



SHINING THE SPOTLIGHT – GENDER-LENS INVESTMENTS ENABLE WOMEN ENTREPRENEURS TO THRIVE IN PAKISTAN

OVERVIEW

In 2012, Pakistan's start-up ecosystem had only two major business incubators and accelerators – it has quickly evolved since then.¹ By 2019, the country had 24 incubators and accelerators and around 20 key investors,² with many funds catering to early stage start-ups. The growth of Pakistan's start-up ecosystem³ has resulted in a substantial increase in access to finance through venture capitalists (22 percent of investments) and angel investors (44 percent of investments).⁴ However, these developments are limited to major cities, and several policy bottlenecks remain, making it expensive and difficult for entrepreneurs to grow their businesses.⁵

IFC research⁶ shows that women-led businesses find it challenging to access venture capital (VC) funding. Globally, in 2018 just 8 percent of companies funded were women-led⁷ at the early stages (incubation/acceleration). The challenge of establishing and growing enterprises is even greater for women entrepreneurs in emerging economies, where women-owned and led small and medium enterprises (SMEs) face an estimated credit deficit of nearly \$1.5 trillion.⁸ Pakistan has one of the lowest rates of women entrepreneurs in the world – only 8 percent of micro, small and medium enterprises (MSMEs) are owned by women⁹ – and there are large gaps in women's access to finance.¹⁰

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In general, women entrepreneurs tend to fall out of the venture funding pipeline at higher rates than men.¹¹ Women-owned businesses are also less likely to receive second round funding than those owned by men¹² (13 percent vs 17 percent), and receive only 65 percent of the funding amount received by a male-owned business.

Both socio-cultural and regulatory constraints in Pakistan perpetuate low female participation in entrepreneurship. Studies indicate that 50 to 70 percent of the loans given to female clients are used by their male relatives.¹³ Many microfinance institutions (MFIs) have practices such as requiring female clients to provide at least two male guarantors¹⁴ which can act as a barrier for women. Nearly two-thirds of women borrowers¹⁵ must obtain written permission and signatures from their husbands before they can qualify for a loan or open a bank account.¹⁶ Women also face additional legal constraints that impede their ability to become entrepreneurs. Until recently, married women in Pakistan could not register a business in the same way¹⁷ as married men could.¹⁸ Inheritance laws continue to limit women's access to assets, affecting initial endowments for business and their ability to access loans using collateral. Furthermore, discrimination based on gender or marital status is not explicitly prohibited.

Apart from the low percentage of VC and private equity (PE) that is invested in female-led businesses, women also make up a very small portion (7 percent) of senior investment professionals in those industries in South Asia¹⁹ and are also extremely underrepresented in science, technology, engineering and mathematics (STEM) related careers.²⁰ In Pakistan, women hold only 4.9 percent of engineering supervisory roles.²¹



Improving the gender balance of leadership teams in VC and PE firms is critical for the inclusion of women entrepreneurs at the portfolio level. Female partners invest in almost twice as many female entrepreneurs as their male counterparts.²² Additionally, funds with portfolios that have gender diverse senior leadership tend to perform better and achieve higher returns than funds without it.

PARTNERING FOR BUSINESS AND DEVELOPMENT IMPACT

Sarmayacar²³ Ventures is one of Pakistan's first early stage venture funds. It primarily invests in tech-enabled businesses offering business-to-consumer localized solutions that address real-world problems and business-to-business technologies with international potential. The fund has a portfolio of seven diverse companies and a strong interest in sourcing and developing investments in women-led companies. Initially it was a challenge to find women-owned businesses, due to the low availability of gender-disaggregated data on entrepreneurship, limited networks of women entrepreneurs, and systemic barriers in Pakistan's start-up ecosystem.

In 2019, IFC invested \$2 million into Sarmayacar, supporting start-ups in Pakistan through one of the first VC funds in the country. Additional Women Entrepreneurs Finance Initiative (We-Fi) funding of \$500,000 was brought in with the aim to catalyse the fund's outreach and financing to early stage, high impact women-owned or managed tech start-ups. Founded in 2017, the World Bank Group established We-Fi to harness the public and private sectors to support and create opportunities for women entrepreneurs²⁴ across the developing world. We-Fi helps governments create enabling environments for women in business by scaling up access to financial products and services, building capacity, expanding networks, offering mentors, and providing opportunities to link with domestic and global markets. We-Fi blended financing²⁵ was specifically leveraged to support Sarmayacar to invest with a gender lens. Now, Sarmayacar has gender-related goals to actively source and develop investments in women-led companies. This partnership aims to demonstrate the viability of investments in women-led tech start-ups in Pakistan. We-Fi has enabled the de-risking of entrepreneurial financing for women entrepreneurs and Sarmayacar benefits from this increased support by being able to access a larger investment-ready pipeline of women-led opportunities.

GENDER-SMART BUSINESS SOLUTIONS

IFC's and We-Fi's support to Sarmayacar led to the development of a strategy using the principles of gender-lens investing.²⁶ The combined strategy was designed to reach clear, established outcomes and measurable gender-related goals²⁷ for Sarmayacar.

At its inception in 2018, Sarmayacar's pipeline of women-owned companies was less than 10 percent. In 2020, the fund's pipeline has increased to 42 percent. Sarmayacar's portfolio of seven companies now includes two women-led tech companies, and the fund has exceeded its specifically earmarked 2020 target investment amount for tech companies led by women. In addition to its portfolio companies, Sarmayacar is also mentoring seven women-led start-ups on legal matters, market strategy, and user acquisition.

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The We-Fi program in Pakistan also builds the capacity of women entrepreneurs and ecosystem intermediaries to increase the investment readiness of women-owned businesses. If a start-up has strong potential but is not an immediately viable investment, Sarmayacar can refer it back to the We-Fi program. The World Bank has partnered with Village Capital and Invest2Innovate to design and deliver a Training of the Trainers program in Pakistan. This program upskills Entrepreneur Support Organizations (ESOs) who further support women entrepreneurs in making their businesses investment-ready. It was delivered to 16 ESOs in June 2020, with the next set of 18 ESOs scheduled to be trained in the same year. The program is also running investment readiness and growth bootcamps for 300 women entrepreneurs with the help of some of the newly trained ESOs. The first cohort of female Pakistani entrepreneurs graduated in June 2020.

Sarmayacar serves as a lever of change in an entire start-up ecosystem that is being thoughtfully developed in Pakistan with a gender-lens approach. Sarmayacar is leading the way towards the conscious adoption of the gender agenda – it is the first IFC-supported fund in Pakistan to do so – demonstrating the benefits to other VC funds in the country and encouraging them to follow suit.

GENDER-RELATED GOALS FOR SARMAYACAR AS PART OF THE IFC INVESTMENT



Pipeline of women-led companies

Increase women-led companies to 40% of the Fund's active pipeline



Investees with at least one female board member

Minimum of 8 companies or 40% of total number of portfolio companies



Investments in women-led companies

Minimum of 4 investments or 25% of total number of portfolio investments on a commercially viable basis



Female involvement in Sarmayacar Investment Committee / Investor Advisory Board

At least 1 female Venture Partner or Investor Advisory Board member

GENDERED IMPACT OF COVID-19 ON VCS AND SMEs

Most South Asian countries (which are home to 1.8 billion people or almost 25 percent of the world's population) faced stringent lockdowns due to the COVID-19 pandemic.²⁸ The gendered effects of the outbreak and lockdowns included [escalated rates of domestic violence](#), lost livelihoods amongst women, and an increased burden of [unpaid care work](#).

Analysis shows the pandemic has affected SMEs on both the supply and demand sides. A survey in April 2020 by [WEConnect International](#)²⁹ showed that 87 percent of SMEs had been impacted negatively by the pandemic and 90 percent of them experienced a significant decrease in sales and revenue from January to March 2020. Like other VC funds throughout Asia experiencing a decline in funding, those in Pakistan also face a major challenge.³⁰ Forecasts predict that VCs are likely to prioritize existing portfolio companies over new business. According to an April 2020 survey of 101 companies in Pakistan by [Invest2Innovate](#), 50 percent are facing delays in closing ongoing investment deals while 37 percent reported having no investments in the pipeline. This is a significant concern as 42 percent of the 101 start-ups surveyed had a cash runway of only one to three months. While these results do not incorporate a gender lens, it is likely that women-led companies will face similar, if not exacerbated challenges.

SARMAYACAR PORTFOLIO COMPANY HIGHLIGHT: DOT & LINE LEARNING

An early example of a Sarmayacar investee that has adapted its business model quickly to cope with the COVID-19 pandemic, quarantines and government-mandated lockdowns is [Dot & Line Learning](#).³¹ Dot & Line is an after-school education center that connects students and certified teachers, creating scalable learning environments and enabling women to gain meaningful employment from home while students improve their learning outcomes.³²

Approximately 54 percent of urban Pakistani children attend private after-school tutoring due to unsatisfactory learning results in schools.³³ Dot & Line Learning was established in 2016 to harness this market opportunity and establish a formal education business with a tech-enabled training method. By 2019, Dot & Line was a fast growing firm which secured seed funding from Sarmayacar.

Fundamental to Dot & Line's business model has been its network of home-based tutors or 'teacher partners' who teach about six students each (boys and girls) per class for a fee of 2500 to 4000 rupees (approximately US\$15 to US\$25) per child per month. Teacher partners educate up to 32 students a week and keep classes small to protect the quality of learning.



Tuition fees are adapted to suit parents' incomes and many children are from lower-middle class backgrounds. The co-founder of Dot & Line describes the recruitment of female teacher partners as being 'at the core of the firm's business model'. The company has delivered strong educational results. On average, students' grades have improved by 30 to 40 percent.



DOT & LINE IN THE WAKE OF COVID-19 – INTRODUCING "DOTONLINE" WITHIN A WEEK OF LOCKDOWN IN PAKISTAN



Digitized learning content for all programs across all grade levels



Trained their teacher network of 180 teachers with a focus on conducting classes online



Developed a system of matching students and teachers seamlessly

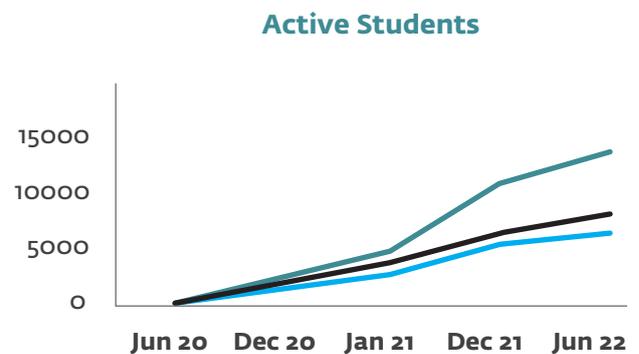
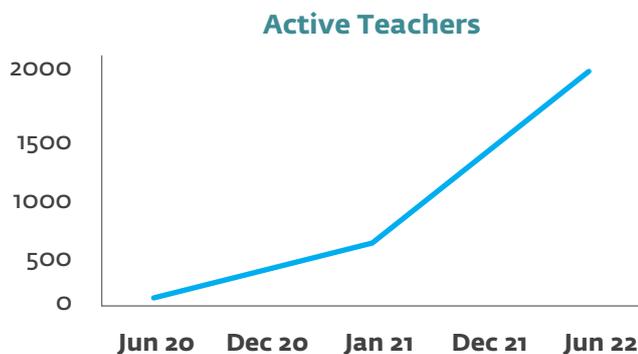


Developed SOPs and quality control measures of online learning

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In advance of the strict lockdown in their hometown of Karachi, the two female founders of Dot & Line – Lina Ahmed and Maheen Adamjee – moved swiftly to adopt a fully virtual office setup,³⁴ shifting to a completely online business offering. It required Dot & Line's 200 female home-based teachers to undertake training to become skilled online teachers and presenters in a very short time. While revenues from physical learning centers expectedly slowed down, signups for online classes from existing and new students soared. Mapping student demand and teacher supply has significantly shifted, with physical location no longer influencing this algorithm. The monthly student intake has more than doubled, and the number of active teachers conducting classes has increased by 15 percent since the COVID-19 lockdown was imposed.

DOT & LINE GROWTH PROJECTIONS – 14,000 STUDENTS AND 1,800 TEACHERS BY JUNE 2022



— Flagship Model — DotOnline — Total

What IFC says

“Pakistan’s growth is tied very strongly to gender parity. It has been estimated that the country can grow by 7.1 percent or add almost \$30 billion to our GDP with an increase in women’s economic participation. This is where IFC comes in. Through We-Fi blended finance, we are changing risk perceptions often attached with investing in women-owned businesses and sending a positive signal to the market to catalyze even more private capital that will enable them to grow and become role-model enterprises. We hope that this will motivate even more women to enter the start-up ecosystem.”

- Nadeem A Siddiqui

Country Manager, Pakistan,
International Finance Corporation

What a Teacher Partner says

“Since my wonderful start as a teacher partner to being promoted to the position of an Area Manager, the Dot & Line team has supported and encouraged a lot at each and every step. This successful business partnership not only boosted my career with new skills, but equipped me with all the current essential market trends. From micro marketing to students’ registrations, Dot & Line trained us to become brilliant teachers as well as entrepreneurs. Being featured in the [Dawn article](#) on Woman’s Day this year, and then completing my professional development courses from Arizona University has given me more encouragement and motivation. Even my family, my children, husband and mother are proud of me and my professional skills.”

- Ambreen Salman

Teacher Partner and Area Manager, Dot & Line Learning

What Sarmayacar says

“We believe the ecosystem is now maturing to pave way for more female founded start-ups. When we started out around two years ago, I noticed that the number of female led start-ups was painfully low; the IFC and specifically the We-Fi initiative nudged us in the right direction. My team and I are always looking to engage and encourage female founders because their place in the ecosystem is critical. We regularly host seminars in collaboration with accelerators to guide female led start-ups on becoming investment ready, positioning them to speak to potential investors. We believe in being more structured and conscious towards investing in women entrepreneurs in Pakistan and now have a much better understanding of how our intent can be translated into action on ground.”

- Rabeel Warraich

Founder and CEO, Sarmayacar Ventures

ENDNOTES

- 1 Pakistan has developed an ambitious reform strategy and established a national secretariat as well as a Prime Minister's Reform Steering Committee to ensure progress. 'Doing Business' working groups have been created at both municipal and provincial levels. World Bank (2020), Doing Business 2020: Comparing Business Regulation in 190 Economies. Available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/32436/9781464814402.pdf>
- 2 Ecosystem mapping shows this predominantly includes angel investors (individual, family offices and syndicate) and venture capital funds along with very few grant donor funds and government fund sources. Invest2Innovate (2019), Pakistan Startup Ecosystem Report. Available at: <https://invest2innovate.com/peer2019/>
- 3 World Bank (2017), Pakistan Development Update: Managing Risks for Sustained Growth. Available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/28864/121027-WP-P164910-PUBLIC-11-9-17-12am-PDU-Fall-2017-Online.pdf?sequence=5&isAllowed=y>.
- 4 Invest2Innovate (2019), [Pakistan Startup Ecosystem Report](#)
- 5 Pakistan's rank has slipped from 115 in 2014 to 120 in 2018 on GEDI's (2018) [Global Entrepreneurship and Development Index](#)
- 6 IFC (2019) Moving Towards Gender Balance in Private Equity and Venture Capital. Available at: https://www.ifc.org/wps/wcm/connect/79e641c9-824f-4bd8-9f1c-00579862fed3/Moving+Toward+Gender+Balance+Final_3_22.pdf?MOD=AJPERES&CVID=mCbjFra
- 7 Global Entrepreneurship Monitor (2018). Available at: <https://www.gemconsortium.org/report/gem-2018-2019-global-report>
- 8 IFC (2017), MSME Finance Gap Report. Available at: <https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02-87cd-9ee9a297b311/121264-WP-PUBLIC-MSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SwAQa>
- 9 Global Entrepreneurship Monitor (2020), 2019/2020 Global Report, available at <https://www.gemconsortium.org/report/gem-2019-2020-global-report> and SME Finance Forum (2018), [MSME Finance Gap Database](#)
- 10 In Pakistan, women's access to agricultural loans is only at 4 percent and to SME loans at 3 percent, World Bank, (2017), [Pakistan Development Update](#)
- 11 Ibid.
- 12 IFC (2019), [Moving Towards Gender Balance in Private Equity and Venture Capital](#)
- 13 World Bank (2012), [Are Pakistan's women entrepreneurs being served by the Microfinance sector?](#)
- 14 World Bank (2018), State of Financial Inclusion of Women in Pakistan. Available at: <https://openknowledge.worldbank.org/handle/10986/31323>
- 15 World Bank (2017), [Pakistan Development Update](#)
- 16 World Bank (2012), [Are Pakistan's Women Entrepreneurs being served by the Microfinance Sector?](#)
- 17 World Bank (2017), [Pakistan Development Update](#)
- 18 In June 2020, the Government of Pakistan enacted amendments to Articles 31 and 37 of the Pakistan Companies Bill, which has equalized the business registration process for men and women, lifting the requirement for women entrepreneurs to provide the name of their father or husband for married women, during the company incorporation process and the submission of the company memorandum and articles of association.
- 19 IFC (2019), [Moving Toward Gender Balance in Private Equity and Venture Capital](#)
- 20 S. Hollows, M. Rab & C. Schulze, "[Understanding Female Participation in STEM subjects in Pakistan](#)" (British Council)
- 21 Ramla Qureshi & Nameerah Hameed, "[Inspiring a New Generation of Pakistani Women Leaders in STEM](#)," End Poverty in South Asia, World Bank, November 5 2019, <https://blogs.worldbank.org/endpovertyinsouthasia/inspiring-new-generation-pakistani-women-leaders-stem>
- 22 IFC (2019), [Moving Towards Gender Balance in Private Equity and Venture Capital](#)
- 23 'Sarmayacar' means 'investor' in Urdu
- 24 We-Fi receives funding of \$354 million from 14 governments. It is a collaborative partnership among governments, multilateral development banks, and other stakeholders designed to unlock financing for women-led/owned businesses in developing countries, including in the most challenging environments. We-Fi works with six multilateral development banks as implementing partners: African Development Bank, Asian Development Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, Islamic Development Bank and the World Bank Group (including IFC).
- 25 In addition to providing commercial financing, IFC 'blends' concessional financing (typically from development partners) alongside its own commercial funding to mitigate specific investment risks and help rebalance risk-reward profiles of pioneering, high-impact investments so they have the potential to become commercially viable over time.
- 26 'Gender-lens investing' is defined by [GenderSmart](#) (a global initiative dedicated to unlocking gender-smart capital at scale) as: The use of capital to simultaneously generate financial return and advance gender equality. In addition, also integrating gender analysis into financial analysis. The three key gender lenses are: access to capital, workplace equality, products and services that positively affect women and girls.
- 27 Women-led companies are defined as companies with a female founder and/or at least one female co-founder and/or a female CEO
- 28 Updated information on the COVID-19 pandemic as on 16 October 2020
- 29 WeConnect International (2020), The Impact of Covid-19 on Women Business Owners and their Companies Worldwide. Available at: <https://media-weconnectinternational-org.s3.amazonaws.com/2020/10/COVID-Infographic-Q2-Final.pdf>
- 30 Invest2Innovate (2020), COVID-19 & Its Impact on Pakistani Startups. Available at: https://invest2innovate.com/wp-content/uploads/2020/04/COVID-19-and-Startups_-_Pivots-Partnerships-and-Future-Positioning-2.pdf
- 31 The case study section has been adapted from the We-Fi website <https://we-fi.org/>
- 32 Tech Desk, "This home-based education start up plans to empower women," The Express Tribune, March 19, 2019 <https://tribune.com.pk/story/1923296/8-home-based-education-startup-plans-empower-women/>
- 33 Bisma Haseeb Khan and Sahar Amjad Shaikh, "Analyzing the Market for Shadow Education in Pakistan: Does Private Tuition Affect the Learning Gap between Private and Public Schools?" The Lahore Journal of Economics, September 2013. Available at: <http://lahoreschoolofeconomics.edu.pk/EconomicsJournal/Journals/Volume%2018/Issue%20SP/o6%20Khan%20and%20Shaikh.pdf>
- 34 Lina Ahmed, Co-Founder Dot & Line, We-Fi Secretariat video, 00:32. April 6, 2020 <https://vimeo.com/404779864>

About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2020, we invested \$22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org.

About IFC's Gender and Economic Inclusion Group

Gender is an important strategic theme for IFC. Central to IFC's gender work is helping clients build robust business performance by making them aware of and invest in the value women can bring either as a defined consumer segment, as employees, as business leaders or as entrepreneurs and suppliers. IFC continues to stimulate and respond to market demand by expanding women's access to credit, saving, housing, and insurance products, by advising companies on their workforce and talent management, and by building the capacity of women in supply chains and as entrepreneurs through SME financing and a new entrepreneurship training curriculum.

Inclusive growth has always been a part of IFC's mission and will become even more critical as we help countries recover from the economic contraction caused by the COVID-19 pandemic. IFC's Gender and Economic Inclusion Group supports clients in implementing gender-smart solutions. Its focus also includes other underserved groups such as 'base of the pyramid' populations, persons with disabilities, and sexual and gender minorities.

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