

**ADVANCE SOCIAL SCIENCE ARCHIVE JOURNAL**Available Online: <https://assajournal.com>

Vol. 04 No. 01. July-September 2025. Page#.2012-2020

Print ISSN: [3006-2497](https://doi.org/10.55966/assaj.2025.4.1.0109) Online ISSN: [3006-2500](https://doi.org/10.55966/assaj.2025.4.1.0109)<https://doi.org/10.55966/assaj.2025.4.1.0109>Platform & Workflow by: [Open Journal Systems](https://openjournal.org/)**Afghan Refugee Entrepreneurs Facing Challenges: A Case Study of Peshawar, Pakistan****Hashmat Ullah Feroz**

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Irfanullah6066@gmail.com**ABSTRACT**

This study aims to explore the multifaceted challenges faced by Afghan refugee entrepreneurs in Peshawar, Pakistan. The research focuses on identifying key social, economic, political, legal, and cultural barriers that affect their entrepreneurial efforts and overall integration into the local economy. Using a qualitative case study approach, the research gathers and analyzes data from relevant literature, field observations, and interviews with Afghan refugee entrepreneurs in Peshawar. This method allows for an in-depth understanding of their lived experiences and coping mechanisms within a complex socio-political context. Findings reveal that Afghan refugee entrepreneurs encounter several systemic challenges. Legal ambiguity and restrictive regulations hinder their ability to formalize and sustain businesses. Access to financial resources is limited, and many faces discriminatory practices in credit access and market entry. Cultural and language differences further complicate their integration into local business networks. Additionally, geopolitical tensions amplify their vulnerability, affecting both their stability and economic prospects. Despite these obstacles, many entrepreneurs exhibit resilience by relying on informal support networks and adapting strategies to sustain their ventures. The study underscores the urgent need for targeted policy interventions that support Afghan refugee entrepreneurs. Addressing legal, financial, and cultural barriers is essential for fostering inclusive economic participation and promoting social cohesion in host communities. Facilitating their integration not only benefits the refugees but also contributes to the broader development of local economies.

Keywords: Challenges, Facing, Afghan Refugees, Entrepreneurs, Peshawar.

Introduction

In the wake of decades-long conflict and political instability in Afghanistan, millions of Afghan nationals have sought refuge in neighboring countries, with Pakistan hosting one of the largest Afghan refugee populations in the world. Among these displaced communities, many individuals have turned to entrepreneurship as a means of survival and self-reliance, especially in urban centers like Peshawar, located in Pakistan's Khyber Pakhtunkhwa province. Despite their resilience and entrepreneurial spirit, Afghan refugee entrepreneurs face numerous challenges ranging from legal and regulatory barriers to social discrimination, financial constraints, and limited access to markets and resources. This case study focuses on the experiences of Afghan refugee entrepreneurs in Peshawar, aiming to explore the multifaceted difficulties they encounter while

striving to establish and sustain their businesses. By examining their struggles and coping strategies, the study seeks to provide insights into the broader socio-economic integration of refugees in host communities and highlight potential areas for policy reform and support.

Background of the Study

Like refugees around the world, engaging in business activities to earn a livelihood is commonplace among Afghan refugees in Pakistan. Their livelihood practices not only showcase adaptability in the face of adversity but also play an important part in the local economy. Afghan refugees are engaged in diverse small-scale entrepreneurial initiatives aimed at sustaining themselves and their families, ranging from street vending, tailoring, and food services to more substantial commercial enterprises. Understanding the range of activities they undertake provides insight into the multifaceted ways in which Afghan refugee entrepreneurs contribute to the overall economics of Peshawar.

The city of Peshawar, situated on the edge of the Afghan border, has been a historical sanctuary for those seeking refuge from the tumultuous events that have shaped Afghanistan's recent history. Among the displaced population, a distinct group has emerged, Afghan refugee entrepreneurs whose resilience and entrepreneurial endeavors contribute significantly to the economic landscape of Peshawar. Moreover, the historical context of the Afghan refugee presence in Peshawar can be traced back to the late 1970s during the Soviet-Afghan War. This conflict caused a mass migration, with millions of Afghans seeking refuge in Peshawar due to its proximity to the Afghan border. Over the decades, subsequent waves of displacement, including events following the collapse of the Afghan Republic government and the withdrawal of U.S. military forces in 2021, have further increased the Afghan refugee population in Peshawar. Peshawar is currently home to over 3.7 million Afghan refugees, with only 1.4 million formally registered, as reported by refugees.

Peshawar presents a unique context for the study of challenges facing Afghan refugee entrepreneurs. The city's historical significance as a refuge, attached to its proximity to the Afghan border, creates a distinctive environment where entrepreneurial activities are both a means of survival and a driver of economic growth. Investigating this specific case provides valuable insights into the intersection of forced migration, entrepreneurship, and economic dynamics. Moreover, it highlights that despite deep informal links, Afghans are not legally allowed to do business so they are mostly found in the informal sector.

Understanding the challenges encountered by Afghan refugee entrepreneurs in Peshawar is crucial for several reasons. It not only sheds light on the complicated dynamics of their entrepreneurial journey but also informs policies and interventions that can enhance their economic inclusion. Additionally, as Peshawar continues to host a substantial Afghan refugee population, addressing the challenges faced by these entrepreneurs is essential for fostering a more inclusive and economically vibrant city. In conclusion, the background of this study establishes the historical context of Afghan refugee presence in Peshawar, emphasizes the economic contributions of Afghan refugee entrepreneurs, positions Peshawar as a unique case study, and highlights the rationale for conducting a comprehensive exploration of the challenges they face.

Problem Statement:

The primary purpose of this research is to identify the main challenges facing Afghan refugee entrepreneurs in Peshawar when starting and expanding their businesses. These challenges

encompassed are such as legal barriers, limited access to finance, lack of skills and education, discrimination, and security concerns. Thus, it is crucial to gain a comprehensive understanding of these challenges and explore potential strategies to overcome them, promoting the economic integration and overall prosperity of Afghan refugee entrepreneurs in Peshawar, Pakistan.

Research Objective:

1. To understand the key challenges faced by Afghan refugee entrepreneurs in Peshawar in converting opportunities into viable business models.
2. To determine the psychological commitments that enable Afghan refugee entrepreneurs to overcome barriers to sustaining and growing their businesses in Peshawar.
3. To examine the types of managerial skills employed by Afghan refugee entrepreneurs in Peshawar to overcome barriers to sustaining and growing their businesses in Peshawar.

Research Questions:

In the light of the research objectives, this study is going to answer the following research questions:

What are the key challenges faced by Afghan refugee entrepreneurs in Peshawar in converting opportunities into viable business models?

What are the crucial psychological commitments and managerial skills that are used by Afghan refugee entrepreneurs to overcome barriers to sustaining and growing businesses in Peshawar?

Significance of the Study:

This study is significant as it provides valuable insights into the challenges faced by Afghan refugee entrepreneurs in Peshawar, Pakistan, using the harmonized entrepreneurial conceptual model as the basis for the conceptual framework. The findings of this study will inform policymakers, humanitarian organizations, and Afghan refugee entrepreneurs themselves, enabling the development of targeted support programs, interventions, and policies that foster economic integration and entrepreneurship. By expanding our understanding of the challenges specific to Afghan refugee entrepreneurs in Peshawar, Pakistan, this study contributes to the theory of refugee entrepreneurship, enhancing existing theoretical frameworks in this field. The understanding gained from the study will also have direct implications for policy development, empowering policymakers to design targeted policies and interventions that effectively address the challenges faced by Afghan refugee entrepreneurs. By aligning these policies with the recognized demands, Afghan refugee businesses can experience growth, sustainability, economic inclusion, and improved general well-being.

Literature Review:

Tariq et al. (2024) explore the dual nature of Afghan refugees in Pakistan, describing them as both a burden and contributors to the local economy. The study emphasizes the need for sustainable policies to facilitate their integration, revealing challenges and opportunities created by Afghan businessmen within local communities.

Zehra and Usmani (2021) examine how Afghan refugees economically integrate into the host country, despite facing numerous social, emotional, and economic constraints. Their qualitative research identifies three key stages of this integration process, helping to clarify how refugee entrepreneurs navigate their circumstances.

Rashid (2018) highlights the significance of labor market participation for newcomers, particularly through entrepreneurship. The study identifies various barriers, including market access and

bureaucratic challenges. Recommendations include establishing supportive policies and initiatives to empower newcomer entrepreneurs.

Loschmann and Marchand (2021) focus on returned refugees in Afghanistan, demonstrating that their labor market reintegration heavily depends on access to sustainable income-generating activities. Factors such as educational attainment and social networks are shown to influence these outcomes significantly.

Althalathini (2020) investigates how entrepreneurs, particularly women, in conflict-affected areas like Afghanistan, Iraq, and Palestine, develop resilience. The study emphasizes that self-employment becomes a necessity in unstable environments and reveals how conflict shapes entrepreneurial motivations and challenges.

Collins et al. (2017) analyze the experiences of Hazara refugees who established businesses in Adelaide. Their findings illustrate how strong community ties, perseverance, and adaptation to the Australian labor market contribute to the success of these entrepreneurs, despite facing significant barriers.

Hagstrom and Pereira (2021) examine the financial inclusion of refugees in the United States, identifying factors that facilitate or hinder access to financial services. The study shows that education and trust in financial institutions are significant contributors to financial success among refugees.

Hanafi et al. (2012) discuss the persistent poverty among Palestinian refugees in Lebanon, linking their socio-economic challenges to systematic social exclusion. The study underscores the importance of interventions that address the structural barriers contributing to their ongoing marginalization.

Kikano et al. (2021) investigate Lebanese government policies aimed at Syrian refugees, revealing that these measures often backfire, leading to increased vulnerabilities and prolonged exclusion. The study calls for policies that promote integration into urban systems and public institutions.

Shumilova (2021) explores the cultural barriers that Central Asian migrants face in Russia, noting how language differences and cultural stereotypes hinder entrepreneurial success. The study points to the need for targeted support addressing these cultural challenges.

Azmat (2013) identifies the multifaceted challenges faced by migrant women entrepreneurs in developed countries. The paper presents a framework outlining barriers related to human capital, cultural factors, and social capital that can either hinder or facilitate entrepreneurial success.

Ndlovu (2024) studies the financial exclusion of asylum seekers in South Africa, highlighting its implications for tax collection and economic growth. The research indicates the necessity of improving access to financial services for better integration into the local economy.

Nijhoff (2021) analyzes the barriers facing recent refugees attempting to start businesses in the Netherlands. The findings suggest that bureaucratic complexities and lack of language skills significantly impede entrepreneurial efforts and require focused support programs.

Viswanathan et al. (2021) introduce the concept of extreme marketplace deprivation in refugee contexts, which highlights the emotional and psychological dimensions of feeling deprived relative to one's past. This framework helps understand the challenges refugees face in establishing businesses.

Liu et al. (2019) explore the entrepreneurial activities of rural migrants in China, showing their significant contributions to the urban economy. The study emphasizes the role of social capital and community perception in shaping entrepreneurial outcomes.

Talukdar (2024) examines factors influencing female migrant entrepreneurship in India, highlighting both push and pull factors that encourage women to start businesses. The study underscores the challenges of identity, language barriers, and discrimination that these entrepreneurs face.

Sabary and Ključnikov (2023) analyze the causal relationships among barriers faced by Asian immigrant entrepreneurs in Germany. The study reveals that financial resources, market competition, and language barriers are significant obstacles that affect entrepreneurial decision-making.

Salmon and Singleton (2025) use an intersectional framework to analyze the barriers faced by refugee entrepreneurs in the UK. Their findings suggest that personalized, compassionate support can help address the complex challenges these entrepreneurs encounter.

Research Methodology:

The research used a qualitative approach with a case study design to explore the experiences of Afghan refugee entrepreneurs in Peshawar, Pakistan. This methodology was chosen for its ability to provide an in-depth understanding of complex challenges faced by these individuals, focusing on their personal narratives, beliefs, and perspectives. The study underscores the interpretivist paradigm, emphasizing that social realities are perceived and interpreted differently by individuals, which necessitates direct engagement with participants.

Purposive and snowball sampling were employed to select 12 Afghan entrepreneurs who offered valuable insights into their business challenges. Interviews were conducted in a semi-structured manner to encourage open-ended responses in Pashto, ensuring participant comfort. Data was collected through narratives, reflecting personal stories that illuminate the struggles and coping strategies relevant to their entrepreneurial experiences.

Data analysis was carried out through thematic analysis, involving steps such as transcribing, coding, and categorizing to identify key themes and patterns. This process allowed researchers to extract meaningful insights from the narratives, fostering a comprehensive understanding of the socio-economic conditions impacting Afghan refugee entrepreneurs in Peshawar. Ultimately, the study aims to enhance the field of entrepreneurship by articulating the unique challenges faced by this group and exploring potential solutions.

Findings:

This study explains that the entrepreneurial landscape faced by Afghan refugees in Peshawar, highlighting the legal, financial, and societal challenges they encounter while operating businesses across various sectors. Utilizing qualitative data from interviews, the study employs thematic analysis to identify obstacles such as financial restrictions, legal challenges, and social integration issues, while also exploring resilience strategies employed by the entrepreneurs. The analysis aims to deepen understanding of refugee entrepreneurship and inform policy recommendations tailored to their specific needs.

Profile of Afghan Entrepreneurs

The sample includes Afghan entrepreneurs aged 30 to 55, many of whom have educational backgrounds up to the 12th grade and engage in diverse sectors like retail, wholesale, and food services. Their businesses often stem from familial traditions, indicating a strong intergenerational aspect of entrepreneurship. Despite having lived in Peshawar for years, these individuals continue to identify as refugees, affecting their business operations.

Challenges Faced by Afghan Refugee Entrepreneurs

Financial and Banking Restrictions

- **Bank Limitations:** Afghan entrepreneurs face barriers in accessing banking services due to their refugee status, preventing them from opening accounts and securing loans. This reliance on informal financial channels poses risks and limits sustainable livelihoods. Respondents highlight difficulties in executing transactions crucial to their business operations.
- **Easy Paisa Inaccessibility:** The lack of access to EasyPaisa accounts hampers digital transactions, a critical component in modern business practices. Customers' demands for specific payment methods lead to lost sales, exacerbating financial challenges.

Legal and Operational Challenges

- **Business Licensing:** Legal constraints hinder Afghan refugees from obtaining necessary business licenses. Bureaucratic hurdles and aggressive demands for documentation disrupt operations, breeding distrust within the business ecosystem.
- **Property Rental Issues:** Property owners often refuse to lease to Afghan refugees due to fears of governmental repercussions. Discriminatory practices further inflate rental costs, making it challenging for entrepreneurs to find suitable locations.
- **Documentation Challenges:** Afghan refugees struggle to obtain essential documents, such as SIM cards and driving licenses. Difficulties in securing these documents impede communication and operational efficiency.

Social and Cultural Integration Challenges

Afghan refugees in Peshawar encounter significant hurdles related to social and cultural integration, which impede their entrepreneurial efforts. Social integration involves engaging with the local community and establishing networks, while cultural integration encompasses navigating local norms and overcoming prejudices.

Language and Cultural Barriers

Refugees face communication challenges due to linguistic diversity in the region, where Urdu, Pashto, and English are spoken. Although prolonged residency helps mitigate some language barriers, issues persist, impacting interactions with clients and access to financial resources. Testimonials from respondents indicate that while initial difficulties in communication exist, familiarity with the local environment has improved their integration.

Societal Integration

Despite living in Peshawar for decades, Afghan refugees experience marginalization and stigma, often labeled as "Mahajer" (refugees) and questioned about their return to Afghanistan. These societal challenges hinder cohesion and limit economic mobility.

Trust Building

Establishing trust is essential for business growth but is complicated by the refugee status of Afghan entrepreneurs. This status often leads to skepticism among potential clients and partners, impeding relationships vital for business sustainability.

Security and Stability Concerns

Fear of deportation significantly impacts Afghan entrepreneurs. Lack of legal recognition creates insecurity regarding their businesses and economic futures. Constant fears surrounding legal status impede investment decisions and create a challenging environment for growth.

Market Access and Growth Opportunities

Afghan refugee entrepreneurs face restricted access to markets and resources, compounded by government limitations such as the inability to participate in exhibitions due to the lack of No Objection Certificates (NOCs). The closure of the Torkham Gate affects industries reliant on cross-border resources.

Support and Resources for Growth

Although skill development and training are essential for sustainable business operations, Afghan entrepreneurs struggle to access these resources. The lack of governmental support hampers their ability to enhance operational capacities and meet market demands.

Psychological Barriers

Persistent threats of deportation and psychological distress stemming from societal marginalization influence decision-making and business operations among Afghan refugees. These emotional burdens hinder overall well-being and successful business management.

Conclusion:

Afghan refugees in Peshawar, Pakistan, navigate a complex entrepreneurial landscape marked by significant challenges such as financial limitations, bureaucratic hurdles, and social stigma. Despite shared cultural and linguistic ties with the local community, they face barriers in accessing banking services, market opportunities, and legal documentation, which hinder their business growth. The constant threat of deportation exacerbates their insecurity and psychological distress, making long-term investment difficult. While these entrepreneurs demonstrate resilience and adaptability in their efforts to succeed, the absence of supportive policies and resources further complicates their integration into the economic fabric of the region. Addressing these barriers is crucial for enhancing their entrepreneurial potential and overall well-being.

Recommendation:

Empower through Legal Recognition: To alleviate the debilitating atmosphere caused by the constant risk of deportation, it is crucial to implement policy reforms that provide legal recognition and efficient pathways to citizenship for immigrant entrepreneurs. This will foster a sense of safety and stability, encouraging long-term investment and business growth. Moreover, enhancing collaboration between law enforcement agencies and immigrant communities will address harassment issues and build trust, creating a supportive environment for entrepreneurs to thrive.

Streamline Trade at Torkham Border: The restrictions at the Torkham border significantly hinder vital economic activities for Afghan entrepreneurs. To boost trade, implement efficient border procedures and create dedicated trade routes. Additionally, granting Afghan entrepreneurs the opportunity to participate in government meetings and obtain necessary permits will facilitate connections and stimulate business growth. Introducing tailored microloans specifically for refugee entrepreneurs can also address financial constraints, fostering innovation and economic integration.

Invest in Specialized Training Programs: Developing specialized training programs for Afghan refugee entrepreneurs is essential. Focusing on market analysis, financial literacy, and business management will equip them with the skills to navigate market complexities effectively. Establishing mentorship programs that connect refugee-run businesses with their Pakistani counterparts will facilitate knowledge exchange, fostering a more integrated and collaborative business environment.

Prioritize Mental Health Support: Given the psychological strain caused by the ongoing risk of deportation, offering specialized mental health services tailored to the needs of refugees can

significantly reduce anxiety and improve overall well-being. Additionally, creating a cohesive support network within the immigrant community will cultivate inclusion and mitigate the negative effects of social isolation, empowering entrepreneurs to focus on their ventures.

Enhance Educational Opportunities: To break the cycle of poverty affecting refugees and their children, improving access to quality education is vital. Providing educational resources for refugee children will develop a skilled workforce capable of securing employment in the future. Enacting adult literacy programs will empower refugee entrepreneurs with enhanced communication and business management skills, promoting economic self-sufficiency.

Foster Ongoing Communication: Establishing regular dialogue between refugee entrepreneurs, policymakers, and local business communities is essential for identifying challenges and collaboratively implementing solutions. By enhancing cross-cultural understanding and creating a more inclusive society, Peshawar can harness the entrepreneurial spirit of Afghan refugees, ultimately boosting its economic vibrancy and fostering a thriving, diverse marketplace.

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