



CASE STUDY: A FEMALE ENTREPRENEUR'S PASSION FOR CERAMICS MANUFACTURING



Credits



About the case study

The Women Entrepreneurship ecosystem in Pakistan is at an early stage. A very small number of women entrepreneurs are engaged in the business of ceramics manufacturing in Pakistan. Karandaaz Pakistan believes that the ceramics sector offers significant potential in both the domestic and international markets. This report highlights the contribution of Clayworks – a Karandaaz Women Ventures portfolio company. Clayworks is a woman-owned and woman-managed business.

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Women Entrepreneurship in Pakistan

Pakistan has the lowest rate of women entrepreneurship in the world, and in the region, with a very dismal percentage of women owned businesses. The female ownership of businesses in Pakistan (12 percent) is significantly lower than the average for South Asia (18 percent).^[1]

The Global Entrepreneurship Monitor (GEM) Women's Entrepreneurship Report of 2012^[2] has aptly highlighted glaring gender disparities in entrepreneurship opportunities in Pakistan. Compared to men, women are 60 percent less likely to perceive business opportunities. A high majority (72 percent) of women attribute their entrepreneurship to 'necessity' as opposed to 52 percent of men. Regionally, necessity has been cited as motivation by only 43 percent of women.^[3]

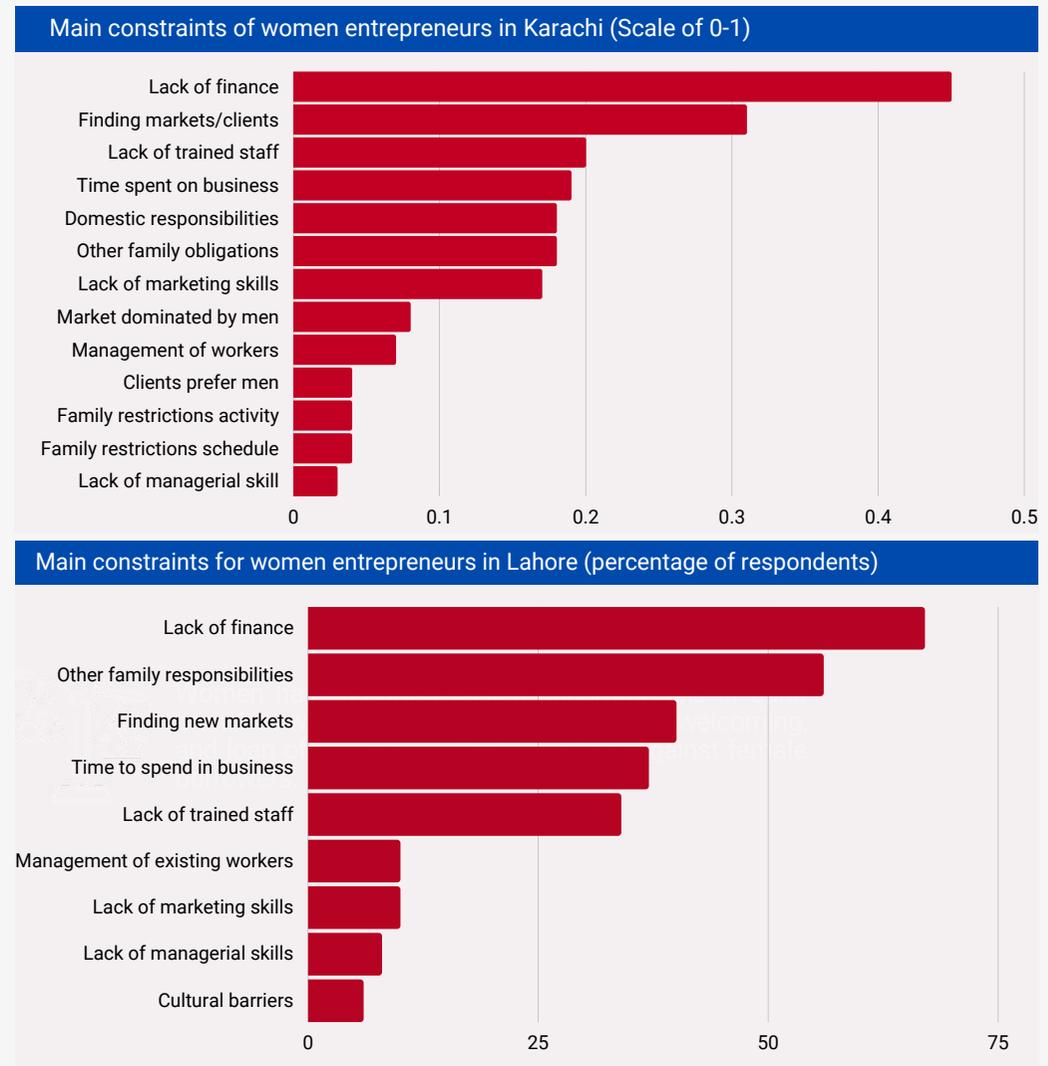
Despite problems and bottlenecks, government initiatives geared towards boosting women entrepreneurship - till now quite sparse - need to be undertaken in a meaningful manner in the future to strengthen the ecosystem. Any reforms and measures to encourage entrepreneurship in Pakistan should include a focus on enhancing participation of women.

Women entrepreneurs in Pakistan face significant social and cultural challenges

The gender disparity in entrepreneurship is not surprising when one considers the disproportionate social challenges facing Pakistani women entrepreneurs.

Surveys of women entrepreneurs in Pakistan have identified the following key social and legal challenges:

- Women have reported that loan officers in banks generally display a bias against female borrowers.
- Inheritance laws and social practices restrict women's access to property assets, affecting their ability to access loans using collateral. Most financial institutions require male guarantors for women applying for personal or business loans.
- Until June 2020, the company law required male guarantors/sponsors for women to get a business registered.
- With responsibility for managing households, women are significantly more constrained for time. Women also face mobility challenges due to cultural reservations on traveling alone and a near lack of safe public transport system.



Source: World Bank Survey of women entrepreneurs in Karachi and Lahore, 2015 and 2016

Supporting Women Entrepreneurs

The importance of enhancing economic participation of women has been highlighted through multiple studies conducted by the government and development agencies. A number of initiatives have been undertaken by the government to support entrepreneurship in Pakistan but focus on women entrepreneurs remains limited. Only one important new reform – removing the requirement of a male guarantor for company incorporation – was specifically focused on women-led businesses.

While no gender breakup is available, the overall number of companies incorporated during the first three quarters of FY2020-21 witnessed a 39 percent growth over FY2019-20.^[4]



Initiatives to Support Women Entrepreneurs in Pakistan

PUBLIC SECTOR INITIATIVES

The State Bank of Pakistan (SBP) is in the process of developing the “**Banking on Equality Policy: Reducing the Gender Gap in Financial Inclusion**”. The policy aims to encourage financial institutions to provide credit and enhanced services to women clients.^[5] The SBP has also **introduced a credit guarantee scheme to support women entrepreneurs.**

Other public sector programmes include the **Women Entrepreneurship Development Cell (WEDC)** set up by the Small and Medium Enterprise Development Authority, and the **Kamyab Jawan Programme.**

As part of an overall reforms initiative, the SECP has also revised regulations to encourage listing of SMEs and help them raise capital.

INITIATIVES BY THE PRIVATE SECTOR AND INTERNATIONAL DONORS

There are multiple initiatives undertaken by international donors and private sector stakeholders to promote women entrepreneurship in Pakistan. Some of the key initiatives are listed below:

We-Fi: The Women Entrepreneurs Finance Initiative (We-Fi) is a partnership among governments, multilateral development banks, and other stakeholders **supporting financial access** for women entrepreneurs.

Karandaaz Women Ventures (WV) Programme: is a business support initiative focusing on female entrepreneurs in Pakistan. It provides **growth capital and business development support** for scale-up of women led businesses, with the ultimate goal of job creation and increased economic activity. The WV programme provides personalized support to each qualifying business and may **invest up to PKR 35 million.**

Women in TechPk: is a women-only community offering opportunities through **networking events and meet-ups** to benefit the entire community and coding bootcamps geared towards women.

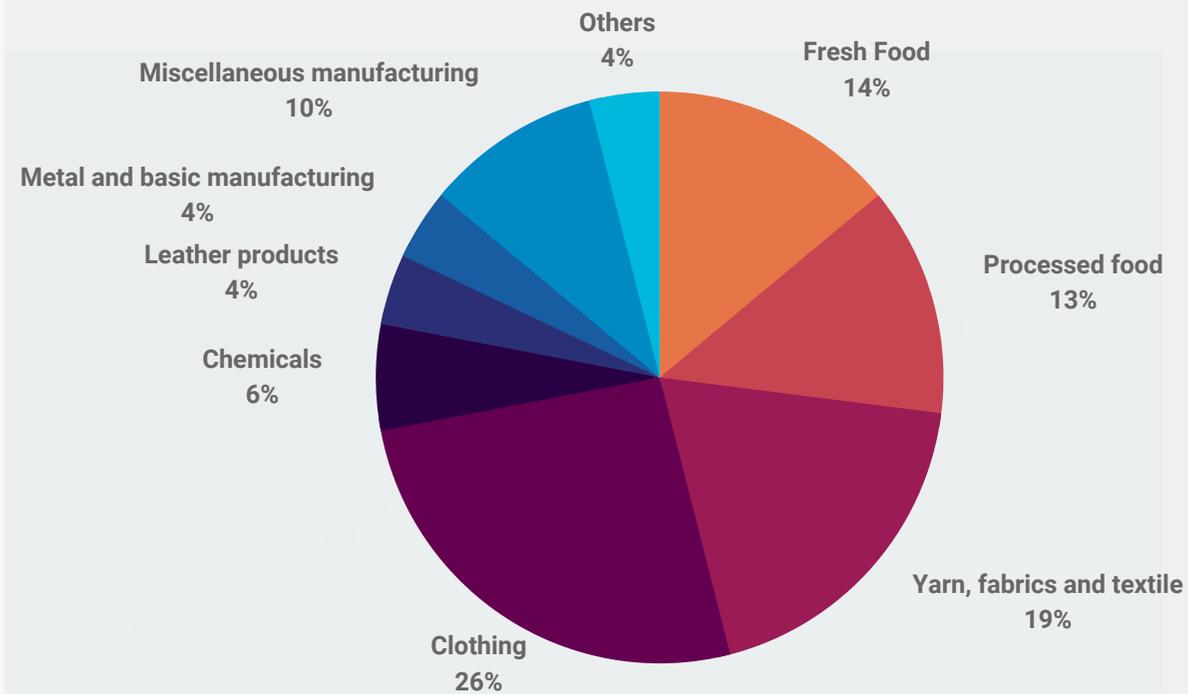
A number of other initiatives in the private sector such as **Circle, WeCreate** and **WE-NET** are also active in supporting women entrepreneurship. The programmes provide platforms to women entrepreneurs for networking, mentoring, skills enhancement and access to capital.

Women-led Businesses in Industrial Sectors

As a consequence of the multiple challenges faced by women entrepreneurs in Pakistan, the choice of industry sectors for women entrepreneurs is also quite restricted. The primary choices are: ^[6]

- Limited to the food and clothing related sectors, commonly associated with the female gender
- Sectors that require limited, or manageable mobility
- Businesses that allow the convenience of working from home

Share of women-led businesses by industry



For scaling up businesses, access to finance and business development support can play an important and complementary role. The current investment landscape for women entrepreneurs, especially in non-tech sectors, is not very promising and needs to be improved through concerted, urgent and focused efforts.

The Ceramics Industry

Ceramics is one of the oldest industries, playing an important part in everyday life. From utilisation as a currency, to food storage and art, ceramics and pottery have had diverse importance in varied historical periods. Ceramic pottery is also considered a key occupation of the Indus Valley civilizations of Harappa and Mohenjo Daro, found in the south of Pakistan. It is believed that for a full time and specialized industry to thrive, it would have received state patronage at that time.

Modern ceramics industry continues to thrive as manufacturers rely on the material to produce a wide range of products – from art and décor to building electronic components. The sector encompasses everything from basic clay pots produced by small, localised businesses to medium sized enterprises producing tableware and home products to large corporations manufacturing building materials, sanitary ware and semiconductors.

The global ceramics industry has been driven by growth in the construction and electronics applications sectors. During the period 2010 – 17, the industry grew at a **CAGR of around 3 percent from USD 79 to USD 99.8 billion**. China dominates the sector with nearly 50 percent of global production of ceramic products. The USA however, had by far the biggest trade volumes at USD 26.7 billion in 2017, followed by Germany (USD 8.6 billion) and France (USD 5.8 billion) ^[7].

In South Asia, India is the largest ceramics producer, with **annual estimated revenue of USD 43 billion** for the sector in 2017. The sector grew at a CAGR of 10 percent, primarily with increased demand of tiles and sanitary ware. This demand was generated mainly **due to 7-8 percent growth in the construction sector**. The sector is dominated by 3-4 large manufacturers controlling around 50 percent of total production. The remaining 50 percent is represented by small and medium sized producers ^[8].

The Sri Lanka Ceramics Sector

Strong institutional support from both the public and private sector has helped develop the ceramics sector, generated employment and contributed to exports. Key performance highlights of the sector are:^[9]

- **Total export of ceramics and porcelain products by Sri Lanka in 2020 was USD 23.99 million.** USA is the largest market (USD 5.6 million) followed by Japan (USD 3.18 million)^[10]
- Tableware and kitchenware are the largest export component, contributing over 60 percent of the total ceramics exports
- **The sector employs around 20,000 individuals,** tableware and ornaments account for 80 – 90 percent of total employment
- **There are multiple support initiatives** promoting development, manufacture and trade of ceramics products. These include trade linkage events, technical advisory, research and development programs, testing and certification support
- **Ceramics features strongly in tourism;** foreign visitors participate in organised observation tours of ceramics manufacturing activities and product display centres

Ceramics Sector in Pakistan

The ceramics sector in Pakistan **comprises primarily of electric insulators, sanitary ware, tiles, tableware and refractory products.** The main industrial clusters for the sector are in Gujranwala and Gujrat, specialized pottery clusters are located in Multan, Hyderabad (blue pottery) and Taxila. The sector is driven by a **growing construction industry** and associated demand for building materials – sanitary ware and tiles.

While **there is no information available on the size and economic potential of the sector**, it appears to be dominated by large tile and sanitary ware manufacturers. **There are a number of micro, small and medium enterprises (MSMEs) in the sector** that produce tiles, tableware and pottery for home décor. These are concentrated around the major clusters formed due to proximity of cheap raw materials.

Locally made ceramic products (tiles, household items and an assortment of other products) have found their way to major markets – the United Kingdom (UK) and the Kingdom of Saudi Arabia (KSA). **The export volumes, however, are small and valued at USD 6.88 million (0.03 percent of total exports)** while imports of the same category were USD 81 million in 2020. Home products exports including tableware and toiletries were a mere USD 0.7 million (10.8 percent of the category).^[11]

Cheap imports and smuggled products have been a major challenge to the local producers, especially for the ceramic tiles market. Local tile manufacturers had a market share of 40 percent in 2019, while **imported and smuggled tiles accounted for 60 percent market share.**^[12] The sector has also been struggling with irregular supplies and costs of natural gas, which is the major energy source for production and the largest cost component – contributing 40 to 50 percent of production cost. With **frequent disruptions in supply of natural gas**, a number of manufacturers have either partially or fully converted to LPG.

The supply of trained and quality human resource is also a common concern with manufacturers. While there are initiatives like Technical Educational and Vocational Training Authority (TEVTA) engaged in technical training, it is still deemed insufficient to meet requirements both in terms of number of people trained and their quality.



The Clayworks Story



Begins its Journey

Mahbina Waheed founded Clayworks, a ceramics design and manufacturing company, from a small office in her father's house in Lahore. Clayworks offers a wide range of ceramic tableware and home products in bold colour combinations and South Asian design inspiration.

What makes her story quite interesting, is the non-traditional nature of her business venture. **She is one of the very rare female entrepreneurs in Pakistan who have gone into manufacturing, in ceramics.** Women in Pakistan, and the region are mostly engaged in personal care, fashion and food related businesses. Manufacturing has traditionally been a male dominated sector and **managing male labour on the production floors is not considered very women friendly.**

Mahbina entered the business with limited industry knowledge and a passion to succeed

After graduating in Economics and Government from Smith College, Mahbina returned to Pakistan in 1995, and joined Kashf Foundation. Leaving in 1998, she decided to work in the more artistic field of creatively designed ceramic pottery. **Her aim was to manufacture international quality ceramic products,** with designs and colours that portrayed local themes and heritage.

Mahbina belongs to a family of entrepreneurs, and she feels the spirit of entrepreneurship was in her genes and perhaps this led to her finding her calling in this venture. **Her family, especially her mother has been the primary support** in helping her entrepreneurship venture, providing both moral and financial support.

She had her first lot of 400 mugs manufactured at a small factory in Lahore in 1998, personally involved in the entire process, working with “Bhola”, the factory owner. She worked closely with the production team, learning the manufacturing process and requirements for the kind of products she wanted.



Her first major order of tableware came from a leading restaurant in Lahore. With her current supplier unable to cost effectively produce small, customized orders, Mahbina decided to set up her own production facility. With some technical advice and an experienced technician provided by Bhola, Mahbina bought used equipment and with a small team, Clayworks was born in January of 1999.

Clayworks started off with a limited number of staff, with women in supervisory roles and male labour in the factory. Over the years, the gender mix is more balanced with both male and female managers.

The first Clayworks display centre was set up at the factory site in 1999 and a second outlet was added in Islamabad in 2002. While there has been a significant number of queries from Karachi, Mahbina has not expanded distribution further due to limited production capacity.

The initial investment to purchase equipment was financed with USD 20,000 from her mother, and the production facility was set up on land owned by her family. Clayworks has been able to finance operations through company generated revenue, with occasional capital injection from her personal sources and once from the family for expanding operations.

Building a professional team helped Mahbina achieve success

When she first ventured into manufacturing ceramics, she had no background or experience in ceramics or in managing a factory. **She learned through experience, with strong determination and the desire to produce high quality product** that would create a strong market niche. Now, with nearly 20 years into the business, she has transformed into a ceramist and a manufacturer, with a product line that is among the leading in the market.

The biggest challenge she faced was finding trained staff for production, with the required skill set to produce high quality ceramic products. She says that there is very limited labour available with the right technical skills, especially when you aim to produce international quality products. Mahbina feels that the Government and organizations working to develop the sector should play a more active role for training workforce for the sector.

Mahbina, despite being the owner, **faced difficulties in managing male staff** especially when it came to driving for quality or pushing to meet production deadlines. The male staff was not comfortable dealing with a female boss and at times tended to show resentment on being ordered by a woman. Learning from this, Mahbina ensured that attitude towards female managers was a critical evaluation criteria for future hiring of male staff, which has helped in meeting this challenge.



"I believe that hiring a professionally qualified team has been critical in growing my business and it should be practised by all small businesses": *Mahbina Waheed, CEO Clayworks*

Mahbina mentions the patronizing attitude she faced as a woman when dealing with some government departments. **To overcome the challenge, she has hired a professional firm to manage regulatory issues and deal with external agencies.**

Another area she feels is critical for Clayworks, and the industry as a whole, is **patent and copyright protection of designs and products**. She has often had to deal with organizations copying her designs and selling low quality products openly at much lower prices. For small businesses, it is quite expensive to take legal action and have their copyrights enforced, creating a significant hurdle in growing the sector specifically and the SME segment in general.

Mahbina feels that hiring a professionally qualified team has been critical in successfully handling such matters and should be practiced by all small businesses.

The design work is done by Mahbina herself, and primary marketing is through social media, trade fairs and event participation. With the social media presence, the creativity and uniqueness of her designs, Clayworks has been generating business without a dedicated sales team till now. **The company has participated in local and international trade fairs, displaying products alongside stalls from international ceramic manufacturers.**

In most events, Mahbina proudly mentions, she would be the only woman manufacturer, which intrigued foreign buyers, but did not create any challenges in marketing her products.





The technical and financial support from Karandaaz is helping Clayworks capitalize on market opportunities

Mahbina has been working with leading foreign and local banks for her personal financial needs. She did not feel she was treated any different from male customers, favourably or otherwise. She also felt there is no difference in products and services offered to women clients. **The interest rates charged and collateral requirement, despite a successful business model, were major bottlenecks in obtaining financing from a bank.**

In 2018, Mahbina participated in the Women Entrepreneurship Challenge (WEC) to compete for funding to meet her growth plans. She needed investment to expand capacity and to introduce modern production technology. **The subsidized pricing offered by Karandaaz, and no requirement for collateral were a major incentive to participate in this opportunity.** Mahbina feels that this is possibly the best financing option available to women entrepreneurs in Pakistan.

She progressed through the WEC process supported by Karandaaz assigned mentors who helped develop the pitch and **received growth capital of PKR 28 million.** The key motivation for approaching Karandaaz were the attractive terms offered, with subsidized pricing and no collateral requirements.

The financing from Karandaaz was used to purchase a new kiln from an international supplier and other equipment to expand operations. This upgrade in production, expected to be ready later this year, will **increase production capacity to over 100,000 pieces per month** (25 times the current production capacity) and enable Clayworks to expand locally and capitalize on potential export opportunities. Additionally, it will also further enhance product quality and allow her to produce a wider variety of high-quality ceramic products.

The COVID-19 pandemic in 2020, has had a severe impact on restaurants due to frequent lockdowns and restrictions on indoor dining – this had a major follow-on effect on Clayworks as restaurants are its major clients. With sales dropping, Mahbina was able to secure **additional funding grant from Karandaaz to meet her payroll requirements**, which allowed her to retain all her staff (more than 30 individuals) and survive the impact.

She speaks very positively of the process she went through in qualifying for the investment, and how Karandaaz helped in developing the proposal and pitch for the challenge. The support and guidance provided by the Karandaaz assigned mentor was the most effective component. Mahbina continues to engage with the mentor and get valuable advice for running the business.

Outcomes of Karandaaz Support for Clayworks

The investment from Karandaaz and mentoring support provided is already yielding benefits for Clayworks and the ceramics tableware industry:

- ✔ The **registration of the business** with an enhanced governance model is strengthening the business model, and will contribute to increasing formalization in the sector
- ✔ **Increase in production capacity** from the current around 4,000 pieces to over 100,000 pieces per month, increasing the employment opportunities and economic contribution
- ✔ New technology will **enhance product quality, improve efficiency** and reduce turnaround time. The increased capacity will allow clay works to meet current needs and also attract more export orders from the international markets
- ✔ This successful business model **will encourage more women to enter the ceramics and manufacturing sectors** and contribute to growth in female economic contribution

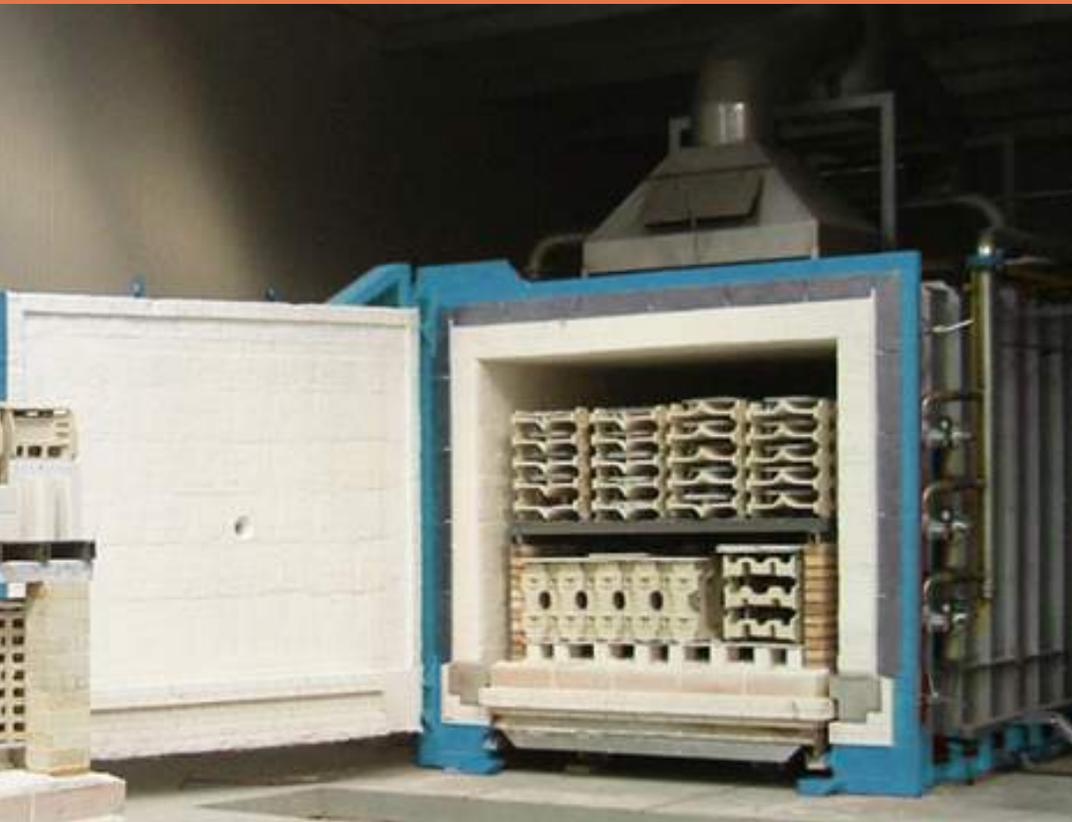
"The financing from Karandaaz is a very good deal. They ensured I was able to meet my financial milestones, especially with a grant to help meet my payroll during the COVID lockdown": *Mahbina Waheed, CEO Clayworks*



Future Business Plans

Mahbina intends to fully modernize her production capability. She is not keen on becoming a large manufacturer, but the **most efficient producer of high-quality ceramics**. The company's growth, she feels, has to be managed to ensure the right management capability and systems that ensure appropriate controls.

This focus in ensuring production efficiency and quality, coupled with increased capacity would give Clayworks the **capability to enhance export of their product line**. There is significant demand for Clayworks products in other major cities like Karachi, and the recent upgrade would also help in meeting the local demand.



"I intend to modernize my production capability, resulting in a higher quality of items produced in a highly efficient process": Mahbina Waheed, CEO Clayworks



Conclusion and Recommendations

Based on the review of the state of women entrepreneurship in Pakistan and discussions with Mahbina Wahid, CEO Clayworks, the following initiatives would help support women entrepreneurs in Pakistan:

1. Gender disaggregated data is critical to develop a better understanding of the needs of women in business, both financial and operational. Reliable data on women led businesses will facilitate the development of financing instruments that respond to the needs of this target segment. This will require the government to enact policy measures which require financial institutions and industry regulators/departments to both gather, analyse and report gender disaggregated data. International donor agencies have carried out some research and reporting on women in business, but it requires a wider coverage of industry sectors and should include opportunity assessment in non-traditional sectors as well.

2. Women entrepreneurs should be increasingly encouraged to participate in manufacturing businesses, such as ceramics. This will specially directed training and skills building programs through organizations such as TEVTA, and other vocational training institutes. Programs should focus on increased enrolment of women, and introduction of entrepreneurship as part of the training curricula. Targeted women-to-women mentoring programmes with female role models, networking initiatives that help build value chain linkages can support women in manufacturing. In the manufacturing ecosystem, stronger gender sensitivity, workplace safety policy and more women in leadership role can help address cultural barriers.

3. Enabling organizations, like Karandaaz should also look into offering a wider range of investment and lending instruments, aligned with specific business needs and dynamics of the winners' financial needs. These can be assessed during the application process and offered as a relevant solution. There can also be a collaboration with private sector financial institutions to widen this range of products, with the organization offering guarantee and/or subsidy.

4. Building a network of professionally qualified support (legal, technical, taxation) is critical for succeeding in business. Initiatives that provide cost effective support to SMEs in managing daily operations, developing core institutional capacities, and dealing with regulatory departments can have a major impact in growing the number of entrepreneurs, especially women. There is a strong tendency among SMEs and start-ups to rely on friends and family for such matters, especially in the case of women. More incubators/accelerators and long-term support services can contribute significantly.

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About Karandaaz

Karandaaz Pakistan is a Section 42 company established in August 2014 and focuses on fostering economic growth and creating jobs through the financial inclusion of unbanked individuals and unserved enterprises, with a special focus on women and youth. The company has four verticals:



Karandaaz Capital

Provides wholesale structured credit and equity-linked direct capital investments to micro, small and medium enterprises (MSMEs) that demonstrate compelling prospects for sustainable business growth and employment generation in Pakistan.



Karandaaz Innovation

provides risk capital and technical assistance to support innovative and practicable solutions aimed at financial inclusion and entrepreneurship. The Women Ventures business line provides business development support and growth capital to women led businesses to facilitate their expansion and scale up.



Karandaaz Digital

Focuses on expanding the poor's access to digital financial services in Pakistan by working across the ecosystem with all stakeholders.



Knowledge Management and Communications

Supports the company's core financial inclusion goal by developing and disseminating evidence-based insights and solutions.

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