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# **CPEC and BRI Nexus**

## **Perspectives on Economy, Politics, Culture and Environment**

China Study Centre  
Karakoram International University  
Gilgit-Baltistan

## **The Impact of China Pakistan Economic Corridor (CPEC) on Women's Microenterprise Development: An Empirical Analysis**

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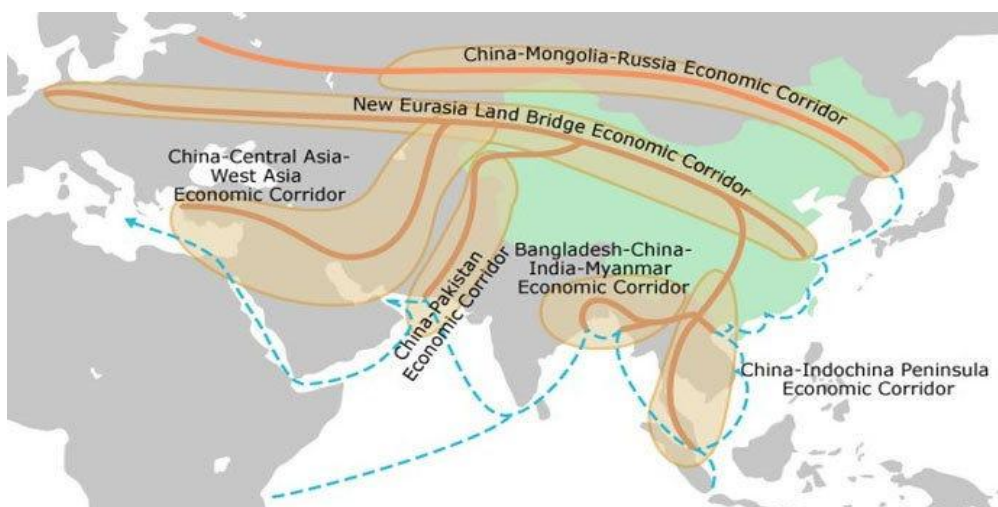
### **Abstract**

The objective of the study is to examine the effects of CPEC projects on women's micro-enterprise development. To achieve the objectives of the study, a questionnaire has been developed to collect data from the respondents. The empirical analysis of the study is carried out by using Smart PLS 4 and the study adopts the Partial Least Square Method (PLS-SEM). The results have shown that people have a favorable attitude toward the CPEC initiatives. Additionally, CPEC projects have a positive and significant influence on women's microenterprise development in the study area. Also, the results have shown that CPEC activities benefit the local economy and the growth of women's micro-enterprises. Therefore, based on the findings of this study, it is suggested that the government should initiate more CPEC projects and encourage women entrepreneurs by providing interest-free loans and conducive environment.

**Keywords:** CPEC, Women’s micro enterprise development, local economy

## Introduction

Chinese President Xi Jinping launched the “Belt and Road Initiative’s” in year 2013 and earlier its known as One belt and one Road (OBOR). The BRI consists of total six corridors (Map 1) and the China-Pakistan Economic Corridor (CPEC) is among the six corridors, and it is the pilot project of BRI. Moreover, CPEC aimed to enhance economic development, and it is first government to government project (Gao, 2023). CPEC projects have recently improve the Pakistan’s infrastructure and assist in overcoming the energy crises in Pakistan. Also, it will improve trade with China and further integrate the region’s countries. Moreover, CPEC’s major projects aims to modernize Pakistan’s road, rail, air, and energy transportation infrastructure, as well as to connect Pakistan’s deep-sea ports of Gwadar and Karachi to China’s Xinjiang province and beyond via overland routes.



Map 1: Belt and Road Initiatives, Source: Google Map

The China-Pakistan Economic Corridor (CPEC) has unique importance to boost trade and cooperation, and its importance is not limited to Pakistan and China, but it offers tremendous potential for the region and the world. In sum, these initiatives are steps toward industrialization and development, as well as a guarantee of advancement. Likewise, Gwadar Port is crucial, and it may become the region’s economic hub in the near future. Similarly, it shortens China’s distance from the rest of the globe when importing oil and other raw materials.

On the other hand, CPEC is supposed to be a game-changer for Pakistan because it will strengthen the country's infrastructure and reduces the energy crises. Therefore, the billion-dollar project will significantly boost the country's Gross Domestic Product (GDP) by increasing new business opportunities in Pakistan. Therefore, the investment under CPEC is anticipated to strengthen the economy by generating jobs, expanding industries, and establishing economic zones all around the nation.

Gilgit-Baltistan is gate way of CPEC, and this area has natural resources and the majority of the locals rely on agricultural products for a living. Due to Gilgit-Baltistan unique geographical location, it is becoming a major trading hub, or more precisely, it is connecting China to rest of the world through KKH. The recent CPEC initiatives has created many opportunities for local people to start their business and more importantly the local women's have start small business for example handicrafts, shops and restaurants. Also, Gilgit-Baltistan, like other parts of the nation, has a male-dominated society and joint family structures for families. In these families, the male head is the only breadwinner, and the rest of the family relies on him to cover their expenses. Encouragement of female entrepreneurs to launch modest businesses is therefore required for a stable family income.

There are some studies (Saleem & Ashfaq 2023; Ali, 2023; Shah et al., 2023) which explores the connection of CPEC and entrepreneurial orientation in Pakistan. However, limited studies on CPEC and women microenterprise development focusing on the Gilgit-Baltistan which is gate way of CEPC. Therefore, the exiting research explores the influence of the CPEC women on the microenterprise development in Hunza. Also, the study also researches the role of local economy on women's microenterprise development. Lastly, the study examines the effects of CPEC on local economy. This study has much importance like this study has academic contribution in the field of CPEC and women's micro-enterprise development. Similarly, the outcomes of the study have policy implications for the policy makers. Moreover, the current research will also encourage researchers to conduct studies on local issues of the Gilgit-Baltistan.

## **Literature Review**

One of South Asia's most significant infrastructural and economic development projects is the China-Pakistan Economic Corridor (CPEC). The massive road, rail, and energy infrastructure system that links Pakistan's Gwadar Port to the western part of China has a big impact on Pakistan's economic development (Alam, Li, & Baig, 2019). Nonetheless, there is still a dearth of research on the effects of CPEC on other facets of society, especially

as they relate to marginalized populations like women living in the isolated Gilgit-Baltistan. The purpose of this literature study is to provide insight into the possible impacts of CPEC on the growth of women-owned microenterprises in Gilgit-Baltistan.

Pakistan is likely to benefit significantly from CPEC. It is critical to examine the impact of this shift on diverse areas, particularly those that have historically suffered economic inequality. Gilgit-Baltistan, located in northern Pakistan, is positioned to benefit from major infrastructure development and economic prospects because of its strategic location along the CPEC route (Alam, Baig, & Muhammad, 2023). As a result, it is critical to understand how this transition affects women's microenterprise growth in the region.

One global development aim is to empower women and increase their involvement in the workforce. Microenterprises have evolved to address the issue of women's restricted economic engagement in Gilgit-Baltistan, which is typically a result of old patriarchal standards. In addition to increasing household income, women-run microenterprises in industries including handicrafts, agriculture, and tourism have the potential to improve gender equality and women's empowerment (Muhammad, Baig, Nizar, & Beg, 2020).

Women entrepreneurs in Gilgit-Baltistan may be able to access new markets thanks to CPEC's infrastructure investments, which include enhanced connectivity and transportation networks (Alam, Li, Baig, Ghanem, & Hanif, 2021). Having access to these marketplaces can help microenterprises flourish and inspire women to start and build larger firms (Ali, 2023). By lowering production costs, raising productivity, and facilitating the launch of new businesses, enhanced electricity supplies in the area might result from CPEC's energy projects, which would benefit women's microenterprises. Tourism Opportunities: The stunning scenery and natural beauty of Gilgit-Baltistan offer a sizable potential for tourism (Ullah, 2020). A tourist inflow brought about by CPEC could present chances for women working in the hospitality, handicraft, and food industries to launch and expand microbusinesses that serve tourists (Muhammad, Karim, Salman, et al., 2020).

Women's active engagement in the workforce might be seriously hampered by social expectations and traditional gender norms. Even while CPEC has the potential to thrive economically, if these standards continue, women may not automatically benefit from more chances. Access to Land and Resources: Women in Gilgit-Baltistan frequently struggle with gaining access to land and resources (Alam, Xuemei, et al., 2023). The success of women's microenterprises depends on granting them fair access to resources. Education and Skill Development: Women must have access to education and skill

development to take advantage of the possibilities that the China-Pakistan Economic Corridor (CPEC) is creating (Khan, Baig, & Muhammad, 2020; Ullah, 2020). Environmental Impact: A few types of microenterprises, such those in the tourist and agriculture industries, may influence the environment. coordinating economic growth (Muhammad, Karim, Qureshi, Razzaq, & Ali, 2020).

The socioeconomic growth of Gilgit-Baltistan might undergo a significant transformation with the establishment of the China-Pakistan Economic Corridor. The region's female microenterprise sector is expected to reap advantages from the economic and infrastructure growth afforded by China-Pakistan Economic Corridor (CPEC). To guarantee that women in Gilgit-Baltistan may fully engage in and profit from the economic boom brought about by CPEC, obstacles pertaining to cultural norms, access to resources, education, and the environment must be addressed. To fully realize the project's potential for women's empowerment and economic growth, further study is required to determine the precise effects of CPEC on women's microenterprises in this region. Ongoing efforts to promote gender-inclusive policies and programs are also crucial.

### **Tools and techniques**

For empirical analysis researchers have adopted Partial Least Square Structural Equation Modeling (PLS-SEM). The PLS-SEM is widely used in social sciences research. There are several advantages of using this method as compared to regression analysis, for example the relationship among multiple dependent and independent variables can be easily examined through PLS-SEM.

The researchers have developed a questionnaire for primary data collection. The respondents for the current research are women entrepreneurs of Karimabad, Aliabad and Altit region. The questionnaire comprises of three parts; the demographic information is given in the first part. The second and third part of the questionnaire consists of Likert scale questions from 1 to 5.

### **Data Analysis and Results**

#### **Descriptive analysis**

The data for the current is collected from three villages of Hunza i.e., Karimabad, Aliabad and Altit. The 44% of the data is collected from the Aliabad, 30% from the Karimabad and 26% from the women entrepreneurs in

Altit.

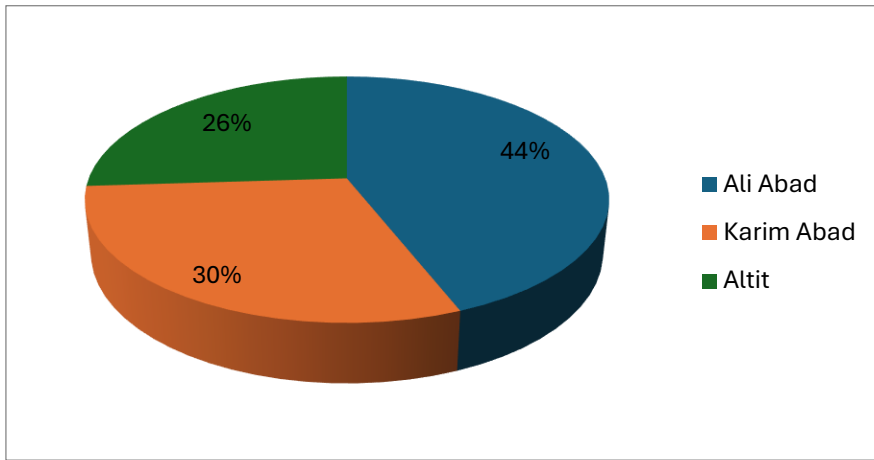


Figure 1: Demography

The figure shows the marital status of respondents, and which shows that the majority of female entrepreneurs are married i.e., 71 % and only 29% are unmarried. Hence, this shows that they are contributing to the family income.

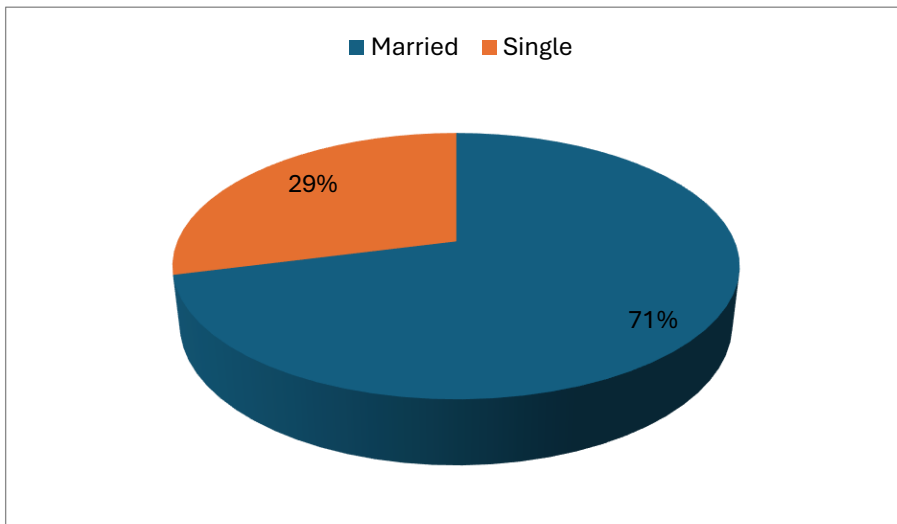


Figure 2: Marital status of respondents

Figure 3 shows the family size of the women entrepreneurs in selected villages of the Hunza. The figure shows that 57% of the respondents have 5 to 10 family members. Also, 28% of the respondents have less than four family members and only 15% of respondents have more than 11 family members.

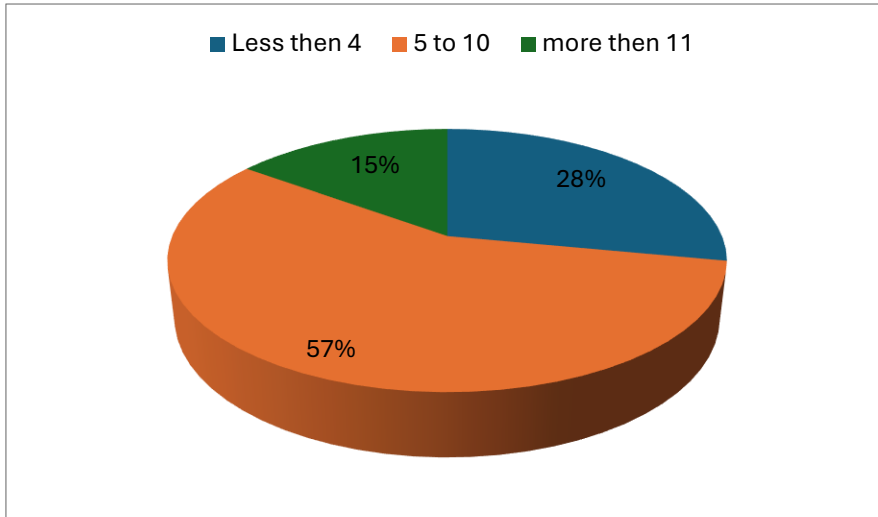


Figure 3: Family Size

### Evaluation of Measurement/Outer Model (PLS Algorithm)

The current research follows the procedure suggested by Hair et al. (2013, 2017). The results from Table 1 show that the value of Cronbach's alpha and Composite Reliability values are greater than 0.7. Also, the value of composite reliability is higher than the suggested value (Latan & Noonan, 2017). Furthermore, the AVE values are higher than the ideal value of 0.5 (Hair et al., 2013; Wong, 2013).

Table 1: Validity and Reliability of Constructs

Items	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
CPEC	0.918	0.921	0.935	0.672
LE	0.956	0.958	0.965	0.82
WMD	0.929	0.933	0.945	0.743

### Fornell-Larcker Criterion

The Fornell-Larcker (1981) criterion examines the square root of AVE for each latent variable to determine discriminant validity. Each latent variable's square root of AVE should be bigger than its correlation with other latent variables (Hair et al., 2013). As indicated in Table 2, the square root of each latent variable's AVE is bigger than its correlation with other latent variables.

Table 2 Fornell-Larcker Criterion Results

<b>Constructs</b>	<b>CPEC</b>	<b>LE</b>	<b>WMD</b>
CPEC	<b>0.82</b>		
LE	0.851	<b>0.906</b>	
WMD	0.756	0.789	<b>0.862</b>

### Heterotrait-Monotrait (HTMT)

The method of Fornell and Larcker for determining discriminant validity is unreliable. Therefore, Henseler et al. (2015) introduces the Heterotrait-Monotrait Ratio (HTMT) for assessing correlations to find a credible criterion for discriminant validity validation. The correlation between two latent variables is estimated using this method. The Heterotrait-Monotrait ratio (HTMT) was recommended to have a threshold value of 0.90 (Henseler et al., 2015). Any value greater than this shows that discriminant validity is lacking. According to table 3, Heterotrait-Monotrait results are less than threshold value.

Table 3: Heterotrait-Monotrait (HTMT) Results

<b>Items</b>	<b>CPEC</b>	<b>LE</b>	<b>WMD</b>
CPEC			
LE	0.874		
WMD	0.814	0.832	

### Structural Model Results

The results of the structural model show that CPEC has a significant and positive influence on the local economy. Hence, the finding indicates that CPEC projects are contributing to the economy of the study area. The study of Raza et al. (2018) also shows the significance of the CEPC for economy and it will create employment opportunities in Pakistan. On the other hand, the results show that CPEC has a positive and significant impact on women's microenterprise development in the study area. The recent study of Ali (2023) argues that a huge potential of establishment of small enterprises along the CPEC route.

Last but not the least, the outcomes of the study indicate that the local economy positively contributes to the development of women's microenterprise in Huna. These results showed that government should mainly focused on CPEC projects for improving the local economy and for creating more opportunities

for women enterprises in the area.

Table 4: Structural Model Results

Path coefficients	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
CPEC -> LE	0.851	0.852	0.05	17.031	0
CPEC -> WMD	0.306	0.316	0.144	2.127	0.034
LE -> WMD	0.529	0.514	0.123	4.291	0

### Model Fit

The Standardized Root Mean Square Residual (SRMR) is a measure of a model's goodness of fit. The designed model is a good fit and acceptable if the SRMR value is less than or equal to 0.08 Table 5 shows that the SRMR value is 0.066, which is less than the threshold value of 0.08. Hence the model developed in the current study is well suited based on the value of SRMR.

Table 5: Model Fit Results

Items	Saturated Model	Estimated Model
SRMR	0.066	0.066
d_ ULS	0.82	0.82
d_ G	1.244	1.244
Chi-Square	557.556	557.556
NFI	0.756	0.756

In sum, the study results reveal that CEPC is not only enhancing the local economy, but it is increasing the women enterprise in the Gilgit-Baltistan. The rise in women entrepreneur in the area is positive sign as it will reduce dependence on the single male earner in family. Likewise, due to contribution of the female in overall family income the standard of the living of the family will increase due to increase in the income.

### Conclusion and Recommendations

The study's main goals are to explore the influence of CPEC on women's microenterprise development and mediating role of the local economy in

Hunza. The rationale for choosing Hunza is due to a large number of women's entrepreneurs engaged in various economic activities. To achieve the desired goals of the study, primary data is collected in the selected villages through a questionnaire. The data is collected from a total of 100 women's entrepreneurs. The empirical analysis is carried out by the recently widely used technique i.e., Partial Least Square Structural Equation Modelling (PLS-SEM). The results of the current research show that the CPEC has a significant and positive impact on the local economy as well as the growth of women's entrepreneurs in Hunza. Lastly, the results also reveal that enhancement in local economic activities has further increased the women's entrepreneurs in the study area.

Based on the results, this study suggested that the government should give top priority to the implementation of the CPEC projects as it is enhancing and attracting the women's entrepreneurs in Hunza. Moreover, CPEC projects are also increasing the economic activities in the area due to which unemployment is decreasing and the living standard of the people has been increasing. On the other hand, to encourage women's entrepreneurs, the government should provide interest-free loans to women's entrepreneurs for businesses.

### **Suggested Citation**

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## Google Map

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