Is Credit Enough? Entrepreneurial training through MFIs in Pakistan: A case study

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Abstract
The academic and development policies mostly discuss credit constraints faced by micro-entrepreneurs and presume entrepreneurs would be managing their business optimally. However, credit alone is not an answer to the needs of an entrepreneur. There is a need for understanding how to utilize the funds properly to have a successful venture. Microfinance providers are working in coordination with other non-financial services to cater to these needs for the entrepreneurs for entrepreneurship development and societal up lifting. Pakistan in the case has a sound microfinance structure but the outreach seems to be much lower than other peer nations in the world. The present study aims to explore the microfinance industry in Pakistan and their credit plus approach targeting enterprise development in particular. The study follows a qualitative approach which induces the possibilities of providing training to the clients, particularly entrepreneurs. Three main financial institutions of Pakistan are taken as a sample for the understanding of MFIs and their perception towards entrepreneurs through interviews as the main tool. The results revealed that no Microfinance bank provide any sort of formalized pieces of training to the entrepreneurs or MESE loan clients, although they wish or intend to do so. However, non-banking Microfinance institutions despite smaller loans and short span provide extensive training to their borrowers. The study has main policy recommendations that may be adopted by the MFIS or Central bank of the country to support the inception stage of entrepreneurial development in Pakistan.
Keywords: Micro financing, micro financial institutions, trainings to entrepreneurs, entrepreneurial development, analytical hierarchical process.

Introduction:

Microfinancing means finance provided to a poor person or microenterprise. Microfinance is the supply of loan and other basic financial services to the poor accept deposits. People living in poverty need a diverse range of financial instruments to run their businesses, build assets, stabilize consumption and shield themselves against risks. Financial services needed by the poor include working capital loans, consumer credit, savings, pensions, and insurance and money transfer services. Microfinance consolidation refers to the supply of loans and other financial services, such as savings, insurance to the poor and provide access to high-quality financial services, not just credit but also money transfer, savings and insurance (Ahmad, R., Hussain, A., Umer, M. & Parveen, K 2017).
At the beginning of microfinance programs, much focus was given on only the credit aspect.

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However, since a few years back, some initiations are made to offer entrepreneurship development programs to microfinance clients. The microfinance community is increasing the recognition for low-income people who need a wider range of integrated monetary and non-monetary services. A combination of expanded monetary and non-monetary services could be useful for an entrepreneur to succeed by producing self-confidence in them; increase their net income, production, and employment/jobs; and finally, facilitate the individual growth of the entrepreneur

Microfinance organizations have facilitated economic development by providing not only microfinance but also complementary services such as social capital and human capacity development (Guerin et al. 2005). Such complimentary services are especially important among borrowers who lack prior employment or business experience (Ekpe and Norsiah 2013).

Over the past decade, promoting financial inclusion has become a national priority for practically all developing economies. _e United Nations, as part of their '2030 Sustainable Development Goals' (SDGs), consider it to be a key component of wider progress, with 5 out of 17 SDGs specifically highlighting the need for improved or full access to financial services (Microfinance in south Asia UK Aid, 2018). Along with financial access, another major issue is the lack of business skills (Asad, Haider, Akhtar, & Javaid, 2011). Several studies have been conducted in different countries regarding the importance of training for gaining high performance from MSEs (Bembenutty, White, & Vélez, 2016; Karlan & Valdivia, 2011). One important way to facilitate economic development has been the combination of microfinance with the provision of complementary services such as training in entrepreneurship, which has been an approach used by microfinance organizations such as Amanah Ikhtiyar Malaysia (AIM) in Malaysia (Al-Mamun, Mazumder, and Malarvizhi 2014). AIM also provides skill development training including basic accounting, basic entrepreneurship, financial management, business communication and members' development program.

The microfinance sector in Pakistan is making a significant contribution to economic growth in Pakistan. The number of microfinance borrowers has grown by 39% while the gross loan portfolio has grown by 86% compared to 2016. However, access to finance is very low in Pakistan; the potential to enhance access to a wide range of financial services goes in the hand of the Microfinancing system. It is equally very important to increase the outreach in general as well as specifically the entrepreneurs (GPFI and IFC, 2011). The effectiveness of Pakistan's regulatory framework for MFBs has been widely recognized; in 2010 Pakistan was ranked fifth among 54 countries by the Economic Intelligence Unit (EIU) in terms of the overall environment for doing microfinance business.

Despite a sound structured Micro Finance Structure; the entrepreneurship number in the country is still struggling. There is a dire need for change to be introduced in the present-day structure of the economy. This is what makes micro-financing different from charity. Microfinancing is meant to create social-economic empowerment. Through the arrangement of more coordinates services, microfinance institutions will no question advantage from way better credit reimbursement and portfolio quality, client maintenance and the expanded capacity of the entrepreneur to get to other monetary items and services. Microfinance institutions should provide training skills and knowledge in time to equip their clients in advance and this will enable the clients to better utilize their loans effectively, thus reducing

the rate of default among the clients and benefit both the clients as well as the MFIs. (Nyarondia Samson Mecha, 2017). This emerging field while expanding the understanding of effective microfinance approaches for policymakers seeking to bolster entrepreneurship among the poor.
This study is designed to find out and explore the programs of microfinance institutions and their programs designed for enterprises and entrepreneurs in Pakistan. Understand the needs and availability of the non-financial services bundled along with the financial services for entrepreneurs in particular. The research highlights the common practices adopted by microfinance institutions in Pakistan for fostering economic development by providing supporting elements to entrepreneurship.

2. Background of the study

Micro Finance has traditionally been discussed under the perception of the classical theory of change. Microfinance and entrepreneurship have been analyzed from several theoretical perspectives such as institutional theory (Khavul, Chavez, and Bruton 2013; Kent and Dacin 2013). For instance, network theory has been used to understand how microfinance organizations play a role in facilitating economic development by serving as a link between large enterprises and local entrepreneurs (Webb et al. 2010). Moreover, empirical research has shown that in addition to the provision of funding, venture capital investors also add value to firms in which they invest, for example by mobilizing resources (Politis, 2008). Yet, although microfinance organizations have provided microfinance services while also providing entrepreneurs with links to the broader nonfinancial development services through other nonprofit organizations in their networks (Adner 2012) there is limited literature on microfinance organizations from the perspective of ways for provision of entrepreneurial training in the context of Pakistan.
All over the world importance of training has been recognized as an important tool for enhancing the performance of micro-enterprises or entrepreneurs. However, in developing countries like Pakistan, the least importance is given by the microfinance institutions on giving training to Entrepreneurs. Limited access to such skills restricts the ability of the MSEs owner to enhance their business beyond a certain limit and their growth remains stagnant (Asad, Haider, Akhtar, & Javaid, 2011). Several studies have highlighted the importance of capital and business skills for the enhancement and growth of enterprises (Rodrigues, Dinis, Paço, Ferreira, & Raposo, 2012). Therefore, in the light of the above discussion, it is obvious that availability of credit only is not enough to enhance the growth rate of MSEs but the training and teaching of business skills are also crucial.
The provision of financial services to micro-entrepreneurs is often done alongside non-financial services (social and business development services) (Goldmark 2006). The social services focused on improving clients' welfare while the business development services were offered to teach the clients basic financial management principles. This was believed to enhance clients' business success and thereby improve MFI's loan quality. However, the minimalist approach has been reassessed (Lanao-Flores and Serres 2009) with an increasing conclusion that the 'microcredit, by itself, is usually not enough' (Reed 2011). To this end, some MFIs today still adopt the credit-plus model (what we call microfinance 'plus') by

bundling financial and non-financial services to clients.
Thus, this study has been conducted to explore the evidence about the provision of training to entrepreneurs by the topmost microfinance banks in Pakistan. This study has been designed to find what measures are been taken by the banks or financial institutions in Pakistan to cater to entrepreneurs and enhance entrepreneurship in Pakistan by providing non-financial services to entrepreneurs. For the purpose, 3 main micro-financial institutions will be selected namely Khushhali Bank, First microfinance bank and Kashf foundation will be studied to understand the need of adding training as the main component to entrepreneurs in their credit programs which may also impact on the loan repayment and highlight possible linkages of MFIs with other networks of the entrepreneurial ecosystem. Along with the need also the kinds of training may be provided to the clients will be identified based on the business development model widely used in the world.

Research Question

The basic purpose of the paper is to identify how MFIs in Pakistan provide non-financial services i.e. training in particular to their client and what perspective they have in the ways of provision of same through linking it to other elements of the economy.

Research Objective

The main objective of the study is to identify the best practices for microfinance institutions by doing an exploratory study to highlight the products and services of topmost micro-financial institutions in Pakistan namely, Khushhali Bank ltd, First Micro Finance Bank ltd and Kashf Foundation to bring evidence in the provision of non-financial services by the banks to their clients.

Limitations

The limitations of the study are that the sample of data collection cannot represent all the banks in Pakistan. So, the study is limited only for Khushhali bank, First Micro Finance Bank and Kashf foundation as a case. Future research will be possible to explore and identify those practices and programs in any other bank of Pakistan and identify the coordination. The research may also contribute to compare and contrast the Micro Finance Banks and Non-banking institutions in terms of their services towards entrepreneurship development. Also, the data is collected from the Hyderabad region; the scope of the research may be increased and more focused for future researches.

Literature Review

Entrepreneurship is the dynamic manner in which an economic request is perceived in an economy and generation variables are provided to fulfil that request, usually to yield a benefit. If the company is effective, likely, a Miniaturized Scale, Little or Medium Engagement (MSME) will be set up. Taking into account the economic views of entrepreneurship, Pakistan is trying to help entrepreneurship through schemes of government regulations and promulgations. Pakistan plays very ineffectively in all of these commercial enterprise business enterprise tips agreeing to the most latest accessible reviews. Pakistan positions 109 in GEDI dataset whereas Egypt (89), India (ninety-eight), Kenya (104), Indonesia (103), Brazil (92) and Nigeria (85) rank higher than Pakistan and it appears no contrast with Turkey (28), Malaysia (56) and South Africa (fifty-two). The range of restricted chance corporations, as particular by using the arena financial institution inside the case of Pakistan is 10 to 20 times lesser than the past. The current international datasets compiled by the Global Entrepreneurship and Development Institute (GEDI), Global Entrepreneurship Monitor (GEM) and the World Bank (WB) Entrepreneurship Project gives appealing insights to global variations in entrepreneurial activity and ambitions. In Pakistan Total Early Stage Entrepreneurial Activity or TEA rate (the whole of the early enterprise rate and the unused business owner-manager rate) was 11.57%. This can be altogether lower than the normal TEA rates for the factor-driven economies (23.68%) conjointly lower than efficiency-driven economies (13.11%). Be that as it may, this is often more prominent than the normal TEA rate of Innovation-driven economies 7.09 % (Gem report 2012).

Comparing male and female TEA rate in Pakistan we may notice that the male TEA rate in Pakistan is more than seventeen times that of the female TEA rate. In Pakistan, the gender gap is one of the highest globally when compared with the other countries including its factor-driven peer nations. Along with this the Established Business Ownership (EBO) rate in Pakistan was 3.78 %. This is notably lesser than the standard EBO rates for Pakistan's peer factor-driven economies (11.43 %), as well as efficiency-driven (7.79 %) and innovation-driven (6.67 %) economies (GEM 2012) Youth, which constitutes around 32 per cent of the population, 42 per cent of Pakistan's total labour force is composed of youth. Almost 4 million youth per year attain working age. With so many young entrants entering into the labour market every year, this young force need skills and knowledge to be useful for the economy (UNDP, 2018). Pakistan needs to nurture and support young entrepreneurs providing them expertise and funding to turn their ideas into businesses. (Digital Entrepreneurial Ecosystem Pakistan, ATKearney, 2017). The ultimate solution for these problems can be enhancing access to microfinance for entrepreneurs. Emphasis has to be placed on vocational and technical education and microcredit.

Microfinance is an emerging tool for economic development, poverty alleviation, empowering of low-income communities and contributing a new role in micro-entrepreneurship (Mondal, p.1-3). It has gained a prominent role in developed and also developing countries. Most of the research on micro-financing is developed on the issue of poverty alleviation and empowering of poor but there is very less shed light by the researcher on Microenterprise and Micro-entrepreneurship. According to Dean S. Karlan, July 2006, most startups fail because entrepreneurs put all their faith in the idea of the product the organization exists to create. Financial support to start-ups should go in hand with non-financial services, to equip entrepreneurs with skills to be successful in business. (Newman et al, 2017).

Services such as training and counselling are high on the client's involvement and level of eff ort to co-produce along with borrowing.

The client who receives counselling may need to co-
produce with the counsellor by investing time in counselling, providing counsellor inf ormation and implementing what is agreed at the counselling session (Peters et al., 2012; Humphries, 2008).

This growing interest in connecting services is driven by both a major concern that ‘ credit i s not sufficient ‘ to generate poverty reduction from the bottom up and a new approach to B DS. Business services need to be demand-driven, sustainably managed and diversified beyond management training. Some MFIs have bundled it with the provision of credit at weekly or monthly customer group meetings when it comes to providing business training.
Many other MFIs provide separate business training for credit delivery. Non-financial assistance enhances the business performance of the entrepreneur (productivity, sales, and profits) (YBI 2011).

In various parts of the world Microfinance institutions (MFIs) have demonstrated the potential power of well – managed microfinance services to improve the lives of poor people. Furthermore, even well-designed microfinance programmes, unless accompanied by social and business developm ent services, have limited effect on the livelihoods of the poor. Therefore many development initiatives are now incorporating the literacy and life skills, marketing and vocational training, as well as basic health care, in their programs for micro-entrepreneurs (Susan Henry, 2006). A few working microfinance projects depict already that how well microfinance institutions and providers of business development service work together. Following are the “best practice” examples.

Institute	**Way of Training**
ADEMCOL, Columbia	Direct training
FINCA (Worldwide)	Direct Training
The Tanaoba Lais Manekat (TLM) Indonasia	Sector-based
The Bangladesh Rural Advancement Committee (BRAC), Bangladesh	Direct through staff
Alterna Saving, Canada	partnered with many organizations in the Greater Toronto Area that provide business development services
SEEDS (Sri Lanka)	Linked within two departments of the MFI
BASIX (India)	Linked with separate entities, working as holding company
Freedom from Hunger (FFH) (Worldwide)	By the Loan officers and Bank staff. (Cost Effective)
Financiera Soluciốn, Peru	Linked with ILO’s program
Grameen Bank Bangladesh	Direct through staff
Ammanah Ikhtyar Malaysia	Linked by Own Department

Source: compilation by author

Given the above literature and examples around the world, the present study aims to explore the Micro Finance industry in Pakistan. The Microfinance institutions running in the country are also in need to line up with the needs of entrepreneurs for better productive loaning and

economic development. The study explores the present situation of microfinance programs in the country specifically designed to cater to entrepreneurs and their financial and non-financial ais for them. For the purpose, we have selected three main financial institutions in Pakistan namely Khushhali Bank ltd, First Micro Finance bank ltd and Kashf Foundation. The research will continue exploring their dimension of lending and non-financial services if provided by the selected MFIs.
A study by Khan et al 2020, suggests that the main beneficiaries of the microprograms in Pakistan are not the poorest of the poor but that those benefit more from the program who have better financial standing and ability to invest in microenterprises to generate income, say, micro-enterprises. Henceforth, to increase its outreach generating skills, knowledge will eventually benefit either side. For innovative and creative solutions Microfinance in Pakistan can also be linked with the needs of entrepreneurs to alleviate the financial troubles of poor rural and town populations. At the same time as it's miles practical to increase the inspiration of microfinance educate for giving organizational, budgetary and infrastructural bolster to destitute people, particularly poor women, for moderating destitution and advancing social welfare and economic fairness via network constructing and social mobilization and to supply for things associated therewith or support thereto (Shafi et al, 2020).

Micro Finance in Pakistan
Microfinance has grown rapidly in Pakistan over the last decade. The number of active borrowers more than doubled from 2014 to 2019, increasing from 2.8 million in 2014 to 7.3 million in 2019;11 over the same time, the gross loan portfolio increased by 400%, from $400 million in 2014 to $2 billion in 2019 (Pakistan Microfinance Network, 2019, 2020). Nearly half of the active borrowers are women and 53% reside in rural areas. The average loan principal amount is approximately $300, typically to be repaid in 12 months, and at interest rates ranging from 0 to 40%. Microfinance clients in Pakistan are typically relatively poor, but not poor enough to be eligible for many targeted poverty-reduction programmes.12 13% of the loans in Pakistan were provided at 0% interest, predominately by a single large MFI (Basharat and Sheikh, 2019). The sector has maintained remarkably low default rates, with write-offs less than 1% of the gross loan portfolio (PMN, 2019).
There are 46 registered microfinance providers in Pakistan, and these fall into two key categories: microfinance banks (MFBs, of which there are 11), and non-bank microfinance companies (NBFCs, of which there are 35). The key distinction concerns deposits: MFBs are permitted to accept deposits, whereas NBFCs are not.14 For this reason, MFBs are regulated by the State Bank of Pakistan (SBP), whereas NBFCs are regulated by the Securities and Exchange Commission of Pakistan (SECP).15 The NBFCs can further be divided into non-bank microfinance institutions (of which there are 25), and the Rural Support Programmes (of which there are 10). Rural Support Programmes differ from other NBFCs in that they have a purely rural focus; like other NBFCs, they are not permitted to accept deposits. MFBs' primary source of funding is public deposits; with borrowing constituting less than 10% (borrowing is mostly from local banks and development finance institutions). About 75% of funds for NBFCs come from debt, provided mainly from the apex funding agency, the Pakistan Microfinance Investment Company (PMIC); owing to strict guarantee requirements and

currency risks, local commercial banks loans and international loans comprise a relatively small proportion of total debt in the sector (Pakistan Microfinance Network, 2019).

Despite the significant growth of microfinance since 2000, the current supply of 7.3 million borrowers is estimated to be less than 12% of the potential market. In the past year, the State Bank of Pakistan has turned its focus on microenterprises and Small-medium enterprises. Efforts are being made to upscale loan sizes to increase the financial abilities of these enterprises and allow them to undertake bigger productive Investments. The microfinance industry of Pakistan is also moving towards expanding into other industries, an initiative known as "Microfinance Plus" being spearheaded by Pakistan Microfinance Investment Company (PMIC). Under this initiative, programs are being designed whereby loans will be provided for low-cost private schools, low-cost housing, etc. Just recently, Khushhali Bank has partnered with International Financial Corporation to provide financing for home improvements, and there are plans in a subsequent phase to modify the product to address the need for financing a home purchase.

The effectiveness of Pakistan's regulatory framework for MFBs has been widely recognized; in 2010 Pakistan was ranked fifth among 54 countries by the Economic Intelligence Unit (EIU) in terms of the overall environment for doing microfinance business. The microfinance sector in Pakistan is making a significant contribution to economic growth in Pakistan. Although being one of the Pakistan Microfinance Division's foremost extreme dangers, the p ositioning of credit hazard has crept down from the third most extreme chance in the 2011 study to the fourth most serious hazard as per the current overview sector analyst has indicated that the risk is rising as there is a lack of understanding amon g microfinance institutions about clients ' differential needs. According to Entrepreneurial Ecosystem Report of Pakistan by SEED Ventures (Social Entrepreneurship and Equity Development) Pakistan, 2014: "Micro Finance Sector in Pakistan Needs to develop non-financial services comprise of counselling, training, and education to train the borrowers on how to utilize their financial resources effectively". Social capital appears to be a critical factor of success, while at the same time being a source of extreme vulnerability. Innovation is required to provide a successfully integrated package of financial and non-financial services to extremely vulnerable populations (Guerin et al 2010). Expanded combinations of financial and non-financial services can help successful entrepreneurs. MFIs, however, may or may not provide all of these services on their own. MFIs can instr uct their internal trainers and/or external trainers

Various studies on microfinance business training have shown that the above objective s can be achieved (Karalan and Valdivia, 2006; Halder, 2003; ADEMCOL, 2001).

In various parts of the world Microfinance institutions (MFIs) have demonstrated the potential power of well - managed microfinance services to improve the lives of poor people. Furthermore, even well-designed microfinance programmes, unless accompanied by social and business develo pment services, have limited effect on the livelihoods of the poor. Therefore many development initiatives are now incorporating the literacy and skills, marketing and vocational training, as well as basic health care, in their programs for micro-entrepreneurs (Susan Henry, 2006).

This research will focus on the provision of Business development training to the female entrepreneurs or clients of MFIs in Pakistan. The study will take 3 main financial institutions as a sample for the research and cases of all three will be analyzed individually to sketch the scenario for the provision of training to micro-entrepreneurs through them. This is exploratory research and involves semi-structured interviews from the management and loan officers of the MFIs, which further will be analyzed, namely Khushhali Bank ltd, First Microfinance bank and Kashf Foundation. This paper is the first phase in investigating microfinance and entrepreneurial training in Pakistan and a part of the larger ongoing research project. The future larger research will seek to understand possible ways and linkages of microfinance on entrepreneurship training within developing countries like Pakistan.

Methodology

This is exploratory research that follows a qualitative approach to the study. This research is based on both primary and secondary data. The primary is collected at the field level through interviews and semi-structured questionnaire. At the first stage, a literature review is carried out to identify the provision of non-financial services alongside financial services of microfinance institutions and best practices around the world. This includes secondary data available through research and studies which would enable us to understand the ways and kinds of training provided to the entrepreneurs through different MFIs supported with literature.

At Second stage, reviewing programs and procedures methodology of MFIs were highlighted in support to entrepreneurs in particular thirdly, a qualitative data collection method is applied in which the semi-structured questionnaire was distributed to the MFI management to inquire about lending perspective and procedures of the microfinance institutions in the provision of training to their clients. The needs and ways of provision of training to the micro-enterprise borrowers.

Since the study is exploratory and aims to yield insights into the possibilities and feasibility of the provision of training through FMIs in Pakistan, in-depth interviews using a semi-structured questionnaire was the appropriate method for data collection. Thus, in-depth interviews were used as the main data collection tool. According to Martin *et al.* (2009), the goal of the in-depth interview method is to yield insights into less researched concepts that can guide theory development and/or future research and hence can be empirically verified in subsequent research. Moreover, Patton (2001) states that the semi-structured questionnaire (interview) allows the researcher to gather data in more detail and enable a conversational situational interview. Semi-structured interviews also allow the researcher to collect a wide variety of information while covering the topic of interest (Valk, 2007).

For the study, primary and secondary data were collected. According to Patton (2001), the collection of primary data is often costly and time-consuming. This data is tailored to a specific interest purpose and is originated by a researcher, whereas secondary data is often quick and less expensive and is already collected for purposes other than the researchers. The primary data was collected through in-depth interviews and observations. The secondary data for this study was gathered through company records, websites (i.e. archival records), product brochures, and Pakistan Microfinance network annual reports. For example, the websites of 3 cases were visited to collect information about the organizational structures, aims and vision of cases (MFIs) which have a bearing on co-production. Moreover, some MFIs provided their annual reports, from which performance figures (e.g. total outreach figures, and some loans write-offs) were obtained. These performance figures are useful to examine MFI growth and performances accordingly with loan reimbursement issues. According to Yin (2003, 2009), data from different sources enhances data triangulation.

The semi-structured questionnaire is designed by using the question order and different types of questions. The researcher used a combination of grand tour questions, example questions, hypothetical questions and prompts in the interviews. Semi-structured questionnaires were used to collect data from the MFI officials (*i.e*. 3 Area Managers, 3 Branch managers and 3 Loan officers). 1-2 hours were spent with each respondent to collect the data. The detail of the sample is hereunder:

<table>
<tr><td colspan="2">Region</td><td>Sindh</td></tr>
<tr><td colspan="2">City</td><td>Hyderabad</td></tr>
<tr><td rowspan="3">No. of Interviews</td><td>Khushhali Bank ltd</td><td>03</td></tr>
<tr><td>First MicroFinance Bank ltd</td><td>03</td></tr>
<tr><td>Kashf Foundation</td><td>03</td></tr>
<tr><td colspan="2">Total number of Interviews</td><td>09</td></tr>
</table>

General Findings from MFIs

4.1 Introduction of MFIs

Pakistan, though a late starter in this industry, has also made considerable developments in Microfinance. Though Non-Government Organizations (NGOs) and Rural Support Programs (RSPs) have been providing micro-credit in the country since the 1980s, the coverage and scope of their operations have generally been rather limited. The enhanced international focus on microfinance at the advent of the new millennium has accelerated the growth of the Microfinance sector in Pakistan. With a diversified pool of microfinance institutions, the study focuses on three top-performing microfinance institutions in the country including Khushhali bank ltd, First Microfinance bank ltd and Kashf Foundation.

The Khushhali bank is the first and foremost public sector microfinance bank in Pakistan established in 2000 by the support of ADB. The bank still keeps the title of top microfinance banks in Pakistan with highest outreach and performance excellence (PMN 2019) the bank was awarded the best bank in 2018, by the Institute of banks of Pakistan and rated continuously A+ by PACRA credit rating Authority in Pakistan. The bank offers various products including enterprise loans to cater to entrepreneurship in the country. The management follows the innovative footsteps covering all the SBP policies and requirements to increase financial inclusion in the country and broaden national financial literacy program in the country. It has specialized loans for the entrepreneurs including Khushhali Sarmaya, Khushhali Cash *sahulat* and Khushhali cash plus, starting credit financing from Rs- 25000/- till Rs-10,00,000/- of the maximum limit.

FMFB was established in 2002 as the first private sector microfinance bank in the regulated sector. It originates from the Credit and Saving Program of the Aga Khan Rural Support Programme (AKRSP), and was formed with a purpose to address the multi-dimensional causes of poverty and to improve the quality of life of its clients as per the philosophy of the Aga Khan Development Network (AKDN) – the strategic goal is reaching out to those who are currently not able to receive adequate financial services, throughout the country, in rural as well as urban areas; target audience being primarily the vulnerable groups, especially women. The FMFBl was also rated A+ on long terms and A-1 in short term credit rating in 2019. It provides various loan facilities including enterprise loans. The enterprise loans are designed for entrepreneurs in particular and are of three main kinds including FIRST Karobar Sarmaya Enterprise Finance up to Pkr 150,000, Roshan Zar Enterprise Finance up to Pkr 500,000 and Roshanzar Plus up to Pkr 1000000/- with different terms and conditions that apply.

Kashf Foundation is registered as a Non-Banking Micro Finance Company which is regulated by the Securities and Exchange Commission of Pakistan. Kashf was set up in 1996 as the first specialized microfinance institution of Pakistan and began operations as a Grameen replicator. Since then Kashf has successfully carved out a distinct and unique niche for itself in the microfinance sector at home and abroad by offering a suite of innovative and transformative products and services to low-income households especially women. Kashf offers appraisal backed individual lending to its clients along with other non-financial services to have a transformative impact at the household level. Kashf's main spheres of intervention include (1) Financial Services, (2) Insurance and Safety Nets, (3) Capacity Building Training, and (4) Social Advocacy Interventions. Keeping the speciality KASHF has various loans/ credit programs for entrepreneurs including Kashf Karobar Karza (KKK) Kashf Sahulat Karza, for one year on easy instalments up till Pkr 100000 as the maximum limit.

All the three Microfinance institutions are working efficiently in providing the micro-financial services to entrepreneurs in support to entrepreneurial development in the country. However, the limited outreach as compared to other countries of the world and neighbour nations it is a dilemma to unveil the real issues related to entrepreneurial development. The need of non-financial services is inevitable to the entrepreneurs in the current system of Pakistan, where the literacy rate is low and youth percentage is forming more than 50% of the population, for a better and quick way of success in the path. The sample microfinance institutions were studied with their particular entrepreneur loan programs to understand and highlight the contents and issues regarding their success.

The results were drawn out from the interviews and reports of PMN 2019, 2020 quarter. The results show that there is no proper pieces of training structure is present in an of the entrepreneurs' programs in Pakistan microfinance banks. There is no proper utilization of loans to achieve business expansion targets. Khushhali bank being one of the biggest banks in Pakistan is having much concern about the counselling to be provided to the borrowers to increase their efficiency and loan repayment. The FMFB is following the structure provided by the SBP for a financial literacy program, however, suggests that the same may be extended to business training and skills enhancement in the particular programs designed by the bank for entrepreneurs. However, only KASHF foundation is working extensively on the training and capacity building of the clients, which may be a benchmark for other institutions.

The results of the interviews are as under:

Name of Bank	Program	Experience Required	Training	Recovery Problems	Remarks	Training Source	Collateral/References	Interest
Khushhali Bank Hyderabad Branch	Khushhali Sarmaya	Required 2 years Experience	No training given/ mandatory	Yes	Training can help recovery and increase entrepreneurial skills and enterprises	Out Source	Yes	32-33%
FMBL Hyderabad Branch	First Karobar	Required 1 years Experience	No training given/ mandatory	Yes	Training can help recovery and increase entrepreneurial skills and enterprises	Out Source	Yes	32%
Kashf Foundation Hyderabad Branch	KKK (Kashf Karobar Karza)	No experience required	Yes weekly training, Individual or Group	No	Training already are mandatory for clients	Their Own Department GSA	Advance cheque	No interest

Analysis and result

During the analysis of the data collected through interviews, described in table __, it was highlighted that no Microfinance bank provides any sort of formalized training to their clients especially micro-entrepreneurs.

Khushhali Bank

Being the largest Micro Finance bank the Khushhali has the highest outreach in Pakistan. The main loan they offer is Khushhali *sarmaya* which has a minimum of 150001 Pkr till the limit of 1000000 Pkr for entrepreneurs. However, the requirements include 2 years of experience and collateral or references as security for the loan. This has a hitch in catering to fresh entrepreneurs in the country. The interest rates are also high which include all the documentation and operational costs incurred during lending of a product. The product doesn't feature any formal or structured training for the borrower; they rather rely on the counselling of the borrowers. The recovery rate has 3% of bad debts associated with the loan.

First MicroFinance Bank

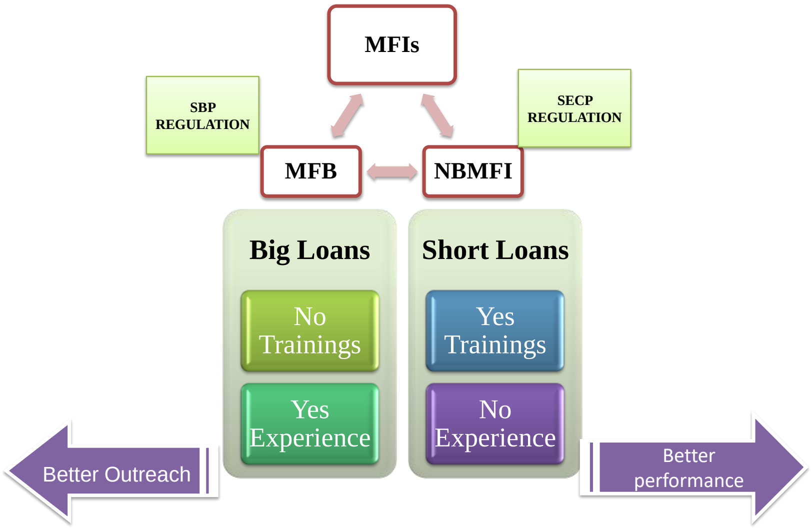
The main product of First MicroFinance Bank ltd is First Karobar Sarmaya, that provides smaller loan from Rs 20,000 till 150000 Pkr, loan to the clients with 2 years of experience and with collateral of references provided. Another product has higher limits for already borrowers or clients with some credit history with the bank that includes Roshan Zar Enterprise Loan with a limit range from 150001 till 1000000PKR. The bank follows the requirements and documentations the same as for the loan with a smaller range other than the collateral and loan processing fees which may be higher than that of First KArobar Sarmaya. The bank has a mandatory account opening system which some hoe encourages the saving in the clients. However, there are no formal training programs associated with the products. The bank very well applies National Financial Literacy Program initiated by State Bank of Pakistan, by arranging booklets, brochures and standees at the branch providing basic banking awareness. The management agrees on the provision of training that are crucial for the clients and enterprise development and suggests policy some initiation from policymakers or Pakistan Microfinance Networks to design some programs which can be initiated for entrepreneurial training through banks or linking it with other institutions.

Kashf Foundation

The main product of KASHF foundation for entrepreneurs is Kashf KArobar Karza. The program is for a short term of 12 months only, and the range limits from 30,000 PKR till 120,000 PKR only. The product requires no collateral or experience to be provided. The loan is given on easy instalments without any interest. However, processing fees are included within instalment which is also minimal. Kashf Foundation is a not for profit organization and microfinance institution registered under the security exchange commission of Pakistan is providing extensive training to their clients through their department of Gender equality and social awareness. They provide weekly training regarding business, gender equality, health and nutrition and social awareness to their clients through their monthly visits. Kashf has a well-structured mechanism for the provision of training to the clients through their training visiting them at their premises or the places suitable to the clients to avoid any interruptions. The selection of clients is made based on their profiles and type of loans they take. During loaning purposes the data is collected by the loan officers and is communicated with their Information system Dashboard (official networking), the GESA department, then analyzes the clients' information and form groups on the basis of similarities and localities. The same is communicated to the loan officers and GESA trainers, who later form a schedule and visit the clients on the given time to provide one of the four areas trainings to the clients at their feasible or place of their choices. The trainers provide trainings material and evaluate the skills of the trainees on the given session. Audit department later, checks and evaluates the training outcomes or feedback from the clients and area offices of the region. The whole mechanism is repeated every month for four different kinds of trainings to the MFI clients to increase awareness and business outcomes. Many success stories are also highlighted through their evaluation teams that indicate the success of trainings to business generation and entrepreneurship.

Learning from MFIs

Despite being a not for profit organizations NBMFIs are making more contribution is social development and sustainable lending. They offer smaller loans and for a short period of 12 months span only, but provide extensive training and advocacy to the clients. The same may be possible for the large MFIs and MFBs for their clients who are attached with them for a longer period of 36 months and larger loans of around 1000000 PKR. The mechanism may be introduced by the banks themselves of promulgated by the policymakers to make sure the safe lending and better business development through MFIS in Pakistan. The same is elaborated in the figure below.



Conclusions and Suggestions

The microfinance industry is spreading its wings in the world with a vision of credit plus approach for their clients. Entrepreneurship development is the main focus of the developing countries where the financial constraints are at hype on one hand and the other youth percentage is also high to be aligned with the business generations. This could be the most influential and beneficial way to connect both the ends to achieve the goal. The microfinance industry has one of the finest structures in Pakistan may be linked with entrepreneurial activities to generate more profitable business but not the only business in the country. Provision of training as the main component in the microfinance products or moving towards credit plus approach seems to be the ultimate solutions to the hindrances in entrepreneurial development in the country. The study shows the main difference between a formalized much spread Banking financial institution and a Non-banking financial not for profit institution in Pakistan. Despite the fact, the banking financial intuitions are better-structured profit organizations with wider outreach to borrowers around the country. However, they lack the provision of basic facilitation to entrepreneurs in the country. The requirement of experience is the main hurdle faced by the new and young entrepreneurs in entering the banking inclusion in Pakistan. Secondly, no support is provided formally to the already borrowers who might have been facing difficulty in running their business or enterprises successfully. However, KASHF is a sample institution, not for profit non-banking organization who is working hard at the grassroots level to achieve their goal of financial and social sustainability in the society.

The study suggests some policy outlines may be drawn out by the policymakers i.e. State Bank of Pakistan to include training as the main component in the product offered to entrepreneurs in particular to support the basic aim of Microfinancing. Other institutions like Pakistan Micro

Finance Network of Pakistan Poverty Alleviation Fund may also work together as already in connection to enhance the productivity of the banks through linking this crucial factor within the MFI services. As for the provision of the training, the study has highlighted the scenario in which MFIs may support enhancing entrepreneurship, and might create possible linkages in the provision of training to their clients to learn more skills and expertise.
The scope of the study is however limited to the scenario of Pakistan, which may be empirically tested and further explored in terms of effects of training towards entrepreneurs as well. The study did not explore the policy element in the country which might be a guideline for future research.

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