

Venture Capital and Female Entrepreneurs: A Case Study

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Abstract

The purpose of this paper is to analyze the financial institutions which are providing finances to the entrepreneurs in a small town of Pakistan. The research is conducted to review the existing conditions, problems / barriers / hindrances in access of venture for female entrepreneurs based in a small town. The analysis is based on primary data collection through survey questionnaire, the sample is (50) fifty female entrepreneurs and small business owners. After analyzing the survey questionnaire through SPSS by using regression analysis the findings are then triangulated through in-depth interviews with venture capitalists namely the bank as well as small business owners as well as entrepreneurs. It is revealed that the greater number of the female entrepreneurs around 60% support the individual loan programs and just 18% support the gathering loan philosophy. Things that matter in individual loan projects are the need of guarantee, high financing cost and other intense prerequisites. These elements are broke down through relapse model to discover which are the most persuasive components that hamper the female borrowings through miniaturized scale money related foundations. The paper finishes up the guarantee to be the most compelling component took after by loan costs, education and advance preparing timings which frequents the female business people to get to back from a miniaturized scale budgetary foundation.

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1 Introduction

Everywhere throughout the world microfinance plays an important part in the underwriting of money related insertions for the upside of poor people. Monetary access is greatly low in Pakistan; microfinance can possibly support access to an extensive variety of money related administrations. Just as fundamental to developing effort by and large is the significance of connecting with ladies when all is said in done and, especially, ladies business visionaries (GPI and IFC, 2011). The female received very less amount of loans from the banks as compared to other developing countries like Bangladesh or India. Pakistan's potential microfinance market assessed by the Pakistan Microfinance

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Network is right now put at near 27.5 million customers. As of December 2011, Pakistan Microfinance Network information demonstrate that, the offer of ladies borrowers has expanded—downright dynamic borrowers are 2.1 million and out of these 2.1, nearly half are the female (PMN, 2011).

In the urbanized areas prior exploration on projects that advance just to ladies demonstrated that just 28 percent of the ladies borrowers, by and large, utilized the advances themselves. Study on rustic backing programs uncovers that 42 percent of the ladies take credits solely for the benefit of men in their family (Khan and Khan, 2008). The theme identifies intellect to low outreach of micro financing to ladies, through case perusing the Khushhali bank ltd of Pakistan, being the 1st public sector micro finance in Pakistan, it has more share in the market than any other public ltd in Pakistan.

2 Literature Review

For financial improvement, destitution easing, engaging of low salary groups' microfinance is a developing device and contributing another part in smaller scale business (Mondal, 2009). In country monetary life both as far as addressing utilization needs and creation needs Micro credit assumes an imperative part. Then again, it should be resolved how those at the base rung of the monetary status react to smaller scale credit regarding salary and instruction. The writing gives confirm that the circumstance of rustic ladies in Pakistan has yet not changed. They are still crippled as they were in hundreds of years prior. Microfinance concentrates on sparing and protection projects to further build the quality existence of the borrowers. Albeit monetary administrations are given to destitute individuals to begin any business or any pay creating action yet it absolutely relies on the learning of getting credit. Diverse associations give distinctive sort of monetary help to the borrowers however one critical component is access to the association and having information about methodology to get advance. Stereotyping disturbs female business visionaries - they whine about the frustrating state of mind of money related establishments towards them (Roomi et al., 2009).

At the point when applying for credits from private part banks there are reports guaranteeing oppression ladies business people, despite the fact that they consistently have unrivaled insurance" (in the same place). On the other hand, in the creating scene, much of the time female can't offer any security and don't have individual resources.

Especially to start an undertaking, getting to credit, is one of the key requirements confronted by ladies business people. In correlation to men females regularly have less chances to access credit for different reasons, including absence of security, an unwillingness to acknowledge family unit resources as insurance and negative view of female business visionaries by advance officers (Mahbub, 2000).

For the finances, the female entrepreneurs are mostly depending on their family members (Halkias, 2011) or on their savings (Itani, 2011). From the Pakistan perspective, in the absence of qualified venture capitalists the female are mostly dependent on loans (ILO, 2003), however, in any developing country getting the finances from the banks is hardly possible without any guarantee and in some cases the interest rates are also high (Nadgrodkiwicz, 2011).

Entrance to credit for ladies is regularly in little sums, divergence of permission might be a sign of uniqueness in the picking any area. Be that as it may, any discrepant access upheld on this is by implication brought about by sex observations. Female business

visionaries in creating nations keep on experiencing denied of advantages all in all, lessened requirement of budgetary rights and the presence of disproportionate legacy rights and subsequently shocking admission to group and social assets. Sexual orientation based snags, for example, traditional considering, social and social values, and absence of security (Charumathi, 2008).

Grameen Bank in Bangladesh provides a very impressive case study for adopting the small loans for the females who wishes to start their business. First and foremost, it depended on the trust framework instead of composed contracts, since numerous borrowers are ignorant. It works in view of an association intended to offer its borrowers some assistance with succeeding in their reimbursements. Denied ladies are offered induction to credit through a gathering loaning framework and week by week portion installment arranges that empower them to win a superior wage amid every advance level. The bank became innovative in addressing the necessities of customers. Now it has over 2700 branches and nine million individuals, 99 for every penny of which are ladies. The reimbursement ratio is 97%. Grameen is surprising because it keeps running as a charity business (Busse, et al, 2008). It gives advances without keeping any security and customer bases are comprised into little gatherings, in this way making solidarity among the gathering of loan takers as it has built up the gathering observing procedure (Hossain, and his colleagues, 2001). The way the Grameenis sorted out and oversaw is fundamental element behind the Bank's prosperity. Writing gives two central parts of the authoritative association of the Grameen Bank—the conveyance framework and the accepting framework. There are gatherings and focuses, at the less than desirable end, and the Grameen Bank's own particular conveyance framework contains branch workplaces, range workplaces, zonal workplaces and the head office (Abu Elias Sarker, 2001).

The activities that add to the associations are incorporated into Strategy content, with segments such as corporate, business and practical level arrangement (Abu Elias Sarker, 2001). Writing demonstrates Grameen's procedure for loaning and recuperating has been extraordinary ahead of time with profoundly attractive results. It has been examined from writing that dominant part individuals of Bangladesh backing with Group based loaning and take it as the significant driving achievement component of microfinance that has raised the versatility among the customers and condensed the companion weight among the gatherings. (Busse and Victoria Noelle, 2008). Credits are little, yet adequate to back the smaller scale ventures embraced by borrowers: rice-husking, machine repairing, buy of rickshaws, purchasing of milk dairy animals, goats, material, stoneware and so on. The writing additionally uncovered the ecological variables that supported Grameen in Bangladesh. The past research by Hulme and Moore conducted in 2006, has called attention to that Microfinance is mounting effectively because of the high packed populace particularly in Bangladesh. Usman in 2009 distinguished the effective practices for microfinance banks in Pakistan as well as Bangladesh and concludes Khushhali bank in Pakistan is using model of Grameen bank model. Pakistani banks are not fulfilling the desires and prerequisites of the female business people. Certain key, authoritative and social elements are distinguished to quantify the accomplishment of the two banks as far as coming to female business visionaries. Further those elements are examined to know the most persuasive element to be cooked keeping in mind the end goal to create female business visionaries.

2.3 Conceptual Framework

The paper uncovers two types of perspective influencing the female credit borrowings. The vital elements like the fundamental for advance contrast which make illation in picking up credit from the camber by female business visionaries like necessity of experience, building complex documentation, security and handling time and so forth. Second, the social components like trainings, dialect, education, class struggle and so on additionally influence the completing of MFIs.

The paper concentrates on what territories variables are received or to be balanced by the banks to expand female effort and create female business visionaries.

3 Research Methodology

Research outline includes a progression of balanced choice settling on of decisions among various instruments of information gathering and information investigation. The exploration takes after blended philosophy. This will portray methodology and steps that will received and direct this exploration. Research outline closes: writing audit, essential information gathering through meetings and field overview. Besides the elements are sorted and consolidated in the poll to advance ask about the impact of every element on to the female business visionary's money related exercises through an overview which incorporate bank customers and non-bank customers.

3.1 Data Collection

The sample data is collected randomly from different parts of Hyderabad. Random sampling procedure was followed to select the sample. The total number of sample becomes fifty (50) for this paper.

3.2 Data Analysis

The ultimate goal of this research is to identify the problems faced by the female entrepreneurs in getting their loans from the banks or in words to access the venture. This is done by using the relationship between the defendant factors or variables and independent variables.

3.3 Description of Model

The issues confronted by female business people in getting to credit might be brought on by various formative and social components, for example, guarantee, instruction, dialect, Experience, and so forth. Every one of these elements are fused from essential examination and information, the strategies and methods for the most part of Khushhali bank are considered as the elements, incorporated into the review survey to foresee the most influencing the obtaining exercises of female business people

3.4 Results

There is a criteria, which can be used to manage the decision technique of self-sufficient factors in model. This can be done by using - 2LL value, the Wald value, or most bewildering unexpected probability (Hair et al 2009). In this research R^2 is taken as an indicator for using into the model. Each one of the variables are explored through backslide tests all together to find the likelihood regard and indicate fit qualities as base model. The numbers are showed up in the table 3.1.

Table 3.1: Variables

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a Collateral	-.374	.942	1.768	1	.010	.674
Interest rate	1.255	.897	1.958	1	.026	3.508
Process timing	-1.644	.979	2.821	1	.039	.193
Literacy	.860	.770	1.248	1	.024	2.364
Complex Documentation	.603	.726	0.89	1	.407	1.827
Experience	-.850	.698	.486	1	.223	.427
Trainings	-.784	.674	0.712	1	0.05	.473
Constant	-.436	2.153	.041	1	.020	.647

Table 3.2: Model summary

Model Summary

Step	-2 Log likelihood	Cox & Snell R^2	Nagelkerke R^2
1	63.795	.104	.191

Every variable has been analyzed separately by using separate tests for the wald, likelihood, cox and snell R^2 and Nagelkerke R^2 are calculated for regression model.

Table 3.3: Factors

Individual Factors in the Model

FACTORS	WALD	(log Likelihood)	Cox & Snell R^2	Nagelkerke R^2
Insurance	1.758	60.8	0.007	0.015
Documentation Problem	0.87	61.2	0.034	0.057
High Interest Rate	1.757	61.36	0.075	0.034
Proficiency	1.7	62.6	0.028	0.051
Time	1.967	61.99	0.045	0.062
Knowledge	0.68	66.4	0.03	0.065
Training	0.912	63.8	.029	.037

From the above table 3.3, it can be analyzed that regression model is developed with the expanding estimation of cox and snel R^2 0.7 to Nagelkerke R^2 1.2 for guarantee took after by high interest rate is 1.5 to 2.4, literacy issue 2.8 to 4.1 and 4.5 to 6.2 for advance handling timing. The model results in a model fit including another variable documentation issue with qualities 3.4 to 4.7 inserted into the model.

The variables which have turned most influential, on the basis of these R^2 values are

Table 3.4: Influential and Non Influential Factors

Most Influential Factor	Cox & Snell R^2	Negelkerke R^2
Insurance	0.7	1.2
High interest rate	1.5	2.4
Proficiency	2.8	4.1
Time	4.5	6.2
Documentation problem	3.4	4.7
Training	2.9	3.6
Knowledge	3	4.5

The variables, like security, high financing costs, proficiency or literacy rate and time to prepare documents from the above table 3.4 are selected as most influential variables or factors and they will be incorporated in the regression model. The following table 3.5 depicts the variables after the analysis.

Table 3.5: Variables in model

Variables in the Equation

Step		B	S.E.	Wald	df	Sig.	Exp(B)
1	Insurance	-.739	.991	.513	1	.000	.508
	interest rate	1.299	.892	2.356	1	.008	4.389
	Time	-1.658	.992	2.986	1	.006	.199
	literacy	.905	.751	1.514	1	.012	2.398
	Constant	-.957	1.788	.276	1	.000	.386

Table 3.6: Model Summary Table

Summary

Step	-2 Log likelihood	Cox & Snell R^2	Nagelkerke R^2
1	54.676	.212	.538

The increase in R Square values and Decrease in likelihood values indicate the influence of the variables to the constant variable.

Assessment of Model

To survey the model, a few trials ought to be measured. To begin with is the change of -2LL worth. It could be seen that the single model, the -2LL worth is diminished altogether from the base model estimation of 62.5 to 54.6. It is proposed that the littler the estimations of -2LL, the better the model fit. The following measures are the estimations of the cox and snell R^2 and Nagelkerke R^2 values increment steadily from 0.12 to 0.21. At the last stage changing over R^2 estimation of the model into rate that is 0.53 to 53.8 demonstrates that 53% fluctuation of ward variable is accounted by the logistic relapse mathematical statement.

This worth is sufficiently solid to consider the comparison huge. Another measure ought to be considered in surveying the model fit is Hosmer and Lemeshow esteem that measures the correspondence of the real and anticipated estimation of the needy variable, and in this manner the great model fit is shown by a non-noteworthy chi-square esteem.

Table 3.7: Comparison of the Models

Step	-2LL	C&S R^2	N R^2	Chi-Square	Sig
Base Model	62.5`	.124	.171	-	-
Final Model	55.6	0.23	0.53	6.1	0.57

In short, in the model with ward variable (characterized as 1 for getting to back and 0 for no getting to miniaturized scale fund) the test of full model with six ward variables demonstrated a factual noteworthiness in general with p esteem lower than .05, as appeared in the table 3.7 are

Table 3.8 Detailed Influential Variables

Variable	B	S.E	Wald	Sig
Insurance	.394	.942	1.768	.010
literacy	-.860	.770	1.248	.024
interest rate	1.255	.897	1.958	.026
Time	-1.644	.979	2.821	.039

There are noteworthy connections between issues in getting to miniaturized scale financing and indicators as insurance, education issue, loan costs, and handling time. In this manner, it is reasoned that out of the 6 autonomous variables, 4 variables are seen by the female business visionaries of Sindh to have potential effect on the achievement of small scale financing.

It is additionally fascinating to see that the incorporation of four variables in the model give 96% of simplicity to get to the miniaturized scale financing exercises for female business. Out of these four on the premise of the noteworthiness the first two variables make a 74% of the impact on the small scale monetary exercises. These above discoveries are consolidated into a model fig 3.8, demonstrating the fruitful and in addition persuasive variables towards the entrance of miniaturized scale financing by female business people working in Sindh.

Regression Model

The factors above are analyzed and a model is prepared showing the effect of each factor on the access of finance for female entrepreneurs. The model below shows collateral and high interest rates being the most influential factors followed by literacy or awareness issue and documentation problem respectively.

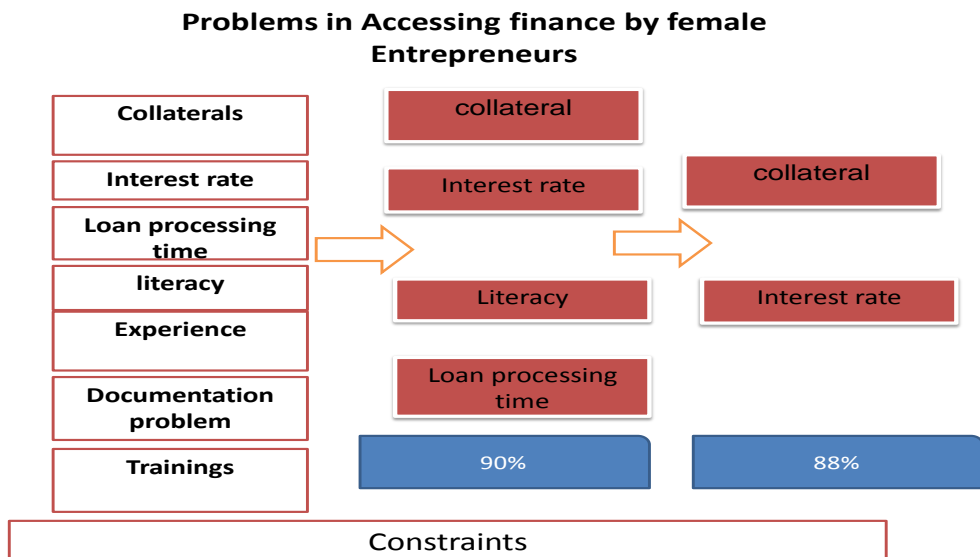


Figure 3.9: Regression Model

The outcomes show huge effects of the borrowers and non-bank borrowers who wish to achieve the office yet frustrated because of the prerequisites of not mindful of the strategies. The insurance and high financing costs are observed to be the most powerful variables and tally 88% of restricting the effort, trailed by advance handling time and mindfulness i-e proficiency issues. Also the research provides evidence that female entrepreneurs support the individual lending programs for their business support as compared to the group lending methodologies. The trust purpose and lack of social interactions restricts them to form groups.

4 Conclusions

The constraints of the paper are that the example of information accumulation can't speak to every one of the banks in Pakistan. In this way, the study is restricted just for

Khushhali bank as a case. Future examination will be conceivable to investigate and recognize those components in whatever other bank of Pakistan and distinguish the coordination and likeness between the elements influencing the female business visionaries. Additionally the female business people are taken as general, and from Hyderabad area, the extent of the exploration can be expanded and more engaged for future looks into. The Bank raised an issue of miss use of the advances by male leaders of their homes which expand the need to further assessment of the advance application reason. This can be a range for further study. Khushhali bank point of view on the model is excluded in the examination which can be further investigated. Khushhali bank alongside miniaturized scale financing is likewise furnishing with different administrations which make them apportion time and energies just as dispersed to different regions, which is not concentrated on and can be taken after.

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