

Legal Infrastructure For Women Entrepreneurs Of Pakistan As A Barrier To Success

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Abstract

This study investigates the impact of legal infrastructure prevalent in Pakistan on the performance of women owned businesses (WOBs). This paper discusses the prevailing legal environment as a barrier in the success and growth of women entrepreneurial activities. The study employs a Quantitative approach where data was collected from 253 women entrepreneurs whose businesses were registered with the Women Chambers and Industries of Pakistan and subjected to statistical analyses. A self-administered questionnaire was used to collect the data from the respondents. Regression analysis was used to find the impact of legal factors on the women entrepreneurial performance. The results reveal that legal factors have a significant impact of the performance of WOBs. Suggestions are given regarding giving tax relaxations to already running enterprises and a complete exemption from taxes for the new start-ups for promoting the women to conduct their entrepreneurial activities.

Keywords: Women entrepreneurship, women owned businesses, legal factors, women entrepreneurial performance.

Introduction

The business world is growing very fast and so is the entrepreneurship. Women are accepting entrepreneurship as the first career choice and working so hard to make it successful. Not only developed but developing countries are also observing women stepping out of their homes to own their businesses and playing their role in enhancing their countries' economies (Nwakanma, 2021; Parker, 2018). It makes them economically empowered which leads to the development of the country. Although the number of women-owned businesses are increasing day by day but it's unfortunate that most of them are unable to grow like male-owned

enterprises (Arasti et.al, 2012). They have few employees, less capital available, generate low revenues and above all located in low profit industries services such as textile and handicrafts. Moreover, majority of them are sole proprietors (Brush and Gatewood, 2008; Buttner, 1993).

There are many factors which are responsible for slow growth and performance of women entrepreneurs. A deep investigation for understanding of women entrepreneurship is pivotal for addressing the obstacles which prevent them to achieve their goals (Strawser et al., 2021). Many scholars in this regard have given emphasis on making a growth model for women owned businesses which help in the advancement of women entrepreneurship in the

developing countries (Hechavarria et al., 2019; Ogundana et al., 2021a; Strawser et al., 2021; Wiklund et al., 2009). Among other factors which affect the performance of women owned enterprises, the role of government in supporting such women can't be ignored. Considering the importance of women entrepreneurship, many governments across the globe have been giving attention for creating a conducive atmosphere for establishing women-owned businesses (Arasti et al., 2012; Butner, 1993, Verheul et al, 2006, Kickul et al, 2007, Roomi et al, 2009). The prominent scholars argue that an entrepreneurial movement can't be accelerated better by a state if it's not supporting its women to carrying out the entrepreneurial activities (Datta & Gailey, 2012; Reynold et al., 2001).

In recent years there are many studies which are conducted on the role of government and its policies on the success of SMEs (Awwad, Shibani, & Ghostin, 2022; Cheah, Leong, & Fernando, 2022; Joo, & Min 2022; Taneo, 2022) but none of the studies took into account the context of Pakistan. Moreover, role of governmental policies on the performance of women-owned businesses is an area which has been neglected by the scholars. This study is an attempt to address this issue.

Research Objectives:

1. To examine the relationship between legal factors and performance of Women Entrepreneurs.
2. To analyze the impact of legal factors on the performance of women-owned businesses.

Research Questions

1. Does there exist any relationship between legal factors and performance of Women Entrepreneurs?
2. Do legal factors affect the Women Entrepreneurial Performnace?

Literature Review

The support of government is pivotal in pushing the firms for the economic development and gaining sustainable competitive performance (Khan et al., 2022). Although previous studies stated that government had put in their effort by applying different rules and regulations across the globe for the small and medium enterprises so as to raise the standard of living in the developing economies (Braczyk et al., 2003; Howels, 2005) but it's not enough. Despite of having the major contribution of SMEs for the economic growth, GDP but there can be seen a high failure rate of these enterprises (Anwar, Khan & Khan, 2018). As per the study by Hernández (2011), one of the major barriers to the development of small and medium enterprises in developing countries is legal framework and slow pace of reforms. It is evident that the life of an enterprise can be made easier through licensing system and taxes. The performance of small and medium enterprises is affected by the regulations and policies of the government by giving them ease in the licensing and tax incentives (Braczyk et al., 2003; Kamunge, Njeru, & Tirimba, 2014). Entrepreneurship is encouraged when formal institutes show flexibility in laws of entry and exit and business contracts for both genders (Gohar & Abrar, 2016). In order to link institutional development and entrepreneurial endeavor, regulations must be implemented by the government for creating an encouraging culture for the entrepreneurs to develop the enterprises (Tende, 2014). Wube's study (2010) on Women enterprises of five sectors revealed that access to policy makers, the whole regulatory and legal environment, red tapes, bureaucracies, interest and high taxes, are those legal factors that has an impact on their performance.

According to the GEM report (2010), insufficient supply labor policies and tax, lack of access to start-up capital and environmental/societal issues are the main reasons behind a non-friendly environment for WOBs. The SME sector in

Pakistan seems to be plagued by low entries because of exceptionally challenging economic and socio-cultural environment for the enterprises (Chemi, 2010). The report published in 2010 by “Doing Business in South Asia” was of the view that in Pakistan it is easier for the businesses to get established, dealing with the licensing and closing the business however, the other business report launched in Dec 2018 highlighted that many women entrepreneurs find the taxation system quite unfriendly for the start-ups and that complicated tax system is a deterrent for Pakistani women entrepreneurs. The report suggests creating new tax brackets which are responsive to the challenges faced by new start-ups and that women entrepreneurs need training regarding tackling the issues of dealing with taxation. Hence government support contributes significantly towards the success of women owned enterprises (Gupta and Mirchandani, 2018) and online businesses too (Phonthanakitithaworn et al., 2019). Because of the huge contribution of women owned businesses in the economic development and growth, the role of present government should be analyzed to check how the government policies towards WOBs affect their performance. Based on the above cited literature, the following can be postulated:

Hypothesis 1 (H1): There is a positive relationship between legal factors and performance of Women Entrepreneurs.

Hypothesis 1 (H2): There is a significant impact of legal factors on the performance of women-owned businesses

Research Methodology

Research Design

The study is a quantitative study where the quantifiable data was gathered and subjected to the statistical analysis to get the results. It adopts a deductive approach where emphasis is on the testing of a theory using a Positivist philosophy. The quantifiable data was put into the SPSS in order to run the desired tests.

Population and Sample

The population of the study comprises of the registered women entrepreneurs of Pakistan. The data of such women was obtained from all the women chambers running all over Pakistan. Total number of active members was 693. Stratified sampling method was adopted where sample was taken from the population. As per the Yamane (1967), sample size gave a figure of 253.

Research Instrument

For collecting data from the target population, questionnaire was used having responses recorded on Likert scale. Questionnaire was adopted from Wube (2010). Google forms was used to make the questionnaire and then sent to the respondents.

Findings

Descriptive analysis

Table 1 represents the results of the Descriptive analyses of the data which indicates the effectiveness of legal factors in supporting entrepreneurial activities of women. Seven statements were used to measure the construct and found that respondents believe that overall legal support for women owned businesses is inadequate to carry out their entrepreneurial activities.

Table 1 .Descriptive Statistics of Legal Factors

Constructs	N	Min	Max	Mean	SD
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I can borrow money from the lending institute without title any asset for collateral.	253	1.00	5.00	2.4941	1.36748
I have business supporters and assistants from government bodies	253	1.00	5.00	2.7115	1.28782
I have no institutional, legal and policy barriers	253	1.00	5.00	2.4229	1.00741
The tax charged on my business is reasonable	253	1.00	5.00	2.5652	1.21527
I am a recipient of government incentives	253	1.00	5.00	2.4822	1.42980
I have never faced unfavorable regulatory and legal environment	253	1.00	5.00	2.3478	1.06791
Interest rate charged by lending institutes and micro finances is reasonable	253	1.00	5.00	2.6996	1.51077

Reliability Analysis

Table 2 presents the Reliability of the instrument. Reliability means that research instrument should give consistent results. The results show that

Legal factors and Entrepreneurial Performance has a value of Cronbach Alpha greater than 0.70 which means that reliability of the constructs is achieved.

Table 2. Reliability Statistics

S. No	Construct	No. of Items	Cronbach's Alpha
1	Legal and Administrative Factors	7	.782
2	Entrepreneurial Performance	5	.832

Exploratory Factor Analysis

The construct legal factors was measured having total of seven items asking the respondents about the perception of legal factors in supporting them. Principal component analysis with Varimax rotation was used for factor analyzing of seven questions. The analysis gave up four factors

initially. None of the items were removed during the factor analysis stage. Final values for KMO (> .60) and significance of Bartlett's test for sphericity are reported in Table 4 and they show the suitability of factor analysis. The final factor structure shows 43.881% cumulative %age of variance. Final factor structure was uni-dimensional.

Table 3. Assumptions' statistics for factor analysis of Legal and Administrative Factors

KMO	Bartlett's Test	df	Sig	Cumulative % of Variance
.771	440.721	21	.000	43.881%

Table 4. Rotated Component Matrix of Legal and Administrative Factors

	Component	
	.43	Communalities
Legal Factor 1	.703	.495

Legal Factor 2	.643	.414
Legal Factor 3	.673	.453
Legal Factor 4	.604	.366
Legal Factor 5	.687	.473
Legal Factor 6	.641	.411
Legal Factor 7	.674	.454
Eigen Value	3.073	
% of Variance	43.881	

Correlation analysis

Table 5: Descriptive Statistics

	Mean	Std. Deviation	N
Legal Factors	2.5319	.84375	253
Entrepreneurial Performance	2.5061	.48363	253

Table 6: Correlations

		LAF	EP
Legal Factors	Pearson Correlation	1	.385**
	Sig. (2-tailed)		.000
	N	253	253
Entrepreneurial Performance	Pearson Correlation	.385**	1
	Sig. (2-tailed)	.000	
	N	253	253

** . Correlation is significant at the 0.01 level (2-tailed).

The results in Table 6 show that there is a positive and a significant correlation between Legal Factors and Entrepreneurial Performance ($r=.385$; $n=253$; $p=.000$). Hence H1 is accepted.

Regression analysis

Table 6 presents the results of regression analyses of the variables. Regression was run to analyze the impact of legal factors on the performance of women owned enterprises. Before running the regression multicollinearity was checked for the

data. The results showed that $VIF < 10$ which means that there is no issue of multicollinearity. The regression results found that legal had a significant impact on the performance of women owned enterprises ($f = 22.527$, $t = 6.613$, $p < .001$). In addition to that 14.8% change in the performance is explained by the legal factors. The co-efficient was found to be significantly different from 0 hence the hypothesis H2 was accepted.

Table 6. Model Summary of Legal and Administrative Factors

R	R Square	F	Sig.
.385	.148	43.733	.000

Table 7. Coefficients^a of Legal and Administrative Factors

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.947	.089		21.856	.000		
	LF	.221	.033	.385	6.613	.000	1.000	1.000

a. Dependent Variable: EP

Discussion

The role of legal factors in enhancing the performance of women owned businesses has been evaluated in this study. The results show that legal factors affect the performance of WOBs. As the businesses are registered and they are beneficiaries of the governmental incentives hence legal factors' impact was significant which substantiates the work by Kamunge et al, (2014) and Wube (2010). The respondents agreed that the role of government in supporting their businesses is not adequate and they have limited administrative and legal support for conducting entrepreneurial activities. Therefore, the results supports the work by Tende, (2014) that in order to link institutional development and entrepreneurial endeavor, regulations must be implemented by the government for creating an encouraging culture for the entrepreneurs to develop the enterprises. Pakistani women entrepreneurs are confronted with several external factors and strict legislations like paying high rents and taxes poses a serious problem. The results support the theory of Liberal Feminism that women can't achieve equal rights like men because of poor legislation but if government

intervenes and support women, this issue can be reduced over a period of time leading to better performance of women owned small and medium enterprises (Butler, 2003).

Recommendations

Since legal factors are found to have a significant impact of the performance of women owned enterprises, hence it is suggested that additional effort of the government should be directed at enhancing the quality of existing support to the women entrepreneurs in terms of making gender-neutral laws. Government must strive hard to continue its effort in nurturing more WOBs and facilitating their growth. A friendly policy for the start-ups should be implemented which can include in providing ease in the licensing and removing barriers like red tape. Without the support of government, the efforts to create an economy having self-confident and resilient women entrepreneurs would be next to impossible. Government of Pakistan should give relaxation in taxes to WOBs for a better entrepreneurial environment for women so that they perform well. Moreover, women entrepreneurs who are in the phase of start-up

should be given complete exemption from the taxes. Pakistan's government must develop a legal and regulatory framework for enhancing access of women to markets, technology and financing.

Limitations and Future Directions

This study is limited to targeting only those WOBs which are registered with women chambers of commerce and industries of Pakistan. Moreover, only urban based WOBs were targeted due to time and cost constraints. Future scholars may take in to account unregistered and rural based WOBs to get insights in to the problems and challenges faced by such women. It will add something new to the body of knowledge and help the policy makers to devise the policies accordingly.

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