THE ROLE OF ISLAMIC MICROFINANCE IN WOMEN EMPOWERMENT AND ENTREPRENUERIAL DEVELOPMENT: A QUALITATIVE CASE STUDY ON AKHUWAT ISLAMIC MICRO FINANCE

MBA Project Report

By:

Areeba Mazhar

CUI/SP24-RBA-036/LHR

MBA Final Project

Specialization (Finance)

Comsats University Islamabad, Lahore Campus

THE ROLE OF ISLAMIC MICROFINANCE IN WOMEN EMPOWERMENT AND ENTREPRENUERIAL DEVELOPMENT: A QUALITATIVE CASE STUDY ON AKHUWAT ISLAMIC MICRO FINANCE

A Project presented to

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By:

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A Post Graduate project submitted to the Department of Management Sciences as partial fulfillment of the requirement for the award of degree of MBA.

Name	Registration No
Areeba Mazhar	SP24-RBA-036

Supervisor

Imran-Ur-Rahman

Assistant Professor, Department of Management Sciences

COMSATS University Islamabad, Lahore

Certificate of Approval

This is to certify that the research work presented in this thesis, entitled the role of Islamic microfinance in women empowerment and entrepreneurial development: a qualitative case study on Akhuwat Islamic micro finance was conducted by Name **Areeba Mazhar** Reg. No. **SP24-RBA-036** under the supervision of **Imran-Ur-Rahman** No part of this project has been submitted anywhere else for any other degree. This thesis is submitted to the Department of Management Sciences in partial fulfillment of the requirements for the degree of MBA in Field of Management.

Student Name: _______________ Signature ____________________

Signature: ______________________

Supervisor

Department of Management Sciences

CUI, Lahore

Signature: ______________________

HOD

Department of Management Sciences

CUI, Lahore

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I solemnly declare that research work presented in the thesis titled “the role of Islamic microfinance in women empowerment and entrepreneurial development: a qualitative case study on Akhuwat Islamic micro finance” is solely my research work with no significant contribution from any other person. Small contribution/help wherever taken has been duly acknowledged and that complete thesis has been written by me.

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Date: _______________

Supervisor:

____

Imran-Ur-Rahman
Assistant Professor
Department of Management Sciences

Head of Department

____

Department of Management Sciences

Dedication

First and foremost, I dedicate this modest work to Almighty Allah, from Whom all praise and thanks are due. Only His wisdom has lent me the calm, confidence, patience and strength to finalize this study. Apart from His consent, nothing can be done.

To my Parents This project is dedicated with love to my Parents whose prayers, support, and encouragement have been a source of inspiration all along the way. So, I was also focused on their sacrifices, their wisdom, their belief in me, and I knew it was important to persevere even in the toughest moments.

I would also like to dedicate my thesis to my mentors and supervisor, Sir Imran-Ur-Rahman for supervising me with wisdom, compassion and dedication. The expert guidance, timely response, and academic suggestions contributed significantly to my work and further improved my comprehension of the topic.

To my family, thanks for remaining patient, loving, and believing in me through this all. But your unflinching support and moral fortitude have meant more than words can ever say.

Finally, this book is dedicated to all students, researchers, and potential entrepreneurs who keep fighting adversity from a financial and an economic perspective. This project is for the motivated, who want to rise to the occasion against all odds.

In all sincerity and heartfelt gratitude, I dedicate this dedication to everyone who believed in me.

Acknowledgement

I extend my deepest gratitude to Allah, the Most Merciful and Beneficent, for endowing me with the strength and perseverance needed to undertake and complete this project. My heartfelt praises are for Allah, whose blessings have been unwavering throughout this journey. Reflecting on the profound words,

"One who treads a path in search of knowledge has his path to Paradise made easy by Allah..." (Hadith)

I am immensely thankful to my project supervisor, Sir Imran-Ur-Rahman, whose invaluable guidance, encouragement, and unwavering support have been pivotal in the successful completion of this project. His insights and expertise have not only shaped this work but have also contributed significantly to my personal and academic growth.

A special note of thanks to my family, whose love, guidance, and unyielding support have been the bedrock of my academic pursuits. They have been my ultimate role models, inspiring me in countless ways. I am profoundly grateful for their sacrifices and unwavering belief in my potential. I also extend my gratitude to my friends and classmates, whose camaraderie, encouragement, and assistance have been invaluable. Their support has been a cornerstone in overcoming challenges and achieving milestones in this project.

This work stands as a testament to the collective effort and unwavering faith of all those who have been a part of this journey, and I am deeply grateful for every contribution.

Areeba Mazhar

SP24- RBA-036

Executive Summary

Women empowerment has always been an important concern for developing countries. Micro finance projects in developing countries are majorly aimed at empowering women and developing them as entrepreneurs especially those countries where women have lower socio-cultural and financial backgrounds such as Pakistan. as Islamic microfinance has become more prominent loanees prefer taking interest free loans as they are shariah complaint and follow the teachings of religion, now IMF has become socially approved tool to facilitate women entrepreneurial development and women empowerment. However very little research has been done on how Islamic microfinance impacts the empowerment of women and their entrepreneurial growth using lived experiences particularly in qualitative settings. Majority of the available research focused on conventional micro finance and only few studies focused on the entrepreneurial development on women entrepreneurs. This case study research focuses on examining how Islamic micro finance subjectively empowers women and develops them as entrepreneurs based on Akhuwat Islamic Microfinance. Primary data was collected through 12 structured interview questions and data was collection from women beneficiaries of Akhuwat Islamic Microfinance who were in their loan recovery phase. Data was collected from 3 AIM branches using purposive sampling. Data was analyzed using NVivo and themes & codes were generated to conduct thematic analysis. The study showed that Islamic microfinance played a positive role in financial empowerment due to enhancement of income stability and opportunities of women to contribute more in household costs. The results related to social empowerment like confidence and household recognition was gradual and determined by family support and cultural norms. Moreover, the entrepreneurial development turned out to be one of the major ways of empowerment especially when women had control over the use of loans. This research contributes to the limited literature available on IMF in context of Pakistan and offered practical suggestions that policy makers and other microfinance institutions can implement to develop women-based, Shariah-compliant, empowerment initiatives. The research was only restricted to the Pakistani women borrowers of Akhuwat Islamic Microfinance; hence, the results cannot be wholly extrapolated to different settings. The study can be replicated in other areas or even the models of Islamic and conventional microfinance can be compared in future research

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IMF- Islamic Microfinance

AIM- Akhuwat Islamic Microfinance

CHAPTER 1

Introduction:

1.1 Background:

Microfinance is a well-known method for granting micro-credit to micro startups and small entrepreneurs. This is especially true in case of developing countries. In developing countries like Pakistan, microfinance acts as a major contributor to increase financial inclusion, poverty alleviation, and empowerment. Microfinance contributes to the economy by bringing substantial change in poverty line, by achieving poverty alleviation and financial inclusion. And according to a number of studies, this effect can be doubled and tripled by focusing on women. Due to social and cultural prejudice women are risk averse by nature, hence they only make winning decisions. But all of this can only be achieved if the women are empowered enough to make those decisions. For the past few years, microfinance has been rising as an emerging tool to help women economic empowerment. Extensive literature presents a range of gains that women achieve through microfinance: enabling them to access financial services, open and develop businesses, increase skills and education, form collectives and take civic action to improve their communities (IsDB). At present, Pakistan's poverty line is below 3.00$ per day and women make up 40% of the population that is living below the poverty line (world bank). Women empowerment is a multifaced concept that is process through which women can be socially, economically, politically, and financially independent, they have their own decision-making power. Women empowerment is necessary in achieving poverty alleviation and financial inclusion. Women can only contribute to the economy of the country if they are empowered enough to make change. Previous researches emphasize on the fact that empowerment means enabling women to take control over their lives. Empowering women is challenging in developing country like Pakistan where women are constrained due to social and cultural norms imposed on them. Women face limited access to opportunities and basic rights. Over the past few years, women empowerment has been a main goal for the government of Pakistan and Islamic microfinance is just the right tool to achieve that goal. According to (IsDB), Islamic loans specifically tailored for women can bring about the best and desired results. This also means that microfinance programs for women need to be different from general microfinance loans. This is also because women are not only managing themselves but also the households, children education, societal pressures and so forth on a different level from men. Microfinance can only be effective if it provides long lasting and sustained results. Literature shows that microfinance results are more impressive if the women loanees have their own set-up or business where they utilize the loan. In other words, entrepreneurship can strengthen the relationship between microfinance and sustained women empowerment. If women use the loan on their own small business or set-up, they could be more empowered as compared to if they use the loan somewhere else. In support of this statement, AIM give loans to women who have their own small business or are skilled enough to run a small set-up, for example stitching cloths at home, or parchoon ki dukat, lace making etc. and to start new businesses as well.

Introduction of Company:

Akhuwat Islamic Microfinance (AIM) is some of the most successful institutions that pioneered in this model. Akhuwat Islamic Microfinance (AIM) is a registered Company under section 42 of the Companies act 2017 (Previously known as Companies Ordinance 1984) under Registration Number: 0105253 and license No. 1027 with an aim of providing interest-free microfinance to the poor and underprivileged members of the society to improve their living standards and living conditions. In terms of the concepts of social justice and brotherhood, Akhuwat Islamic Microfinance tries to alleviate poverty by implementing social support system in the society. Akhuwat Islamic Microfinance has adopted microfinance as business model in which loans are being offered within the Islamic finance theory known as Qarz-e-Hasan (interest free loans). The organization is also represented by the existence of the religious locations where it focuses on the inspiration of the spirit of volunteerism and spirit tapping in the society. Even though the interest-free microfinance has remained the core of the program of Akhuwat Islamic Microfinance, it is realized as one of the ways and not an end in itself. Thus, over the years, Akhuwat Islamic Microfinance has managed to come up with a variety of support programs to cater to the diverse needs of the poor and have been more comprehensive in their approach to eradicating poverty. In addition, the board members of Akhuwat Islamic Microfinance are all volunteers and in line with the mission and strategic decisions of the financial institutions. AIM is being the extension of Akhuwat that commenced in 2001 and registered under Societies Registration Act 1860. Until July 01, 2017 the microfinance lending portfolio/ operations of Akhuwat have been transferred to

Akhuwat Islamic Microfinance as a company incorporated under section 42 of Companies Ordinance, 1984 (AIM) followed by assignment of all the assets, portfolio, employees and liabilities related to microfinance on the basis of an Assignment Agreement of September 7, 2017. (Foundation)

- **Akhuwat Islamic Microfinance vision:** A poverty-free society built on the principles of compassion and equity.
- **Mission of Akhuwat Islamic Microfinance:** To alleviate poverty by empowering socially and economically marginalized families through interest-free microfinance and by harnessing entrepreneurial potential, capacity building, and delivering quality education and social guidance.

Significance of the Study

This study is significant because it provides a deeper understanding of how Islamic microfinance, particularly the interest-free lending models influences women's financial and social empowerment as well as their entrepreneurial development in Pakistan. While microfinance has long been recognized as a tool for poverty alleviation and women's upliftment, Islamic microfinance remains comparatively underexplored despite its rapid expansion in Muslim-majority countries. By focusing on Akhuwat the largest interest-free microfinance institution in the world this research offers valuable insights into how Shariah-compliant financial services can enhance women's access to capital without exposing them to the burdens of high-interest debt. The findings contribute to academic literature by highlighting empowerment as a multidimensional process shaped not only by financial access but also by cultural norms, household dynamics, and community support structures. For policymakers and microfinance institutions, this study provides evidence-based guidance for designing women-centered financial programs that align with local religious values and development priorities. Socially, the study is important because it showcases how ethical finance models can help women strengthen their decision-making roles, improve their livelihoods, and develop entrepreneurial skills thereby contributing to long-term community resilience and socioeconomic development. This qualitative exploration fills an important research gap by capturing the lived experiences of women borrowers, offering a nuanced perspective on how Islamic microfinance creates pathways toward empowerment beyond financial outcomes.

Problem Statement

Despite the growing recognition of microfinance as a tool for poverty alleviation and women's empowerment, significant gaps remain in understanding how **Islamic microfinance**, particularly interest-free lending models, influence women's empowerment and entrepreneurial development in Pakistan. Existing research has largely focused on conventional microfinance institutions and quantitative assessments of empowerment outcomes, often overlooking the ethical, social, and religious dimensions embedded in Islamic microfinance models. Moreover, limited qualitative evidence is available on how women beneficiaries perceive and experience empowerment through Islamic microfinance programs, especially in terms of financial independence, social status, and entrepreneurial growth. Akhuwat Islamic Microfinance, as the largest interest-free loan-providing NGO in Pakistan, presents a unique context for exploring these dynamics. However, there is a lack of in-depth qualitative case studies examining how Akhuwat's Shariah-compliant financing model contributes to women's financial empowerment, social empowerment, and entrepreneurial development. This gap restricts policymakers, practitioners, and scholars from fully understanding the mechanisms through which Islamic microfinance operates as a gender-inclusive development tool. Therefore, this study seeks to address this gap by qualitatively examining the role of Islamic microfinance in empowering women and fostering entrepreneurship through a case study of Akhuwat Islamic Microfinance.

Research objectives

- To investigate the role of Akhuwat Islamic Microfinance on women financial empowerment
- To investigate the role of Akhuwat Islamic Microfinance on women social empowerment
- To identify the role of Akhuwat Islamic Microfinance in women entrepreneurial development

Research questions

- Does Akhuwat Islamic Microfinance lead to women financial empowerment?
- Does Akhuwat Islamic microfinance lead to women social empowerment?
- To what extend Does Akhuwat Islamic Microfinance contribute to women entrepreneurial development?

Research Approach:

This research is a case study based on deductive approach to investigate the role of AIM on women financial & social empowerment and entrepreneurial development. Sample size was based on AIM women loanees who received interest-free micro loans for there already existing business / setup. Qualitative technique was used to collect data from Akhuwat Islamic Microfinance beneficiaries and data collection took 3 days; data was collected from three different AIM branches; Township branch, Greentown Branch, and Shershah Branch. Structured interviews based on 12 questions was used to collect primary data from 10 informants and most of the informants either had low level of education or were illiterate. Data was analyzed using thematic analysis.

Chapter 2

Literature review

2.1 Islamic Microfinance

Islamic microfinance is a financial service model that aims at offering credit and saving facilities according to the Islamic Shariah rules, i.e. prohibition of interest (riba) and encouragement of ethical finance. It has social justice, fair risk distribution, and reduction of poverty as its main goals, which contrasts with traditional microfinance (Rohman et al., 2021). Islamic microfinance applies Qard-e-Hasan (interest-free lending), Mudarabah (profit sharing), Musharakah (joint venture partnerships), and Zakat-based financing in order to meet these objectives. Research shows that, in addition to boosting financial inclusion, Islamic microfinance is a more culturally and religiously appropriate service in Muslim- dominated nations, which makes it possible to attract more and more communities inaccessible to traditional interest-based services (Islam R, 2020; Khursheed, 2022). The Pakistani environment has seen the growth of Islamic microfinance as regulatory frameworks are favorable and the number of people requiring Shariah compliant financial services is rising (State Bank of Pakistan, 2023). Akhuwat Islamic Microfinance is unique in the world as it has pure interest-free model with loans being financed by donations instead of the capital raised by investors to promote trust, dignity and solidarity in the community (Iqbal et al., 2024). These models are being considered as a more social transformation tool in addition to financial tools.

2.2 Women Empowerment

Women empowerment refers to a multi-dimensional element where women can become competent in making strategic choices in life, securing resources and having freedom in personal and economic lives (Kabeer, 1999). It consists of social, psychological, and economic factors, among which there are increased self-confidence, mobility, and financial independence. Empowerment signals usually incorporate the authority of choice, resources, mobility, and involvement in community living (Malhotra and Schuler, 2005). In Pakistan, gender inequality is still high since the involvement of women in formal financial systems and economic activities is limited by the socio-cultural and structural factors. Financial inclusion is therefore very important to enhance the agency and status of women in society (Khursheed, 2022).

2.2.1 Social Women Empowerment

Social empowerment involves the liberation of women who have been subjected to greater participation in household decisions, community involvements, confidence and independence of social movement. Research indicates that the involvement in microfinance tends to boost the confidence and presence of women in the process of making decisions in households (Khursheed, 2022). Nevertheless, the cultural norms and family support systems have a strong influence on social empowerment and, thus, results vary depending on the context.

2.2.3 Financial Women Empowerment

Financial empowerment is the power of women with reference to financial resources, capacity to earn, and involvement in economic decision-making. (Thilakam, 2012). Women can invest in the business, use interest-free credit options, including Akhuwat, to cover household costs and accumulate savings, thereby decreasing reliance on informal lenders (Zulfiqar and Tabassum, 2023). Monetary empowerment is the basis of the larger empowerment consequences, progressing to augmented self-esteem and bargaining power at home.

2.3 Islamic microfinance and women empowerment

Empirical data is building up to suggest that exposure to the Islamic microfinance has a positive effect on women empowerment, especially in Muslim-majority areas where religiously compliant banking services receive a more welcoming reception (Farooq, 2021; Faridi, Nawaz & Bibi, 2022). Another recent empirical research that specifically targeted Akhuwat borrowers revealed that with access to interest-free loans, women could satisfy household requirements, invest in income-generating businesses, and become less dependent. The results of empowerment were the highest in financial spheres, with social mobility and participation in society being unequal and based on the traditions of the family and society (Zulfiqar and Tabassum, 2023). But although numerous studies are attesting to positive impacts on financial empowerment, researchers state that social empowerment can also need additional interventions (e.g., rights awareness, community participation) because financial access does not suffice to dismantle long-hegemonic gender norms.

2.4 Women Entrepreneurial Development

Women entrepreneurial development refers to the process where women start and develop business activities and maintain them to make a contribution to economic growth and social transformation (Minniti and Naude, 2010). It is a combination of creating a business and developing entrepreneurial skills, reaching markets, confidence, and innovation. The barriers experienced by women entrepreneurs in developing economies include; insufficient capital, gender discrimination in lending facilities, poor collaterals and access to business networks. Microfinance has been demonstrated to lower these obstacles by offering affordable and customized financing but the financial empowerment does not necessarily convert into an automatic success in entrepreneurship without further help like mentoring and business training (Tariq et al., 2025).

2.5 Islamic Microfinance and Women Entrepreneurial Development.

Islamic microfinance assists women in building their entrepreneurship through providing interest free capital and investing in small business startups. Pakistan and other Muslim majority's studies indicate that Islamic microfinance may bring positive outcomes to women entrepreneurship by allowing reinvestment, entrepreneurial diversification, and growth of microenterprises (Faridi et al., 2022; Iqbal et al., 2024). The Bank Alfalah-Akhuwat collaboration (2025) points to the practical attempts to create women entrepreneurial ecosystems by providing women micro-entrepreneurs with interest-free loans and other financial literacy tools in Karachi and follows Sustainable Development Goals (SDGs) on gender equality and economic development. Nonetheless, more extensive literature also shows that the results of entrepreneurship are subtle and influenced by social capital, institutional support, and market access that financial capital needs to be complemented by ecosystem support to ensure long-term business expansion. (Islam R, 2020)

2.6 Kabeer Empowerment Model of Women Empowerment

The conceptualization of empowerment developed by Naila Kabeer (1999) is a process that takes into account three dimensions that are interconnected:

- Resources: Availability of material and social resources (e.g. financial services, networks).
- Agency: The capacity to establish goals and act on them (e.g. decision-making, self-efficacy).

- Achievements: Product of access to resources and agency (e.g., better income, independence).

The theory is extensive in its application to evaluate the empowerment beyond the economic measures to encompass the social and psychological change. Within the framework of an Islamic microfinance, such resources as *Qard-e-Hasna* loans; decision-making and entrepreneurial activity of women is represented by agency; financial stability and business success is its results. The model developed by Kabeer can therefore be used to offer a solid perspective in analyzing empowerment as a process and not an outcome (Chen, 2025).

2.7 Islamic Microfinance in Akhuwat Islamic Microfinance

The Akhuwat Islamic Microfinance is a leading non-profit Pakistan microfinance organization with interest-free loans (*Qard-e-Hasna*), which is given as collateral-free loans and is financed by donation and community contributions. It seeks to reduce poverty and enhance inclusive growth and empowerment of the marginalized groups especially women. Recent research indicates that Akhuwat methodology can assist the borrowers to meet basic needs, enhance the quality of their lives, and invest in self-employment and the entrepreneurial process (Iqbal et al., 2024). This is why Akhuwat is a perfect example of qualitative research on the impact of Islamic microfinance in terms of women financial autonomy, social agency and entrepreneur development, considering its unique model and its expanding partnerships with women economic inclusion (e.g., Bank Alfalah partnership, 2025).

Research Gap

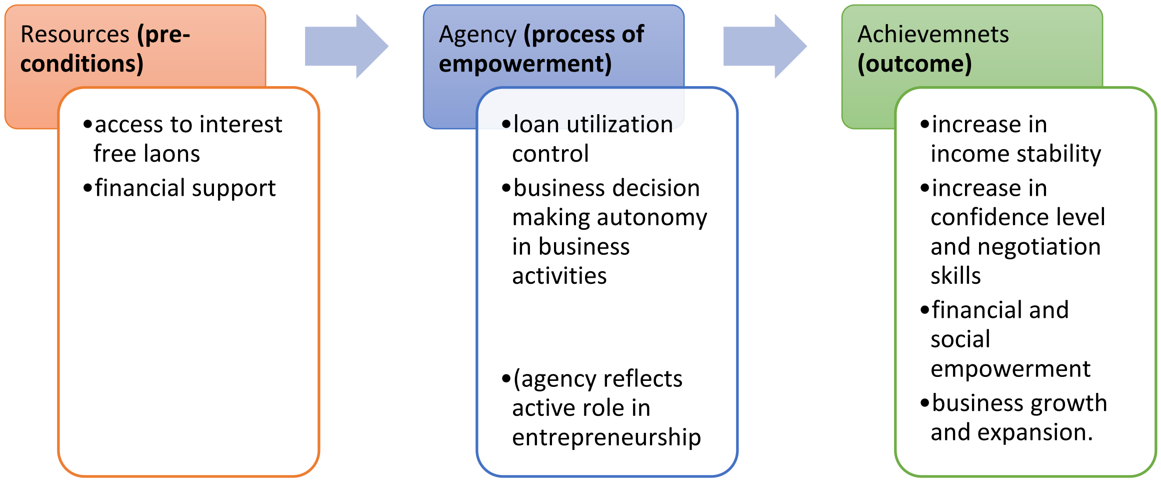
The available literature has shown that a significant part of the scholarly community has extensively focused on Islamic microfinance with countries like Bangladesh, Malaysia, and Egypt operating under their researchers who have empirically studied the role of the Islamic microfinance in poverty reduction, financial inclusion, and empowering women. These papers offer substantial indications that Islamic microfinance is a positive outcome in respect to women financial independence, social inclusion and domestic welfare amidst various social-economic and institutional conditions.

Conversely, the studies on the Islamic microfinance in the Pakistan context are few. Although Pakistan is known to have a fast-growing Islamic financial industry and the largest interest free microfinance institution, the majority of research works carried out in this country are based on conventional microfinance and empowerment of women. The literature on Pakistani microfinance generally, and does not specifically compare the traditional and Islamic approach to microfinance or evaluate the special processes through which Shariah-compliant financing can affect the outcome of empowerment. Additionally, there are very few researches even on international level that focus on both women empowerment and entrepreneurial development.

Theoretical Framework

1. Kabeer's Empowerment Model

Kabeer's Empowerment Model (1999) conceptualizes empowerment as a multidimensional process through which individuals acquire the ability to make strategic life choices in contexts where this ability was previously denied. The model identifies three interrelated dimensions of empowerment: **resources**, which include access to material, human, and social assets; **agency**, which reflects the capacity to define goals and make decisions; and **achievements**, which are the observable outcomes resulting from the exercise of agency. This framework is particularly relevant for analyzing women's empowerment because it emphasizes both the means and the outcomes of empowerment rather than focusing solely on economic gains. In the context of this research, Kabeer's model provides a suitable lens to understand how Islamic microfinance, specifically Akhuwat's interest-free loan program, facilitates access to financial and social resources for women. By examining how women utilize these loans to improve household income, participate in decision-making, and develop entrepreneurial activities, the model helps to assess the extent to which Islamic microfinance enhances their agency and leads to tangible empowerment outcomes.



Resources (pre-conditions)
•access to interest free laons
•financial support
Agency (process of empowerment)
•loan utilization control
•business decision making autonomy in business activities
•(agency reflects active role in entrepreneurship
Achievemnets (outcome)
•increase in income stability
•increase in confidence level and negotiation skills
•financial and social empowerment
•business growth and expansion.

CHAPTER 3

METHODOLOGY

This chapter explains the research methodology used to examine the role of Akhuwat Islamic microfinance in women empowerment and entrepreneurial development and the case study is based on qualitative approach. Qualitative approach is appropriate for this case study because women empowerment cannot be measured simply through asset accumulation or level of income, empowerment is shaped by social and cultural aspects like family norms, societal norms, household responsibilities, or how women feel more confident, or their experience with financial independence. This chapter provides the research philosophy, research design, research approach, research strategy, sampling procedures, data collection methods, and data analysis techniques used in this research case study. Primary data was collected from 10 women beneficiaries of AIM, data collection from 3 different branched took 3 days and the data collected was analyzed through thematic analysis. This study used qualitative approach of data collection to capture women point of view on how participating in AIM program led them to feel empowered through their financial, social and entrepreneurial experiences.

Research Design

This study adopted qualitative research design to examine the role of Akhuwat Islamic Microfinance program in women empowerment and entrepreneurial development. This research design defines the research philosophy, research approach and strategy used, sample design, data collection time horizon and procedures that would guide the study.

Research Philosophy

This case study is based on interpretivist philosophy; it assumes that reality is subjective and can be comprehended on the basis of subjective experiences of individual. The empowerment of women and their entrepreneurial development cannot be completely defined through asset accumulation or income improvement, rather it is defined on social norms and values of different regions, household dynamics, and individual lived experiences of the population involved.

Research Approach

This study adopted deductive approach, existing theories and models were used to identify dimensions; women financial empowerment, women social empowerment, and entrepreneurial development.

Research Strategy

this research adopted case study and qualitative interviews as research strategy, primary data was collected from informants. 12 pre-constructed, structured interviews were conducted to ensure consistency among responses and systematic investigation of women empowerment and entrepreneurial indicators. This research strategy focused on inquiring about a specific theme yet giving room to informants to discuss their experiences and thoughts.

Time Horizon

This study is based on cross-sectional time horizon; it means that the informants were interviewed at a single point in time. Cross-sectional time horizon was used to capture current status and experiences of AIM women beneficiaries who were in their recovery stage after taking loans.

Sampling Design

Unit of Analysis

Unit of analysis of this case study is individual women loanees of Akhuwat Islamic Microfinance. The response of each individual makes up an experience of empowerment and entrepreneurial development due to participation in Akhuwat Islamic Microfinance.

Sampling Technique

Purposive sampling technique was used to relevant data. The selection criteria was:

- Women Akhuwat Islamic Microfinance beneficiaries.
- The women are still going through the recovery stage of the loan cycle.
- Females engaged in business or income generating ventures.

The use of purposive sampling will ensure that the respondents have direct experience of the phenomenon that was under investigation.

Sample Size

Sample size consisted of 10 women loanees of AIM branches. In qualitative research, depth of information rather than numerical size is important in determining the sample size. The selected sample provided appropriate and ample data to identify themes relevant to the objectives.

Measurement of Variables

In qualitative studies, conceptual measures are used to measure variables instead of the use of the statistical measures. The structured interview questions were meant to measure the following constructs:

Islamic Microfinance: Character of interest free financing, accessibility, relevance to religion, experience of empowerment and entrepreneurial development.

Women Financial Empowerment: Income change, reinvestment behavior, financial independence and control over financial decision making.

Women Social Empowerment: Self-confidence, household decision making, social and household respect and mobility.

Entrepreneurial Development: Business expansion, business growth, employment creation, and future business strategies.

These dimensions were used to develop interview questions and later on the coding of responses.

Data Collection

Face to face structured interviews were conducted to gather primary data from Akhuwat women beneficiaries. Data was collection took three days and data was collected from 3 Akhuwat branches:

- Township branch (headquarter)
- Greentown branch
- Shershah branch

Each informant was interviewed through 12 structured questions which was constructed on the basis of previous researches and literature review. Participation was voluntary and anonymity was guaranteed before head.

Data Analysis

Thematic Analysis

Thematic analysis was used to analyze qualitative data systematically in order to identify patterns and themes. Themes ad codes were generated using NVivo software to convert raw interview data into structured and thematic information. The steps of analysis were:

Familiarization

Coding

Generating theme

Reviewing theme

Defining and naming the themes

Reporting the findings

Thematic analysis allows the researchers to have an in depth understanding of subjective experiences by identifying patterns and creating themes.

CHAPTER 4

RESEARCH FINDINGS

This chapter presents the findings ad analysis of primary data for this case study examining the role of Islamic Microfinance in women empowerment and entrepreneurial development. This study is based on qualitative approach; primary data is collected through structured interviews and cross-sectional time horizon; interviews were conducted in one time period to capture perception and experience of women beneficiaries of AIM. This chapter analysis is based on women financial empowerment, women social empowerment, and women entrepreneurial development as perceived by the target population. Ten structured interviews were conducted from akhuwat women beneficiaries who had received interest free loan at least once and now they are in recovery phase.

DEMOGRAPHIC INFORMATION:

The following table presents basic demographics of the informants. Most of the women were married except for 2 and 8 out of 10 informants were aged between 30 to 45 years old, one was 29 years old widow and another was 52 years old elderly widow. All of the informants had their own home-based setups or businesses like stitching, sewing, embroidery, shoe brooches and leather work etc. all the informants were either illiterate or had low level of education with only three informants who received education up to matric.

PARTICIPANT CODES	AGE	MARITAL STATUS	EDUCATION	BUSINESS TYPE	MONTHLY INCOME
P1	38	married	Primary school	Stitching Business	30,000 to 35,000
P2	32	married	Primary school	Shoe brooch making	Around 35,000
P3	45	married	matric	Leather shoe work with husband	40,000 to 45,000
P4	40	married	Illiterate	Sewing setup	10,000 to 15,000
P5	29	widow	matric	Stitching unit	45,000 to 50,000
P6	52	widow	Primary school	Small embroidery setup at home	7,000 to 10,000
P7	36	married	matric	Toy bulb maker	40,000 to 45,000
P8	42	married	illiterate	Clothing and stitching	30,000 to 35,000
P9	35	married	Primary school	Embroidery work	Around 35,000
P10	46	married	Primary school	stitching	10,000 to 15,000

Table 1-Informants demographics

SECOND ORDER THEME

The table presents a structured overview of second order theme; main themes identified from the interviews, and there associated first order codes. This table serves as bride between raw data from interview and theoretical interpretation of women empowerment and entrepreneurship development outcomes.

The analysis confirms that Islamic microfinance produces multidimensional empowerment outcomes that is, financial and social, however the extend of impact vary among the informants. The themes indicate that empowerment and entrepreneurial development is not uniform; rather, it is shaped by monetary control, household conditions, business ownership, and socio- cultural perceptions. The themes are grouped into three theoretical dimensions that are aligned with the study's research questions.

Theoretical dimensions:

The qualitative findings are interpreted through three theoretical dimensions each corresponding to a research question:

D1 Women financial empowerment
D2 Women social empowerment
D3 Women entrepreneurial development

Theoretical Dimension 1: Women Financial Empowerment:

This dimension examines how access to IMF leads to financial empowerment: characterized by financial stability, access to credit, use of savings or reinvestment.

Theme 1: increased income and financial stability:

This theme captures the direct financial impact of IMF on beneficiary's income level and financial stability. Almost all the informants mentioned that receiving interest-free loan from AIM helped them to increase their production or business capacity and accept more orders which in turn increased their monthly income. Women engaged in home-based enterprises such as; sewing & stitching, clothing, embroidery, and leather works emphasized that access to capital through microfinance removed major constraints. One informant mentioned that:

> *receiving the Akhuwat loan increased my monthly income and helped stabilize my stitching work"* (R1)

and another stated that:

> *The loan increased my income slightly and gave me financial security to buy decorative material.”* (R2)

All the informants experienced an increase in income level while only a few mentioned minor income improvements, particularly those who either used the loan indirectly or under controlled business arrangements. This difference in income outcome also highlights the fact that level of financial empowerment is particularly higher when women themselves have control over loan utilization.

Theme 2: contribution to household expenses

This theme reflects on the women beneficiaries increased ability to contribute to the household needs financially, this is particularly an important indicator empowerment where women live in patriarchal family structures. Informants reported contributing to utility bills, rents, home groceries and most of them particularly reported helping montly expenses:

> *“After the loan, I started contributing to groceries and school fees” (R1)*

> “*Now I contribute to rent and groceries regularly as my income increased.”* (R7)

This change was even more prominent in case of widows and female household heads as the family livelihood was sustained through their incomes, and hence showed stronger financial empowerment. On the other hand, women who did not use the loan themselves or were constrained by family dynamics reported partial or minimal contribution.

Theme 3: Loan utilization-reinvestment vs savings

This theme highlights women behavior on loan utilization. Al most all of the informants stated that they fully reinvested the loan amount into their respective businesses or setups instead of saving. Informants pressed on the point that their business requires constant investment of raw materials, supplies etc.:

> *"I used the entire loan for fabric and threads; I didn't save anything"* (R1)

> *"I reinvest everything into the business and save only a small amount monthly"* (R5)

These remarks reflect strong orientation towards entrepreneurship and also further validates AIM claim of supporting entrepreneurial growth. The continuous reinvestment was even stronger within women entrepreneurs who had been taking loans for 5 to 6 years.

Theme 4: support for children's education and household needs

This theme reflects on the effect of increased income on household welfare since many women loanees mentioned improvement in the ability to manage children educational expenses including; fees, books, uniforms etc.

> *"It helped me manage my children's school expenses better." (R9)*

> *"The loan made it easier to handle children's books and uniforms." (R1)*

These findings demonstrate that financial empowerment goes beyond income generation and extends to household wellbeing. Almost all the informants were relieved and happy to support their children's and enhance the household welfare.

Second-Order Theme (Coded Question)	**First-Order Codes (Interview Extracts)**
Increased Income & Stability **Malki, I., Ghalib, A., & Kaousar, R. (2024)**	“Receiving the Akhuwat loan increased my monthly income and helped stabilize my stitching work.” (R1) “The loan increased my income slightly and gave me financial security to buy decorative material.” (R2)
Contribution to Household Expenses **Zulfiqar, H., & Tabassum, S. (2023)**	“After the loan, I started contributing to groceries and school fees.” (R1) “Now I contribute to rent and groceries regularly as my income increased.” (R7)
Loan Utilization (Saving vs. Reinvestment) **Mohd Ruslan, R. A. H., Abd Hamid, N. H., Shafiai, S., Ibrahim, M. A., & Ahmad, Z. (2024)**	“I used the entire loan for fabric and threads; I didn’t save anything.” (R1) “I reinvest everything into the business and save only a small amount monthly.” (R5)
Support for Children’s Education & Household Needs **Zulfiqar, H., & Tabassum, S. (2023).**	“The loan made it easier to handle children’s books and uniforms.” (R1) “It helped me manage my children’s school expenses better.” (R9)
Confidence, Mobility & Social Presence **Alaghbari, L. M. A., Abdullah Othman, A. H., & Mohd. Noor, A. (2023).**	“Visiting suppliers and the center increased my confidence a lot.” (R5) “Group meetings from the loan program increased my mobility outside the home.” (R9)
Family Reaction & Acceptance **Zulfiqar, H., & Tabassum, S. (2023).**	“My family reacted positively and encouraged me to grow the business.” (R1) “My in-laws initially questioned me working, but they respected me after seeing the income.” (R2)
Household Respect & Value Perception **Mohd Ruslan, R. A. H., *et al.* (2024).**	“I feel more valued at home because I earn independently.” (R1) “I feel highly respected at home because my income runs the entire household.” (R5)
Community Status & Social Image **Alaghbari, L. M. A., *et al.* (2023).**	“Women in my neighborhood show more respect because they see my work improving.” (R1) “Community members admire that I created a unique business from scrap materials.” (R7)

Business Expansion & Growth **Faridi, M. Z., Nawaz, S., & Bibi, S. (2022).**	"The loan helped me add a second sewing machine and increase production." (R1) "The loan helped me expand into selling stitched clothes and widen product variety." (R8)
Employment Creation & Hiring **Alaghbari, L. M. A., *et al.* (2023)**	"I hired two girls to help with embroidery after taking the loan." (R5) "The loan allowed me to hire one girl for painting to increase output." (R7)
Decision-Making Autonomy **Mohd Ruslan, R. A. H., *et al.* (2024).**	"I make all decisions — from pricing to materials — myself." (R5) "I decide which orders to take and make my own work-related decisions." (R10)
Future Growth Intentions **Faridi, M. Z., Nawaz, S., & Bibi, S. (2022).**	"I definitely plan to take future loan cycles to expand further." (R1) "I plan to take the next loan cycle to expand into decorative products." (R7)

Theoretical dimension 2: women social empowerment

The second dimension of empowerment; women social empowerment examines the changes in women mobility, confidence level, family and society's acceptance and behavior resulting from participation in Islamic Microfinance.

Theme 5: confidence, mobility, and social presence

The most prominent outcome was increased physical mobility and confidence. Women mentioned now being more comfortable in visiting markets, vendors, retailers, and Akhuwat centers. They also mentioned improvement in negotiation and communication skills:

> *"Group meetings from the loan program increased my mobility outside the home." (R9)*
>
> *"Visiting suppliers and the center increased my confidence a lot." (R5)*

Most of the informants had positive remarks except for an elderly informant who did not utilize the loan for her own business instead gave to her son. So, she did not see a need to go out or have social interactions and hence mentioned that there was no change in her level of confidence instead now she prefers to stay at home.

Theme 6: family reaction and acceptance

Family's reaction and acceptance came out to be a critical factor in evaluating empowerment. In most cases there was initial resistance, specifically from the in-laws, but they accepted when women's increase in income become visible:

> *"My family reacted positively and encouraged me to grow the business." (R1)*
>
> *"My in-laws initially questioned me working, but they respected me after seeing the income." (R2)*

From all the informants' point of view their family's opinion and reaction was crucial and they felt more even more empowered with their family's support.

Theme 7: household respect and value perception

This theme focuses on the changes in family members perception and their respect towards the informant and the findings reveal that respect within the household was positively influenced. Women revealed being more valued, trusted, and involved in decision making matters within the family:

> *"I feel highly respected at home because my income runs the entire household."* (R5)
>
> *"My relatives initially doubted whether I could handle a business alone, but now they respect my hard work. I feel valued because my earnings support my entire home."* (R5)

Overall, there was a boast in self-worth however some women mentioned that they had entrepreneurial decision-making authority but not full household decisions authority.

Theme 8: community status and social image

This theme demonstrates how Islamic microfinance impacts social status and image. Several informants mentioned that there was some improvement in their social status within the community and neighborhood

> *"Women in my neighborhood show more respect because they see my work improving."* (R1)

> *"Community members admire that I created a unique business from scrap materials."* (R7)

However, most of the informants felt that although there was a positive change in social perception about them but the change was not major or that impactful.

Theoretical dimension 3: entrepreneurial development:

This dimension captures the business or setup growth, employment creation, and business decisions control. This dimension does not come under empowerment instead it enhances the effect of empowerment. This dimension also captures how IMF enhances entrepreneurial development which in turn compliments women empowerment.

Theme 9: business expansion and growth

This theme captures the effect on business growth and expansion. Many informants reported that they increased their business capacity or human capital though Islamic microfinance loan. They bought additional sewing machines, raw materials, or hired more people:

> *"The loan helped me expand into selling stitched clothes and widen product variety."* (R8)

> *"The loan helped me add a second sewing machine and increase production."* (R1)

The businesses remained small scale and there were limited gains but most of the women were hopeful for future development.

Theme 10: employment creation and hiring

This theme captures how access to IMF loan also creates employment within the society. The hiring is on low level but for financially challenged areas of the society it makes a big difference. Almost all of the informants mentioned that they hired a person or plan to hire a person since there business expanded:

> *"I hired two girls to help with embroidery after taking the loan."* (R5)

> *"The loan allowed me to hire one girl for painting to increase output."* (R7)

This outcome not only reflects on the business growth and development but also on broader impact on society by generating female employment.

Theme 11: decision-making autonomy

The focus of this theme is decision making power of the women entrepreneurs and how independent they are in their business decision making. There was a strong impact on autonomy and women who controlled their businesses were fully independent in their business decision making:

> *"I make all decisions — from pricing to materials — myself."* (R5)
>
> *"I decide which orders to take and make my own work-related decisions."* (R10)

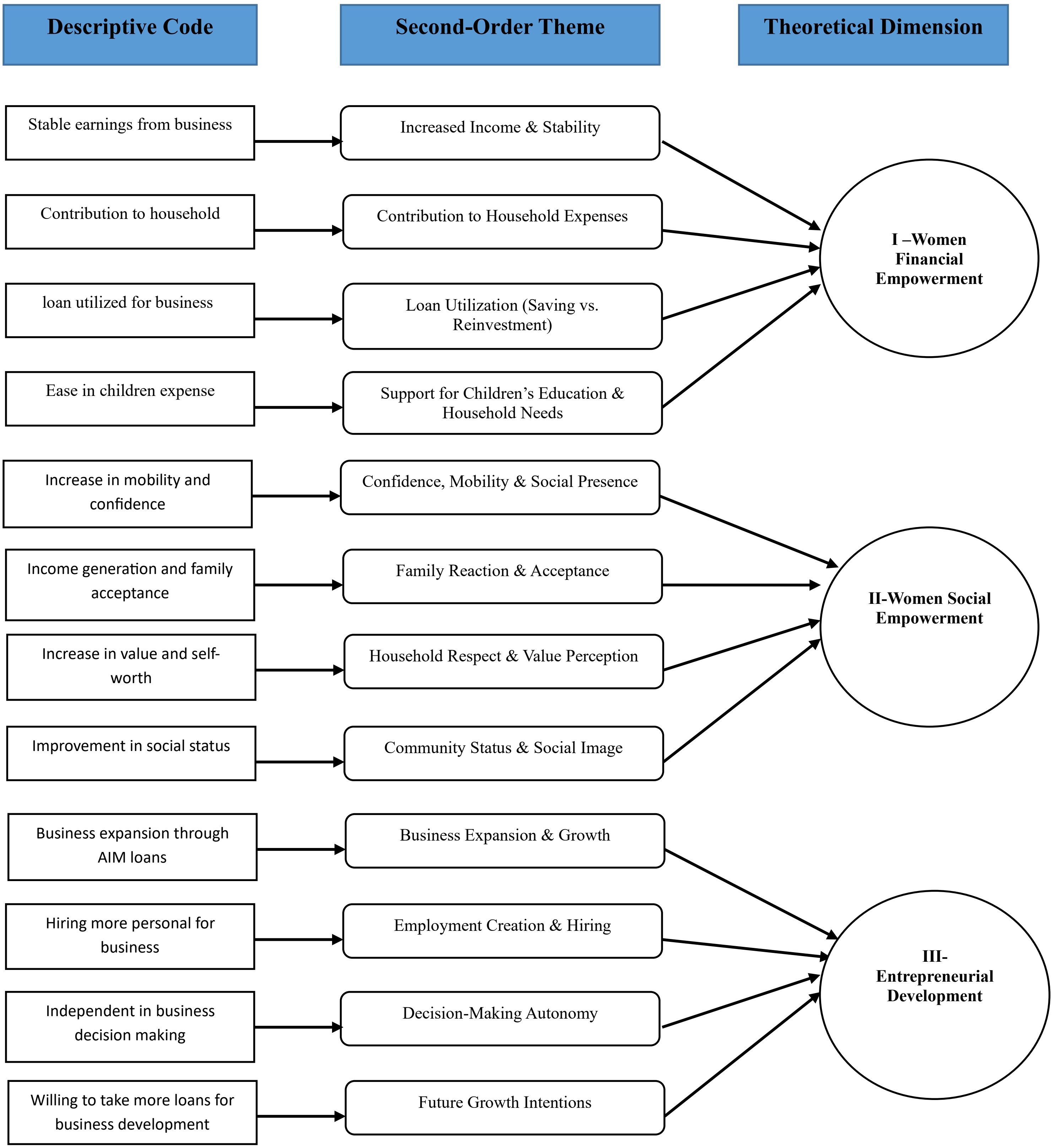
Almost all of the women mentioned that they had full authority over their business decisions except for those who had their setups but did not use the loan for themselves.

Theme 12: future growth intensions

This theme captures women intensions on future business development plans. Most of the informants expressed strong intentions to retake Islamic Microfinance loans to further expand their businesses. There were informants who had already taken loan 4-5 times and planned to take more loans for future plans:

> *"I definitely plan to take future loan cycles to expand further."* (R1)
>
> *"I plan to take the next loan cycle to expand into decorative products."* (R7)

Almost all of the women borrowers except for one elderly informant expressed strong intensions to take loan for business purposes. They used the loans for their own business and full intensions of taking more loans.



Descriptive Code
Second-Order Theme
Theoretical Dimension
Stable earnings from business
Increased Income & Stability
Contribution to household
Contribution to Household Expenses
loan utilized for business
Loan Utilization (Saving vs. Reinvestment)
Ease in children expense
Support for Children's Education & Household Needs
I –Women Financial Empowerment
Increase in mobility and confidence
Confidence, Mobility & Social Presence
Income generation and family acceptance
Family Reaction & Acceptance
Increase in value and self-worth
Household Respect & Value Perception
Improvement in social status
Community Status & Social Image
II-Women Social Empowerment
Business expansion through AIM loans
Business Expansion & Growth
Hiring more personal for business
Employment Creation & Hiring
Independent in business decision making
Decision-Making Autonomy
Willing to take more loans for business development
Future Growth Intentions
III-Entrepreneurial Development

ANALYSIS AND INTERPRETATION

The above findings indicate that Islamic microfinance loan from AIM impacts **women financial empowerment**, by enhancing income stability, income generation and active financial participation within the household. The findings reveal that access to interest-free loans through AIM enhances financial inclusion by reducing financial constraints faced by entrepreneurial women. Women who had full control over loan utilization experienced greater financial autonomy, they also expressed greater ease in meeting household and children's educational expenses. However, findings also reveal that this effect is not uniform across all female entrepreneurs, women who did not have full control over their loan utilization showed weaker empowerment outcome. This also means that simply having access to loan is not enough and has to be accompanied by control over the financial resources. this also matches with Kabeer's (1999) empowerment theory which argues that empowerment needs both resources and agency.

As for social perspective there is slow but gradual improvement which indicates that improvement in **women social empowerment** takes time. According to the analysis, there was a meaningful transformation in women's self-confidence, social status and recognition, and over all mobility. Participation in Islamic microfinance enhanced women negotiation skills, there confidence in dealing with vendors and clients, they also pressed on the point that it gave them confidence to deal with spontaneous situations which otherwise would have been difficult to deal with. Family's support and reaction emerged as an important factor in determining the level of empowerment perceived by each woman, more respect and recognition from family members was perceived as being more socially empowered by all of the women informants. On the other hand, decision making authority within the household remained almost constrained in case of most of the women due to societal norms. The findings indicate that interest-free loans from Akhuwat Islamic Microfinance contribute to incremental social empowerment. There was a clear difference in level of empowerment of women who had been AIM client for 6-7 years and women who had recently joined AIM for its services.

The analysis revealed that **entrepreneurial development** act as both an outcome and as pathway towards empowerment. This fits perfectly with Akhuwat Islamic Microfinance as one of its aims is to facilitate women entrepreneurs in business expansion and business growth. By supporting women entrepreneurs through financing, IMF leads to development, expansion, innovation, and growth and this claim is supported through the fact that most of the women had been AIM clients for around 4-5 years and intended to take loans again for further developments in their business. Higher level of development and growth was observed in women entrepreneurs who had long term clients. According to findings participation in AIM lead to independency in entrepreneurial decision making, increase in production levels, and increased employment in low-income group women. IMF is a perfect tool achieve women entrepreneurial development.

CHAPTER 5

Managerial implications and recommendation

MANAGERIAL IMPLICATIONS

The results of this paper have a number of significant managerial implications for Islamic microfinance institutions (IMFIs), policymakers, and development practitioners dealing with women-oriented microfinance programs in Pakistan.

The findings show that access to interest-free Islamic microfinance on its own cannot guarantee the empowerment of the women. The managers of Islamic microfinance institutions like Akhuwat Islamic Microfinance (AIM) need to make sure that women borrowers are provided with financial resources but are given powers to operate the loan amount according to their business standpoint. The study points out that women who had complete control over the use of the loan were able to have greater results on financial empowerment. As such, IMFIs must come up with monitoring systems and screening of borrowers that would guarantee that loans are actually spent to run their proposed entrepreneurial business ventures that would enhance their lives.

In this study, social empowerment is a slow process that is subject to family support, social recognition, and years of interaction with microfinance programs. Managers are thus advised to use long term relationship-based approach as opposed to short term lending models. The repeated interaction with women borrowers in multiple loan cycles increases the confidence, social identity and mobility. In organizations, they are supposed to invest in community involvement programs that would implicate family members especially the male members of the household to curtail the resistance posed by cultural and social norms.

RECOMMENDATIONS

On the basis of the results of this research, the following recommendations may be given to the Islamic microfinance institutions, policy-makers, and development stakeholders:

Program Design and Loan Construction.

The Islamic microfinance institutions ought to come up with women-owned loan products with special attention to the multi-tasking of women, who have to be able to manage their household, child care, and social limitations. Pressure can be relieved by offering flexible repayment schedules and lower installments, which will enhance loan performance.

Empowering Women to have more control over loans.

The institutions should make sure that the loan is handed over directly to women and make them aware of their ownership and decision-making power. Follow ups and visits should be conducted to make sure that the women retain control over their funds and its utilization.

Women FinTech Training

Digital financial literacy should be enhanced by Islamic microfinance institutions offering simple FinTech training to female borrowers. Mobile banking, digital payments, and financial app training can strengthen the control over money and decrease the reliance of women on other people. The skills in FinTech can also assist the women in business to run the businesses efficiently as well as increase financial inclusion.

Skill development and training

Islamic microfinance programs be combined with basic financial literacy, entrepreneurial training, and management skills. This type of training can help women make informed financial decisions and improve their productivity.

Promoting Family and Community Support.

Such institutions as AIM need to initiate family awareness programs to guide households on the advantages of financial involvement of women. Social empowerment and power of decision-making of women can be increased with the help of increased family support.

Concentrate on Future Involvement.

The microfinance institutions must focus on long term empowerment as a whole. Repeated lending and ongoing interaction can lead to achieve better financial, social and entrepreneurial empowerment.

Limitations of the study:

This study only focused on cross sectional data due to time constraint, moreover only 2 dimensions of women empowerment were studied and analyzed. This research can be further expanded using different dimensions of women empowerment that are impacted due to Islamic micro finance. Furthermore, the study's main focus is only Akhuwat Islamic Microfinance, same research can be done for different Islamic microfinance providers in Pakistan.

CONCLUSION

The aim of conducting this study was to analyze how Islamic microfinance empowers women and helps them to develop as entrepreneurs; it specifically looked into the experiences of women who have benefited through AIM in Pakistan. Study results were categorically clear that Islamic microfinance had a positive contribution towards women empowerment, but it was not automatic and uniform leading the way it largely depended on women control on loan use, family support, and participation in entrepreneurial activities. Though access to interest-free financing was not a solution to achieve complete empowerment, it had a significant effect in the form of progressive enhancements in financial independence, self-confidence, and involvement of the family.

These findings showed that the most immediate and evident effect was financial empowerment because women stated that their income stability improved, their capacity to support household costs increased, and children education was better supported. More gradual in building their results, social empowerment (confidence, mobility, and household respect) was framed by socio-cultural principles and family life. Most importantly, the results demonstrated that development in the entrepreneurship was a key gateway, and through which, there was enhanced empowerment especially to women who were independent in running their businesses and making decisions.

All these results supported the notion that the empowerment with the help of Islamic microfinance was a process and not an immediate result which also shows that results are in line with the empowerment theory. The research was able to achieve all research objectives by analyzing the lived experiences of women, developing the important dimensions of empowerment, and determining the importance of entrepreneurship in the continuation of empowerment outcomes, as developed in the study through qualitative analysis.

This research has added to the limited qualitative research on the topic of Islamic microfinance and women in the Pakistani setting. It also presented the data that interest-free and faith-based models of microfinance like the Akhuwat can not only help to generate income but to also have an effect on the social positioning and entrepreneurial confidence of women. Finally, the study highlighted the transformational role of the Islamic microfinance in ensuring the inclusive and sustainable growth of women. The study by pointing out the mechanisms by which the empowerment process is realized, indicated that women centered, culturally sensitive, and entrepreneurship-oriented approaches to Islamic microfinance are required in realizing long term empowerment results.

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APPENDIX

INTERVIEW QUESTIONNAIRE

A. WOMEN FINANCIAL EMPOWERMENT

1. **How has receiving the Akhuwat Islamic loan affected your monthly income or financial stability?**
2. **In what ways has your contribution to household expenses changed after taking the loan?**
3. **Do you save, reinvest, or fully spend the loan in your business? Why?**
4. **Has the loan helped you manage children's education or household needs more effectively?**

B. WOMEN SOCIAL EMPOWERMENT

5. **Did receiving the loan change your confidence or mobility—for example, visiting the center or negotiating with suppliers?**
6. **How did your family react to your business activities after the loan?**
7. **Do you feel more respected or valued within your household since earning an income?**
8. **Has your social image or status in the community changed because of your work?**

C. ENTREPRENEURIAL DEVELOPMENT

9. **How has the loan helped you expand or improve your business setup?**
10. **Did you hire helpers or increase your production after getting the loan?**
11. **What business decisions do you now make independently?**
12. **Do you plan to grow your enterprise further with future loan cycles?**