unique needs of WIEs, and the importance of designing a standardized definition for Women-Owned Microenterprises. Furthermore, the research highlights the pivotal role of academia and incubation centers, advocating for interdisciplinary collaboration and targeted support. The proposed comprehensive definition for Women-Owned Micro-Enterprises (WMEs) is presented as a crucial outcome, aiming for industry-wide acceptance. As this study represents the initial milestone in a strategic roadmap, it aims to chart a course toward bridging the financial inclusion gap for Women Informal Entrepreneurs in Pakistan.

1. INTRODUCTION AND CONTEXTUAL UNDERSTANDING

1.1 FBLT Project Background

Female Home-based Workers, or Women Informal Entrepreneurs (WIEs), are important contributors to the economy, producing goods and services from their homes or nearby workspaces. These small, unregistered enterprises, often referred to as "informal enterprises," lack access to formal financial and government support. Financial institutions' credit services do not sufficiently address the needs of these women, limiting their economic growth opportunities.

To address this financial inclusion gap and enhance knowledge collaboration, JICA Pakistan, in partnership with HNP, HBL MfB, and PMN, has launched the "Financial Inclusion of WIEs through Business Booster Loan & Trainings" (FBLT) program. The program aims to:

- Identify barriers to financial inclusion for Women Informal Entrepreneurs.
- Understand the business dynamics of women managing informal micro-enterprises.
- Use this knowledge to develop strategies for connecting WIEs with formal banking services in collaboration with HBL MfB.
- Establish a knowledge platform for policy advocacy and ecosystem development to support the WIE segment.

1.2 Rationale & Need for Developing a Definition for WIEs

UNWomen's (2016) study indicates around 12 million home-based entrepreneurs in Pakistan, primarily women with limited access to formal financial services[1]. However, a lack of a clear definition hinders

[1] Zaidi Y., Farooq S. et al. 2016. Women's Economic Participation and Empowerment in Pakistan - Status Report 2016. UN Women Pakistan. Islamabad

tailored product development, as the microfinance industry doesn't distinguish between informal and formal entrepreneurs.

The rationale for this study lies in the dual objectives of fostering financial inclusion for WIEs and enabling the microfinance industry to harness their untapped potential. By redefining and providing a standardized framework for identifying WIEs, this study will facilitate better access to microfinance services, leading to accurate data collection, policy development, and targeted interventions, thus improving financial inclusion, access to credit, and support for WIEs. Creating a consistent and well-defined definition will further bridge the existing knowledge gap and ensure that WIEs receive the recognition and assistance they deserve, ultimately contributing to their economic empowerment and the broader economy while compelling the microfinance industry to serve WIEs more effectively.

A standardized definition for WIEs is crucial, as indicated by an IMF Survey (2018) revealing that formalizing women's economic participation in Pakistan can boost GDP by up to 30%[2]. The increased financial access of a somewhat ignored sizeable segment of the population is also a significant business growth opportunity for Pakistan's financial sector. A recent estimate by the Women's Financial Inclusion Data (WFID) Partnership report on financial inclusion of women estimates that expanding the financial services offering to women segments, could mean a market opportunity of over USD 650 million (PKR 186 billion) for Pakistan's financial services providers. Thus, developing a standardized definition for WIEs will benefit the ecosystem for the following reasons:

- It addresses significant gender disparities in entrepreneurship by acknowledging the unique challenges faced by women operating micro and small businesses in the informal sector.
- The definition allows for the creation of tailored, gender-sensitive financial products and services, thereby improving access to microfinance for WIEs.

2. RESEARCH METHODOLOGY

2.1 Research Objectives

The study aims to address critical issues concerning women engaged in informal entrepreneurship and their financial inclusion. The study is primarily aimed at understanding the definitions and characteristics of informal entrepreneurship and subsequently defining women informal entrepreneurs, including their key characteristics. There are three primary objectives of this study:

Investigate Existing Definitions: The study aims to thoroughly investigate the definitions, characteristics and criteria used by international development organizations and industry to identify informal enterprises and entrepreneurs. Through the Bottleneck Study, it is understood that WIEs are a distinct segment and have needs other than female borrowers in general. Hence, this study involves exploring Women Owned Micro Enterprises to highlight their main characteristics and indicators.

Identify and Demystifying Myths: One of the significant challenges faced by Women Informal Entrepreneurs (WIEs) is the prevalence of misconceptions surrounding their role in the informal economy. This research also seeks to demystify such myths and bring clarity to the distinction between

[2] IMF, 2018, Pursuing Women's Economic Empower, Published in May 2018, Washington D.C.

women engaged in informal entrepreneurship and other forms of employment. This debunking process is crucial for informing targeted policies and interventions that can genuinely support and empower women in the informal entrepreneurship sector.

Quantify the Segment and its Value Addition: Quantifying the potential economic and social contributions of WIEs to the microfinance industry and the MSME sector in Pakistan is a crucial objective. The study will gather insights from desk research to provide a comprehensive understanding of the potential value that WIEs can bring to the growth of the microfinance sector and the broader economy.

Propose a Standard Definition: The study aims to develop consensus within the microfinance sector and financial ecosystem by developing an applicable standard definition for identifying Women Owned Micro Enterprises that have potential for business growth through microfinance services. The proposed definition involves segmenting customers based on specific characteristics, thereby ensuring a targeted and tailored approach to financial inclusion outreach for this particular segment.

2.2 Methodology

The research methodology is designed to be comprehensive, involving a range of activities and data sources to achieve the research objectives stated above. Following steps will be taken to reach a consensus on the definition:

Phase 1: Secondary Desk Research

Given the unique nature of this segment, secondary desk research will serve as the initial step in understanding this segment. During this stage, multiple sources will be reviewed to gain a profound understanding of segment.

- **Key Sources:** Reputed online publications, research articles, journals, case studies, as well as data from PMN Publications such as Microwatch, Pakistan Microfinance Review (PMR) and Micronote. Additionally, insights derived from the Bottleneck Study, FBLT pilot data (the research sample for the FBLT project is attached in annexure 2), a concept note outlining WIE characteristics by Mr. Nadeem Bakht, and baseline survey results of FBLT will be also be utilized.

Phase 2: Developing a Preliminary Definition

Based on the findings of the desk research, a preliminary definition for the WIEs will be drafted and shared with the key stakeholders in a group consultative meeting leading to phase 3.

Phase 3: Key Informant Interviews & Consultative Meetings

At this phase, PMN will conduct the group consultative meeting with relevant stakeholders (meeting participants attached in appendix 3) that possess significant expertise in this subject matter. During this meeting, our primary objective is to understand their comprehension of this specific segment, including the key indicator or parameters that serve as their reference points. Following their input, we will present our preliminary definition, enabling an open dialogue to refine and finalize this

comprehensive definition. To establish a universally applicable definition, PMN will prioritize the most crucial and consistent indicators and base the definition on that reference.

In addition to the consultative meeting, four key informant interviews will be conducted from academia (2) and incubation centers (2). These participants will provide insights in how research can be enhanced in this segment, contributing significantly to our understanding. Furthermore, they will play a crucial role in providing a theoretical perspective to defining this segment, which will be integral to our final definition.

Phase 4: Reviewing and Finalizing Definition of WIEs

Following the comprehensive synthesis of feedback gathered from both the consultative meetings and insights from the Key Informant Interviews, PMN will formulate a standardized definition. This definition will undergo an initial review with FBLT team to ensure its relevance and alignment with the segment, particularly in the context of WIEs.

2.3 Challenges and Constraints of this Study

The study encounters various challenges, mainly due to the absence of a uniform definition for WIEs globally and in Pakistan.

Diverse Industry Interpretations: The microfinance sector in Pakistan includes various stakeholders, each with its own interpretations and criteria for defining WIEs. Converging these diverse perspectives into a universally accepted definition was a complex task.

Operational Challenges: Aligning the proposed definition with the practical needs of Microfinance Institutions (MFIs) and Microfinance Banks (MFBs) while establishing WIEs as a distinct business segment is a multifaceted challenge. The definition must be adaptable to the operational realities of these institutions while remaining comprehensive.

Data Availability: Inconsistent data and documentation related to WIEs has led to variations in definitions. Thus, posing challenges in quantifying the potential contributions of WIEs to the microfinance sector.

Cultural and Regional Variances: Pakistan's diverse cultural and regional contexts add complexity to the definition's development. Accounting for variances in business practices, and socio-cultural norms across different regions was a challenging task.

Mitigation Strategy:

To address these challenges, collaboration with the FBLT team is crucial. The study will actively involve stakeholders and experts to develop and revise a practical and inclusive definition, promoting WIEs as a viable business segment in the microfinance industry. Iterative discussions with stakeholders aim to resolve discrepancies and clarify any points of confusion throughout the study.

3. REVIEW OF EXISTING DEFINITIONS

In order to effectively determine the existing potential of women informal entrepreneurs in Pakistan, it is critical to define a woman owned business, followed by sub-segments of informal, micro, small and medium enterprises.

3.1 Defining Informal Entrepreneurship

Informal entrepreneurship is the activity of starting or running a business that is not registered with the state and does not comply with tax, social security, or labor regulations. Informal entrepreneurship can be driven by various factors, such as lack of education, legal barriers, social norms, or demographic characteristics[3]. MSMEs account for 90% of businesses, 60 to 70% of employment and 50% of GDP worldwide.[4] Pakistan has a huge informal economy, mostly driven by unregistered businesses operating on a cash-basis. It is estimated to be around 56% of the total economy, valued at around $180 billion[5].

Small-scale informal entrepreneurship refers to the type of informal entrepreneurship that involves low levels of capital, skills, and organization. Micro-scale informal entrepreneurs typically work in traditional sectors such as retail and service, and often operate from their homes or public spaces. Women Informal Entrepreneurs (WIEs) are more likely to operate as small/micro-scale entrepreneurs as they have lower access to formal funding and assistance. They face many challenges, such as low productivity, low earnings, high competition, and lack of social protection[6]. Some characteristics of small-scale informal entrepreneurs are:

- They are more likely to be women than men[7]
- They have lower levels of education than formal entrepreneurs
- They have less access to finance, technology, and financial and business training
- They have more flexible working hours and more autonomy than formal workers
- They have less job security and more vulnerability to shocks[8]

3.1.1 Global Definitions of Informal Entrepreneurship

Defining informal economy and entrepreneurship is vital as it forms the basis for policy development, government support, and business categorization.

Numerous multinational organizations provide a different definition for informal economy and entrepreneurship. As there are differences in how informal small business is defined, it also leads to differences in the characteristics of this segment.

3 Laing, E., van Stel, A. & Storey, D.J. Formal and informal entrepreneurship: a cross-country policy perspective. Small Bus Econ 59, 807–826 (2022). https://doi.org/10.1007/s11187-021-00548-8

4 Nations, United. "Micro-, Small and Medium-Sized Enterprises Day." United Nations, https://www.un.org/en/observances/micro-small-medium-businesses-day.

5 Ejaz, Lalarukh, 2021, Informal Sector, Published in Dawn.com on March 4, access at: Informal sector - Newspaper - DAWN.COM

6 Williams, Colin C, n.d., Informal Sector Entrepreneurship, A background paper for the OECD Centre for Entrepreneurship, SMEs and Local Development, OECD

7 Laing, E., van Stel, A. & Storey, D.J. Formal and informal entrepreneurship: a cross-country policy perspective. Small Bus Econ 59, 807–826 (2022). https://doi.org/10.1007/s11187-021-00548-8

8 Williams, Colin C, n.d., Informal Sector Entrepreneurship, A background paper for the OECD Centre for Entrepreneurship, SMEs and Local Development, OECD

Organization	Definition
International Labor Organization (ILO)	Work in the informal economy is often characterized by small or undefined workplaces, unsafe and unhealthy working conditions, low levels of skills and productivity, low or irregular incomes, long working hours, and lack of access to information, markets, finance, training and technology. Workers in the informal economy are not recognized, registered, regulated, or protected under labor legislation and social protection.[9]
The World Bank	The World Bank defines the informal economy as all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements.[10]
International Monetary Fund (IMF)	The IMF defines the informal economy as comprising activities that have market value and would add to tax revenue and GDP if they were recorded[11]
OECD	Informal entrepreneurs are defined as those starting a business or are the owner/manager of a business who engage in monetary transactions not declared to the state for tax, benefit and/or labor law purposes when they should be declared but which are legal in all other respects.[12]

Table 1: Global Definitions of Informal Entrepreneurship

These definitions of informal entrepreneurship highlight various dimensions of this complex and diverse segment of the economy. While these definitions vary in their emphasis, they collectively illustrate the multifaceted nature of informal entrepreneurship, encompassing economic, social, legal, and tax-related dimensions. Policymakers and researchers need to consider these diverse aspects when addressing the challenges and opportunities posed by informal entrepreneurship.

3.1.2 Gender-Specific Definitions

Although women are central to development and policy initiatives and actions, most countries and organizations do not specifically define women owned informal enterprises. However, definitions that are gender-specific to Women-owned Informal Enterprises are as under:

Organization	Description
The World Bank	Women-owned businesses tend to be informal, home-based, and concentrated in the areas of small-scale entrepreneurship and traditional sectors, which primarily includes retail and service.

[9] ILO: Informal Economy
[10] World Bank: On Defining and Measuring the Informal Sector
[11] IMF: What is the Informal Economy
[12] OECD: Informal Sector Entrepreneurship

International Labor Organization (ILO)	Women remain concentrated in "invisible" areas of informal work, such as domestic labour piece-rate homework, and assistance in small family enterprises, which offer precarious employment status, low, irregular or no remuneration, little or no access to social security or protection.
Women's Entrepreneurship Development Initiative (WEDI)	Women engaged in economic activities not part of the formal sector.
Women in Informal Employment: Globalizing and Organizing (WEIGO)	Women engaged in income-generating activities within the informal economy, including self-employment and small-scale entrepreneurship (including own account workers).

A gender lens analysis of these definitions reveals that they acknowledge the prevalence of women in informal entrepreneurship and the challenges they face, such as low remuneration and lack of formality within the business practices. However, they lack specificity in addressing the parameters used to further understand the segment and reach a standardized consensus.

3.1.3 Comparative Analysis of definitions in the context of Pakistan

The recently introduced SME Policy 2021 by the Government of Pakistan now also uses a standardized definition of startup, small and medium enterprises based on business size[13]:

Small Enterprise	Annual sales turnover up to PKR 150,000
Medium Enterprise	Annual sales turnover of over PKR 150,000 up to PKR 800 million
Startup Enterprise	A SME up to five years old will be considered a startup SE or startup ME

Small and medium-sized enterprises, commonly referred to as SMEs, typically encompass organizations with fewer than 250 employees. In numerous countries, over 90% of all businesses fall into the SME category, with a significant portion being micro firms, each having fewer than ten employees. In Pakistan, there is no standardized definition or policy framework for MSMEs and the distinction is mostly made on the number of employees and the nature of business.

Despite their individual size, data from the International Labour Organization (ILO) in 2019 reveals that when considering micro- and small enterprises alongside self-employed individuals, they collectively contribute to a remarkable 70% of global employment. Examining the employment distribution in Pakistan based on enterprise size and self-employment, the breakdown is as follows: self-employed individuals constitute 59.3%, micro-enterprises contribute 29%, small enterprises make up 3.2%, and medium/large enterprises account for 8.4%.[14]

[13] SMEDA: SME Definition & Application

[14] *The Power of Small: Unlocking the Potential of SMEs*. https://www.ilo.org/infostories/en-GB/Stories/Employment/SMEs#power-of-small/employment.

The SME policy does not currently define a woman owned SME or women entrepreneurship but does outline the development of a Women Entrepreneurship policy on similar lines. This planned policy would both recommend a definition and set out specific actions for promotion of women entrepreneurship in Pakistan.

Regulatory and development organizations in Pakistan, and globally, use definitions for Women Informal Entrepreneurs (WIEs) and women owned informal enterprises, primarily based on the size and unregistered nature of the business, and are quite similar in this aspect.

Organization	Definition
State Bank of Pakistan	Women engaged in economic activities not formally registered or regulated by the government.

Following is the contextual analysis of the definitions discussed above:

International Labor Organization (ILO)

- Emphasis on characteristics of informal work, relevant for Pakistan's female informal workforce. However, it lacks gender-specific considerations, necessitating their integration for a holistic view of women's informal entrepreneurship.

The World Bank

- Acknowledgement of the prevalence of home-based informal businesses among women in Pakistan but doesn't delve into gender-specific challenges, urging the inclusion of gender dimensions for a comprehensive view.

International Monetary Fund (IMF)

- Focus on market value and economic contributions, is pertinent for Pakistan's unrecorded economic activities. However, like other definitions, it lacks gender-specific considerations, indicating the need to integrate them.

OECD

- Focus on legal aspects and unreported financial transactions, suitable for characterizing informal businesses in Pakistan. Nevertheless, it doesn't address gender-specific aspects, emphasizing the necessity of incorporating them for a complete understanding of women's informal entrepreneurship.

Small and Medium Enterprises Development Authority

- The definition is based on enterprise size, is useful for identifying informal businesses in Pakistan. Yet, it doesn't address gender-specific challenges, highlighting the importance of integrating gender dimensions.

- Common elements across the definitions include the recognition of informal economic activities, such as small or unregistered businesses and does not extend to microenterprises

and specially women owned microenterprises. They generally acknowledge that these activities exist outside formal arrangements or are unrecorded, often emphasizing the need for tax compliance or contributions to GDP. While they address the characteristics and challenges of informality, they tend to lack explicit consideration of gender-specific and business related dimensions, particularly in the context of women working in the informal sector. Integrating gender-specific indicators such as business ownership and credit need is a common need identified across these definitions to provide a more comprehensive understanding of women owned informal enterprises.

3.2 Gaps and Limitations of Current Definitions

The definitions of women owned informal enterprises have several notable gaps and limitations.

- One major limitation is the diversity of criteria used in these definitions, with some focusing on enterprise size and others on unrecorded economic activities. This variation makes it difficult to compare or harmonize data across different sources and hinders the development of consistent policies and data collection methods. Furthermore, these definitions may not provide a comprehensive picture of informal entrepreneurship, often concentrating on specific aspects like size or market value without considering other relevant factors, such as the nature of the business or, ownership structure or asset ownership. Thus, a detailed description of the specific parameters can be useful in providing a standard definition.
- Another challenge is the lack of explicit consideration of gender-specific challenges, opportunities, and dynamics faced by women working in the informal sector. This is a critical oversight, especially in regions like Pakistan, where a significant portion of the female workforce operates informally.

To improve the utility of these definitions, it is imperative to address these limitations by incorporating gender-specific considerations and achieving more consistency in the criteria used to define informal entrepreneurship.

4. UNDERSTANDING WOMEN- OWNED INFORMAL ENTERPRISES

4.1 Women Informal Entrepreneurs Contribution in the Socio-Economic Sphere

The informal sector contributes between 35-45% of Pakistan's GDP[15]. Although specific data on women's contribution within this sector lacks standardization, estimates by the UN and the ILO propose that women comprise a significant 74% of the informal workforce.[16][17].

According to UNDP (2021), women's contribution to the nation's GDP has been steadily increasing, growing at an average annual rate of 11%. This surpasses the 9% growth in men's GDP contribution, indicating a notable trend of women playing an increasingly pivotal role in the economy. Despite historical challenges and disparities, women in Pakistan are making remarkable progress[18].

The impact of women entrepreneurs extends beyond the economic sphere. Their entrepreneurial activities also have socio-economic implications. For instance, women entrepreneurs often invest in

[15] World Bank. 2019. Pakistan@100: Shaping the Future. © World Bank.
[16] UNWomen, Country Fact Sheet, accessed at: Country Fact Sheet | UN Women Data Hub
[17] ILO, Informal Economy in Pakista, accessed at: Informal economy in Pakistan (ILO in Pakistan)
[18] Development Advocate Pakistan, 2021, Womenomics : Women Powering the Economy, United Nations Development Programme, Islamabad

their children's education, leading to improved literacy rates and human capital development. Moreover, their economic independence can lead to better family planning and improved health outcomes[19].

Another noteworthy achievement is the notable improvement in female labor force participation in Pakistan. From a mere 7.0% in 1980, women's participation in the labor force rose to 25% by 2022, signifying a substantial increase in women contributing their skills and efforts across various economic sectors.[20]

Despite these strides, there remains room for growth, particularly in entrepreneurship. Pakistan has one of the lowest rates of women entrepreneurs globally, with only 8% of micro, small, and medium enterprises (MSMEs) being owned by women. Access to finance remains a significant challenge, as data indicates that 50% to 70% of loans given to women clients are utilized by male relatives[21].

However, it's important to note that women in Pakistan still face significant barriers to economic participation. These include a lack of gender-sensitive policies, income inequality, and limited access to professional development and leadership opportunities. Addressing these challenges is crucial for enhancing the economic contribution of women entrepreneurs and promoting inclusive economic growth.

4.2 Understanding the Needs and Challenges Faced by the WIEs

Women Informal Entrepreneurs (WIEs) in Pakistan face a multitude of challenges that significantly impact their participation in entrepreneurial activities. The state of WIEs in Pakistan is marked by gender disparities and socioeconomic barriers that hinder their engagement in formal business sectors. These challenges are more pronounced in the lower economic strata, where women often resort to entrepreneurship out of economic necessity rather than choice.

Social and cultural norms in Pakistan impose challenges on women's mobility, access to education, and freedom to engage in economic activities. Factors such as limited mobility, safety concerns, and the need for permission to travel or conduct business outside the home create awareness and accessibility barriers for WIEs. Traditional gender roles, reinforced by societal expectations, often confine women to domestic duties and restrict their economic participation.

WIEs face a deficit in education, technology access, and vocational training. This lack of capacity-building opportunities limits their ability to understand financial services, manage businesses effectively, and make informed decisions. Limited access to technology, low financial literacy, and minimal exposure to market linkages further compound the challenges faced by WIEs.

Despite the potential for financial inclusion, WIEs have limited awareness of the financial services available to them. Access to banking, financial products, and credit is constrained by low awareness,

[19] Manzoor, Seema, Manzoor, Asma & Qureshi, Misbah, 2018, Analysing Economic Empowerment of Women Entrepreneurs In Informal Sector, Pakistan Journal of Applied Social Sciences Vol. 8, 2018, pp.73-89, ISSN: 2409-0077
[20] World Bank (2022)
[21] Durdana, Najam, 2020, Challenges to Women Entrepreneurs, Dawn, Published on January 6, 2020, accessed at: Challenges to women entrepreneurs (tribune.com.pk)

limited ownership of assets that can serve as collateral, and reluctance among financial institutions to view these women-operated micro-enterprises as viable businesses.

4.2.1 Business and Financing Needs

Understanding the unique business and financing needs of women informal entrepreneurs in Pakistan is imperative for targeted interventions. Business needs include improved market access, business training programs, technology use, and networking opportunities. Improving market linkages provides women to showcase and sell products, while training programs elevate managerial and technical skills. Moreover, technology adoption contributes to expanded business reach.

Turning to financing needs, affordable credit, especially tailored microfinance, is vital for business expansion, equipment purchase, and working capital. Data collected from Pakistan Microfinance Network's members for Microwatch 2023 indicates that the average loan size (including nano loans) for Q1 2023 is 43,000 PKR. The Gross Loan Portfolio (GLP) in Q1 of 2023 stood at PKR 110.4 billion given to around 297,000 microenterprises. For comparison, the Gross Loan Portfolio (GLP) to micro individuals was 510 billion PKR. Of these 9.2 million individuals, female borrowers were 4.1 million, and the GLP for them was 167 billion PKR[22]. This illustrates the potential growth for the microenterprise segment given increased awareness and access to insurance options, considering the various risks that Women Informal Entrepreneurs (WIEs) face, such as natural disasters, accidents, or health issues. Education on savings practices for women is also vital for financial resilience, enabling them to reinvest in businesses, handle uncertainties, and help them create a financial safety net by increasing the risk appetite. The estimated credit need for the segment is approximately 25,000 PKR to even more than 500,000 PKR, depending on the scale of the business. According to the FBLT data 200 (40 %) WIEs dropped from the pilot and 60 (12 %) WIEs are still refusing to accept less than 500 K loan due to their larger business scope and nature. This (52 %) gap in demand and supply of microfinance is a clear hurdle in financial inclusion of WIEs. Approx. 75% of these women (data collected for BNS) of these women has loan sizes amounting to more than 80,000 PKR. Thus, it is pertinent that the Microfinance Providers carefully analyze and understand the needs of these Women-owned Microenterprises and lend them amounts comparable to the scale and size of the businesses.

4.2.2 Demographics & Other Attributes

A comprehensive understanding of the demographic and business-related aspects of this group is instrumental in advocating for policies that address the unique needs of the segment. This section contributes to the broader goal of defining women informal entrepreneurs by understanding and marking the contextual parameters and characteristics that will be later used to define women – owned enterprises. The following attributes also include quantifiable measures to provides a measurable understanding of the characteristics of women owned informal enterprises in Pakistan.

Attribute	Description	Significance	Quantification

[22] PMN: Microwatch Issue 67

Number of Employees	Indicates the scale of businesses operated by women.	Provides potential of employment generation and operational scale of their enterprises.	Micro-enterprises *(0-9 full-time employees)*
Ownership Structure	Examines the level of women's involvement in decision-making processes especially control of finances associated with the business	Offers insights into the governance and control within businesses, influencing support strategies.	Sole ownership, Joint ownership, Family-owned (with male members) *Should have more than 50% ownership*
Management Practices	Key determinants of informality in global definitions are the absence of proper records of business activities, primarily income and cashflow statements or balance sheets.	Highlights areas of strength and potential improvement in business operations	*No formal maintenance of business records or limited in form of sale and purchase receipts.*
Business Income	Quantitative measure of economic contributions.	Essential for assessing the scale of the business and growth potential	Annual turnover *(up to 120,000 PKR)*
Business Activity	Specifies the type of businesses women are engaged in.	Allows for tailored interventions that consider sector-specific challenges.	Retail, Services, Handicrafts etc.
Business Location	Located inside or co-located with residence with dedicated workspace Rented or owned premises dedicated to business operations	Enables region-specific policy formulation and interventions, addressing localized needs.	*Around 75% of the WIEs surveyed for the project were located inside their home. Business premises outside residence were generally rented.*

4.3 Case Studies of WIEs in FBLT Project

- Natasha Sadiq, a 30-year-old woman from Lahore has been involved in selling branded and non-branded unstitched clothes for five years. She purchases unstitched clothes in bulk from the wholesale market and sells directly to customers from her house. Natasha has allocated a

space within her house for her business dealings with customers and occasionally moves around the community and nearby areas to sell unstitched clothes directly to customers.
In June 2023, she applied for a loan and received 100,000 rupees from HBL MfB in July 2023, supporting her in purchasing unstitched items in bulk. Before the loan, her monthly income was fifteen thousand rupees, which increased to 40,000 rupees with a monthly profit of 20,000 rupees. During the process, Financial Literacy Trainings led by HBL-MfB helped her understand banking procedures, the loan process, and the repayment mechanism. This assistance enabled her to open a bank account and utilize digital apps.
Natasha received Foundation Level Training during the first year of FBLT, learning skills such as time management, work ethics, maintaining written orders, tracking her contractors/clients, business planning, income and expenditure record-keeping, and life skill management to upgrade her business-related activities systematically. The roll-out sessions and mentoring by Home Net Pakistan under FBLT have enhanced these skills, upscaling her marketing skills, customer management, business savings, and profit maximization.

- Sadaf Parveen, a 36-year-old woman from Karachi, has been involved in stones embellishment, adda work, and embroidery on clothes for the past 7-10 years. She collaborates with two to three garment factories in Karachi on a piece-rate basis, employing 100-150 people on a contractual basis. Sadaf also owns a seasonal boutique shop, Star Garments, where she sells her own designed embellishments with embroidery and stones. In 2022, she applied for a loan under the FBLT project and received a loan of Rs. 75,000 from HBL MfB in January 2023. This marked her first experience with applying for a loan from a Microfinance Bank (MfB). She used the loan for purchasing raw materials from the wholesale market. Before the loan, Sadaf's monthly income was between sixty-five to seventy thousand rupees, which increased to one lac after the loan, with a profit of around fifty thousand rupees. The Financial Literacy Trainings provided by HBL-MfB helped her understand banking procedures, the loan process, and the repayment mechanism.

  Sadaf now mentors her group members on loan utilization and dispels misconceptions regarding the loan process. She received Foundation Level Training as a master trainer during the first year of FBLT, learning skills such as time management, work ethics, maintaining written orders, tracking contractors/clients, business planning, income and expenditure record-keeping, and life skill management to upgrade her business-related activities systematically.

4.4 Importance of Academia and Incubation Centers

- **Academia:** Academic institutions can significantly contribute to the acknowledgment and support of women informal entrepreneurs through in-depth research initiatives. To enhance research on this group, it is proposed that academia adopts a comprehensive approach involving interdisciplinary collaboration between scholars, students, and industry specialists, including economists, sociologists, gender studies experts, and business management scholars. These projects will help investigate the specific challenges faced by women in

informal entrepreneurship, including issues related to access to resources, market dynamics, and the impact of socio-cultural factors on their businesses. Collaborations and liaisons with industry organizations, NGOs, and government agencies can enrich the research with practical insights. Academia can also consider incorporating qualitative research methods, such as in-depth interviews, ethnographic studies, and case analyses, to provide a nuanced understanding of the experiences, barriers, and successes of women in the informal economy. By fostering an environment that encourages interdisciplinary research and partnerships, academia can generate valuable knowledge that informs evidence-based policies and targeted interventions.

- **Incubation centers:** Incubation centers, such as Women Resource Center Incubators (WRCI), play a pivotal role in providing hands-on support to women informal entrepreneurs, and they can further enhance their impact by tailoring their programs to address the specific and unique needs of this demographic that have been identified in the bottleneck study conducted earlier. Specialized training modules designed to tackle gender-specific challenges—such as work-life balance, societal expectations, and access to mentorship—significantly empower women entrepreneurs. WRCI has successfully supported seven batches, each consisting of approximately 20 women entrepreneurs, all belonging to microenterprises, totaling 140-150 women. Scalability and export potential are key assessment parameters for admittance. Mentorship programs within the center focuses on connecting women with experienced mentors. Creating an inclusive environment is one of the top priorities of such incubation centers, ensuring that women entrepreneurs feel comfortable seeking guidance, participating in networking events, and sharing their experiences. To foster business growth, WRCI actively collaborates with financial institutions and industry partners, exploring opportunities for funding, market access, and capacity building. Continuous monitoring and evaluation of the effectiveness of their programs enables WRCI to adapt and refine their support mechanisms based on the evolving needs and challenges faced by these women.

  Although LUMS' NIC primarily considers advanced projects even in the business idea development phase, unfortunately women-owned microenterprises do not fall into this category. However, there is potential for them to become part of the incubation center once they graduate to a higher tier.

  Hence it can be concluded that by remaining agile and responsive, incubation centers can contribute significantly to the sustainable growth and empowerment of women in the informal economy.

5. THE PROPOSED DEFINITION

5.1 Developing a Comprehensive Definition

Presently, with the various parameters and thresholds, there is a disconnect between the definitions of microenterprises, women owned microenterprises and the SME segment.

Individuals are categorized on the basis of their annual income, microenterprises are defined based on the number of employees whereas SMEs are defined on the basis of employee size, firm's annual turnover and capital assets or employee size and annual turnover only. Unless the criteria to identify these enterprises is set, it is not possible to identify and grow the segment. Thus, utilizing the parameters discussed above, the proposed definition for women owned enterprises is as follows:

"Women having majority ownership of a business that is an unregistered entity with an annual turnover of up to 1.2 million PKR and managed by the owners themselves or part owners personally with the number of employees between 0*-9"

*Where, 0 denotes own account workers

5.1 Parameters of Developing the Proposed Definition

The proposed definition of a women owned business is around a combination (or all) of the following parameters:

- *A business that is majority owned (more than 50%) and managed by a woman (fully or as partners)*
- *Unregistered entity*
- *Annual Turnover of approximately up to 1.2 million PKR*
- *Minimum number of employees is 0 and does not exceed 9 (full-time, as an enterprise can have large number of part-time/piece-rate employees (indicated in the case study above as well))*

While this criterion creates a strong basis of defining a women owned business, further sub-segmentation by

- *Credit needs*
- *Business location*
- *Asset ownership*
- *Type of business industry*

These determinants are critical to effectively determine financial needs and business capability requirements and strengthen the understanding of the segment. Although these subsequent indicators can provide further in-depth view of the segment but should not serve as set eligibility criteria (hence not included in the definition) as the needs can differ and we may miss out a potential customer by strictly adhering to these indicators. It's important to recognize that while indicators can offer valuable insights, they should be used as guidelines rather than strict eligibility rules. While these indicators and parameters provide valuable guidance, it's essential to maintain a level of flexibility and openness to ensure that potential customers are not overlooked. Revising the eligibility criteria based

on industry feedback and market changes can help the microfinance ecosystem stay responsive and adaptable.

5.3 Incorporating Comments of Industry Stakeholders from Group Consultative Meeting

The Consultative Meeting served as a pivotal discussion, as stakeholders (attached as appendix 3) converged to deliberate on defining Women owned informal Enterprises. Critical aspects of the definition were discussed during the meeting and addressed.

Consensus on Women Owned Micro – Enterprises: The importance of standardizing the definition and agreeing on a uniform definition was one of the key objectives of the group consultative meeting. As recognizing such clarity is foundational for stakeholders in the microfinance ecosystem including Regulators, Microfinance Banks, Microfinance Institutions and Development Organizations. The consensus to rename the category as Women owned Micro-Enterprises (WMEs) signified an essential alignment in terminology, enhancing clarity and communication. Currently, these industry stakeholders do not use a definitive terminology for these women borrowers. They focus on women that have the capacity to build/grow their businesses and repay the loan amount on time.

Credit Need: A gap was identified between the annual sales turnover (1.2 million PKR) and the initially identified credit need in the document shared (attached as appendix 1) in the policy consortium earlier which amounted to 500,000 PKR. The importance of aligning these limits with the characteristics of the target segment were highlighted and hence upon further research and analysis of data, the proposed credit need for this segment is 25,000 PKR – 350,000 PKR as it aligns with the data collected for Microwatch by PMN[23]. It is to be noted the change was after the discussion that these women have lower business income when they start and gradually increases (after trainings and external interventions) thus leading up to 100,000 PKR/month on average. In such a case, it was discussed in the meeting that 500,000 credit need seems to be greater than their business income. But it is correct that if we limit the credit need, it will exclude the businesses that have the potential and capacity to grow and graduate to the next level (small enterprises). Hence this can be further discussed and revised.

Lack of Decision- making: Another important aspect highlighted during the discussion of the parameters was the critique on the management structure and ownership. It was discussed that several microenterprises being run by women entrepreneurs are controlled by males who are making the decisions and visit the markets. In such a scenario, the proposed parameters filter such enterprises.

Keeping in view the comment, and the segment under discussion it is proposed that some parameters serve as end goals that will be achieved through graduation of these home-based workers to more autonomous business owners through capacity building and awareness. For this purpose, asset ownership is also not recommended as a primary indicator as most of the assets are owned by male members of the family despite the women managing the businesses.

[23] PMN: Microwatch Issue 67

Business Sizes: The significance of business sizes in understanding the needs of a particular segment cannot be overstated. Consequently, emphasizing its inclusion in the segment's definition becomes imperative. The credit needs of businesses within this segment exhibit notable variance, directly correlating with their respective sizes. The size of a business, encompassing factors such as the number of employees and annual turnover, establishes both upper and lower limits to effectively address the diverse spectrum of customers. In essence, while knowing the credit requirement is pivotal, it does not stand as the primary parameter; rather, the focus is placed on delineating the upper and lower boundaries dictated by the size metrics. This approach ensures a comprehensive framework that caters to the maximal range of customers within the identified business segment.

Revised Definition

Though different definitions have been proposed by both international and local organizations, however this study after taking input from all key stakeholders (attached as appendix 3) incorporated nuances specific to Pakistan. Thus, we propose the following definition for Women-owned Micro Enterprises:

"Women having ownership of a micro-enterprise that has an annual turnover of up to 1.2 million PKR with the number of employees between 0*-9"

The proposed definition of a women owned business is around a combination (or all) of the following parameters:

- *A business that is owned (can be less than 50%) and managed by a woman (fully or in partnership)*
- *A micro-enterprise is mostly informal and unregistered in nature, hence no need to differentiate among businesses based on this. The new definition focuses on the micro-enterprises.*
- *Annual Turnover of up to 1.2 million PKR*
- *Minimum number of employees is 0 and does not exceed 9*

While this criterion creates a strong basis of defining a women owned business, further sub-segmentation by

- *Credit needs: Changed from initial maximum need of 500,00 PKR to 25,000 – 350,000 PKR* (to be further discussed)*
- *Business location: Located or Co located within residential premises, if located separately will most probably be a rented space*
- *Asset ownership: Can be achieved as a transformative goal as these women graduate among the segment*
- *Type of business industry: Retail and wholesale trade, manufacturing, services, livestock. Agriculture related trade, processing and manufacturing – not including farming*

6. THE ADOPTION PROCESS AND WAY FORWARD

6.1 Stakeholder Engagement and Endorsement:

- **Policy Consortium Involvement:** Leverage the existing relationships within the policy consortium, ensuring active participation and engagement from key stakeholders, including regulators, major microfinance banks, microfinance institutions and development organizations. We will also conduct further consultations with relevant stakeholders, to gather feedback and refine the proposed definition after probing if this definition helps them to recognize WMEs as a distinct segment, what is lacking in the definition and how can we make it more relevant for them.
- **Leverage PMN Membership:** As most microfinance providers are members of PMN, we aim to seek active involvement and endorsement from members for industry-wide acceptance.
- **Communication Channels:** Utilize PMN's communication channels to disseminate information about the proposed definition, ensuring widespread awareness and understanding among members.

6.2 Policy Implications:

- **Policy Alignment:** Engage with relevant regulators and policymakers to align the proposed definition with existing policies and advocate for its inclusion in upcoming strategies.

6.3 Implementation Strategies:

- **Information Campaigns:** Launch targeted information campaigns through various channels, including webinars, newsletters, and social media, to reach a wider audience and create understanding.
- **Adaptive Implementation:** Use feedback to make iterative improvements to the definition and its implementation strategies, ensuring it remains relevant and effective over time.

By systematically implementing these steps, involving key stakeholders, and addressing policy level considerations, the adoption process for the proposed definition of Women-Owned Micro-Enterprises can be navigated effectively.

7. CONCLUSION

In conclusion, the proposed definition for women-owned micro-enterprises represents a strategic consolidation of various parameters to delineate a clear and comprehensive understanding of this segment. By incorporating elements such as ownership, unregistered entity status, annual turnover, and employee size, the definition provides a robust foundation for identification. The criteria, specifying a turnover of up to 1.2 million PKR and a workforce of 0 to 9 employees, sets both upper and lower limits, catering to a broad spectrum of businesses.

While the proposed definition forms the core framework, further segmentation and is achieved through additional parameters like credit needs, business location, asset ownership, and industry type. These parameters offer nuanced insights into the financial needs and capabilities of women-owned

micro-enterprises, allowing for a more granular understanding of the segment. However, it is emphasized that these indicators should serve as guidelines rather than rigid eligibility criteria, recognizing the diversity of needs within the segment and avoiding the potential oversight of valuable opportunities.

The industry stakeholders' consultative meeting played a pivotal role in shaping and enhancing the proposed definition. The consensus to standardize the term as "Women-Owned Micro-Enterprises" reflects a crucial alignment in terminology, facilitating clarity and communication across stakeholders. The discussion on credit needs, management structures, and asset ownership further refined the definition, demonstrating the importance of continuous engagement with industry experts for effective segmentation.

Acknowledging the feedback from stakeholders, adjustments were made to the initially identified credit needs, aligning them with the characteristics of the target segment. The recognition of challenges in decision-making within microenterprises led to the consideration of certain parameters as end goals, achievable through capacity building and awareness initiatives.

Including both key indicators and supporting parameters ensures a dynamic and comprehensive framework that caters to the diverse spectrum of customers within the identified women-owned micro-enterprise segment. In essence, the proposed definition, enriched by industry insights, serves as a foundational tool for fostering inclusivity and adaptability within the microfinance ecosystem.

Annexure 1

WOMEN INFORMAL ENTERPRISES

KEY CHARACTERISTICS

This document outlines the characteristics to help create a workable definition of Women Informal Enterprises (WIEs). It is important to clearly define the WIE segment based on all, or a combination of key characteristics that reflect their profile. Such a definition will ensure the following:

1. Identify WIEs as a unique business segment
2. Establish a system to regularly acquire data to understand their behaviors and needs
3. Determine/estimate the segment size and scale of business opportunity for financial institutions
4. Help develop relevant targeted initiatives to support their business growth
5. Develop more relevant policies to create an enabling environment for WIEs' development
6. Develop and introduce relevant financial products and services to meet their financial needs

Once the core definition is formalized, further research can help develop definitions for subsegments based industry sector and business activity. This additional detail will allow in-depth understanding of market size and needs distinguished by the nature of business and support further growth of the segment and the business opportunity it offers.

The characteristics outlined in the table are derived and adapted from:

- Research studies conducted on women entrepreneurs in Pakistan that provide insights on profiles of women owned businesses at various life stages
- Data and profile information on the group of WIEs that form part of the FBLT pilot
- The Bottleneck Study conducted for the FBLT project
- Global and local practices in profiling and defining informal women owned/led businesses
- Interviews and discussions with industry and regulatory stakeholders
- Regulatory guidelines by State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP)
- The characteristics to define Home Based Workers (HBW) used by Women in Informal Employment: Globalizing and Organizing (WIEGO)

NOTE: *The document is meant to initiate a dialogue on creating a commonly accepted definition on WIEs and provide a baseline for the characteristics that can be used for this definition.*

No.	PARAMETER	CHARACTERISTICS	BACKGROUND & CONTEXT
1	**Type of entity**	▪ Unregistered business activity	▪ The businesses are very small and informal in nature, hence generally will not be registered as legal entities
2	**Number of employees***	▪ Should have at least 2, with up to a maximum of 10 employees other than the primary business owner – on average, accounting for seasonality. Staff can be salaried, on commission or daily wages ▪ Contributing family members (part or full time) can be considered	▪ There is a need to distinguish between individual worker/self-employed and an enterprise, therefore requirement of employees. Sole proprietorship is also defined as a target segment if it has at least 2 employees. This also underscores the potential for scaling up as a business ▪ The WIEGO definition of HBW also has a similar distinction ▪ The size and nature of business operations is also likely to have other family members as full or part time contributors. This has also been observed in the project survey sample of WIEs
3	**Ownership structure**	▪ Majority owned and managed by one or more women ▪ Women should have primary control of and/or influence on business decision making and finances	▪ The primary owner and/or manager has to be a woman to qualify as a woman owned/led business. ▪ The business decision making and especially control of finances associated with the business should be with the female owner, as it is a clearer indicator of female ownership. This is also critical to ensure the woman is not merely participating in name.
4	**Management practices**	▪ Informal management of the business with limited or no formal maintenance of business records ▪ May have some level of business records in form of sale and purchase receipts ▪ Limited or no formal organization structures or HR management practices ▪ Limited marketing through social media presence and/or shop signage	▪ The key accepted determinants of informality in global definitions are the absence of proper records of business activities, primarily income and cashflow statements or balance sheets. This would especially apply to formal documented business plans. ▪ These gaps are identified in nearly all such enterprises by the financial institutions during customer acquisition and credit reviews. The project sample WIEs also display the same profile – 98% deal in cash with 70% or more have no or minimal business records. ▪ Similarly, they have also been found to not have any formal HR practices or a formal organization structure. This is obviously also a consequence of the size of the enterprise, and informality in working relationships.
5	**Business income***	▪ Estimated or recorded annual net business income of up to PKR 1.2 million (PKR 100,000 per month)	▪ 98% of the WIEs surveyed in the project have monthly income of up to PKR 100,000 ▪ SBP regulations also specify the same income for micro enterprises, net of expenses ▪ The revenue profile, however, can be further fine-tuned with either one or both of the following activities: (1) more research of WIEs profile on a nationally representative sample; (2) analysis of existing data of WIE clients in the MFB and MFI portfolios

While these parameters provide a starting point, additional research will be required to further refine the values.

No.	PARAMETER	CHARACTERISTICS	BACKGROUND & CONTEXT
6	**Credit need***	▪ Estimated credit requirement of up to PKR 500,000	▪ The estimate of credit need is based on demand feedback of the project sample of WIEs surveyed ▪ This also aligns with SBP regulations of lending limit to micro enterprises of up to PKR 500,000. (Higher limits of up to PKR 1.0 and PKR 3 million are allowed with additional conditions on MFBs and with prior SBP approval). ▪ This number can be further fine-tuned with segment research in future.
7	**Asset ownership***	▪ The female owner should have control of business assets – inventory, machinery, furniture and equipment ▪ Primary control of rented business premises should be in the name of the woman managing the business	▪ Physical and documented business assets are considered a good indicator of business existence and potential value/income generation capability and commonly used in credit assessment. ▪ Some extent of asset ownership/control by the woman also supports her ownership and control of the business
8	**Business activity* Industry/Sector**	▪ Retail and wholesale trade, manufacturing, services, livestock ▪ Agriculture related trade, processing and manufacturing – not including farming	▪ Business activities are generally categorized into these broad categories. ▪ Farming as a global practice (and in the WIEGO definition) is not included due to unique seasonality, limited size and risks associated and is treated as a separate category under agriculture sector.
9	**Business location**	▪ Located inside or co-located with residence with dedicated workspace ▪ Rented or owned premises dedicated to business operations	▪ Due to the informal nature, female ownership and size of the business, these are generally inside or near places of residence – *around 75% of the WIEs surveyed for the project were located inside their home.* ▪ Business premises outside residence were generally rented.
10	**Use of and access to technology**	▪ Limited access to digital technology and hardware, with mobile feature and smart phone as main digital platform/tool and internet access ▪ Should have basic technology available for business use – e.g., equipment needed to manufacture, store and display products/services ▪ Limited or no presence of business on digital media	▪ Research has shown that cultural factors, income, education profile and in some cases geographic location limit the access to internet and digital technology for women. ▪ Research also indicates that mobile phones and mobile data are the main modes of access, with low mobile ownership and limited mostly to feature phones – *only 50% of women own mobile phones, with just 20% using smart phones.*

While these parameters provide a starting point, additional research will be required to further refine the values.

Annexure 2

Data Collection Survey on Financial Inclusion of Home-based Workers' Enterprises through Business Booster Loan and Trainings (FBLT Project)

Total Sample Size

Lahore: 253 (Includes 22 Transgender)

Karachi: 253

Total: 506

Sector	Lahore	Karachi	Total	Percentage
Textile	155	173	328	**64.82%**
Beautician	42	39	81	**16.01%**
Leather Footwear	18	1	19	**3.75%**
Education	3	15	18	**3.56%**
Hospitality/Food	21	17	38	**7.51%**
Services	12	8	20	**3.95%**
Gems and Jewellery	2	0	2	**0.40%**
Total	**253**	**253**	**506**	**100.00%**

Annexure 3

ADVOCACY REPORT: Unlocking the Potential – Defining and Empowering Women in Informal Enterprises through Microfinance in Pakistan

PRIMARY RESEARCH PARTICIPANTS

1. Key Informant Interviews

The first phase will be KIIs with academia representatives. We will discuss the basis of definition formation with respect to WIEs. Validation and expert insights from academia to assess the practicality for the formulation of the definition will be done in this phase.

Organization	Designation	Name
Academia & Incubation Centers		
Lahore School of Economics	Professor	Ms. Shehla Arifeen
LUMS (NIC)	Head of Operations	Ms. Saima Rana
Lahore Chamber of Commerce WRCI		Mr. Sohaib Zafar

2. Group Consultative Meeting

Engage with MFIs, MFBs and development organizations in a consultative meeting to understand their existing definitions and incorporate relevant parameters into the proposed definition.

Organization	Designation	Name
SBP	Joint Director	Ms. Faiqa Naseem
SECP	Head of Lending and Private Fund	Ms. Amina Aziz
HBL MfB	Head Products & Research	Mr Kashif Zafar
Khushaali Bank	Chief Business Officer	Mr. Aftab Alam
Kashf Foundation	Manager Research & Product Development	Ms. Anaum Athar
SAFCO	MD & Vice President	Syed Sajjad Ali Shah
World Bank	Sr. Private Sector Specialist	Ms. Kiran Afzal
ADB	Head of Women's Inclusive Finance in Pakistan	Mr. Andrew McCartney
SMEDA	Deputy General Manager, B&SDS Div.	Ms. Nadia J. Seth GM Policy & Planning Ms. Tania Buttar DGM WEDC Mr. Maqsood Nawaz AM Policy & Planning
Karandaaz	Head of Innovation Challenge Fund & Monitoring	Ms. Shumaila Rifaqat

Annexure 4

Consultative Meeting for Advocacy Report

24th November 2023

Minutes of the Meeting

Welcome Remarks

Ms. Mahnoor Baig, the meeting's host, commenced the session by introducing herself and extending a warm welcome to all participants. She proceeded to articulate the agenda for the consultative session before inviting each attendee to provide a brief self-introduction.

Participants & Introductions

1. Ms. Faiqa Naseem, Joint Director of SME Financing, represented the State Bank of Pakistan.
2. Ms. Amina Aziz, Head of Lending and Private Fund represented the Securities and Exchange Commission of Pakistan (SECP).
3. Representing HBL Microfinance Bank were Mr. Kashif Zafar, Head Products and Research and Ms. Shazia Atta.
4. From SMEDA, Ms. Tania Buttar, DGM WEDC, and Mr. Maqsood Nawaz AM Policy and Planning were in attendance and introduced themselves.
5. Representing Karandaaz Pakistan, Ms. Shumaila Rifaqat was in attendance.
6. Ms. Anaum Athar, Manager Product Development & Research at Kashf Foundation, was also present and introduced herself.
7. Syed Sajjad Ali Shah, MD & Vice President represented SAFCO
8. Mr. Nadeem Sarfraz attended as the Financial Inclusion specialist for the FBLT project.
9. Homenet Pakistan was represented by Ms. Umme Laila and Mr. Basim.

Overview of the project FBLT

Mahnoor initiated the consultative session by delivering a presentation that provided a concise overview of the project. This overview encompassed the problem statement, emphasizing the project's significance and its overarching objective—establishing a standardized definition for Women Informal Enterprises (WIEs). The ultimate aim is to empower financial institutions to offer tailored, gender-sensitive financial solutions.

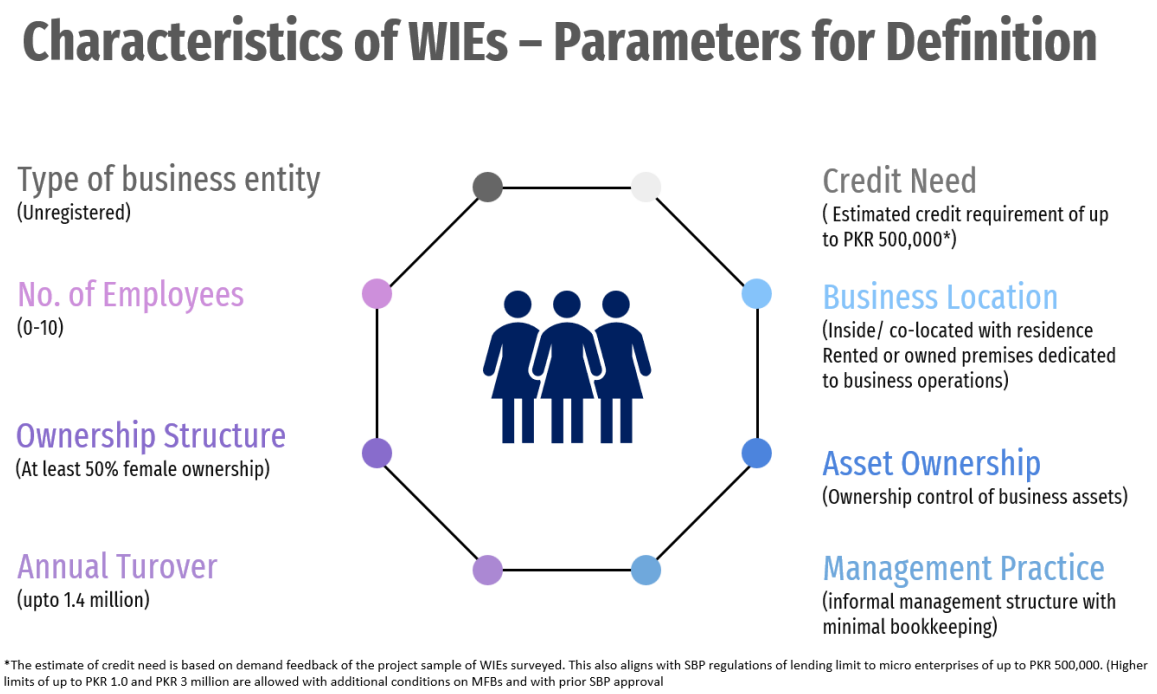
She proceeded to delineate the project's milestones, commencing with a bottleneck study aimed at identifying barriers and challenges. The current stage, marked by this consultative meeting, signifies a pivotal moment for discussing and debating the parameters that define Women Microentrepreneurs (WMEs).

The presentation also delved into the research approach and methodology employed to formulate a preliminary definition and the proposed set of parameters. This comprehensive approach encompassed both primary and secondary research methods. The primary method involved conducting surveys with WMEs associated with HomeNet Pakistan and engaging in consultations with a diverse array of stakeholders encompassing academia, incubation centers, Regulators, MFBs,

MFIs and Development Organizations. Concurrently, the secondary research entailed a review of existing global and local definitions, literature, and data (PMN Publications and FBLT data).

Discussion on the Parameters

Mahnoor presented and briefed the participants on the following parameters and opened the floor for discussion.



- **Addressing Disparities in Annual Sales Turnover and Credit Needs**

The first question came from Mr. Kashif who pointed out the need to address the disparity between the limits proposed for the annual sales turnover of PKR 1.4 to 1.5 million and the credit need of up to PKR 500,000.

Nadeem responded by emphasizing to focus on only the parameters right now. He also asked for help from microfinance institutions and banks to arrive at the limits on the annual turnover and lending needs with the key consideration being that these limits encompass a significant population of the target segment.

- **Defining Business Size and Limits**

A question relevant to this discussion was raised by Ms. Shumaila. She highlighted the importance of defining the size of the business within the category, adding that lower limits are proposed but there is a need to define the upper limits. These limits are important as these are key facets for the formality of these enterprises.

Mr. Nadeem added to this discussion by highlighting FBLT's focus on the bottom of the pyramid of the segment. He also proposed using the terminology of Women Microentrepreneurs (WMEs)

instead of Women Informal Entrepreneurs (WIEs). Ms. Mahnoor then explained the detailed parameters being considered for defining the WMEs.

- **Sampling Details and Geographical Split in Research**

Ms. Faiqa Naseem inquired about the details on sampling for the research and its geographical split. She also inquired about the sectors the WMEs are working in and whether these have received financing from a formal financial institution. Mahnoor and Basim both responded with details of the sampling, the sectors which participating WMEs belonged to- which were textile, leather and footwear, and hospitality, etc., and the number of participants which have received credit from HBL Microfinance Bank.

- **Decision-Making in Microenterprises**

After this discussion, Ms. Anaum highlighted an important issue related to an important aspect and an impact of microfinance which is women empowerment. She remarked that several microenterprises being run by women entrepreneurs are controlled by males who are making the decisions and facing the markets. In such a scenario, how the proposed definition will help us reach such enterprises while fulfilling that purpose of original purpose of the microfinance.

Ms. Umme Laila acknowledged this concern. She explained how the segment under discussion is a subset of a larger segment of home-based workers (HBWs), who were able to graduate to the segment of microentrepreneurs categorized by their independence and being an own-account workers.

- **SMEDA's Interest in Women Entrepreneurship Policy and Urban Focus of the Research**

The team from SMEDA referenced their work on the upcoming Women Entrepreneurship Policy and showed their interest in further understanding and utilizing this work to support that upcoming policy. The team also asked a question regarding the study being urban-focused, to which, Mr. Nadeem responded that although the entrepreneurs engaged for this study are from Karachi and Lahore but the secondary evidence being used is the data from across the country- both the urban and rural Pakistan.

- **Importance of Standardized Definition for Microentrepreneurs**

Adding to the earlier discussion, Mr. Nadeem said that the standardized definition is expected to be utilized by all stakeholders whether from the public, development, or the private sector specially the financial institutions. He added that a uniform definition across all the stakeholders is the starting point as it will allow to identify the segment enabling the stakeholders to design the policies, initiatives, products, and services targeting this segment.

- **Ownership and Control Parameters for Microenterprises**

Another important parameter of ownership and control was then discussed. Ms. Anaum pointed out the difficulty in defining the parameter for control of the enterprise. As Microenterprises also vary by their respective sizes- ranging from subsistence level enterprises to ones which employ multiple employees- their outlooks and credit needs also differ. Mr. Nadeem acknowledged the question and opened this question to the participants, especially the microfinance institutions and banks. Ms. Umme Laila suggested seeking out from the WMEs applying for credit the purpose for which the loan will be utilized.

- **Credit Facilities and SBP's Vision for Women Microentrepreneurs**

Ms. Faiqa added to the conversation by introducing a couple of credit facilities that the SBP has worked on and can be utilized by women entrepreneurs. This included the refinancing facility for women entrepreneurs and the quota for women in Prime Minister's youth entrepreneurship scheme. Ms. Faiqa added that KIBOR is frequently going up which increases the cost of borrowing for women entrepreneurs, however, such facilities allow for modest cost of borrowing. She also concluded by appreciating the work being undertaken and shared SBP's vision of making WMEs bankable.

Consensus on Naming the Segment

Towards the conclusion, a consensus was reached regarding the naming convention for this category which was up till now being referred to as WIEs. The term Women Microentrepreneurs (WMEs) was found to be more appropriate term to represent the segment.

Afterwards, Ms. Mahnoor concluded the discussion.

Suggestions & Inputs Requested

As the parameters were now considerably discussed, it was suggested that each organization takes into consideration its experiences and work and propose different parameters that it thinks would ensure the maximum representation for the segment in question- Women Microentrepreneurs.

- Mr. Kashif from HBL MfB has proposed the minimum credit limit to be 25,000 PKR and maximum credit limit as 350,000 PKR. The number of employees as 0-10 .