

The role of Informal networks in enhancing the performance of Women Entrepreneurs- A case study of Khyber Pakhtunkhwa

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Abstract This study focuses on the impact of informal networks formed by the women entrepreneurs of KPK on their entrepreneurial performance. For this purpose, women entrepreneurs of Peshawar and Mardan were considered who were registered with Women Chamber of Commerce and Industries of Pakistan. Self-administered questionnaire was used to collect data from a sample of 227 respondents. The results of the study reveal that informal networks have a significant impact on the entrepreneurial performance of women entrepreneurs. This study is limited to only one province of Pakistan where women entrepreneurs are putting in their efforts to earn bread and butter. The results of the study support The Social Network Theory which emphasizes that networks are of utmost importance in successfully running of the enterprises. Free of cost training programs must be initiated by the government to educate women how to build networks and utilize them in effective ways so as to perform well.

Key words: Informal Networks, Women Entrepreneurs, Entrepreneurial Performance

Introduction

The business world is expanding at a rapid pace and so does entrepreneurship. Entrepreneurship has been playing an important role to uplift the world's economies. Both men and women are entering the job market to earn bread and butter. Women by entering the job market are breaking the stereotype culture which considers only men as bread winners. Although women entrepreneurs around the globe face barriers and challenges (Stefan et al; 2021) still women entrepreneurship is expanding across the globe due to job creation and economic development (Patrick, Stephens & Weinstein, 2016). Lakshmi (2016) states that entrepreneurship is perceived to be the best career choice for women as they can successfully serve their dual responsibility of looking after their homes and venture at the same time. Women in both developed and developing countries are stepping out of their homes so as to get status like men and become independent (Sarfaraz, Faghih & Majd, 2014; Maliva, 2017). But unfortunately in Pakistan, women are reluctant to enter the job market because of non-recognition of their work, non-supportive families (Khurshid, 2018) and also the society doesn't welcome them (Khan, 2020). The reason is that Pakistan is a patriarchal society where men have more privileges and social power than females.

Pakistan is a country where half of the population is female (according to Pakistan Census, 2017) but their ratio in terms of carrying out entrepreneurial activities is very low. Only a small percentage of women are entrepreneurs and they are also struggling in this field. That's because there are several reasons that hinder their performance (Roomi & Parrott, 2008). They can't work in isolation and need support of their immediate family members and acquaintances. They rely on the moral and financial support of their networks in order to perform well and to grow. Unlike developed countries where women entrepreneurs where networks provide assistance to female entrepreneurs, a Pakistani woman entrepreneur finds problem in finding networks which support them.

When it comes to women entrepreneurs of Khyber Pakhtunkhwa (a province of Pakistan) the cultural and social discrimination is observed where working of women is mostly considered as a matter of family honor and pride. Therefore working in such restrictive society is harder for women entrepreneurs and to make networks and rely on them is an uphill task. Although a number of prior work revolves around social networks and women entrepreneurs (Bouzari et al; 2021; Malende & Väisänen, 2017; Ribeiro et al; 2021) but how the informal networks affect the performance of women entrepreneurs in a conservative society of KPK is an area which is rarely investigated by the scholars so far. Hence this study is intended to fill this gap. The results of the study will provide insights into the existing body of knowledge by explaining theoretical contribution of the study. It will also give valuable information regarding the prevailing business environment in Khyber Pakhtunkhwa for women entrepreneurs.

Literature Review

Networks are of utmost importance when it comes to business world and scholars of almost every field have analyzed the importance of networks in several ways (Ribeiro et al; 2021; Sanjeev & Van der Leij, 2011). Both male and female entrepreneurs make networks because they have a pivotal role in the success and survival of the enterprises (Aldrich, 1989; Krueger, 1983; Rosa, Carter & Hamilton, 1996; Surin, Edward, Hussin & Wahab, 2017; Khan et al, 2021). According to Zimmer (1986), networks presents group of people with whom a person has indirect or direct connections which can include friends, family or friends' friends which provide assistance in obtaining useful information and give moral and financial support when required (Granovetter, 1973; Khan et al, 2021).

There exist gender differences when it comes to making networks. A study by Katz and Williams which was conducted in 1997 concluded that women have small networks with close connections and less time to spend on networking. Women are inclined to be at homes and with little time to develop network links relative to their husbands because of domestic obligations reporting on rearing, childbearing and housework which are classified as lonely types of activities (Munch, McPherson & Smith-Lovin, 1997; Mehmood et al, 2021). According to Munch the domestic duties cause women to readjust their networks from wide range of connections to friends and family. In addition to that, Orhan and Scott (2001) noted that women entrepreneurs start making networks from their friends to male counterparts and after that they move on to professional or formal networks unlikely men who start from formal networks and then move to informal ones. In the same way, Moore (1990) found that women were more likely to include members from their homes than males. According to Watson (2011), some researchers have interpreted Moore's results to suggest that male entrepreneurs often use formal networks where as women use informal networks (Watson, 2012). People one encounters, and the positions one assumes have a huge effect on the number of people with which one can interact with (Cromie and Birley, 1992; Raza et al, 2021). Furthermore, the more often a person interacts with people around him, the more skills the person develops at establishing networks. It substantiates the findings of Hut (1983) & Munch et al (1997) that domestic liabilities of a woman takes her away from making strong and formal networks (Khan, 2020; Khalid et al, 2021). Hence the women entrepreneurs rely on informal/strong-ties networks for business and moral support. Informal networks include friends and family members with whom they have close relationship.

Theoretical context of the study

A social network is a concept which has gained attention of people and business world since 1930s (Malende & Väisänen, 2017). The Social Network Theory is commonly accepted and applied theory in several fields like anthropology and sociology. It focuses on a person and all the individuals with who he has either a direct or indirect connection (Aldrich & Zimer, 1986) or many connects between individuals in a cluster (Hong & Antonic, 2003). Martinez and Aldrich (2011) and Matthews and Moser (1996) supported the fact that networks have an important role in developing desire in an individual to pursue and the skills required to achieve success in entrepreneurship. Arregle et al., (2015) explained that there are three ways networks help the entrepreneurial activities. First the networks provide financial support to the nascent entrepreneurs; secondly they provide relevant information in order to avoid uncertain situations and lastly the networks provide moral support and emotional backing to the entrepreneurs in order to achieve success in the entrepreneurial world. Although several studies (Birley et al, 1991; Dorcas, 2013; Fraser, 1995; Lamine et al., 2017; Wheeler, 1995) found that the impact of informal networks on venture's performance is significant but none of the studies were conducted in restrictive and conservative context of Pakistan's province KPK. Hence in the light of the above literature cited, the following hypothesis is given for testing in the preceding work.

H1: There is a significant impact of informal factors on entrepreneurial performance of women of Khyber Pakhtunkhwa

Methodology

Research Design

This study is quantitative study where quantifiable data has been used in order to get the results using inferential analysis. Hypothesis is deductive from the theory using operational terms and subjected to testing. Regression

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analysis is used to determine the relationship between Informal networks and entrepreneurial performance using SPSS version 20.

Population and Sample

The population of the study comprised of all the women entrepreneurs of KPK registered with chambers and industries of Pakistan. Due to time and cost constraints only women registered with Peshawar and Mardan chambers were taken into account which gives a figure of 528 (300 in Peshawar+ 228 in Mardan). Simple random sampling was used to draw sample from population. In order to find the sample size Yamane formula (1967) was used which gave a number of 227.

Research Instrument

Self-administered questionnaire having Likert scale was used to gather the data from the respondents. For this study, scales of Informal Networks were made by the researcher whereas for measuring entrepreneurial performance, scale developed by Brush (1992) was used indicating the growth in profit, no. of products, no. of employees, satisfaction of employees and market expansion over a period of three years.

Finding and Discussion

Descriptive analysis

The results of descriptive analysis of the variables under study are given in Table 1. The results indicate that respondents are of the view that they have access to informal networks and they use their networks to get financial and moral support.

Table 1: Descriptive Statistics

Scales	N	Minimum	Maximum	Mean	Std. Deviation
I have made good contacts with my former acquaintances relatives and friends.	227	1.00	5.00	3.7181	1.42970
Informal networks of mine assist me to give material, financial and moral support.	227	1.00	5.00	3.7533	1.42075
In order to avail external business opportunity, I seek advice from my informal networks	227	1.00	5.00	3.7004	1.43538
I have informal networks which guide me looking for business opportunities.	227	1.00	5.00	3.6520	1.46871

Reliability Analysis

Reliability means that research instrument should give consistent results. Table 2 presents the results of reliability of the study. The results show that Informal networks 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 Alpha
1	Informal Networks	4	.977
2	Entrepreneurial Performance	5	.831

Exploratory Factor Analysis

The Informal Factors construct had a total 4 items which were subjected to factor analyzed using PCA (Principal Component Analysis) with Varimax Rotation. No item was removed at this stage. The suitability of factor analysis can be judged with the values of KMO (> .60) and Bartlett’s test for sphericity in Table 3. Factor structure shows a value of 80.350% as Cumulative % of Variance. Loadings and communalities are shown in Table 4.

Table 3: Factor Analysis

KMO	Bartlett’s Test	df	Sig	Cumulative % of Variance
.752	6522.125	190	.000	80.350%

Table 4: Rotated Component Matrix

	Component				Communalities
	.61	.90	.90	.81	
Informal Network1			.939		.908
Informal Network 2			.966		.967
Informal Network 3			.931		.902
Informal Network 4			.967		.962
Eigen Value	2.528	5.060	4.558	3.725	
Variance %age	12.633	25.294	23.24	19.124	
			0		

Regression analysis

Table 5 presents the results of regression analysis of the variables. Regression analysis was used to analyze the impact of informal networks used by the respondents on the entrepreneurial performance. 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 informal networks had a significant impact on the performance of women owned enterprises as $f=34.877, p< .001$). In addition to that 13.4% change in the performance is explained by the informal networks. The co-efficient was found to be significantly different from 0 hence the hypothesis was accepted.

Table.5 .Model Summary of Informal Networks

R	R Square	F	Sig
.366	.134	34.877	.000

Table.4 .Coefficients of Informal Networks

Model		Unstandardized Coefficients		Standardized	T	Sig.	Collinearity Statistics	
		B	Standard. Error	Beta			Tolerance	Variance Inflation Factor
1	(Constant)	2.002	.088		22.650	.000		
	INF	.132	.022	.366	5.906	.000	1.000	1.000

a. Dependent Variable: EP

Conclusion

Women entrepreneurs of Pakistan are already struggling a lot when it comes to competing in the market and access to resources. Unlike other developing countries Pakistani women don't come across the same opportunities like men because of the cultural issues where discrimination is deeply rooted in the social system. They don't make formal networks as they are burdened with the obligation of their family care so they rely on informal networks for access to resources and moral and financial support. It becomes harder for a woman entrepreneur of KPK as the culture is stricter and patriarchal society is observed so this study is an attempt to analyze how in the socio-cultural context of KPK women entrepreneurs are using their informal networks and what impact do these networks have on their performance. The results give valuable information to the existing body of knowledge by revealing the fact that the informal networks have a significant impact on the entrepreneurial performance of women entrepreneurs of KPK. The results support the Social Network Theory that access to networks gives entrepreneurs the valuable information, financial and moral support to the entrepreneurs. It also supports the results of prior studies that informal networks have an impact on the success of enterprises (Birley et al, 1991; Dorcas, 2013; Fraser, 1995; Wheeler, 1995). The results also give new insights that in restrictive environment of KPK informal networks are more than a blessing for women entrepreneurs which provide them moral and financial support even in the restrictive societies like Peshawar and Mardan where stepping out of a woman from her home is a matter of family's honor. It gives an encouraging picture.

Recommendations

As networks help in the good performance of women entrepreneurs hence it is suggested that government must initiate free of cost training programs to educate women entrepreneurs how to build networks and utilize them properly in order to get access to the useful information for the enterprise, how to increase their participation in entrepreneurship through these networks. Leading institutes like WBDC (Women Chamber of Commerce and Women Business Development Centre) should facilitate women entrepreneurs of Pakistan in establishing networks.

Limitations and Future Directions

The present study is limited to only one Province i.e. KPK because of time and cost constraints. In future, study may be conducted which considers the women entrepreneurs of all the provinces of Pakistan in order to generalize the results. Future studies may also focus on comparing the impacts of both formal and informal networks formed by the women. How effective formal networking institutes of Pakistan are in terms of giving access to women entrepreneurs is an area which can also be explored in future.

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