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Women's Economic Empowerment in Afghanistan: A Case Study

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Women's empowerment entails improvement of women's economic, political and social status as well as authority, which collectively contributes to increasing women's self-esteem, reliability and decision-making abilities. If women perform effectively, the economy performs well; if women advance, the economy operates sophisticatedly (Esther, 2012).²

After the fall of Taliban regime in late 2001, national and international agencies along with the Afghan government worked to support the country's economic infrastructure to create opportunities to enable Afghans to actively participate in the country's economic development. Women's economic empowerment was among the key goals of these efforts. Consequently, the national agenda focused considerably on providing opportunities for Afghan women to actively participate in economic activities in Afghanistan. One of the women who utilized these opportunities is Sadia Taj, the Founder and CEO of Tawoos Clothing Company. With a vision to become an entrepreneur, she started her company with financial support in the form of a small loan from the bank. Relying on Taj's case as an illustrative example, this essay explores economic activities of female Afghan entrepreneurs.

This essay examines the Taj's journey to becoming an entrepreneur in

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2. Duflo, Esther. "Women Empowerment and Economic Development." *Journal of Economic Literature*. 2012, 50(4), 1051–1079. <http://dx.doi.org/10.1257/jel.50.4.1051>

the Afghan context—where interest rates on loans are high, the security situation poses risks, cultural realities pose hurdles, and government attention is lacking³—by investigating the opportunities and challenges that new entrepreneurs in the country encounter. The other issue explored in this essay pertains to specific aspects of Afghanistan’s business environment and patterns relevant to women-owned businesses, i.e. why do women-owned businesses experience slow growth? To that end, this study relied on interviews as well as findings published in scientific journals and official publications.

This study found that some sections of Afghan society are more open to female entrepreneurs than others. Families are gradually becoming more supportive; they create opportunities for the female members of the family, and people have been beginning to trust women’s effective participation in economic activities compared to 2010–2015. However, it must be noted that the situation may vary between urban and rural contexts.

Entrepreneurship and Networks

The emotional thrust which motivates one to accomplish something often has its roots in childhood experiences and social conditioning. Support from and presence of families and friends, especially parents, tends to have a bearing on a person’s drive to achieve something. This was true for Sadia’s ambition of becoming an entrepreneur. Watching her mother weave (*cherma dozi*) inspired Sadia to start her own business. Prior to establishing her business venture, she researched other similar small businesses in the textile industry to familiarize herself with the processes and applied for a bank loan to launch the business. Although families play an important role while starting a business, it is only one component of one’s network. It has been proven by studies that successful entrepreneurs are those who can tap wider social and economic networks to optimally utilize resources and insights.⁴ This plays a role in increasing the probability of growth and

3. “The benchmark interest rate in Afghanistan was last recorded at 14.84 percent.” Trading Economics. <https://tradingeconomics.com/afghanistan/interest-rate#:~:text=Interest%20Rate%20in%20Afghanistan%20averaged,the%20first%20quarter%20of%202017>

4. Brüderl, Josef, and Peter Preisendörfer. “Network Support and the Success of Newly Founded Businesses.” *Small Business Economics*. 10, no. 3 (1998): 213-25. www.jstor.org/stable/40228947

survival of the newly founded business.⁵ The networks are divided into two broad categories: the first involves personal networks comprising families and friends; and second involves the business network of the industry. Therefore, entrepreneurship is not merely an standalone decision or activity but one that is embedded in social, political and cultural contexts of a particular country. Sadia's case shows how entrepreneurship is not isolated from social networking and is in fact a combination of sharing, reciprocity, collaboration and coordination of resources within networks and social interactions.

To illustrate, Sadia gained valuable support from her family, especially from her husband who works in one of the financial institutions in Afghanistan and helped her gain access to a bank loan. The family also provided her with the space to conduct the business. The Afghanistan Women Chamber of Commerce and Industry (AWCCI) helped Sadia sell her products and showcase them at exhibitions. The AWCCI is a business organizational network established with the support of the Afghan government as a non-profit and non-governmental organization to enhance the capacities of women-owned businesses in Afghanistan.⁶

Consumer Demand as an Opportunity

As Afghan traditional costume embroidery began gaining consumers on a global level over the past two decades, Sadia recognized this demand and invested in this industry. The clothing industry was immensely affected during the civil war and the Taliban period, but regained momentum in the post-2001 period. Research shows that prior to 2013, there were no garment manufacturers in Afghanistan.⁷ All garments were imported from the foreign countries.⁸ It is thought that “[t]his part of supply chain of [t]extile & clothing industry is profitable because of huge demand and lack of local production,”⁹ and consequently, the clothing industry is an emerging industry in Afghanistan.

5. Ibid

6. “Our Organization.” Afghanistan Chamber of Commerce. <https://awcci.af/en/our-organization/>

7. “Investment opportunities in textiles and clothing industry”. Accia.com. <http://iccia.com/sites/default/files/library/files/Final%20Afghanistan%20Textile%20Industry%20Paper%20-%20MA.pdf>

8. Ibid

9. “Our Organization.” Afghanistan Chamber of Commerce. <https://awcci.af/en/our-organization/>

Microloans and Women Entrepreneurs in Afghanistan

After decades of internal conflict since the 1970s, the textile manufacturing industry in Afghanistan has been gradually picking up, especially since 2013. However, textile industry imports have remained high. In 2018, it was reported that Afghanistan imported US\$ 500 million worth of textiles and fabric from Iran, Pakistan, China and India¹⁰ even though analysts contend that the Afghan textile industry has vast potential.¹¹

Over the recent years, most reliable banks have offered microloans for women entrepreneurs. These banks offer small-scale loans for female-run startups with a repayment schedule of one to two years at a marginal return interest especially for 'safe' businesses such as clothing. Recently, one of the private banks in Afghanistan announced a specially designed product called RIFA for women-owned businesses at a monthly installment of a minimum interest rate of 5–6%. Female entrepreneurs possessing valid business licenses are eligible to benefit from this with a collateral of equitable mortgage of property.¹² However, it must be noted that many women in Afghanistan do not own property.

Sadia's initiative showed that investment in the textile industry is worthwhile due to high consumer demand, and Afghan garments are well sought on the international level due to indigenous designs, high quality cotton, domestic embroidery and beautiful silk fabrics. To harness existing opportunities in the textile business to sustain and grow her business, Sadia considered the following criteria:

1. Huge market for clothing in Kabul and across the country in Afghanistan.
2. More investment opportunities for female startups, especially in the handmade accessories segment.
3. Accessibility of large numbers of people to the Internet and social media platforms like Facebook.
4. Cheap raw materials and abundant industry-relevant labor force.

10. Arman, Rohullah. "Afghanistan Imports \$500m Worth of Textiles Annually". Tolonews, December 07, 2018. <https://tolonews.com/business/afghanistan-imports-500m-worth-textiles-annually>

11. Ibid

12. "RIFA Lending Scheme for Women". Azizi Bank <https://azizibank.af/pages/RIFA-Lending-Scheme-for-Women>

Challenges

Generally, regardless of gender, newly founded businesses in Afghanistan tend to face finance related shortages, and Sadia's business was no exception. She often faced financial shortages in the early stages of her business, to the extent that she even considered shutting it down. She explained that the shortage of funds she experienced (be it in terms of availability of capital or status of sales and resultant proceeds) was partly due to lack of innovative marketing strategies and efforts; and partly due to recent intense competition in the textile and clothing industry and economy of scale that impacted her ability to accept offers from potential customers. Moreover, the fashion industry is highly dynamic and given how consumer demand constantly changes along with fashion trends, newly founded businesses in this sector find it challenging to keep up a supply that matches the demand. However, this study found that financial shortage is experienced more by female-owned businesses as compared to male-owned businesses and that a lack of networking and security for women to engage in market activities is among the key contributing factors. Another common challenge is the shortage of persons with specialized skills. For instance, in the beginning when Sadia's manufacturing unit commenced production, she struggled to find professional designers.

Conclusion

Different types of networks individually and collectively play an important role in the creation and growth of businesses since they influence entrepreneurs' access to resources and insights. Equally important are contributions and support from the government and private agencies to newly founded businesses in the economy. In Afghanistan's context, at present, direct support from families has a key role to play in determining the success of women-owned small businesses. On a more fundamental level, personal drive and motivation of the aspiring entrepreneur also makes a considerable difference.

Today, Sadia is a successful businesswoman who not only generates her own income but also creates jobs for women. Sadia and other Afghan women like her are role models who observed problems and challenges

in the context of the Afghan society and tapped into their own and their country's potential by taking an entrepreneurial approach.

Afghan women have made a long and arduous journey to reach where they are now. From being relegated to domestic life as “homemakers” or being denigrated for being “career-oriented” social actors, they are now pushing their limits and shaping the economy. Sadia's case demonstrates how women with motivation and courage explore and optimally harness economic opportunities in Afghanistan and offers a strong case for greater proactive effort to support women's economic empowerment.

Policy Recommendations

In Afghanistan, activities aimed at women's economic empowerment often face challenges due to prevailing cultural dynamics, the security situation, skills related shortcomings among women, lack of essential business knowledge, and financial shortage. The Afghan government has been making efforts to bring greater parity.¹³ Studies¹⁴ in other countries show how reliable policies and national schemes for women's entrepreneurship activities can support newly founded women-owned businesses.

- For example, the Indian government framed different types of schemes that provide financial support and relaxation/waivers for women-owned businesses.¹⁵ Afghanistan could explore such schemes and adapt them to the country's context. For instance, it can develop schemes like India's 'Trade Related Entrepreneurship Assistance and Development (TREAD)' scheme for women, schemes for women-owned businesses, special benefits for women entrepreneurs in micro and small enterprises segments, and schemes and marketing funds for women.
- Supportive schemes and sustained support need to be provided for women-owned businesses in order for them to thrive in the market. Experiences of other countries, such as India, has been positive in

13. “Women's Economic Empowerment National Priority Programme.” Ministry of Finance of Afghanistan (2016). http://policymof.gov.af/home/wp-content/uploads/2019/01/Women_s-Economic-Empowerment-NPP.pdf

14. Rani, Sandhya. “Women Entrepreneurship: Government and Institutional Support.” *International Journal of Research in Commerce & Management*. No. 6 (2015), Issue No. 11 (November).

15. *Ibid*

this regard and can be helpful in the context of Afghanistan as well. In India, these schemes are aimed at supporting and encouraging women-owned businesses by facilitating subsidies up to 30% of the total project costs; involve attractive loans such as with an annual interest rate of 0.25 to 1% with seven-year payment schedules; providing special services and helping women-owned business in marketing strategies etc.¹⁶

16. Rani, Sandhya. "Women Entrepreneurship: Government and Institutional Support." *International Journal of Research in Commerce & Management*. No. 6 (2015), Issue No. 11 (November).x