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Rewriting Rural Economies: Women Entrepreneurs and Microfinance in Pakistan

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Abstract

Despite the abundance of literature on microfinance in Pakistan, its impact on business opportunities for women remains underexplored. While existing literature identifies a positive relationship between access to finance and women's empowerment, it often overlooks entrepreneurial opportunities and income generation. This study aims to bridge this gap by analysing primary data collected through a survey of 86 female entrepreneurs operating small-scale businesses in rural Islamabad. The analysis, utilizing binomial logistic regression, determines the effect of credit size, social capital, and socio-cultural factors on the probability of business success and tests for the mediation effect of opportunity between these variables. The findings reveal a positive relationship between microfinance-associated factors, such as credit and social capital, and business performance, solidifying the negative impact of sociocultural barriers. Although opportunity does not mediate the relationship between independent variables and business performance, this research is part of the growing consideration of gender in sustainable economic development. It provides valuable insights for researchers and policymakers in crafting inclusive and sustainable policies that enhance women's financial contributions.

Keywords: *Entrepreneurship, Human Development, Business Economics, Inequality, Welfare & Poverty.*

1. Introduction

Gender equality is vital to achieving the 17 Sustainable Development Goals, as gender inequalities present significant challenges to sustainable development (UN Women, 2023). As observed, marginalised Pakistani women face poverty, food insecurity, and deprivations in education & health (United Nations, 2018). In developing countries, the absence of employment possibilities for disadvantaged women limits their economic participation. Financial knowledge and services are lacking, with 13% female financial inclusion and restricted capital access (World Bank, 2013; Schiffer & Mauro, 2001). Lack of finance affects women-owned SMEs, often resulting in failure. Women limited economic participation leads to poverty. Microfinance institutions pioneered by Bangladesh's Grameen Bank addressed these difficulties in the early 1990s. Many NGOs and INGOs adopted this method, causing the UN to declare 2005 the "Year of Microfinance." Worldwide, NRSP Microfinance Bank, Kashaf Foundation, First Microfinance Bank, Khushhali Bank, and Akhuwat Foundation have adopted the idea, particularly in Pakistan. Most of Pakistan's 9.25 million microfinance borrowers work in livestock, trade, services, and agriculture (Karandaaz, 2023). Despite the availability, only 45% of active microfinance borrowers are women (Karandaaz, 2023). In some cases, male family members receive women's loans.

Researchers have studied the widespread effects of microfinance services on women in low-income conditions. Microfinance services, women's social capital, and culture all affect the empowerment-income nexus (Ekpe, Mat & Razak, 2011). Despite research on microfinance access and women's empowerment and well-being, its stimulatory influence on income generation is disregarded. The empirical evidence regarding microfinance-associated factors' influence on business success remains inconclusive. Thus, the current study investigates microfinance as a catalyst for income generation for marginalized women living in Pakistan.

The expansion of microfinance services across Pakistan and its demonstrated impact on poverty alleviation among women is evident. Specifically, the current study has the following primary objectives:

- Assess the impact of microfinance services, including credit & social capital, and sociocultural factors on women borrowers' entrepreneurial skills and business performance.
- Evaluate the role of microfinance services and sociocultural factors in creating business opportunities for women entrepreneurs' business performance.

To facilitate the transformation of these objectives into a theoretical framework, it is essential to review the relevant literature. The following sections include an extensive literature review, development of a theoretical framework, empirical methodology, findings, and conclusion.

2. Literature Review

Since 1990s, microfinance has helped women overcome poverty despite their low economic involvement. Global research has explored the relationship between access to microcredit and the resulting opportunities for business success, analysing both credit and non-credit services. This section covers microfinance literature and its significance in women's entrepreneurial success.

Feminisation of Poverty & the Microfinance Solution

Researchers have shown that poverty is indeed gendered; Pakistani women are more impoverished than men due to poor asset endowment, unemployment, labour market discrimination, and limited access to financial services (Asian Development Bank, 2002). Inaccessible labour markets hinder most women's journey out of poverty, forcing them to start small companies with limited mobility. Thus, women-owned firms are modest, household-based cottage industries that need microfinance products for start-up and working financing (Altay, 2007).

Mayoux (1999) classified microfinance as a magic ingredient' and suggested studying its effects on women's empowerment. Pitt and Khandker (1998), Morris and Barnes (2005), Chowdhury, Ghosh & Wright (2005), and Khandker (2005) have all noted the benefits of microfinance for women in Bangladesh and India. Microfinance is essential for poverty reduction and economic growth (Newman, Schwarz & Ahlstrom, 2017). Thus, it can empower marginalised groups, particularly women (Fernando, 2005; Mayoux, 2002; Rankin, 2001). An essential cornerstone of microcredit is the principle of group lending, popularised by the Grameen Bank, which replaced collateral with group liabilities (Rai & Sjostrom, 2004). However, there is limited focus on the inclusion of women.

Microfinance as a Stimulant of Business Success

Many believe microfinance is the best way to reduce poverty and empower women via entrepreneurship (Fernando, 2005; Rankin, 2001). Microfinance institutions provide women with loans, savings, social capital, and training, with credit being the most important. Credit is defined as microfinance credit or loans offered by microfinance institutions. Credit improved

income and employment for women-led businesses in Kenya (Peter & Orser, 2024), Nicaragua (Martin, 1999), and Croatia (IFAD, 2006).

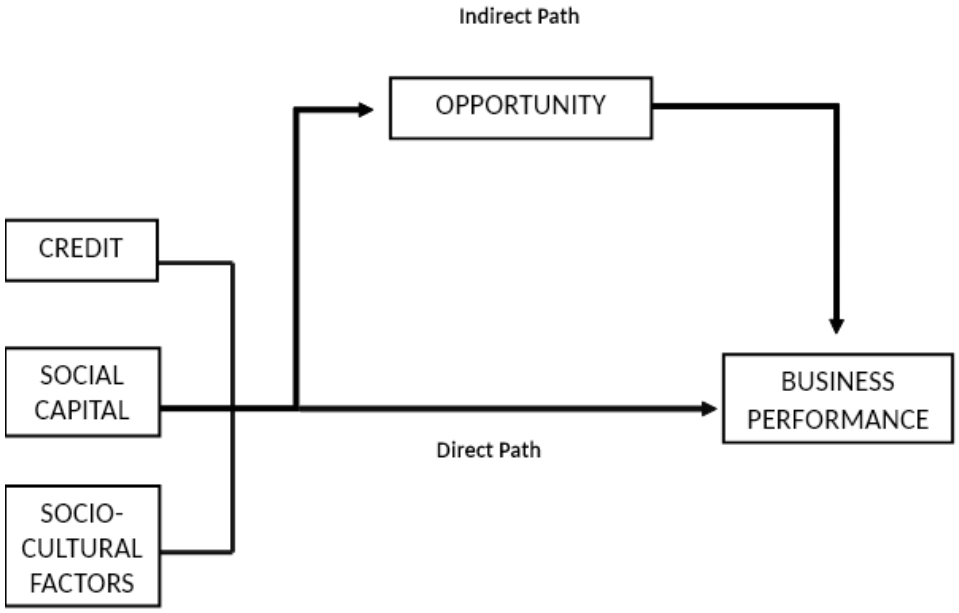
Because social groups are collateral rather than assets, microfinance services necessitate social capital in addition to credit. Social capital is "the norms and social relations embedded in the social structures of societies that enable people to coordinate action to achieve desired goals" (Serageldin & Grootaert, 2000). In the context of microfinance institutions, social capital refers to the social relations that women from the same group develop. Without microfinance institutions, female entrepreneurs rely on weaker social relationships (Tillmar, 2006; Smallbone & Welter, 2009). Many believe that group members' commercial or market knowledge is proportionate to their social bonds (Olomola, 2008). Various studies on the efficacy of social capital indicate that it enhances the performance of enterprises. In underdeveloped countries like Nigeria (Lawal et al., 2009) and the Philippines (Gine & Karlan, 2014), social capital improves group performance.

Studies in industrialized nations, like Malaysia and Canada, have demonstrated that social capital positively impacts corporate performance (Wycklam & Wedley, 2003). Nevertheless, owing to sociocultural disparities, it is essential to examine the effects of social capital and credit in developing and industrialized nations independently. Sociocultural obstacles, including religious convictions and familial practices, can substantially affect the efficacy of credit and social capital. Nilufer (2001) emphasizes the influence of societal complexity on the advancement of women's entrepreneurship in developing countries. Descriptive research on women entrepreneurs in Bangladesh revealed that sociocultural influences, including religious value systems and familial contexts, significantly impacted the performance of women-led firms (Hossain et al., 2009). Razzaq, Maqbool & Hameed (2019) indicate that cultural barriers impede women's access to financial credit, influencing the elasticity of microcredit demand in southern Punjab. Consequently, microfinance institutions provide women access to financial resources. Microfinance organizations provide loans and social support to women entrepreneurs. Understanding ‘that the intersection of entrepreneurial individuals and attractive possibilities may explain entrepreneurship’ (Eckhardt & Shane, 2003), is vital because entrepreneurs see and utilize commercial opportunities. Researchers have studied credit and social capital in relation to business startup and improvement. In Jordan, Thaher, Radieah & Wan Norhaniza (2021) discovered that incentives, marketing links, and evaluation help women entrepreneurs succeed.

Prior research has shown that opportunity is a key link between microfinance and business performance (Tata & Prasad, 2008). Baron & Kenny (1986) developed a method to test mediation relationships in which predictor variables significantly affect the criterion variable while the mediating variable strengthens the model. Baron & Kenny (1986) highlighted the relationship between microfinance and business performance. Microfinance institutions provide loans, social support, monitoring, and changing societal norms, it helps women entrepreneurs better their businesses. While developing countries have conducted research on microfinance access and women entrepreneurs' business performance, the role of microfinance institutions in Pakistan remains ambiguous. This study aims to convert theoretical insights into quantifiable results by focusing on the social capital built for its women clients through the services provided by the National Rural Support Programme (NRSP) Microfinance Bank. Furthermore, this study also examines how additional opportunities are created for its female beneficiaries due to the microfinance services offered by the NRSP. The outcomes of this analysis can potentially direct policy regarding microfinance institutions in Pakistan.

3. Methodology

Following the literature review, it is clear that while microfinance is a paramount driver of poverty alleviation and women empowerment, the precise mechanism is underexplored in Pakistan. In particular, the path from microfinance services to business performance by creating opportunities is ambiguous. Therefore, the current study aims to empirically analyse microfinance-associated factors and their impact on entrepreneurial outcomes, focussing on creating opportunities for women-led businesses in rural Islamabad. Figure 1 illustrates the theoretical framework for this purpose. In the light of literature, the most relevant independent variables are credit, social capital, and sociocultural factors, while opportunity acts as a mediator between these independent variables and the dependent variable, business performance.



Note: Adapted from Ekpe, Mat, & Razak (2011).

Figure 1: Illustration of the theoretical framework.

The following hypotheses lay a robust framework for analysing the effect of credit, social capital, sociocultural factors, and opportunity on women's business performance.

H_0^1: The credit index does not affect women entrepreneurs' business performance.

H_1^1: The credit index affects women entrepreneurs' business performance.

H_0^2: The social capital index does not affect women entrepreneurs' business performance.

H_1^2: Social capital index affects women entrepreneurs' business performance.

H_0^3: The sociocultural factors index does not influence women entrepreneurs' financing and business performance.

H_1^3: Socio-cultural factors index influences women entrepreneurs' financing and business performance.

H_0^4: Opportunity does not mediate the relationship between microfinance, social capital, socio-cultural factors, and business performance.

H_1^4: Opportunity mediates the relationship between microfinance, social capital, socio-cultural factors, and business performance.

The research aims to assess the impact of microfinance services, including credit and social capital, and sociocultural factors on entrepreneurial performance, using the implicit role of

opportunities' creation. In the light of literature, a quantitative cross-sectional approach was established. The variables included in the theoretical model (explained in Table 1) have multiple dimensions. The operational definitions of all variables are as follows:

1. Independent variables such as credit, social capital, and socio-cultural factors have multiple dimensions. Credit is defined as the size of a loan, coded as CREsize and the purpose of its utilization, which is coded as CREutil. To evaluate the response, the questionnaire entailed questions regarding the adequacy of loan amount and satisfaction with the maturity period. Whereas social capital includes the condition of group membership (SOCAPgm) and the strength of networking (SOCAPb), which was evaluated through questions regarding technical coordination among group members, and emotional support. Lastly, sociocultural factors refer to religious beliefs (SC2) and the attitudes of neighbours and relatives toward women's businesses (SC1, SC3, SC4). These were measured through opinions about societal response to the woman's borrowing and business activity.
2. The dependent variable measures the business performance of small-scale businesses. The questionnaire included questions regarding improvement in profit (BP1), investment (BP2) and employment (BP3), particularly women's employment, to gauge the response.
3. Literature pioneered by Schumpeter (1967) and modified by Scott (2003) proposes opportunity as a mediating variable between the independent variables and dependent variables. This includes the opportunity for business expansion and diversification (OPP). The responses were gathered regarding questions regarding enhancement in the scale and quality of business.

Table 1: Description and Coding of Variables.

Variable	**Dimensions**	**Coding**
Credit	1. Size of loan.	CREsize
	2. Loan utilization.	CREutil
Social Capital	1. Group membership.	SOCAPgm
	2. Strength of networking.	SOCAPb
Socio-cultural factors	1. Community's attitude towards business.	SC1
	2. Religious beliefs.	SC2

	3. Household support.	SC3
Opportunity	1. Business expansion and diversification.	OPP
Business Performance	1. Net profit.	BP1
	2. Investment.	BP2
	3. Employment.	BP3

Primary data was collected to quantify the study variables and test this study's research objective. The study uses administered surveys to quantify theoretical notions based on the theoretical framework. Based on the literature, a questionnaire was designed to collect demographic information, credit, social capital, sociocultural determinants, opportunity, and company performance. Ethical certificate was obtained from S3H, NUST ethics committee. Pilot survey was conducted to test survey's reliability.

A professional linguist verified the questionnaire's English-Urdu translation. Survey comprised of two sections. The first section asked respondents about their age, education, industry, experience, and loan features. These control variables helped in sample's profiling. The second section contained Likert's interval scale (Likert, 1932) to quantify interest, credit, social capital, sociocultural factors, opportunity, and business performance (Hair et al., 2008). It's a widely used response style for measuring abstract constructs (Hair et al., 2008). Thus, the survey used multiple items on a 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree) to assess respondents' views on credit, social group bonding, sociocultural barriers to business, opportunity exploitation, and business expansion.

The questionnaire contained detailed questions about credit characteristics, social capital, sociocultural determinants, opportunity exploitation, and business's success, which helped create accurate indices for independent, mediating, and dependent variables. The accuracy of each variable was determined by the reliability of these constructs. Thus, we calculated the inter-item reliability and Cronbach's alpha for each construct in SPSS; construct reliability should be 0.7 or higher. After verifying construct reliability, exploratory factor analysis assessed validity. Since extracted factors represent dimensions, exploratory factor analysis can assess a measure's content validity (Floyd & Widaman, 1995; Grimm & Yarnold, 1995). Thus, three constructs were constructed for independent variables: credit size, social

capital, and sociocultural characteristics; the mediating variable was opportunity, and the dependent variable was business expansion.

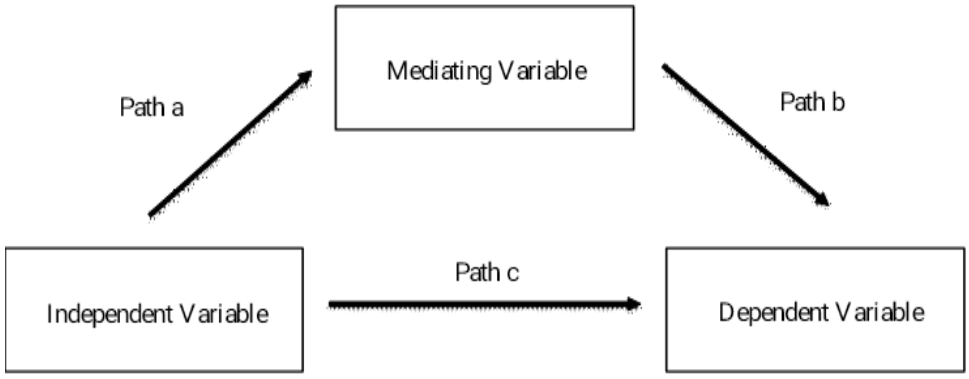
The data collection method also provided ample opportunities for participatory conversations with respondents and the creation of field notes. These informal discussions covered recommendations, grievances, and the life stories of female entrepreneurs. Excerpts from the conversations and suggestions from the microfinance clients led to additional insights; these ensured more naturalistic data (Swain & King, 2022).

To assure accurate responses, 86 women from rural Islamabad, including Alipur, Nilore, and Dalla Chaapar, completed these surveys in the presence of researchers. Due to logistical issues, we used convenience sampling for door-to-door and in-office surveys. Respondents were located around NRSP Microfinance Bank's Alipur regional office. Official population data was unavailable; hence, we used Roscoe's multivariate analysis to determine the sample size, which suggests that the sample size should be at least ten times the number of variables or items under investigation (Roscoe, 1975). The sample selection was based on logistic feasibility and NRSP Microfinance Bank’s practice of ensuring business plan feasibility before loan disbursement. The main study in March 2024 included 68 females, while the pilot survey included 18.

This study's hypotheses need quantitative measurement of associations between credit, social capital, sociocultural characteristics, and company performance in two steps. The first tests the link between independent and dependent variables, whereas the second tests mediation's indirect influence. Since initial data collection uses Likert scale data; therefore, binary logistic regression was used after dichotomizing business performance as success or failure. The independent variables were converted into ordinal categories of low, medium, or high. The binary logistic regression examines how credit, social capital, and culture affect company success. Composite factors helped explain how independent variables affect the business success of NRSP beneficiaries.

The second phase examined the mediating relationship of opportunity, based on a comprehensive literature on the impact of microfinance services on women's enterprise success. Based on Baron and Kenny's paradigm, the study investigated a relationship using the opportunity construct as a mediating variable in three steps. Path C in Figure 2 measures the independent variable's direct effect on the dependent variable, whereas lines A and B reflect the indirect link. One can observe mediation effects by regressing both the mediator and the

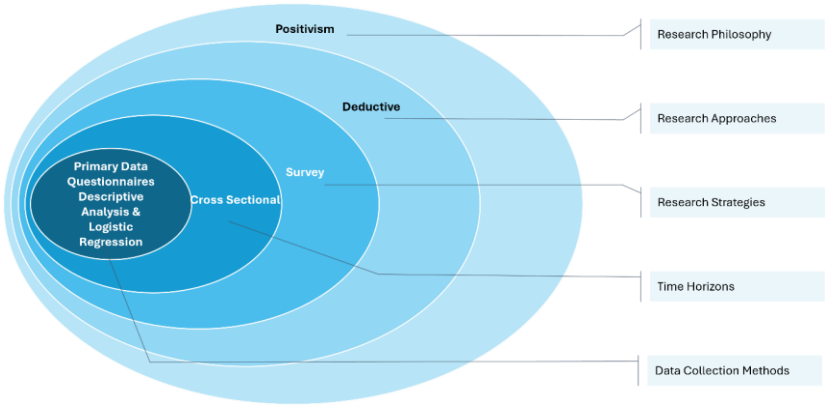
dependent variable. Including the mediating variable changes independent factors' direct and indirect effects on business performance, according to Baron and Kenny (1986). The regression findings for the above analyses must be significant, and the direct effect must be less than the indirect effect. Therefore, the mediator's connection with the criteria and predictor variables is crucial, as significant regression findings indicate efficient mediation. We adjusted the mediation analysis to account for the dichotomous dependent variable as well as the ordinal independent and mediating variables present in the data. SPSS MACRO (Hayes, 2018) allows the mediation test to be conducted by including one independent variable at a time while including others as covariates.



Source: Baron & Kenny (1986).

Figure 2: Baron & Kenny's Mediation Model (1986)

The detailed methodology is illustrated in Figure 3.



Note: Compiled by authors.

Figure 3: Research Onion

4. Results

These analyses revealed the sample's profile and unveiled whether microfinance services contribute to the success of female entrepreneurs. Sample profile is presented in Table 2.

Table 2: Profile of Respondents.

Variable	Category	Frequency	Percentage
Education	Primary	42	49.4
	Secondary	35	41.2
	Tertiary	8	9.4
Age	20-29 Years	19	22.4
	30-39 Years	38	44.7
	40-49 Years	19	22.4
	50+ Years	9	10.6
Experience	0-5 Years	57	67.1
	6-11 Years	19	22.4
	11+ Years	9	10.6
Paid Job Before Business	Yes	32	37.6
	No	53	62.4
Prior Business	Yes	13	15.3
	No	72	84.7

Note: Author's calculations

4.1. Demographic Findings

Refer to the sample profile presented in Table 2. It shows that 49.4% of women entrepreneurs received primary education. Almost 45% of women were in the age-group 30-39 years. Most women borrowed money to start their enterprises or for support in the early years; 67.1% had fewer than five years of experience. Further, data shows a substantial trend among women

entrepreneurs to start new firms with microcredit; 87.4% had no prior business experience. NRSP has been able to benefit 62.4% of those women entrepreneurs who had no paid job.

Table 3: Profile of Respondents' Businesses

Variable	Category	Frequency	Percentage
Industry	Livestock	31	36.5
	Agriculture	1	1.2
	Knowledge-based	0	0
	Manufacturing	0	0
	Retailing	9	10.6
	Service	42	49.4
	Others	2	2.4
Initial Capital in PKR	Less than 25,000*	19	22.4
	25,001- 50,000	45	52.9
	50,001 – 100,000	14	16.5
	100,000+	7	8.2
Last Microfinance Loan Amount in PKR	25,000 – 40,000	32	37.6
	40,000 – 70,000	50	58.8
	More than 70,000	3	3.5
Mode of loan acquisition	Group-based	72	84.7
	Individual	13	15.3
Loan Frequency	1	24	28.2
	2	19	22.4
	3	18	21.2
	4	12	14.1
	5+	12	14.1

Note: Author's calculations *in PKR (Pakistan Rupees)

Further profiling of the sample is presented in Table 3. Almost half of beneficiaries contributed to the services sector, mainly the cosmetics industry; 53% of women with modest initial capital invested between PKR 25,001 to 50,000, while 37.6% of women entrepreneurs borrowed less than PKR 40,000. Almost 85% of the beneficiaries obtained the loan facility through group-based loan scheme of NRSP. Almost 28% of women borrowed for the first time, while remaining have obtained loan earlier as well.

4.2. Statistical Findings

We used Cronbach alpha to ensure scale's reliability. According to Hair at al. (1998), Cronbach alpha values of 0.6 or higher are credible. The credit, social capital, sociocultural characteristics, opportunity, and company performance reliability study yielded Cronbach values ranging between 0.723-0.858 (Table 4). We excluded two-item variables to increase construct validity, leaving three independent variables: credit (loan size), social capital (group membership), and sociocultural characteristics. The study excluded expansion and measured business performance (monetary performance) as an independent variable. However, the opportunity construct was retained; most items showed high reliability.

Table 4: Mean, Standard Deviation, and Reliability Analysis.

Construct	Items	Reliability
Credit	3	0.731
Social Capital	3	0.858
Socio-cultural Factors	3	0.804
Opportunity	4	0.742
Business Performance	3	0.723

Note: Authors' calculations.

After ensuring reliability and cleaning of data in SPSS 27.0 through Mahalanobis distance, Cook's distance, and leverage values to find outliers. Respondent number 78 was declared outlier because its value exceeded Cook's distance and leverage levels. Autocorrelation was ruled out because Durbin-Watson test values were from 1.5 to 2.5. Tolerance values were 0.909, 0.858, and 0.940 for credit, social capital, and socio-cultural parameters; hence, there was no multi-collinearity.

Two quantitative phases tested the hypothesis for independent, mediating, and dependent variables. These required studying the direct and indirect effects of independent

variables on dependent variables and mediating variables. We used binary logistic regression to evaluate the impact of credit, social capital, and sociocultural factors on business performance. The binary logistic regression model suited the data well, as shown by an insignificant Hosmer-Lemeshow test (p = 0.535). The independent variable in the model, with a Nagelkerke R-squared value of 0.364, explains 36% of variation in the data on business success. The model classified 75.3% of cases correctly (Table 5). The model accurately depicts the relationship between credit, social capital, sociocultural factors, and business performance.

Table 5: *Model classification test for binary logistic regression; credit, social capital, socio-cultural factors, and business performance.*

			Predicted		
			BP		
		Observed	No Success	Success	Percentage Correct
Step 1	BP	No Success	49	9	84.5
		Success	12	15	55.6
	Overall Percentage				75.3

a. The cut value is .500

Table 6 shows how independent variables affect dependent variables. Credit has a positive coefficient (B = 0.304), but its p-value indicates insignificance (p = 0.359). Additionally, the positive coefficient of social capital (B = 1.363) is significant (p = 0.003) and increases the likelihood of business success. The odds of success are 3.91 for those having social capital scores in the higher category (greater than the median sum of items) versus 1 for those having social capital in the lower category (greater than the median sum of items). Impact of sociocultural barriers is significant (p=0.007); the odds of success are 0.31 for those facing socio-cultural barriers versus 1 for those facing less such barriers. Regression results obtained by testing the impact of credit, social capital, and sociocultural factors on the likelihood of business success through the binary logistic regression provide results that align with most literature consulted. However, it is interesting to note the insignificance of credit size, which hasn't been observed in prior research.

Table 6: *Results for Binary Logistic Regression.*

Variables	B	Significance Value	Exp (B)
Credit	0.304	0.359	1.36
Social Capital	1.363	0.003	3.91
Socio-cultural	-1.174	0.007	0.31
Constant	-2.011	0.177	0.13

Note: Authors' calculations

Meditation analysis tested the indirect effect of independent variables on the dependent variable through the mediating variable in the second stage. Since the data had ordinal independent and mediating factors and a categorical dependent variable, Hayes (2018)'s mediation analysis was used (PROCESS macro version 4.2 in SPSS 27.0). The three approaches described above must be important to establish mediation. Mediation was repeated for each independent variable, and the results were split into three portions. Credit did not affect opportunity (B=0.0759, p=0.4062) or the dependent variable (B=0.1915, p=0.627). However, the mediator and dependent variable correlated positively (B=2.7349, p=0.0001). No mediation link was detected for credit (Table 7). Mediation results were insignificant when the independent variable was credit.

Table 7: *Mediation Analysis, Independent Variable: Credit*

	Mediating Variables (opportunity)		Dependent Variable (business performance)	
Predictor	Coefficient	Significant Value	Coefficient	Significant Value
Credit	0.0759	0.4062	0.1915	0.6277
Opportunity	-	-	2.7349	0.0001

Note: Authors' calculations

As evident in Table 8 for the second independent variable i.e., social capital, the impact on the mediator is significant (p=0.000), while that on the independent variable is insignificant (p=0.1716). Furthermore, opportunity does impact the independent variable when mediating between social capital and business success (p=0.001). Mediation results were insignificant

when the independent variable is social capital. Hence, no mediation occurs when the independent variable is social capital.

Table 8: *Mediation Analysis, Independent Variable: Social Capital.*

	Mediating Variables		Dependent Variable	
Predictor	Coefficient	Significance Value	Coefficient	Significance Value
Social Capital	0.5085	0.0000	0.8129	0.1716
Opportunity	-	-	2.7349	0.0001

Note: Authors' calculations

As evident in Table 9, the impact of socio-cultural factors on opportunity is insignificant (p=0.1629). However, it is significant when impacting business performance (p=0.0165), and the effect of opportunity on business success when mediating the relationship is significant (p=0.0001). Mediation results were insignificant when the independent variable is socio-cultural factors. Therefore, opportunity does not mediate the relationship when sociocultural factors are the independent variable.

Table 9: *Mediation Analysis, Independent Variable: Sociocultural Factors.*

	Mediating Variables		Dependent Variable	
Predictor	Coefficient	Significance Value	Coefficient	Significance Value
Socio-cultural	-0.1484	0.1629	0.12231	0.0165
Opportunity	-	-	2.7349	0.0001

Note: Authors' calculations.

In conclusion, the regression results show that social capital significantly and favourably affects business success, whereas credit is beneficial but insignificant. Sociocultural variables also hinder successful businesses run by beneficiaries of NRSP. The study effectively analyses how credit, social capital, and sociocultural determinants affect rural Islamabad women entrepreneurs using binary logistic regression. The study also examines how opportunity mediates women's business performance.

Additional Insights

In addition to quantitative analysis, the research-administered survey allowed for informal interviews about microfinance. These conversations focused on microfinance institution queries, suggestions, and recommendations. We discussed the household status of the respondents, their microfinance grievances, and their potential for improvement.

As women participate in the economy, their political and social status improves, but it s bidirectional (Duflo, 2012). Most of the females stated that their status in the family increased because they could contribute to household expenses. The procedure also builds credit-worthy social capital for women. One respondent, who had a beauty parlour near her group members' setups, said women in social groups with colleagues in similar businesses had more confidence in group expertise. Secondly, women are satisfied with the general characteristics of micro-credit provided by microfinance banks; however, they suggested that the bank should tailor the loan amount and maturity period to the client's business size and industry. For instance, a respondent in Faraash town noted that her driving school had a larger capital expenditure than a tailoring centre or beauty parlour, which should be considered when lending. The clients also observed a need for linkages between various microfinance institutions in Alipur and Faraash to increase access to multiple credit options with different features. Finally, service industry women entrepreneurs wanted market links for their products. Respondent no. 14 ran a tailoring shop with her trainees and expected sales to rise if a public-private supply chain was created.

5. Discussion

This study examined how microfinance services affect women entrepreneurs' businesses. Detailed primary data research linked credit, social capital, socio-cultural characteristics, and business success. The study reviewed elements of business performance and aligned them with the relevant literature. Credit was insignificant in the sample of 86 women, but social capital significantly correlated with business performance. The credit size and opportunity mediation effect were minor. A few policy recommendations based on the results include:

- As socio-cultural factors play a crucial role in business success, gender sensitivity and awareness programs should be introduced in rural Islamabad.
- Encouraging group formation based on business industries is helpful for women due to agglomeration and spill-over knowledge effects; in groups women were involved in similar business industries.

- Contrary to popular belief, credit remains a dormant factor in ensuring women entrepreneurs' business performance. Therefore, newer poverty alleviation policies employing microfinance access should enhance women's capabilities as opposed to increasing loan amounts.
- Microfinance institutions, in collaboration with the private sector, should ensure better market linkages for women entrepreneurs.

6. Conclusion

Results show that social capital empowers rural Islamabad's females. This study achieves its goals by evaluating women's social capital, which boosts women entrepreneurs' business performance, and socio-cultural elements that hurt it. Opportunity does not mediate the relationship between loans, social capital, socio-cultural factors, and women's business performance; hence, microfinance services prevent women from expanding or diversifying. However, it is important to acknowledge the limitation of this study. The relative sample size included in the study was limited. This study concludes that empowering women financially through loans and social capital boosts household income, and gender equality. Given the importance of gender equality for sustainable development, microfinance institutions are vital to Pakistan's journey towards the Sustainable Development Goals (UN Women, 2023).

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