Policy Brief

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Women Entrepreneurship Challenges and Future Perspectives in Pakistan

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Key Outcomes

- In Pakistan, the growing population and labor force are creating an alarming situation for the economy, as the expansion of employment opportunities is far below the required rate. Among these challenges, gender inequality in the labor market remains a major concern. In particular, participation of women in labour force is significantly low.
- Women labour-force participation rate (FLPR) during the period (1990-2000) was 16 percent. While during 2000 to 2010 this rate increased to 22 percent and during 2010 to 2017, the figure reached to 25 percent indicating a gradual increment in economic activities of females. However, it is still too low when Pakistan is compared with other regional countries.
- Due to illiteracy, low skill levels, lack of awareness, unfavorable labor market conditions, and social, cultural, and traditional barriers to entering the workforce, many women are compelled to pursue their own businesses or adopt self-employment opportunities.
- Women-led home-based enterprises offers a viable pathway to enhance economic inclusion and productivity. However, such enterprises face numerous challenges, including limited access to finance, inadequate market linkages, lack of skills development opportunities, and socio-cultural restrictions.
- Addressing these obstacles through targeted policies and support mechanisms is essential to unlock women's economic potential and foster sustainable economic development in Pakistan.
- Although empowered women have their own position in society, they still need strong motivation and moral support to gain recognition and maintain self-esteem. For this purpose, support from family, friends, and husbands is essential.Suggested policies include cash transfers, health subsidies, and local monitoring to address gender disparities more effectively.

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Background of the Study

Economic participation is one of the element that enhance female's status by promoting empowerment, especially through Entrepreneurship. Female economic participation in turn has created a need for understanding the social and cultural dynamics that constraint women's economic potential within the household, community and in work places. Female labor force participation in Pakistan remains considerably lower than that in countries with similar income levels, the low level of female labor force involvement results in a significant loss of potential productivity ADB (2016). Despite persistently low female labor force participation, women continue to face significant social cultural barriers, limited educational opportunities, financial constraints, and the dual burden of household and professional responsibilities. Statistics from South Asia indicate that 42 percent of women reported family responsibilities as a major factor preventing them from starting or expanding their businesses, World Bank (2021).

Women possess entrepreneurial potential similar to men and can contribute significantly to wealth creation through the establishment and development of their own businesses. Unfortunately, this potential has not been fully recognized or utilized due to the numerous challenges faced by female entrepreneurs. Nevertheless, many women are successfully entering entrepreneurial activities, demonstrating resilience and determination to contribute to the national economy. Women entrepreneurs not only create economic value and employment opportunities but also enhance household income and promote the overall well-being of their families, communities, and the country.

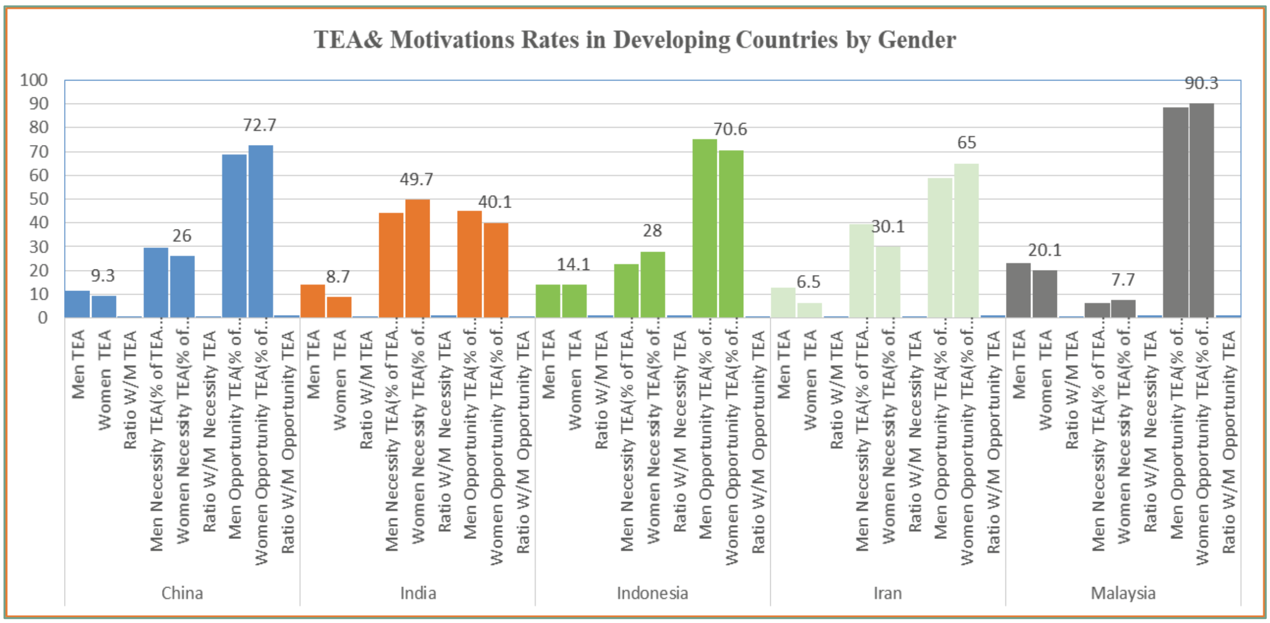
Women entrepreneurs are increasingly recognized as a vital force behind economic growth, innovation, and social progress. In Pakistan, efforts to support women in business represent a transformative step toward enabling them to thrive in a competitive marketplace. Promoting women's entrepreneurship not only advances gender equality but also strengthens national economic development by building a more dynamic and inclusive entrepreneurial environment. However, women business owners often face greater obstacles in accessing finance compared to men. These challenges arise from factors such as limited collateral, lower financial literacy levels, and bias within lending practices.

Hence, this policy brief analyzes the overall scale of women-owned enterprises in Pakistan, with a breakdown by industry, province, and region. It also examines the socio-economic factors that influence women's decisions to start and manage household enterprises and explores the key challenges they face while operating their businesses. In addition, this policy brief highlights the role of entrepreneurship in advancing women's empowerment and enhancing their well-being. The analysis is based on the data drawn from the Pakistan Social and Living Standards Measurement Survey and the Household Integrated Economic Survey (PSLM/HIES), 2018–19.

Global Perspective

Women entrepreneurs play a vital role in fostering economic growth, job creation, and innovation. The global entrepreneurial ecosystem is evolving rapidly but women still represent a disproportionately low percentage of business owners and entrepreneurs, particularly in sectors that require high capital investment or have traditionally been male-dominated. According to the World Bank, women are less likely than men to start a business and when they do they often encounter significant barriers. In many countries, women's participation in entrepreneurship is crucial for broader economic development, especially in emerging economies where women are key drivers of household income, community development, and societal transformation.

The Global Entrepreneurship Monitor (GEM) 2018–19 report describes the Total Entrepreneurial Activity (TEA) rates in terms of necessity-driven and opportunity-driven entrepreneurship in both developed and developing economies. Among countries such as China, India, Indonesia, Iran, and Malaysia, the proportion of women engaged in TEA is generally lower than that of men, except in Indonesia, where the ratio is approximately equal. The female-specific TEA rate was highest in Malaysia at around 20.1 percent and lowest in Iran at 6.5 percent. Similarly, women's necessity-driven TEA rates vary across countries; for example, the rate was highest in India at 49.7 percent, followed by Iran at 30.1 percent, while Malaysia recorded the lowest rate at 7.7 percent, as illustrated in Figure 1.



Source: GEM (2018-2019) Report.

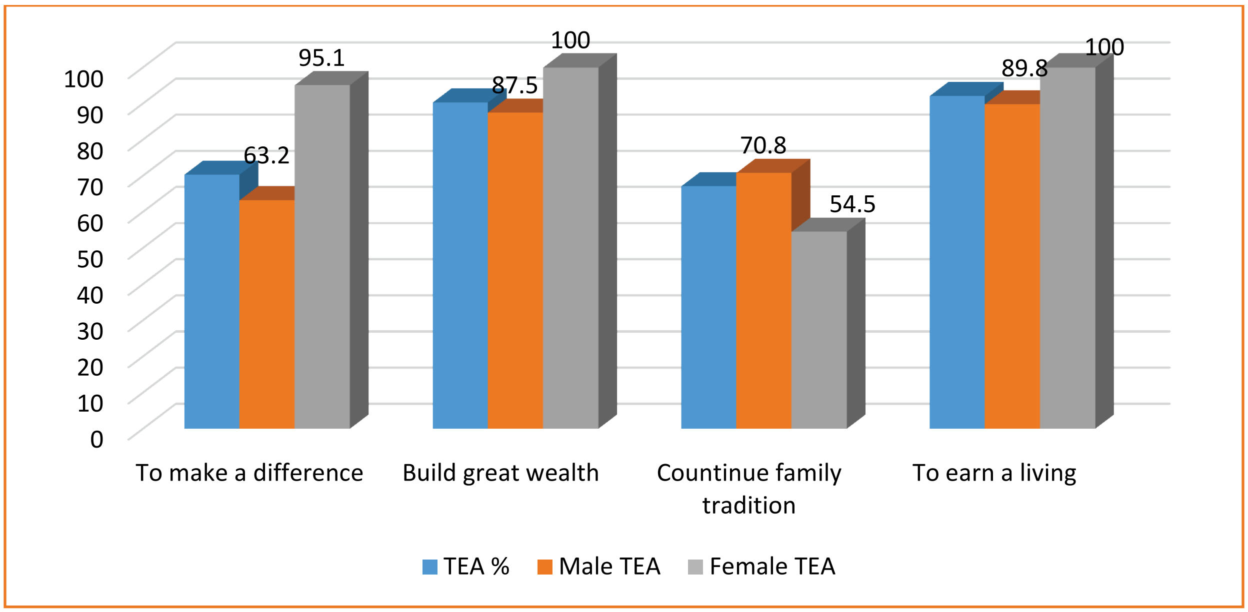
FIGURE 1

TEA and Motivations Rates in Developing Countries by Gender

Globally, the Total Entrepreneurial Activity (TEA) rate for women is reported at around 10.2 percent. Across income groups, low-income countries exhibit a TEA rate of approximately 15.1 percent and also show a relatively narrow gender gap in entrepreneurial activity. In addition, the highest female TEA rate was reported in Sub-Saharan Africa at 21.8 percent, while the lowest was recorded in Europe at around 6 percent.

Pakistan's Perspective

In Pakistan, the Total Entrepreneurial Activity (TEA) rate for women is around 1.7 percent, compared to nearly 5.5 percent for men while the female-to-male TEA ratio stands at approximately 0.3 percent. The Global Entrepreneurship Monitor (GEM) 2019–20 report also provides overall country ratings based on entrepreneurs' attitudes and perceptions. According to the report, approximately 44.8 percent of respondents in Pakistan reported knowing someone who had started a new business. Similarly, 62.3 percent of the population perceived good business opportunities while around 56.4 percent believed they possessed the knowledge required to start a business. In addition, nearly 63 percent of the population reported having the necessary skills and knowledge for entrepreneurship. Fear of failure was reported by approximately 54.2 percent of both men and women whereas entrepreneurial intentions were observed among 27.9 percent of the population, as illustrated in Figure 2.



Source: GEM (2019-2020) Report.

FIGURE 2

TEA and Motivational Factors in Pakistan

Women Labour Force Participation in Pakistan

A review of Pakistan's economy reveals that it is undergoing a transformational phase resulting in high unemployment and a mismatch in the labor market. According to the report by United Nation Development Program (UNDP) 2018, Pakistan has to generate 1.3 million new job opportunities every year to engage fresh graduates that enter into the labour market every year. The growing population and labour force of the country is setting an alarming situation for the economy as the expansion in employment opportunities is far less than the required rate. It is clear that Pakistan urgently required ways for creating employment to absorb both the existing surplus labour and new entrants to the labour market. Failure to do so will not only limit the economic growth but will make it difficult if not impossible to further reduce poverty levels and economic inequalities in the country. Among such inequalities, is gender inequality in labour market. According to the International Labour Organization (ILO), (2017) report, female labour-force participation rate (FLPR) during the period (1990-2000) was 16 percent. While during 2000 to 2010 this rate increased to 22 percent and during 2010 to 2017, the figure reached to 25 percent indicating a gradual increment in economic activities of females.

Most women enter the labor force through employment in the informal sector rather than the formal sector where many prefer to work as home-based workers or operate their own business enterprises alongside other family members.

Due to illiteracy, low skilled and unawareness about job market large number of females are engaged in their own business. Social, cultural and ritual boundaries enforce females to adopt self-employment. In addition, existence of unfavorable conditions in labor market especially low-paid jobs has diverted the attention of females toward their own business specifically focusing on home base work. Hence, in Pakistan the vast majority of female owned enterprises are small and informal businesses, mostly employing family members. LFS (2017-18) shows that, more than one-half (51.9 percent) of the female workers are contributing as family worker.

As said earlier, In order to get the recognition of their abilities and to generate employment to meet the financial needs females in Pakistan are actively participating in economic activities and they are mostly engaged in the informal sector as compared to the formal sector. The informal sector in Pakistan comprises household enterprises that hire workers, mainly from families and friends associated with one another.

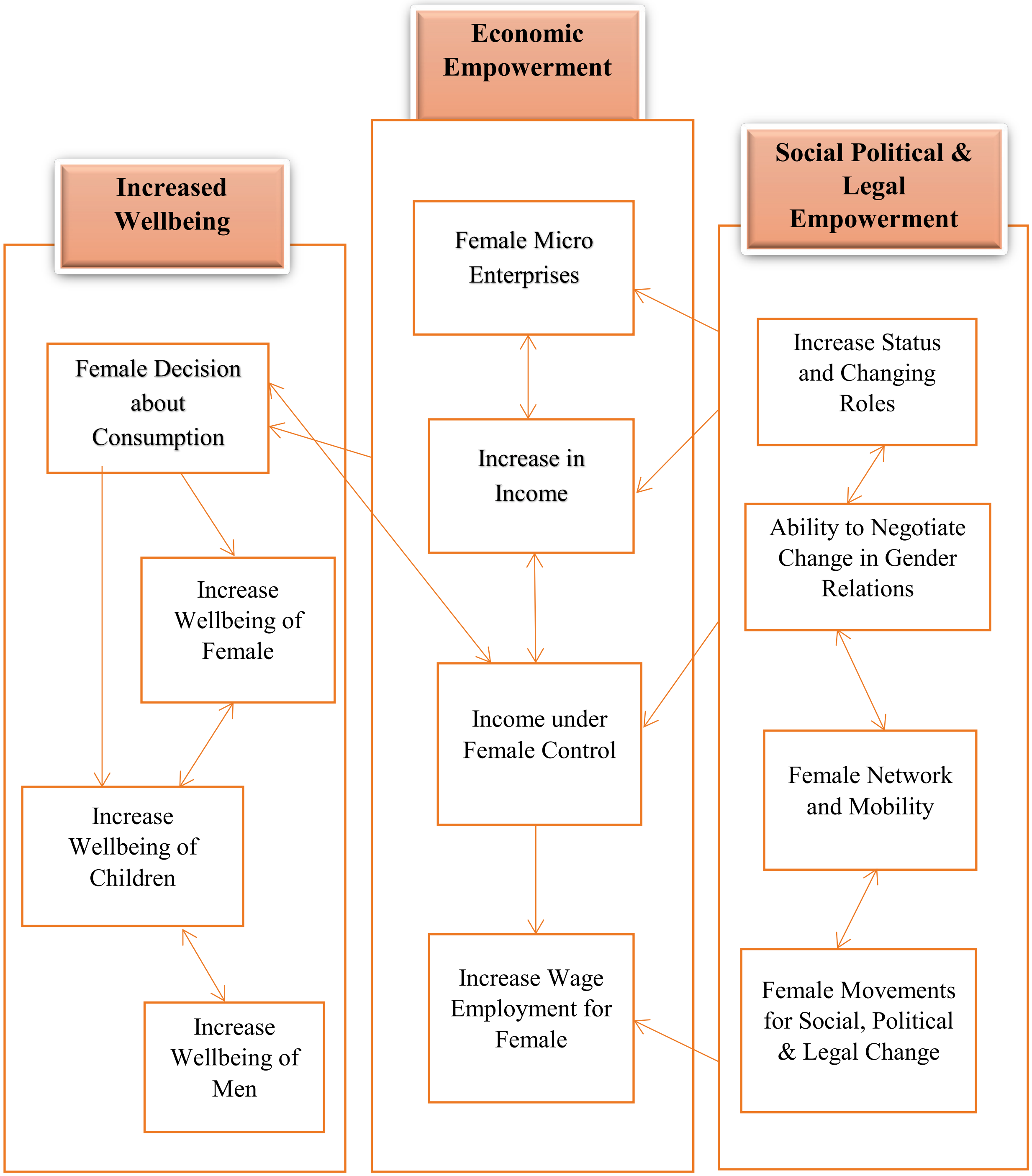
Household enterprises are the main focus here because women are more heavily engaged in the informal sector (around 72 percent), as reported by the Labour Force Survey (LFS) 2017–18, compared to the formal sector (28.2 percent). In Pakistan, a large proportion of women are self-employed and work within the informal economy highlighting the greater importance of household enterprises. According to the Labour Force Survey (2017–18), women are primarily involved in textile and apparel manufacturing, retail sales of food, beverages, tobacco, hairdressing and beauty services, personal care activities, and the provision of pre-primary and primary education. In addition as discussed earlier female entrepreneurs operating household enterprises face more challenges compared to women managing formal enterprises.

Conceptual Overview

A growing body of literature has categorized the favorable working conditions for entrepreneurial success with a primary focus on social and geographic factors. Meanwhile, research on demographic and individual characteristics has also remained debated. The literature highlights factors such as courage, motivation, and perceived fear of business failure among women often even before starting a business. The dual responsibility of women at home and in the workplace limits the time they can dedicate to work. Similarly, challenges related to time management and work–life balance further restrict female participation in entrepreneurship.

The conceptual framework of this study is based on existing literature that identifies key factors influencing the relationship between women's employment, entrepreneurship, and empowerment, while also exploring the genuine problems and challenges faced by women in running businesses. Although entrepreneurship is expected to generate employment opportunities for women, in Pakistan women often face socio-cultural and religious norms that adversely affect their social status and economic participation.

Several explanations have been proposed in the literature. Mayoux (1998) provides a useful starting point for understanding the linkages between income-generating activities, women's empowerment, improved well-being of children and household welfare. Mayoux further refines the concept of women's empowerment by proposing three distinct paradigms: the feminist empowerment paradigm, the poverty alleviation paradigm, and the financial sustainability paradigm. Collectively, these paradigms reflect the multidimensional nature of empowerment including decision-making power, awareness of rights and changes in intra-household dynamics that affect women's access to resources for starting and sustaining their own businesses.



Source: Mayoux (1998).

FIGURE 3

Conceptual Overview

Assessment of Female-Owned Enterprises by Income & Magnitude in Pakistan

The magnitude of enterprises owned and operated by females connects it with conditional and positional change. Hence, the study is based on the assessment of conditional change (direct change) and positional change (indirect change) that entrepreneurship brings. A conditional change is related to change in income and is represented by Net Income and the Gross Profit generated by female own enterprise, which ultimately declines vulnerabilities and increase wellbeing, as reflected in changes in household income. The magnitude of female-owned enterprises across province, region, and industry is assessed using female characteristics along with net income.

Overall, the data comprise 53 percent males and 49.9 percent females. Among them, 398 females are running enterprises; out of a total female population of 56,243 (aged 14 and above), only 0.71 percent are operating home-based enterprises. The summary statistics show that the average annual net income and gross profit are approximately Rs. 171,203 and Rs. 208,757, respectively. The minimum and maximum values indicate that net income ranges from Rs. -1,711,200 to Rs. 4,656,000, as shown in Table 1.

TABLE 1

Descriptive Statistics by Net Income and Gross Profit

Variables	Observations	Mean	Std. Dev.	Minimum	Maximum
Gross Profit	398	208,757	494,418	-960,600	5,047,200
GP > 0	354	250,270	505,044	1,600	5,047,200
GP<0	44	-125,234	186,065	-960,600	-750
Net Income	398	171,203	476,088	-1,711,200	4,656,000
NI> 0	354	215,584	473,591	1,600	4,656,000
NI<0	44	-185,856	323,619	-1,711,200	-1,100

Source: Author's illustration based on PSLM/HIES 2018-19.

As shown in Table 2, the presence of female entrepreneurs is highest in Punjab at 70 percent, while Khyber Pakhtunkhwa accounts for 25 percent. Sindh follows with 5 percent of enterprises owned by females, whereas Balochistan has the lowest proportion of female entrepreneurs with only one household reporting a female-run enterprise.

Furthermore, the percentage distribution by region shows that 46 percent of female entrepreneurs are located in urban areas while 54 percent are in rural areas. In Khyber Pakhtunkhwa and Punjab, rural areas have a higher number of female-owned enterprises than urban areas. In contrast, in Sindh and Balochistan female-owned enterprises are more concentrated in urban areas.

TABLE 2

Magnitude of Female Owned Enterprise by Province and Region

	Rural			Urban			Total		
	Count	Row%	Column%	Count	Row%	Column%	Count	Row%	Column%
KPK	53	54%	25%	46	46%	25%	99	100%	25%
Punjab	158	57%	73%	120	43%	66%	278	100%	70%
Sindh	4	20%	2%	16	80%	9%	20	100%	5%
Balochistan	0	0%	0%	1	100%	1%	1	100%	0%
Total	215	54%	100%	183	46%	100%	398	100%	100%

Source: Author's illustration based on PSLM/HIES 2018-2019.

However, the overall results for Pakistan by age group and region show that females in the age groups of 14–25, 26–35, and above 45 years residing in rural areas are more engaged in entrepreneurial activities than females of the same age groups residing in urban areas. In contrast, females in the 35–45 age group participate relatively more actively in entrepreneurial activities in urban areas than in rural areas.

Education plays a key role in achieving success in all fields of life. The assessment shows that most females running enterprises are illiterate. Punjab accounts for 110 enterprises run by illiterate females, while 59 and 9 enterprises in Khyber Pakhtunkhwa and Sindh respectively are operated by illiterate females.

The majority of female entrepreneurs in Khyber Pakhtunkhwa and Sindh have primary-level education whereas females in Punjab also possess higher educational qualifications. The regional comparison shows that females in rural areas of Sindh and Khyber Pakhtunkhwa are mostly either illiterate or primary-pass while females with middle, secondary, and higher-level education are more commonly engaged in running enterprises in urban areas of Punjab.

Challenges and Obstacles Face by Women Enterprises

Economic participation is one of the element that enhance female status by providing empowerment especially through entrepreneurship. Female empowerment on the other hand largely been accepted as a necessary road map towards the elimination of gender inequality. Unfortunately, female entrepreneurs face several challenges in growing their businesses. Challenges and obstacles as explored in the literature divided into three segments; personal, financial and socio-cultural.

I. Lack of Self-Confidence

Among the most influential personal factors is a lack of self-confidence. Many females perceive themselves as having fewer abilities compared to men. Similarly, societal perceptions often reinforce the belief that the male is the primary breadwinner of the family while the female is responsible for taking care of the home.

Family support provides women with the confidence to enhance their abilities; however, fear of failure, lack of decision-making power, shyness and hesitation often weaken their willingness to take bold steps toward success. Females with low self-confidence may find it difficult to operate and manage their businesses effectively.

Confidence empowers women and is closely linked to decision-making authority, family support and social acceptance all of which encourage women's empowerment and promote gender equality.

II. Educational Deprivation

Another most important factor that challenge female entrepreneurs is education. Male and female have equal rights to get an education. However, female education is quite important in the sense that she is responsible for family development leading to community and society development. An educated mother can take care of the child and home responsibilities as well as her home business in a better way as compared to an uneducated woman.

III. Lack of Experience/Training and Skills

The next most challenging factor related to education is female experience, training and skills. New technology directly affects workers' skills. In urban areas, business owners use machines and equipment for the fastest growth. Women often face limited access to experience, training, and skill development opportunities which restricts their ability to participate fully in the workforce. This gap is largely driven by structural barriers such as unequal access to education, social norms, and limited availability of professional training programs tailored to women's needs.

IV. Need of Motivation & Family Support

Females run businesses either to secure a brighter future for their children or to fulfill the economic needs of their families; therefore, they should be encouraged and supported by their parents, brothers and husbands. A successful business requires clear goals and strong determination to achieve success, and the family of an entrepreneur should support her efforts to gain experience and knowledge.

To achieve specific goals, there must be motivation and inspiration, which develop over time through continuous struggle and family support. In many home-based businesses, family members motivate, help and cooperate with women in completing orders and fulfilling tasks. Such support and encouragement enhance a woman's confidence which is essential for the growth and development of an enterprise.

V. Women Decision Making Power

Women's empowerment is an integration of social, personal and economic aspects and each of these elements has its own essential and significant impact. For women, effective decision-making is only possible when their opinions and voices are valued, first within the family and then within society. The freedom to access opportunities and move freely empowers women; however, social and cultural norms unfortunately impose restrictions on females, particularly in certain areas. These limitations often prevent women from making decisions regarding their children's nourishment, health, medical care, schooling, clothing and the purchase of goods and may even restrict them from making minor household decisions.

Moreover, on important issues such as ownership of assets, marriage, family disputes and fertility-related decisions, women often do not enjoy full rights or freedom of choice.

VI. Lack of Financial Resources

Women entrepreneurs often face greater difficulties in securing financing for their ventures compared to their male counterparts. This is due to a combination of factors including lack of collateral, lower financial literacy and biases in the lending process. During the initial stages of business females mostly supported by their father/brother or husband. In the process, bank dealing (financial access) is a quite lengthy and time-consuming process, in terms of formalities of documentation, collateral for loan disbursement then payment of interest and installments all are challenging. Financial constraints become more complicated if the earner will be a female and all the family members depend upon her.

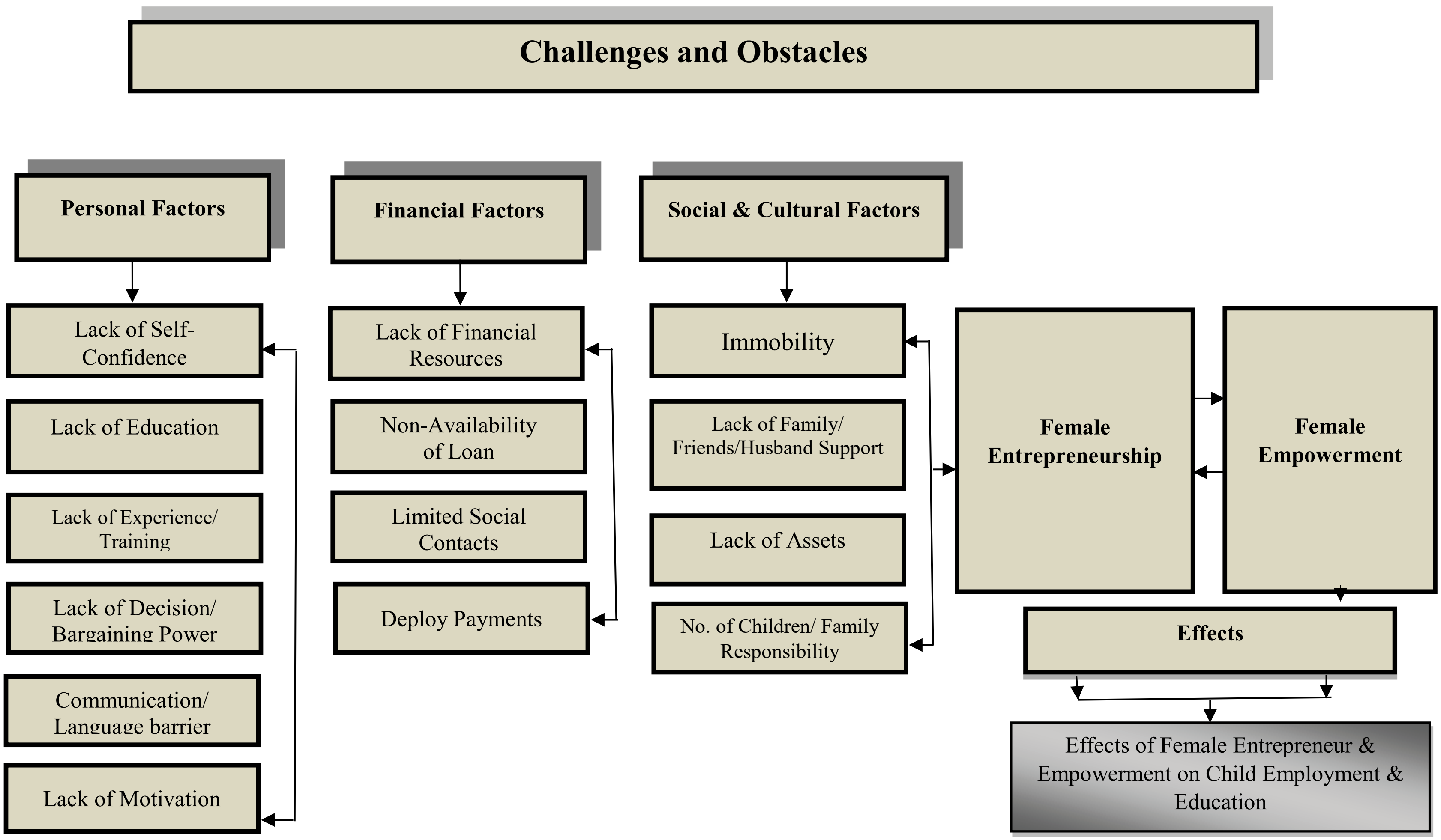
VII. Restriction by Cultural and Religious Norms

Cultural and religious norms, along with strong social values and a patriarchal system, often do not permit females to go out alone. Social norms, seclusion, restricted mobility, and certain traditional practices create additional constraints in this regard. A high dependency ratio also compels women to work harder in order to support their families.

Having more children in a family further increases women's responsibilities in fulfilling childcare and upbringing duties. Moreover, a larger number of children without adequate healthcare precautions can negatively affect both the health of women and their children.

VIII. Effect on Child Employment & Education

Entrepreneurship is a multidimensional process initiating the production and distribution of goods and services to develop the economy. Empowerment provides the courage, sense of awareness regarding rights, experience, upgrading education and training skills to achieve targets. Focusing on education, multiplies women entrepreneurs' skills and empowers females. Sufficient literature is available on gender differences but mostly less privilege is given to girls, where young girls are assigned to household work and boys are preferred as a future bread-earner for the family. On a long-term basis, these young girls are influenced to withdraw from their academic activities and fulfill social and household needs. In rural areas, most teenage girls have to survive and sacrifice their childhood.



Source: Author's illustration based on literature Review.

FIGURE 4

Challenges and Obstacles Face by Women

Policies and the Way Forward

In Pakistan majority of females enter into the labour market because of the economic and social needs. Sound policies are needed for promoting the entrepreneurship that should be supportive and constructive without gender discrimination. Large family size, poverty, unemployment enforce female to enter into labour-force to resolve the financial constraint. Hence, government should create formal jobs for female, set up skill enhancing program with suitable wage policies against informal jobs where they are confronting different irregularities of work and wage differences.

- Based on the above findings the study suggested and strongly recommends that, as majority of female engaged in the retail sale of clothing, footwear, leather articles and in wholesale and retail, textile and apparel, retail sales of food, beverages, or tobacco; hairdressing and beauty treatment, personal care activities, government should facilitate these sectors on the top priorities, make some equity based policies that favors female entrepreneurs. For instance time relaxation in peak hours, provide incentives on their achievement, provide rebate on purchase of raw material. Government with NGOs, organized free consultant services to female entrepreneurs to resolve their problems especially for retail and service sectors where a huge number of female are engaged.

- As most females belong to informal sector like in rural Punjab and Sindh, where they have limited control over assets or nor do they have collaterals to fulfil the banking loan requirements while the only source that provide supports is family and friends. Banks/institutions should play their powerful role by expanding their circle through credit card service in their areas.

- Household enterprises present in informal sector remained the major source of employment and income generation, government could facilitates the household in terms low charges or less unit charges levied on electricity bills.

- In Pakistan majority of female owned or operated enterprises confronting the problem, like, lack of education or relevant skills, unawareness of management expertise and knowledge. Hence, there must be some initial stage training sessions or some refresher courses of skill development provided by the government institutions.

- Educated mothers care more for the wellbeing of children and family as compared to uneducated female. An educated mother could take sound decisions by the allocation of time and can get maximum benefits for the family. Well-educated mother produce educated children and provides the shelter to new generation.

- Governments and civil society organizations should launch campaigns aimed at changing societal attitudes toward women in business. These campaigns should emphasize the value and importance of women entrepreneurs for economic growth and community development.

- Although empowered female have their own position in the society but she also need to have strong motivation and some moral support to get recognition in the society for self-esteem. For that purpose, family friend and husband support is necessary.

- Support for women in international trade policies that reduce barrier to international trade for women owned- businesses are essential. These could simplifying export regulations, providing trade facilitation services and ensuring women have the skills to engage in global markets.

- For economic empowerment, economic participation is must for female to recognize their abilities. Sound social and cultural norms with strong patriarchal system produce imbalance in the system and restricts the economic participation of the female. Therefore, the need is to change the mindset of husband /father and other male household members that allow women to participate in economic activities.

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