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## Constraints to female-run microenterprises in Pakistan: The role of goals and aspirations

Giovanna d'Adda, Mahreen Mahmud, Farah Said, and Diego Ubfal

- The national rate of active labour participation in Pakistan is low, at a little less than 44%, with a disproportionate gender gap. The rate of female participation equals only one-third of the male participation rate at 22%.
- This study tests if low-cost, light-touch training to boost aspirations and setting goals for the future can help in promoting microenterprise growth among female entrepreneurs.
- Over 1,000 women entrepreneurs who had recently taken an enterprise loan from the National Rural Support Programme (NRSP) were selected to watch an inspirational video and undertake a short goal-setting exercise.
- The intervention seemed to have an immediate short-term impact on hard work and perseverance. We find that women who watched videos stressing the importance of hard work and grit were 12% more likely to persevere and re-attempt the hard task after failing it at least once.
- The results suggest that role models matter for bringing positive changes in behaviour and that the presence of male members of the family is not essential to bring about positive changes in female behaviour.

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## Motivation for the research

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Pakistan is a country with very low labour force participation. The national rate of active labour participation stands at a little less than 44%, as per the Pakistan Labour Force Survey (2018), with a disproportionate gender gap. Female participation is only one-third of male participation at 22%. There are multiple reasons why women do not work – for instance, employed women have to spend just as much time on housework as unemployed women, sacrificing leisure time. Further, cultural norms and lack of safe transport to work further restrict female mobility and labour force participation. That is why more than one-third of the female working population in Pakistan works from home, and about two-thirds of the women who want to work say they will be unable to do so if it is far from home (Field et al., 2016).

Running a business from home may be socially acceptable for women because it allows them to earn income without needing to leave often and is easier for household members to monitor. Anecdotal evidence suggests that many microfinance institutions in Pakistan target women for the provision of microenterprise loans for this reason – for women, a home-based enterprise may be a more acceptable avenue of income generation than paid employment. The disparity between male and female participation in the country is lowest for informal enterprise at 38% for females and 42% for males.

However, recent evidence shows that microfinance has been found to have a limited effect on fostering new businesses or growth in existing ones, particularly those owned by women. A recent randomised control trial in Punjab, Pakistan, documented only a 10% increase in new businesses being set up by women who had access to finance (Said et al., 2019). Another study in Pakistan found that large (\$1,000) loans did lead to improved business outcomes when complemented with business training. However, women were not directly involved in the new businesses, suggesting that their spouses or other household members were the main beneficiaries of the loans (Gine et al., 2014). Experimental evidence reveals that men and women hide money, even to the detriment of overall household welfare. This behaviour has important implications for female microenterprise – women may refrain from investing money in a business if it makes resources visible and hence susceptible to capture by household members. This creates a need for innovative thinking about the household dynamics and psychological constraints that women may face in setting up their own enterprise (Fiala, 2017).

Psychological and household-level factors that limit female autonomous decision-making and control over resources have been cited as important obstacles to the impact of microfinance and business training programmes (Field et al., 2010). Psychological factors include self-control problems, feeling

incapable of resisting demands from peers and family members and low perceived self-efficacy. There are some studies that document the effectiveness of intervention in altering individual motivation and mindset. For instance, simply asking people to plan for events (or goals) can dramatically increase the likelihood of follow-through. Meanwhile, evidence exists to support positive impacts of inspirational stories from peer groups.

This study tests if low-cost, light-touch training to boost aspirations and setting goals for the future can help in promoting microenterprise growth. We implement this training with a group of female entrepreneurs who have recently taken an enterprise loan from the National Rural Support Programme (NRSP) in Pakistan.

## Research design

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We test for the influence of psychological and social factors on female entrepreneurship directly through a randomised control trial in Gujranwala, Pakistan, targeting women's aspirations and their ability to set and achieve goals. All women in our sample have access to finance – they have recently received an enterprise loan from our collaborating partner NRSP. NRSP provides 12-month enterprise loans for working capital and investment needs of existing businesses. Loan amounts typically range between PKR 30,000-50,000. Loans are disbursed to women but require a male guarantor from the family.

Between February and October 2019, we conducted an independent listing exercise of all individual liability microenterprise loans issued each week in our target area to filter out women who are not involved in enterprise. From the nearly 4,300 applicants we interviewed on the phone, a little more than half said they would use the loan for themselves, while the others reported the loan would be used by a male relative (usually husband or son). Only about a third of these female borrowers were involved in enterprise. These female entrepreneurs are the women selected to be part of our study.

Our study sample at baseline consists of 1,850 female entrepreneurs in Gujranwala, with whom we conduct detailed surveys. The majority of these entrepreneurs have a business that provides personal services or consumer goods such as tailoring, embroidery, beauty services, or grocery stores. We expose randomly selected women from this sample to an intervention specifically targeted at overcoming barriers to agency, by raising their aspirations and by helping them achieve their business goals through planning. Women who receive this intervention form the 'treated' group, the remaining form the 'comparison' group.

## Details of intervention

The intervention provided to the treated group consists of three main elements:

1. A role model documentary, focusing on the real stories of two women from Gujranwala, who had been NRSP borrowers in the past and at the time owned and operated a growing business. The documentary was finalised after extensive piloting with NRSP borrowers to narrow down the obstacles and stories that women related the most to. The role models in the documentary talk about the obstacles they faced when setting up the business – from not knowing how to deal with suppliers to negotiating sales and, in one case, learning new skills to set up a business that provides a steady source of income. They talk about the role played by their family members in the success of their business and stress the importance of hard work and perseverance.
2. A short exercise on goal setting, planning, and implementation intentions techniques. We ask women applicants to formulate short and long run goals for their business. We guide treated respondents to think about structured Specific, Measurable, Ambitious, Realistic and Time-bound (SMART) goals to address likely obstacles that they can encounter in their business and to formulate plans to overcome said obstacles.
3. The comparison group, in contrast, is shown a 'placebo' video on an unrelated topic, with no discussion on goal setting. In addition, we vary whether women view the role model documentary and the goal setting exercise in presence of their husbands (or the main male decisionmaker if she is unmarried) or alone. We randomly select women to participate in our intervention (role model documentary and discussion on goal setting) or to view the placebo video, and we cross-randomise if the intervention or placebo is in the presence of a male household member.

## Research findings

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We administer this treatment twice – once with the baseline survey in 2018 and once at a follow-up interaction a few months later in 2019. The first time we show women the video and discuss their goals, we did so after a long baseline survey. Subsequent phone checks with a subsample revealed that the women were distracted by other activities at home by the end of this interaction. While two-thirds of the sample said they found the video inspiring, a little more than half of the subsample who were called 3-4 months later could recall the contents of the video. The second time the women watched this video, they had

just had a 10-minute conversation with the enumerator on updates on their business since they last interacted. The attention paid at that time was much higher: post-intervention checks with the treatment and placebo videos revealed that 90% of the respondents were emotionally affected by the video they had seen, and more than half the sample wanted more information on the video content.

### **Goal setting**

We find from our goal setting discussion with treated women, that 18.4% of the businesswomen feel access to finance is an obstacle to their business growth, followed by health reasons (11.4%), childcare responsibilities and household chores that take up their time (11%), lacking the skills needed for running a business (9%), and reluctance to interact with people outside the household for supplies and sales (8.4%). Role models in the video touch upon all these aspects – using NRSP loans to grow the business, how the business is near or at home and allows them to give time to household chores and that over time and with the help of their household members, they have had to learn new skills and ways of dealing with strangers in business dealings.

Given the low recall of the video, we do not expect any effects on business outcomes over the long run, e.g., when we ask women if their business outcomes and performances have updated between the baseline and follow-up interviews, we find very little change.

### **Impact on behaviour**

However, in addition to treated women reporting that they found the video inspiring, we collect suggestive evidence of changes in behaviour among treated women. The intervention, even at baseline, seems to have an immediate short-term impact on hard work and perseverance of the women in the treatment group. We estimate this using an innovative activity where women must choose between an easy task with low payoff, and a more difficult task with a higher payoff. We find that women in the treatment group, who had watched videos stressing the importance of hard work and grit, are on average, 12% more likely than women in the comparison group to persevere and re-attempt the hard task after failing it at least once. While other dimensions of effort from the task are not affected by the treatment, this is an encouraging finding, stressing that the role model video and goal setting exercise can affect the tendency to persevere in a task that has high potential payoffs, even though it is difficult. Interestingly, the presence of the spouse has no effect – neither encouraging nor dampening the efforts of the female respondent.

## Policy recommendations

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We expose female borrowers to an intervention specifically targeted raising their business aspirations and helping them overcome obstacles to the implementation of their business goals through planning. A second dimension varies the presence of spouses during the training to test how the effects of the training vary if male household members also participate. Baseline survey data and behavioural data collected immediately after the intervention suggest that:

- **Microenterprise loan utilisation is low, particularly for women. Targeting is key for improving business performance.** While anecdotal evidence already exists to support this finding, we find that more than half the loans that have been disbursed to women are in fact used by others, notably their husbands, brothers, or fathers. Further, even when the women do use the loan for themselves, using the loan for businesses run by women is even lower. This finding can explain why the different studies find loans fail to improve outcomes for businesses owned by women. A majority of these loans are simply not put to the use that they are intended. If the intention is to help women with their businesses, then there is a need for constant checks, with implicit (e.g., refusing to provide follow-up loans) or explicit (e.g., financial penalties on the borrower or guarantor) on loans being put to some use other than in business.
- **Role models matter for bringing positive changes in behaviour and it is possible to provide role models as long as the target audience identifies with them.** While there is existing evidence to suggest that peer support in the form of friends and colleagues matter to raise aspirations and to encourage female labour force participation, our findings suggest that even remotely watching videos documenting the experiences of others like them, without any personal contact with the role models, may be sufficient to improve incentivised measures of perseverance after experiencing failure. The repeat intervention, combining videos of role models with a reinforcing discussion on setting achievable goals and strategies to overcome obstacles, will allow us to test if these brief, light-touch interactions help raise aspirations, grit, effort put into the business, and hence, business outcomes.
- **Presence of husband or male members of the family is not essential to bring about the positive changes in female behaviour.** We do not find any difference in the propensity to keep attempting a difficult but lucrative task despite initial failure among women who received the intervention alone, or in the presence of their husband. This is an encouraging finding because it suggests the overall effects of the treatment is positive and not driven by women who may have support of their husband, nor dampened

by women who face opposition from male members of the household. It remains to be seen whether male participation has an effect on other longer-term outcomes, such as the time she is able to put into the business and actual business performance.

This exploratory study could help devise a low-cost, soft-touch training module that can be administered by other microfinance lenders aiming to encourage female enterprise.

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