Is Firm Financing Gender Sensitive?: Evidence from Pakistan

Abstract

Gender discrimination in financial access can greatly discourage female entrepreneurs to start or operate businesses. However, there is little empirical evidence on the existence of this discrimination. Using WBES 2007-12, this paper provides the evidence on the presence of gender discrimination in access to finance in Pakistan. While, on average, there is no gender discrimination in access to finance around the world and in South Asia, the discrimination is significantly prevalent in Pakistan: female owned firms are 30% more likely to be financially constrained compared to male owned firms. The discrimination is present across all provinces and is most severe in Khyber Pakhtunkhwa. A detailed analysis reveals that female entrepreneurs have to mainly rely on internal funding and cannot depend on informal sources such as credit from suppliers and customers. They are also more likely to not even apply for loans mainly due to the complex application process. When they do apply, they are less (more) likely to apply for loans from private financial institutions (government entities) compared to male entrepreneurs. The evidence is consistent with discrimination from the private financial institutions against the female entrepreneurs through greater scrutiny and complication of loan application process for them.