

# TRADE WINDS OF CHANGE

## WOMEN ENTREPRENEURS ON THE RISE IN SOUTH ASIA



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YEARS

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Published by United Nations Development Programme  
Regional Bureau for Asia and the Pacific  
Bangkok Regional Hub

ISBN 978-974-680-404-2

Photo credits South Asian Network on Economic Modeling, InfoAge Consulting, Consumer Unity & Trust Society International, South Asia Watch on Trade, Economics and Environment, Sustainable Development Policy Institute, Institute of Policy Studies of Sri Lanka

Editing Alan Cooper  
Design Paulien Tuijtelaars

Cover photo A woman is making Nepalese handmade papers, Nepal.

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A woman washes the cooked *allo* (Himalayan nettle) fibres.

# FOREWORD

South Asia is a rapidly growing subregion. Its population of more than 1.74 billion accounts for almost a quarter of the world population. Overall, the subregion currently enjoys a demographic dividend, with approximately one half of the population under 25 years old.

An important channel for realizing inclusive and sustainable regional development are the micro, small and medium enterprises within South Asia. These entities serve as the backbone of all sectors in the economy and are an important source of employment and poverty reduction. They can play an important role in promoting spatially balanced inclusive growth and ensuring more equitable distribution outcomes.

The countries of South Asia have made significant development in the recent years. However, one of the major challenges impeding further advancement is gender disparity. In fact, many of the “unmet” Millennium Development Goals in the subregion are related to areas that require women’s empowerment and gender equality. The 2030 Agenda for Sustainable Development has the potential to make a real difference for gender equality and women’s empowerment. In the Agenda, gender equality is acknowledged as a fundamental right, and as a driver of progress across of the Sustainable Development Goals.

Another significant challenge for South Asia is the relative lack of intraregional trade. South Asian countries have been importing and exporting products to and from other subregions but not as much to neighbouring countries. With three landlocked least developed countries and two small island economies, economic prosperity for the subregion as a whole will not be sustainable if trade within the subregion does not increase.

This field-based research study seeks to identify the barriers that micro, small and medium enterprises face in engaging in subregional trade and business in general with a focus on women entrepreneurs. Identified issues, such as access to information, markets, finance and trainings, and transportation and cumbersome custom procedures might be common to all micro, small and medium enterprises in the South Asia. The study, however, argues that if the integration of micro, small and medium enterprises into intraregional trade remains gender blind, the South Asian countries will miss out on a unique opportunity to boost growth, which, in turn, will make a significant contribution towards achieving sustainable development. Therefore, gender mainstreaming tools such as gender-responsive budgeting should be applied to all parts of economic and social sectors including trade facilitation and infrastructure projects to reflect the needs of women entrepreneurs and traders on all policies and programmes.

We hope that the study will be useful for governments, UNDP country offices, international organizations, research institutions, civil society, development banks and other stakeholders involved in reviewing, designing and implementing gender-responsive trade and economic policies and programming.



Nicholas Rosellini  
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# ACKNOWLEDGEMENTS

We would like to thank the Australian Department of Foreign Affairs and Trade for their generous support provided to this research study. We would like to thank those who have contributed their valuable time to participate and provided their insightful information at the inception meeting (Kathmandu, Nepal, 2 October 2013), the field surveys including focus-group discussions, national level consultation meetings, advisory committee meetings and validation workshops.

Comments and suggestions were gratefully received from the participants and resource persons of the 17th Sustainable Development Conference (Islamabad, 11 December 2014), the 24th International Association for Feminist Economics Annual Conference (Berlin, 17 July 2015), the 8th South Asia Economic Summit (Islamabad, 8 December 2015), and Asia-Pacific Regional Conference on Rural Finance and Community Development (Bangkok, 24 March 2016) where preliminary findings from the country studies and policy and programme suggestions were discussed. Luisa Bernal, Ramya Gopalan and Koh Miyaoi of UNDP also provided their valuable comments on the final draft of the paper.

The project was conceived and developed by Biplove Choudhary. Guidance from Sabrina Varma, Biplove Choudhary, Bipul Chatterjee and Ratnakar Adhikari was provided in the early stage to the project.





Women employees are making traditional incense, Gelephu, Sarpang district, Bhutan

# EXECUTIVE SUMMARY

Micro, small and medium enterprises are well recognized as a critical pillar of economic growth and an important source of employment and poverty reduction, particularly for women. In South Asia, women's share of formal small and medium enterprises is extremely low, compared to other Asian subregions.

In addition, South Asia is one of the least integrated subregions in the world with limited ongoing economic cooperation among its eight countries. Tariffs, tax imposed on internationally traded goods, have declined over the years as a result of regional and bilateral free trade agreements as well as unilateral efforts. Intraregional trade in South Asia has been steadily increasing; yet, the share of intraregional trade in total trade has remained stagnant and low, in a range of 5 to 7 percent. Non-tariff barriers are seen as one of the main reasons behind limited intraregional trade in the subregion.

This is a regional synthesis report of field surveys that were conducted in six South Asian countries, Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka, between August 2014 and February 2015. The objective of the survey was to identify the barriers that women-owned and led micro, small and medium enterprises (hereafter, WMSME) face in engaging in business and subregional trade. The survey also suggested policy and programme interventions for creating an enabling environment for WMSME to conduct business and engage in subregional trade by overcoming the barriers identified in this study.

The field-based research was product-specific. Each country team selected two or more products with high trade potential in South Asia and a relatively high share of WMSME or micro, small and medium enterprises that have a significant level of women employees – at least 40 percent of the total workforce. Although the exercise of selecting goods was carried out individually for each country, the goods selected, which included agro-processed commodities, garments, and handicrafts, were very similar among the six countries.

The survey findings show that women-owned and led enterprises have remained at the microscale for many years. Women have limited mobility because of domestic and care work responsibilities, lack of ownership or control over transport vehicles and safety and security concerns have limited women entrepreneurs from accessing information, finance, markets, trainings and networking opportunities among other things, which as a result, continues to serve as barrier for women to expand business and trade.

Few WMSME surveyed directly engaged in cross-border trade in South Asia or in other subregions. A commonly felt hostile attitude among male suppliers, traders, and officials at checkpoints and customs, safety and security concerns, and lack of women-friendly amenities, such as hotels, at the border facility compels them to rely on male intermediaries to carry out trade procedures. Other barriers, such as bribery and the mishandling of products can affect all micro, small and medium enterprises. However, women entrepreneurs may perceive them differently than their male counterparts. For example, some women take the view that bribery is a way for men to deny women access to the business world.

The barriers women encounter to conduct business are also similar, attributed mainly to women's limited mobility. In addition, in some countries women who sell their own products face harassment from male customers, traders, and officials. On the other hand, as home-based workers' interaction with men outside the home is minimal, very few of them report experiences of sexual harassment.

Profiles of women entrepreneurs are quite diverse, varying in terms of age, educational attainment, family structure and support system, motivation of starting business and control over revenue. An enabling environment for women to conduct and expand business also varies by product or sector, business location, and the membership associations/cooperatives. While acknowledging some common issues that most WMSME share are important, policy and programme interventions should not be a one-size-fits-all approach.

For example, the six countries surveyed have policies to promote entrepreneurship development, in particular women entrepreneurships. The survey findings, however, show that such schemes are not reaching those who really need government support.

With the advancement in women's educational attainment and mobile technology and increased advocacy for women's empowerment, a number of opportunities have also risen. Many women entrepreneurs surveyed hoped to transform from the survival-oriented to the growth-oriented end of the enterprise spectrum, including business prospects of conducting cross-border trade. Governments, international organizations, development banks and civil society, among others, need to consult women entrepreneurs who are often at the bottom of the value chain at each stage of designing, implementing, monitoring and evaluating the effectiveness of the various support schemes that they provide to ensure the effectiveness of the investment and development impacts.

# MAP OF SOUTH ASIA



Map No. 4140 Rev. 4 UNITED NATIONS  
December 2011

Department of Field Support  
Cartographic Section

The designations employed and the presentation of material on this map do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations or UNDP concerning the legal status of any country, territory, city or area or its authorities, or concerning the delimitation of its frontiers or boundaries.



# ABBREVIATIONS AND ACRONYMS

<b>ADB</b>	Asian Development Bank
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>DFID</b>	UK Department for International Development
<b>DoI</b>	Department of Industry (of Nepal)
<b>ESCAP</b>	Economic and Social Commission for Asia and the Pacific
<b>EU</b>	European Union
<b>FHAN</b>	Federation of Handicraft Association of Nepal
<b>FNCCI</b>	Federation of Nepalese Chamber of Commerce and Industry
<b>GDP</b>	gross domestic product
<b>HS</b>	Harmonized System
<b>IDRC</b>	International Development Research Centre
<b>ITC</b>	International Trade Centre
<b>MDG</b>	Millennium Development Goal
<b>MSME</b>	micro, small and medium enterprises
<b>MOOC</b>	Massive Open Online Courses
<b>NBFI</b>	non-banking financial institutions
<b>NCC</b>	Nepal Chamber of Commerce
<b>NGO</b>	non-governmental organization
<b>NTFP</b>	non-timber forest product
<b>NTB</b>	non-tariff barrier
<b>NTM</b>	non-tariff measure
<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>SABAH</b>	SAARC Business Association of Home-based workers
<b>SAFTA</b>	South Asia Free Trade Area
<b>SME</b>	small and medium enterprises
<b>SPS</b>	sanitary and phytosanitary
<b>TBT</b>	technical barriers to trade
<b>TEPC</b>	Trade and Export Promotion Centre (of Nepal)
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNDP</b>	United Nations Development Programme
<b>WMSME</b>	Women-owned and led micro, small and medium enterprises

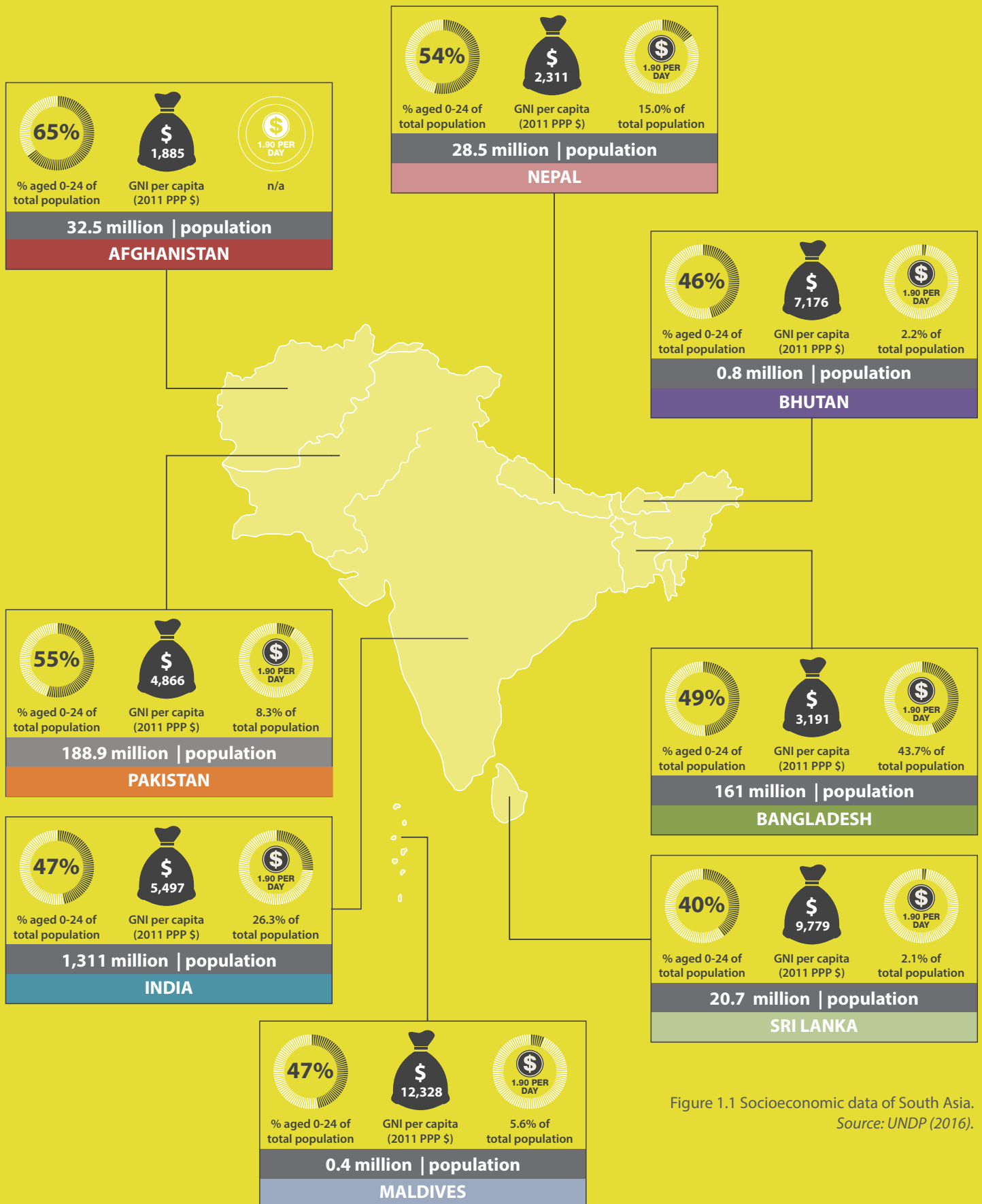


Figure 1.1 Socioeconomic data of South Asia.  
Source: UNDP (2016).

# 1 | INTRODUCTION

South Asia is the second most rapidly growing subregion in Asia and the Pacific after East Asia and the Pacific. The subregion's gross domestic product (GDP) has grown by 7.1 percent annually during the period 2000-2014, a much higher pace than the world average of 2.6 percent (World Bank, 2015). With a population that exceeds 1.74 billion (figure 1.1), the subregion accounts for nearly a quarter of the world population. Although the populations within countries range from less than one million in Bhutan and Maldives to more than 1.3 billion in India, the population of South Asia has been growing at a more rapid pace than other subregions, with the exception of sub-Saharan Africa. Overall, the subregion currently enjoys a demographic dividend, with nearly one half of the population aged 0-24 years old.

The countries in the South Asia subregion have recorded significant progress with regard to many of the Millennium Development Goals targets, including halving extreme poverty. Nevertheless, the number of people living in extreme poverty remains high in Bangladesh, India, Nepal and Pakistan (UNDP, 2016).

Many of the "unmet" Millennium Development Goals in South Asia are related to the areas that require women's empowerment and gender equality. Despite progress in women's educational attainment, female labour force participation, the share of women in wage employment in the non-agricultural sector, the ratio of women's earnings to men's earnings, the proportion of seats held by women in parliament and the support required to improve maternal health remain low.



Ms. Nanda Rai, *allo* (Himalayan nettle) producer and a leader of weavers, in Sankhuwasabha district, Nepal.

## 1.1 | LIMITED TRADE ACTIVITIES WITHIN SOUTH ASIA

Despite its economic dynamism as described above, South Asia is one of the least integrated subregions in the world with limited ongoing economic cooperation among its eight countries.

South Asian countries have signed the Agreement on South Asian Free Trade Area (SAFTA), which has been in force since 2006<sup>1</sup>. Also, the countries in the subregion have signed a number of bilateral preferential trade agreements, including:<sup>2</sup>

- Bangladesh-Pakistan Free Trade Agreement, in force since 2003
- Bangladesh-Bhutan Agreement on Trade, last renewed in 2014
- Bhutan-India Agreement on Trade, Commerce and Transit, in force since 2006
- India-Nepal revised Treaty of Trade (Preferential Trade Agreement) in force since 2009
- India-Sri Lanka Free Trade Agreement, in force since 2001
- Pakistan-Sri Lanka Free Trade Agreement, in force since 2005

Together with the development of multilateral trade regimes as well as unilateral efforts, the use of tariff, a tax imposed on internationally traded goods, has declined globally and regionally in South Asia.

Intraregional trade in South Asia has been steadily increasing; yet, the share of intraregional trade in total

trade has remained stagnant and low, in a range of 5 to 7 percent, over the last decade, even after a number of the free trade agreements had come into force (figure 1.2). In contrast, the share of intraregional trade under other free trade arrangements, such as the Association of Southeast Asian Nations (ASEAN), the North American Free Trade Agreement, and the European Union (EU) were 25, 50, and 62 percent, respectively.<sup>3</sup>

In summary, South Asian countries have been trading more with countries outside South Asia than with each other. An exception to this are the landlocked least developed countries in the subregion, namely Afghanistan, Bhutan and Nepal (table 1.1), as their costs associated with cross-border trade tend to be significantly cheaper than the costs to trade with countries for which they do not share a common border.

One should note, however, that small countries' imports from larger neighbouring economies generally exceed their exports to the same trading partners. Often, smaller countries import equipment and inputs required for production and business and export mostly low-priced primary commodities. Nonetheless, regional trade growth outcomes are not equitably shared among the South Asian Association for Regional Cooperation (SAARC) member States, particularly vis-à-vis the least developed countries (figure 1.3)<sup>4</sup>

Previous studies<sup>5</sup> have revealed that South Asian countries have a large export capacity to trade with

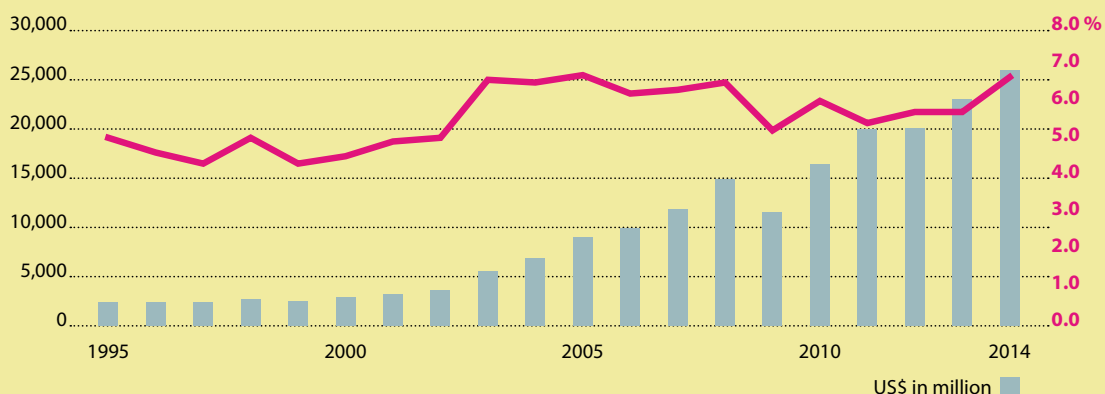


Figure 1.2 Intraregional trade of South Asia, 1995-2014

Note: Amount of exports in U.S. dollars at current prices and current exchange rates. Source: UNCTADstat.

1 Bangladesh, India and Sri Lanka are the members of the Asia-Pacific Trade Agreement.

Bangladesh, Bhutan, India, Nepal and Sri Lanka are the members of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation.

2 For more information, see UNESCAP Asia-Pacific Trade and Investment Agreements Database.

3 The 2014 data from UNCTADstat database. The EU 28 figure was used for the European Union.

4 There are four least developed countries in South Asia; namely, Afghanistan, Bangladesh, Bhutan, and Nepal. All except Bangladesh are landlocked countries.



	total IMPORT USD Millions	TRADE WITH SAARC			total EXPORT USD Millions	TRADE WITH SAARC		
		%	major SAARC partners			%	major SAARC partners	
AFGHANISTAN	7,697	18.7	PAK	INDIA	571	61.0	PAK	INDIA
BANGLADESH	41,222	2.5	INDIA		24,314	13.7	INDIA	
BHUTAN	992	78.8	INDIA		531	93.7	INDIA	
INDIA	459,369	0.6			317,545	6.2	BGD	LKA
MALDIVES	1,993	15.5	LKA	INDIA	145	8.0	LKA	INDIA
NEPAL	7,590	65.5	INDIA		901	68.9	INDIA	
PAKISTAN	47,545	5.5	INDIA		24,772	13.1	AFG	BGD
SRI LANKA	19,244	22.3	INDIA		11,295	9.0	INDIA	

Table 1.1 Imports and exports of SAARC countries and intraregional trade share  
Notes: All data are from 2014, except for Bangladesh and Bhutan from which the latest data available are in 2011 and 2012 respectively. Source: UN Comtrade database.

neighbouring countries but actual exports remain low or zero. Some examples are textiles and other inputs needed for the production of ready-made garments, or processed food. A number of literatures<sup>6</sup> argue that the use of non-tariff measures (NTMs) and the resulting non-tariff barriers (NTBs)<sup>7</sup>, which has risen after a decline in tariff use, is one of the main reasons behind limited intraregional trade of South Asia.

Non-tariff barriers give rise to unpredictable and time-consuming processes, which inhibit economic exchanges and significantly raise prices in the subregion. NTBs also negatively affect the development of mutually beneficial regional value chains and production processes for the regional markets. Diversification of the markets are now increasingly attractive, given the noticeable dip in

external demand for goods and services in developed markets at the time of the economic crisis of 2007-2008.

As home to three of the world's most populous countries, namely India, Pakistan and Bangladesh, the subregion is poised to become one of the largest markets in the world. Trading with neighbouring countries, therefore, would be a plus for the surrounding smaller countries, which happen to be landlocked least developed countries, namely Afghanistan, Bhutan and Nepal, and two island economies, Maldives and Sri Lanka. South Asia's economic prosperity would be minimal and not sustainable if the countries would not trade with their neighbours. South Asia can improve intraregional trade potential by removing NTBs.

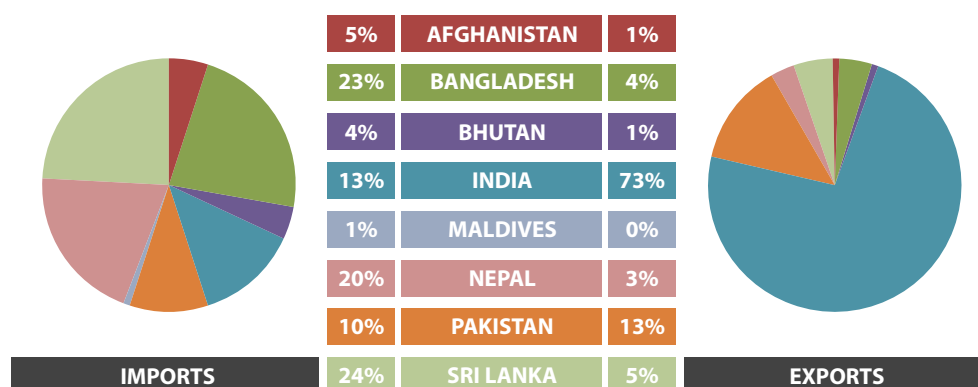


Figure 1.3 Country-wise share in intra-SAARC imports and exports in 2011. Source: Raihan (2013).

5 For example, see Raihan, Khan and Quoreshi (2014) and CUTS International (2013).

6 Raihan, Khan and Quoreshi (2014), Raihan (2015), CUTS International (2013) and ITC (2015).

7 Non-tariff measures refer to a wide range of requirements and regulations other than customs tariffs. They vary across products and countries and include commercial policies, such as subsidies, import quotas, price control, exports restrictions, and rules of origin. There are product-specific requirements, such as quality or content requirements, labelling, testing and certification associated with them. NTMs with non-trade policy objectives comprise sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT). Many NTMs are set for legitimate reasons, such as to protect consumers and the environment, to regulate domestic markets or to protect domestic firms. However, when businesses perceive some NTMs as obstacles to trade and find discriminatory effects against foreign firms, they are NTBs (Raihan, 2015).

## 1.2 | GROWING MICRO, SMALL AND MEDIUM ENTERPRISES AND LIMITED WOMEN'S PARTICIPATION IN SOUTH ASIA

An important channel for realizing inclusive and sustainable regional development outcomes would be to accelerate the gainful participation of MSME within South Asia. MSME are well recognized as a critical pillar of economic growth and as an important source of employment and poverty reduction. They span both the formal and informal sectors. They are also widely dispersed geographically across rural and urban areas. MSME potentially can play an important role in promoting spatially balanced inclusive growth and ensuring more equitable distribution outcomes (ESCAP, 2015).

In Sri Lanka, small and medium enterprises (SME) alone account for 52 percent of GDP (Sri Lanka, 2013) and 30 percent of value added (Sri Lanka, 2009). In Bhutan, small and medium enterprises exhibit a median employment growth of 15 and 25 percent, respectively (Bhutan, 2012). MSME in Bhutan on average employ 7.7 workers, which suggests a high level of employment generation (Bhutan, 2012).

As for India, reports show that MSME employ approximately 40 percent of the country's workforce. In 2006/07, the country reportedly had 36 million MSME, registered and unregistered, which employed 80.5 million people (India, 2015). The total number of MSME was projected to be 48.8 million enterprises, employing 111.4 million people, by 2013/14 (India, 2015).

Formal MSME provide more than three fourths of the total employment in Nepal, Pakistan and Sri Lanka (figure 1.2). In Bangladesh and India, the ratio of formal MSME employment to total employment is low, which could be a consequence of the country's large informal sector, as

indicated by the number of unregistered MSME (Kushnir, Mirmulstein and Ramalho, 2010). With the possible exception of Sri Lanka, where the size breakdown was not available, 85 to 99 percent of formal MSME are micro enterprises.

Micro, small and medium enterprises serve as the backbone of all sectors in the economy, including manufacturing. Therefore, it would be worthwhile to strengthen their participation in the South Asian markets while leveraging the subregion's existing and potential roles in creating value chains, especially in such sectors as agro-based industries, textiles and garments, and handicrafts (Adhikari, 2011; ADB and UNCTAD, 2008).

Social and cultural norms that prevent women from participating in economic activities affect their participation in business as well. While the gender gap in educational attainment has been reduced significantly in recent decades — a wide gender gap in labour force participation has been observed in South Asia regardless of the level of human development that the countries have achieved (table 1.3).

The average growth rate of women's enterprises is significantly lower than that of MSME run by men. Women's share of formal SME is extremely low, at 8-9 percent, in South Asia, as compared to 38-47 percent in East Asia, Central Asia and Eastern Europe (ADB, 2013). This figure would increase with the inclusion of informal and micro enterprises, as women's employment is typically concentrated in the informal sector and in smaller sized enterprises.

Literature<sup>8</sup> shows that poor women entrepreneurs,

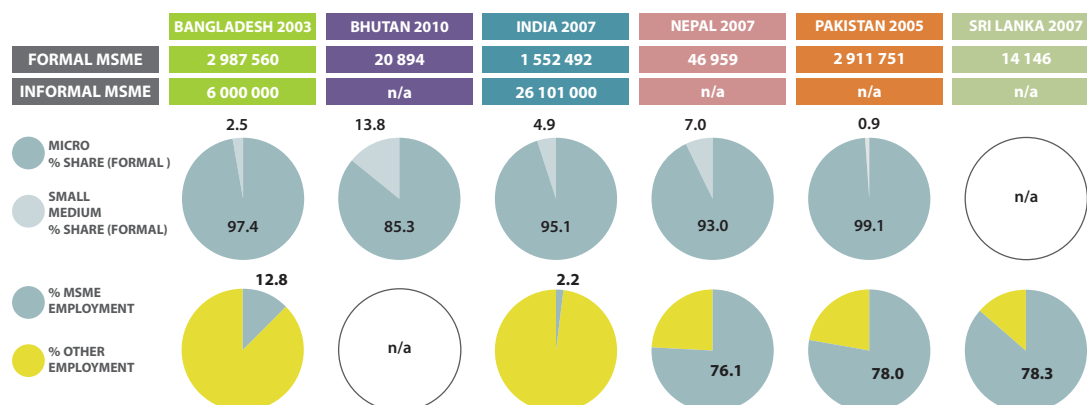


Table 1.2 Summary of MSME in South Asian countries.

Source: Kushnir, Mirmulstein and Ramalho (2010), except Bhutan is from Ministry of Economic Affairs, 2012.

	W	M	WOMEN		MEN		HD INDEX RANK (2015)
	MEAN YEARS OF SCHOOLING (2014)		LABOUR FORCE PARTICIPATION RATE OF AGES 15 AND OLDER % (2013)				
AFGHANISTAN	1.2	5.1	15.8			79.5	171   LOW
BANGLADESH	4.5	5.5	57.4			84.1	142   MEDIUM
BHUTAN	2.0	4.1	66.7			77.2	132   MEDIUM
INDIA	3.6	7.2	27.0			79.9	130   MEDIUM
MALDIVES	5.7	6.0	56.2			77.5	104   HIGH
NEPAL	2.3	4.5	79.9			87.1	145   LOW
PAKISTAN	3.1	6.2	24.6			82.9	147   LOW
SRI LANKA	10.7	10.9	35.1			76.3	73   HIGH

Table 1.3 Mean years of schooling and labour force participation by sex. Source: UNDP (2015).

particularly those in rural areas, or women from socially excluded groups, start and continue their businesses at the survival level. In most cases, they opt to become entrepreneurs because no other income generating options are available to them. Such women are content to run their micro enterprises at home or in proximity to their home as long as the amount they earn brings a positive financial return to their household income.

Another reason for women remaining in informal or micro enterprises is socially and culturally determined and related to their physical mobility. Women often get harassed on the streets and in public transport, or at checkpoints and customs by officials and business persons. The rate of women’s ownership or control over the transport is much lower compared to men.

Women’s responsibilities with regards to family care and carrying out household chores limit their physical mobility as well. In Bangladesh, India and Pakistan, where data are available, women on average work 6, 35, and 5 percent longer than men on a daily basis, respectively<sup>9</sup>. Women in Bangladesh, India and Pakistan spend 41, 70, and 79 percent of their total work hours, respectively, on unpaid care and domestic work, whereas the percentage share for men is considerably less at 17, 14 and 8 percent, respectively<sup>10</sup>.

Given women’s limited mobility, women entrepreneurs have to rely on “middlemen” to source the materials required for their production and sell their final products. Not knowing the appropriate market prices results in less profit for WMSME and the overall disempowerment of women.

Women’s access to credit is an important factor for expanding business. The development of microcredit—

the Grameen Bank in Bangladesh is a well-known example — has benefitted women entrepreneurs who had limited mobility, no basic education and no collateral. Officers from microfinance institutions visit women in remote areas to inform them about the microcredit, collect payments and extend new loans. This programme is highly suitable to women’s needs; however, high interest rates stemming from high administrative costs make such loans less viable. Microcredit provides easy access to small amounts of cash but in many cases it has not helped micro enterprises build their financial record, which is a requisite when applying for a large business loan. Microfinance institutions extend loans for either personal expenditure or business reasons.

The “gender equality is good for the economy” argument has become popular recently. In support of it, Woetzel and others (2015) stressed that if every country in the world were to elevate its gender equality policies to match the best-performing country in the region, the global economy would gain an additional \$12 trillion, or 11 percent in annual 2025 GDP. In the same scenario, the GDP of India could increase by \$0.7 trillion or by 16 percent, and the incremental GDP for the rest of South Asia could be \$0.1 trillion or expand by 11 percent (Woetzel and others, 2015).

In the 2030 Agenda for Sustainable Development, gender equality is acknowledged as a fundamental right, and as a driver of progress across of the Sustainable Development Goals. The integration of micro, small and medium enterprises into intraregional trade is crucial for economic growth and poverty reduction. But if it remains gender blind, the South Asian countries will miss out on a unique opportunity to boost growth and make a significant contribution towards achieving sustainable development.

8 For example, see Kabeer (2012) and IDRC, DFID and Hewlett Foundation (2013).

9 Author’s calculation based on the figures provided in UN Women (2015).

10 Ibid.



An Indian woman is operating a handloom.



## 2 | FIELD SURVEYS

Against this backdrop, UNDP initiated the South Asia project entitled “Promoting MSME for Inclusive, Equitable and Sustainable Development in South Asia (2013-2016)” with financial support from the Australian Department of Foreign Affairs and Trade. One of the project’s activities was to conduct a field-based survey to identify the barriers WMSME face in engaging in business and regional trade and to suggest policy and programme interventions for providing an enabling environment for them to conduct business and engage in regional trade by overcoming the barriers identified in the research study.

## 2.1 | METHODOLOGY

During a consultation with experts and relevant stakeholders in October 2013<sup>11</sup>, entry points for the field research were identified and incorporated into the design of the research. They included:

- Field-based research should be conducted for a product-specific rather than an overall sector. Consequently, the research focused on trade of goods, excluding services sector, such as tourism.
- To select two or more products with high trade potential in South Asia, the research teams should review and build upon existing databases and work, such as Raihan, Khan and Quoreshi (2014) and CUTS International (2013). The methodology for identifying a product at the Harmonized System (HS) 6-digit level applied in Raihan, Khan and Quoreshi (2014) had three criteria: (1) global import of country maintaining non-tariff measures (NTMs) valued more than US\$1 million annually; (2) global export of other countries in SAARC valued more than \$1 million; and (3) limited or no intra-SAARC trade. When the criteria above were met, then possible NTM-related reasons were looked for.
- As for the definition of WMSME, due to lack of a MSME database in general, particularly the data disaggregated by sex of owners, it was suggested to include MSME in women-concentrated industries as well. For the purposes of this study, WMSME refer to those that are women owned or led (such as a woman manager) and MSME that have a significant level of women employees – at least 40 percent of the total workforce or higher.

The field surveys were conducted in six South Asian countries, Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka<sup>12</sup>, in partnership with local institutions between August 2014 and February 2015. Before going to the fields, representatives from six country research teams met and agreed to the following research approach:



<sup>11</sup> Project inception meeting was held in Kathmandu, Nepal on 1-2 October 2013.

<sup>12</sup> UNDP circulated the call for proposals targeting the eight SAARC members States. However, no or only a limited number of applications for Afghanistan and Maldives prevented the completion of the competitive procurement process.



- Research teams review existing databases and work for selecting the products. However for small countries, the \$1 million cut-off line of exports and imports applied in Raihan, Khan and Quoreshi (2014) was too high. In addition, goods listed as potential trade items with other SAARC countries in Raihan, Khan and Quoreshi (2014) were not processed, such as fresh vegetables and fruits, or manufactured products in which few women are involved in the production and sales of them, such as metal. Therefore, the research teams is adopting a modified Delphi approach by setting up a panel of key informants. The informants' role is to help select the products based on the following criteria: (a): high trade potential with neighbouring South Asian countries; (b) associated NTBs, and (c) relatively high percentage of women ownership of MSME or women concentration in the sector. Findings from literature review and secondary data analysis are shared and discussed with the key informants. Then, rapid appraisals are required to verify their responses.
- In addition to the NTM classification of the United Nations Conference on Trade and Development (UNCTAD), lack of access to finance (for trading) and so-called behind-the-border issues, such as trade facilitation are to be considered.
- In cases where the number of formal (registered) women's businesses is very small, informal enterprises can be also surveyed.
- While the project aims to coordinate the survey questionnaires among the six country research teams as much as possible, it also gives each team leeway to modify the questionnaire and analysis based on the country context. For example, regarding the definition of MSME, each country follows nationally defined criteria, such as number of employees and size of capital (annex I).



A focus-group discussion in Paro, Bhutan.

Following the steps described above, each research team selected the various products and conducted surveys, which entailed interviewing approximately 950 owners, managers, female employees of WMSME and self-employed women (figure 2.1). The teams obtained the names of contacts of the enterprises through various channels, including, among others, national SME authorities, chambers of commerce and key informants. The locations of the survey were determined based on the selected products, but, to the extent possible, country teams considered regional variety to cover either rural and urban areas, or wide coverage of the national geography.

An additional 400 persons in six countries were consulted as key informants or participants in focus-group discussions, consultation meetings and advisory meetings to supplement the quantitative data gathered from the field surveys. National consultation meetings were held in each country to verify the key findings and endorse the recommendations.

Readers should note that the findings below are a summary of the country studies<sup>13</sup> based on the field-surveys carried out among producers of selected products in the selected districts of six South Asian countries. The results, therefore, may be considered as an indication of the subregional scenario.

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<sup>13</sup> Country studies are available from <http://asia-pacific.undp.org>





Figure 2.1 Selected products, locations, numbers of people surveyed.

The designations employed and the presentation of material on this map do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations or UNDP concerning the legal status of any country, territory, city or area or its authorities, or concerning the delimitation of its frontiers or boundaries.

## 2.2 | FIRM PROFILES

The majority of the firms surveyed were microenterprises. The share of microenterprises was 86.4 percent of formal WMSME surveyed in Bhutan, 71 percent in Pakistan and 88 percent in Sri Lanka. In Bangladesh, the number of employees in the WMSME surveyed ranged between 5 and 100, with the average number being 10 in the textiles and apparels industry and six in the processed agro-food industry. In India, more than half of the enterprises surveyed had no or less than five employees. As for the handloom sector, more than half were self-employed, operating at home, while 40 percent had 1 to 5 employees.

Women-owned and led micro, small and medium enterprises surveyed have had their businesses for a long time. In Sri Lanka, only 21 percent of the surveyed had their businesses for five years or less. A quarter responded they had been operating the business for 6 to 10 years. More than half had been in business for 11 years or more. In Bhutan, 44 percent of the formal WMSME surveyed had been in business for less than five years, 41 percent of them for 6-15 years, and the rest for 16 years and longer.

### 2.2.1 BUSINESS OWNERSHIP - PROPRIETORSHIP OR OPERATING A FAMILY BUSINESS

All the firms surveyed in Bangladesh and Pakistan were registered. For other countries, both formal and informal WMSME were surveyed and reported.

As for business ownership, more than 80 percent of the surveyed firms in Bangladesh, India and Pakistan were sole-proprietorships (figure 2.2). Notably, proprietorships tend to be easy to start and have minimal regulatory compliance requirements. Partnerships are a popular

form of ownership in Nepal and Sri Lanka. The majority of those surveyed had formed their partnerships with family members.

The survey participants had started their own businesses, with a few exceptions mainly being those operating in India. Female respondents in the handloom sector inherited this traditional family business, and about half of the women involved in the coir business inherited the operation or were operating it as a manager on behalf of the owner or a cooperative society.

### 2.2.2 BUSINESS LOCATION - DOMINANT HOME-BASED PRODUCTION

In general, the survey respondents who were self-employed or had hired a few employees tended to operate at home for various reasons. On the one hand, some businesses that women took up were traditionally carried out at home, such as handloom operations in India and *allo* product making in Nepal. As to be discussed later, women also tended to find working at home the best way to balance their income-generating activity with housework. On the other hand, many tended to work at home in order to reduce business operating costs.

However, some variations were observed. A higher share of WMSME in Bangladesh and Bhutan that engaged in local trading and manufacturing were more inclined to run their businesses outside their homes. For example, in Bhutan, about one half of female entrepreneurs working in the informal sector that were involved in textile weaving or wood and bamboo crafts, operated their businesses at home. About a dozen of them conducted business through mobile shops, carrying their products and going around to offices and homes

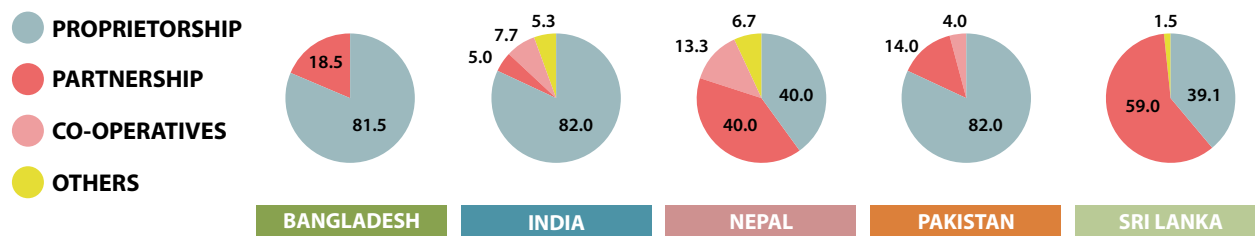


Figure 2.2 Business ownership of MSME surveyed, %

to the doorsteps of the customers. The remaining shared a space with friends or operated from other places, such as at the community farmers markets. On the other hand, the share of firms operating from home among registered entrepreneurs was much less. Sixty-one out of 76 female entrepreneurs, or 80 percent, operated their sales business in a rented space in main business centres or in traditional sheds built by non-governmental organizations (NGOs).

The number of women entrepreneurs operating their businesses in industrial parks was almost nil. In Pakistan, in the four districts surveyed, fiscal incentives were offered to promote self-employment, and there was one such initiative to set up industrial parks. Yet, only 1 percent of the respondents were located in industrial-site buildings. In Bhutan, out of 88 formal enterprises surveyed, only two – both owned by men – had their incense factories in the industrial sites.

### 2.2.3 ECONOMIC GAINS OF RUNNING ENTERPRISES

Enquiring about profits earned by enterprises presented a challenge. The majority of WMSME do not keep financial records of their business, making it difficult to come up with yearly or monthly profit figures. Some just are not willing to disclose their profit numbers as they view them as personal information. Also, it is difficult to compare profits or income across a country or the subregion or products because of the varying sizes of the enterprises and industries. Even among self-employed persons, some only work part-time in order to take care of household responsibilities.

For instance, among the 200 women entrepreneurs surveyed in Pakistan, only 120 of them shared information regarding their turnover and receipts from sales. About half of the respondents did not maintain financial accounts on a regular basis. Among those who did not keep financial accounts, three quarters of them said that they were never asked for such accounts by the official authorities, while other failed to maintain such accounts due to limited time, lack of required skills or lack of resources. Among those who maintained financial records, about 87 percent of them did not conduct annual audits. Among those who reported net profits, the average profit was 119,226 Pakistan rupees (PRs) per annum, equivalent to \$1,200. The highest profit reported was slightly below PRs1 million.

In Pakistan, 70 percent of the survey respondents reported that their business has grown over time while 87 percent of them said that their business had made a net profit over the most recent financial year. Based on sectors, the highest number operations run by women entrepreneurs that made a profit were in the handicraft sector (94.7 percent) while operations in the fashion derivatives sector struggled, with nearly a quarter of them claiming to be operating at a loss. Despite the ongoing losses, which stemmed from difficulty in meeting changes in customers' tastes and preferences in the fashion world, 90 percent of the women entrepreneurs stated that they would continue to work in the sector. Moreover, more than 70 percent of them planned to expand their business, with 44 percent looking for opportunities in more cities within and outside of their province and 12 percent targeting other countries in the subregion.

In Nepal, the majority of women entrepreneurs indicated that their current earnings were at a satisfactory level. Seven out of 15 women entrepreneurs surveyed earned 40,000 Nepali rupees (Nrs), equivalent to \$400, a month or above, from their businesses. Four entrepreneurs earned below 10,000 Nrs a month, while the other four entrepreneurs earned between Nrs 10,000 and 25,000 a month.

In Sri Lanka, there was a clear difference in the monthly income between coir producers and spice producers. Though a simple comparison is difficult to do given the product variety and varying sizes of the enterprises, among other things, focus-group discussion participants pointed out that the differences in business income could mostly be attributed to the higher market price for spices as compared with coir products. More than 80 percent of the coir entrepreneurs earned less than 10,000 Sri Lanka rupees (SLRs), equivalent to about \$75. On the other hand, less than 30 percent of the spice producers belonged to this category. One half of the spice producers earned between 10,000 and 20,000 SLRs.

## 2.3 | DIVERSE PROFILES OF WOMEN ENTREPRENEURS

The section above discusses overall profiles of WMSME. This section looks at the profiles of women owners and managers to understand the personal constraints they may encounter while operating enterprises or engaging in international trade.

### 2.3.1 CAPABILITY TO RUN THE BUSINESS—ATTAINMENT OF EDUCATION AND TRAINING

With regard to educational attainment, which is an important element in having the capability to operate a business, more than half of the women owners and managers surveyed had at least a secondary education in all six countries (figure 2.3). With the exception of Bhutan, at least 35 percent of the surveyed women entrepreneurs in the other five countries had a tertiary or higher education. This corresponds to the reported significant development in educational attainment in these countries. The primary education completion rate was close to 100 percent in all the countries except Pakistan, and gender parity in primary and secondary education was met in all but Pakistan and India (ADB, ESCAP and UNDP, 2015).

In India, women engaged in the apparel sectors were well educated, with most of them having a degree, whereas almost half of the women working in the handloom sector had no schooling at all. Almost none of them had

received any formal training related to their business. The education level among women working in the coir sector ranged from primary school to university. In terms of formal training however, seven out of the 68 survey participants had received various levels of certification in cooperative training.

In Nepal, the majority of women employers as well as self-employed producers responded that they had received formal training related to their current business. However, the effectiveness of the training in terms enhancing knowledge and skills was limited. Most women who had received training had continued to apply traditional skills and rely on expertise. As a result, women entrepreneurs tended to be unhappy with the quality and length of trainings they had.

In Sri Lanka, a low proportion of women had participated in available training programmes. The Ministry of Technology and Research offers technical trainings that focus on home-based small industries, called the *Vidatha* programme, by introducing new technology and skills building. The programme also gives technical advice and coordinates with relevant governmental and non-governmental organizations. Even though *Vidatha* centres are in every divisional secretary, most of the women surveyed were not aware of those training opportunities. As for the ones who knew about the programmes, many didn't participate in them, citing, for

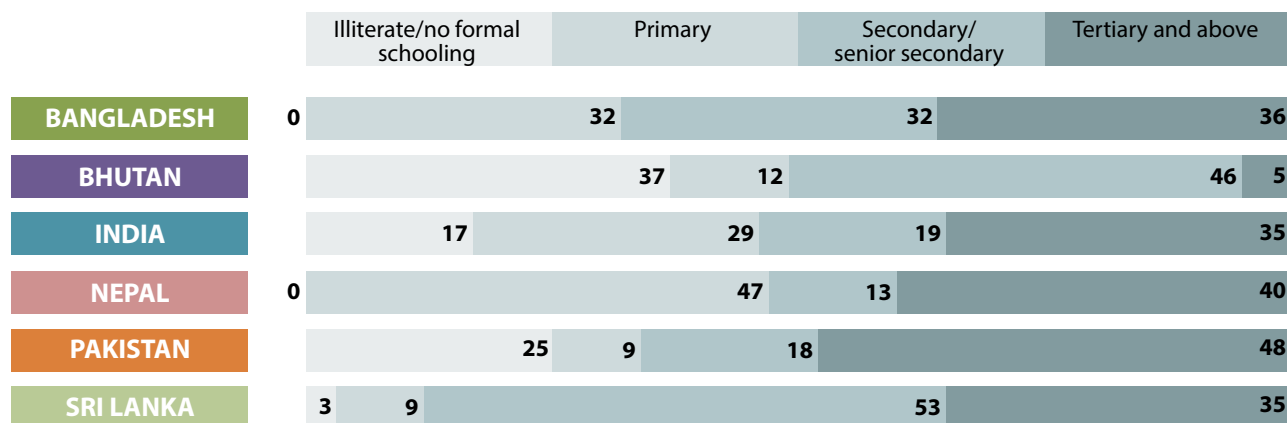


Figure 2.3 Educational attainment of women owners and managers, %

*We have lots of household work. Therefore, we don't have time to attend such (training) programmes and that is the reason.*

*Coir producer from Habaraduwa, Sri Lanka*



example, lack of free time due to need to juggle their business activities with family responsibilities.

### 2.3.2 HOUSEHOLD RESPONSIBILITIES AND TIME POVERTY

Based on available data, the proportion of women surveyed who had never been married was very small; 7 percent in Sri Lanka, 10 percent in Bangladesh and 13 percent in Nepal. In other words, the majority of women entrepreneurs were either married, divorced or widowed and had at least one child. Consequently, they were finding it difficult to balance business and household responsibilities.

In India, Nepal, Pakistan and Sri Lanka, women entrepreneurs were asked if they were receiving help in taking care of the household chores. In India, women engaged in the handloom sectors found balancing life and work more challenging than those who worked with women's apparel or coir products as they tended to receive less support in doing household chores. In fact very few women working in the handloom sector received assistance with the household duties from family members or household helpers. It was noted that being fully responsible for household chores made it difficult to give full attention to business activities. At the focus-group discussions, most women working in the handloom sector said that to boost production, they had operated their looms at night while their husbands worked on them during day.

On the other hand, women working in the apparel sector comprised the largest share of unmarried women, and had on average fewer children than those engaged in the handloom and coir sectors. They were reportedly receiving significant household assistance from immediate family members and household

helpers. Almost all of the women entrepreneurs in the coir sector had three or more children and about half of them reported that they had received assistance with household duties from immediate family members.

In Nepal, two thirds of the women employers and two thirds of the self-employed/employees received help at home. Key supporters for women employers were their husbands or husbands and sons, followed by their daughters and mothers-in-law. Given the small number of samples, it is difficult to compare the responses with that of women employees or the self-employed. Yet, only a small proportion (11 percent) of them received household support from their husbands. Key supporters for them were other women in their family, such as daughters, mothers, sisters and mothers-in-law. Whether or not they received support from family members or household helpers, 73 percent of women employers in Nepal said that they had no time for themselves or for their family.

Nearly half of Pakistani respondents had no help at home, which often affected their business performance. They expressed concern over not having enough time to look after their own self, properly take care of their families and pursue leisure activities. They held the view that even if avenues for recreation were open to them, the absence of a support system required them to be on top of their daily routines.

In Sri Lanka, more than half of women identified balancing house and business work as the main obstacle in running their businesses effectively. Household responsibilities and lack of mobility were key factors for them to do the work at home. Even though both husbands and wives might be engaged in the production of the same good, household work would fall upon women's shoulders.

*We are doing this industry because we can do it at home. That is the main reason, not the profits we make.*

*Coir producer from Galle, Sri Lanka*

*There is no timetable for me. First I finish the household work and my daughter's work, such as homework. Then I don't have enough time for the business. I work in the lave evening. I never waste time. While I'm washing clothes in the washing machine, I cut at least two coconut husks. Sometimes my daughter helps me with not only business work, but also with household work, even though she is only in grade seven.*

*Coir producer from Kurunegala, Sri Lanka*



An Indian woman is carrying extracted coir fibres.

### 3 | LIMITED ENGAGEMENT OF WOMEN-OWNED AND LED MICRO, SMALL AND MEDIUM ENTERPRISES IN TRADE

Among the six countries, only WMSME in Bhutan were engaging in cross-border trade with another South Asian country. Out of 88 formal enterprises surveyed, 23 enterprises indicated that they had Indian suppliers. Eight enterprises also imported raw materials from other regions. Bhutan is a landlocked country and has a preferential trade arrangement with India. Companies in this country look first to import production inputs from India if they cannot source the same products locally. However, none of the MSME surveyed in Bhutan reported that they had been exporting their products to India or to other South Asian countries.

A very small number of WMSME surveyed in India, Nepal and Pakistan indicated that they exported their products and the shipments went to countries outside of South Asia; much of the trade was executed through intermediaries. Specifically, in India, only 23 firms in the apparel and coir industries, or 7 percent of the total surveyed, were exporting their products. In the case of coir products manufactured in Kerala, India, the coir cooperatives bought the products that were manufactured by cooperative societies and independent units and then sold to exporters at better rates than what a small-scale producer would receive in the open market.

In Nepal, nine out of 15 WMSME surveyed had exported their products through freight forwarders, cargo handlers and other middle agents in Kathmandu. As for Pakistan, only 7 percent of the WMSME surveyed reported exporting their products, whereas a majority of the respondents did not engage in regular imports.

None of the WMSME surveyed in Bangladesh engaged in international trade and were not considering overseas trade opportunities. Most WMSME were satisfied with their domestic market, which provides them considerably large margins and high growth prospects. WMSME surveyed in Sri Lanka also did not engage in international trade. However, some WMSME in Bangladesh and Sri Lanka were aware that their products had been sold in international markets through intermediaries. Apparel producers and wholesale/retail traders in Bangladesh tended to know where their products were exported in the subregion and where imported raw materials use for production came from.

## 3.1 | REASONS FOR NOT ENGAGING IN SUBREGIONAL TRADE

The share of WMSME that engage in international trade, either directly or indirectly, is relatively high in Bhutan and Nepal perhaps because these countries have relatively small domestic markets. In Pakistan, only 7 percent of the respondents were engaging in exports, but about one half of them said that they were planning to export their products. Almost 12 percent of the survey participants believed that their businesses could grow exponentially by exporting their products to other countries in the region over the next five years. In India, the majority of WMSME in the apparel and handloom sectors had considered exporting their goods.

So what are the barriers to subregional trade for WMSME?

Among the Bhutanese women who sourced raw materials from India, a few entrepreneurs in the incense industry perceived that male suppliers in India were not very friendly to women entrepreneurs. Almost 20 percent of the women entrepreneurs in Pakistan expressed concerns about their safety and the lack of amenities, such as hotels.

Other barriers identified by WMSME can affect both men and women. However, women may perceive them differently than men. One such example is bribery. Nearly half of the women entrepreneurs surveyed in Pakistan stated the need to give informal gifts as the top logistics and custom-related difficulty related to trade. The same incidence may apply to male entrepreneurs as well. However, given that most custom officers and officials at the borders and checkpoints are men, women entrepreneurs tended to feel uncomfortable in dealing with them directly. Some perceived that bribery was a way for men to deny women access to the business world<sup>14</sup>. To counteract this, many women had sought help from male family members when trading in the domestic and international markets.

Interviews with exporters and freight forwarders in Nepal showed that despite the preferential trade arrangement between India and Nepal, exporters were encountering more hassles at customs. The exporters

and freight forwarders claimed there were no problems on the Nepalese side for exporting goods but they faced unnecessary disruptions and had to deal with rent-seeking from officials at the Indian side.

Indian respondents noted that the subregional markets were not as lucrative as other international market opportunities and view the South Asian markets more as competition than as offering potential market opportunities. Pakistani women surveyed noted the difficulties in obtaining a visa to go to India.

With regards to exports, there appeared to be high involvement of women businesses in informal trade. Women entrepreneurs in India indicated that they were more comfortable exporting informally as it was considered a low risk and had no effect on their tax liability. More than 60 percent of the women businesses surveyed in Pakistan indicated that some business in their sector was conducted through informal trade. They also noted that informally routed merchandise had its origins in other South Asian countries.

India has been establishing border *haats* (markets), authorized informal markets, along the border with Bangladesh. Border *haats* give residents in towns near land ports the opportunity to trade manufactured products and agrarian products at a small scale regularly. One field-survey found that women were actively involved in border *haats*, where locals from both sides of the India-Bangladesh border had set up shops and exchanged goods (CUTS International, 2014). This initiative offers great potential for micro and small entrepreneurs, particularly women entrepreneurs, to engage in cross-border trade and expand their business dealings with neighbouring countries. However, the success of border *haats* in terms of high women traders' involvement and the positive impact on the local economy and livelihood poses a question on effectiveness of the existing land ports.

*Indian importers like to use allo raw materials to manufacture carpets. Some of them come to our office to buy allo as a raw material, but when they learn about the harassment they may face at customs in India, they abandon the idea and we, as a result, lose a potential customer.*

*A Nepali exporter*

<sup>14</sup> Based on the findings from the focus-group discussion.



*It is very difficult for new and small business and MSME, especially for women, as we are not allowed to deal directly with custom officers on the Indian side. We have to hire clearing agents, which adds to our costs. Why do Nepalese exporters encounter a lot of hassles and excess costs in India when trying to ship goods, while those who import from India do not have to deal with the same situation?*

*A Nepali exporter*



A Nepali woman is spinning *allo* (Himalayan nettle) pulp.

## 3.2 | REASONS FOR NOT ENGAGING IN INTERNATIONAL TRADE

Barriers to importing and exporting identified by WMSME are summarized below. They are perhaps common to all MSME in their respective sectors, irrespective of the gender of the owners or managers.

### 3.2.1 COMPLEXITY AND HIGH COSTS OF TRADE PROCEDURES

Women-owned and led micro, small and medium enterprises held the view that their firms were too small to export. In India, almost 60 percent of WMSME in the handloom sector cited lack of productive capacity as the main reason for not exporting. Those who produce homogeneous commodities, such as spices in Sri Lanka and coir products in India and Sri Lanka, could achieve economies of scale by being a supplier to large businesses that export the products. However, this arrangement is less lucrative.

For unique handicrafts made in Bhutan and Nepal, a large volume might not be requested for export. Regardless of the size of the volume of trade, however, trade procedures that firms have to follow in order to export or import are the same. The smaller the firm size the larger the burden of meeting the procedures. Eighteen percent of WMSME (30 percent in garments, 25 percent in fashion derivatives and 4.5 percent in handicraft) in Pakistan responded that lengthy paper work was a bottleneck for engaging in trade. WMSME in Nepal said that the requisite forms and documentations were too complicated for them to fill out, and therefore, they relied on freight forwarders, cargo handlers and other agents to do it.

In addition to the lengthy forms that needed to be submitted, exporters had to deal with an extensive number of public and private agencies. Figure 3.1 contains a list of steps involved in exporting non-timber forest products (NTFPs), including *allo* and *lokta* products, in Nepal. These steps involve dealing with multiple agencies. According to exporters, the procedure takes about a week to 10 days to complete and must be repeated for each consignment.

The exporter must first request a letter of authority from the Federation of Nepalese Chamber of Commerce and Industry (FNCCI) for registration after which the Nepal Chamber of Commerce (NCC) requires details on such information as the permanent account number and value added tax number of the company, the quantity/volume of the products to be exported and other specifications for monitoring purposes. Next, NCC or

FNCCI issues the certificate of origin containing the details of the exporting and the importing companies.

To obtain a valuation approval certificate from the Federation of Handicraft Association of Nepal (FHAN), the exporter has to pay 0.12 percent of the invoice value and packing lists are required. For processed NTFPs items, only the processor's firm gets an export recommendation from the technical committee of the Department of Industry (DoI). Then, the district forest officer recommends that the concerned customs office grant permission to export. The customs office then charges an export duty equivalent to 0.5 percent of the product value and issues the export permission. Developed countries also require the Generalized System of Preferences certificate provided by the Trade and Export Promotion Centre (TEPC).

In addition to the duties and fees that exporters must pay, the opportunity cost forgone could be much larger for MSME. When MSME outsource the export or import procedures to the freight forwarders, cargo handlers and other agents, handling charges occur, which could be larger than the per volume of trade or revenue that can be generated from international trade.

Women-owned and led micro, small and medium enterprises have called upon authorities to modify the trade procedures as simplification of the procedures would boost trade competitiveness in all industries. If certain documents cannot be omitted for consumer safety or environment safeguards, at least consolidating the windows for procedure — a single window, if not, single roof approach— would be effective in reducing the cost of conducting trade.

In Pakistan, 45 percent of WMSME surveyed said they were not importing production inputs because of the procedures are expensive. Almost 40 percent of the handloom WMSME in India found exporting to be too expensive. Below are some the factors behind the high costs.

First, WMSME rely on intermediaries to source raw materials and sell the final products. This results in added costs, which make the products less competitive by the time they reach the traders. Women's lack of ownership or control over transport equipment also add to the trade-related costs. The cost to move products becomes high if they cannot arrange transport from family members or friends. Uncertainty about available transportation modes, particularly in rural areas, and

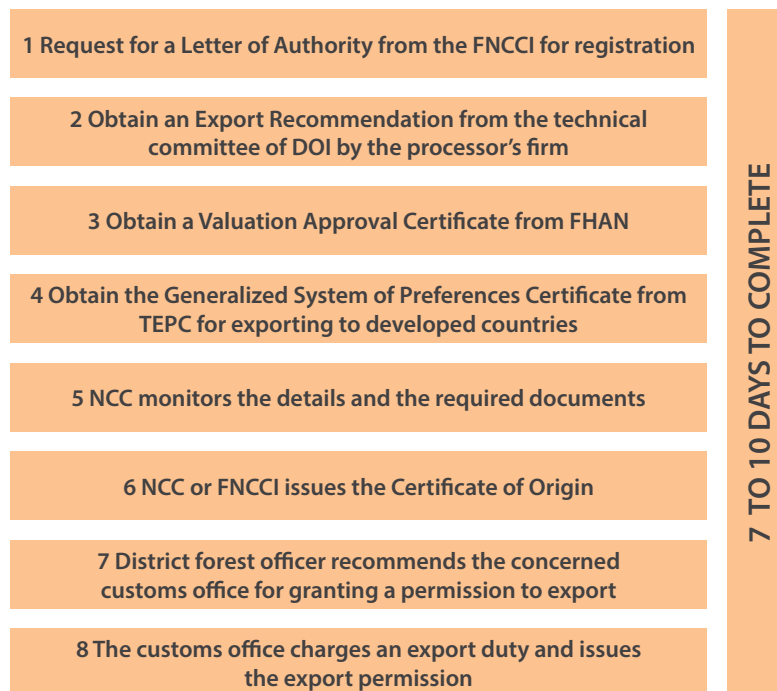


Figure 3.1 Documentation process for exporting *allo* or *lokta* products in Nepal.

rising transportation costs were raised by Pakistani women. Consequently, women producers are mostly price takers. They must accept the prevailing prices in the market.

Second, artisanal products, such as handlooms in India and *allo* and *lokta* products in Nepal, and handmade products tend not to be competitive with machine-made products in terms of price, even though their products may be a better quality.

Third, various charges involved in the transport of products within the country and across the border become more expensive to small enterprises, given their small volume of production and trade. The trade-related fees include packaging and compliance costs charged by the importer and unofficial taxes.

Finally, WMSME, particularly in landlocked countries — Bhutan and Nepal — have found that trade with other South Asian countries is too expensive because of high transportation time and costs and transit-related challenges. In 2015, Bangladesh, Bhutan, India and Nepal signed a subregional motor vehicle agreement to facilitate seamless movement of people and cargo across their borders, but positive effects from it have not been observed yet.

### 3.2.2 LIMITED ACCESS TO INFORMATION

Potential WMSME exporters usually are not familiar with the procedures required for trade, as outlined above, and lack sufficient knowledge of the overseas markets. While Internet access is growing overall, most WMSME still rely on exhibitions as a major promotional medium.

Limited mobility serves as barrier for women to travel a relatively far distance to attend international trade fairs in other provinces or abroad. As a consequence, WMSME do not know the demands of potential importers or market prices of products similar to the ones they offer in international markets. They are not in contact with foreign suppliers or importers abroad.

Women-owned and led micro, small and medium enterprises, therefore, seek government support to connect with foreign buyers or suppliers. In Pakistan, for example, 45 percent of the WMSME surveyed were members of the Export Promotion Bureau of Pakistan and another 46 percent were members of the Trade Development Authority of Pakistan. WMSME in the textiles and apparel industry held the view that government support was valuable because of the large influence that the industry had on the economy.



*We don't know how the grading is being done. The trader decides the quality after inspecting it.*

*A pepper producer, Ukuwela, Sri Lanka*

However, those involved in fashion derivatives noted that the Trade Development Authority of Pakistan had only recently organized dedicated exhibitions for the sector as part of Women Exporter Network Initiative. WMSME in the handicraft sector believed that as the government did not recognize this sector as an industry, it did not offer any industry-specific incentives.

Women-owned and led micro, small and medium enterprises in India also noted government support in developing business networks and finding foreign partners was negligible. That was particularly felt among handloom producers. WMSME in the apparel sector stated that requests to the regional office of Apparel Export Promotion Council to organize buyer-seller meetings, product exhibitions and trade fairs in their respective districts under their aegis were ignored.

However, some governments do extend financial support to women entrepreneurs to participate in international trade fairs. For example, India has a market development scheme to assist MSME, which reimburses WMSME the full amount of the airfare for one person and space rental changes when they participate in an international fair. However, this scheme has not been very effective for a number of reasons. Given limited mobility and safety and security concerns, women entrepreneurs do not wish to travel alone to countries overseas nor to far away cities. Also the reimbursement scheme doesn't work as many WMSME have limited savings and are unable to purchase the air ticket in advance. Therefore, organizing trade fairs in or close to the district hub would be a better option for securing women's active participation in such events.

Interviews in Sri Lanka and Nepal showed that most of woman entrepreneurs have limited mobility and they are at the bottom of the value chain. They tended to be satisfied with their current work situation because they lacked a clear understanding of the market potential or their own potential to grow as an entrepreneur. Some WMSME also noted that their products were of a low quality, not good enough to be exported. Yet, many of them didn't really know the level of the quality demanded in the markets. Thus, they had no idea if it would be advantageous for them to improve the quality of their products and how they should do it.

Limited information and networking, low participation in trainings and skill development programmes and a dearth of role models to follow has resulted in a lack of enthusiasm among women entrepreneurs.

### 3.2.3 LACK OF WAREHOUSES AND DISTRIBUTION FACILITIES

Thirty percent of Pakistani WMSME (36 percent involved in handicrafts, 32 percent in garments and 17 percent in fashion derivatives) cited lack of an appropriate warehouse or distribution facilities as a major logistics and custom-related factor preventing them from engaging in trading. Coir products in India are collected from cooperative members and consolidated at one place for domestic and international markets to remain competitive in terms of price and the variety of the products, given the large volume of products available.

In Nepal, eight out of 15 employers responded that their firms faced stock wastage problems, whereas producers in one district indicated that they had to deal with a shortage in raw materials and were not able to meet market demand. There appears to be no market linkages or coordination between buyers and sellers. It was noted that buyers would cancel orders when they were not happy with the quality of the products or when suppliers were unable to cater to the large quantity demanded. This results in idle stock inventory or wastage.

If WMSME could send their products directly to the warehouse or export house near the customs points, for instance, their transport costs would be less and the need to go through multiple middle agents would be eliminated. Exporters would have enough stock to fulfil international demand on time, thus reducing stock wastage problems and helping to make prices more competitive in the international market.

### 3.2.4 TRADE FINANCE BARRIERS

Trade financing was another obstacle identified by WMSME. This is related to the limited access WMSME have to credit in general (see section 4.5). When asked about major challenges or problems in exporting products, the majority of WMSME in Bangladesh expressed concerns



related to finance. They believed that a large chunk of capital and access to bank loans was needed to export. While Bangladesh Bank (the central bank) has a policy to promote expanded access to loans for SME and women entrepreneurs, 70 percent of WMSME in the textile and apparel sector and 90 percent of those in the agro-food sector stated that obtaining an SME loan from a commercial bank was cumbersome.

Participants in the focus-group discussions in the apparel sector in India also cited inability to meet the working capital requirements for completing large orders as a key reason for not exporting. In this regard, they hope that the Export Credit Guarantee Corporation of India can serve as an underwriter of trade for WMSME who wish to export. In Pakistan, the Microfinance Institution Ordinance 2001 forbids trade financing from being extended to MSME.

Moreover, making payments and transferring funds within South Asian countries is usually a very cumbersome process due to the lack of an appropriate policy regarding currency exchange. The absence of formal banks or money exchange companies near the border posts is a constraint in securing foreign currencies. WMSME in Pakistan pointed out that the lack of banks and branches to facilitate money transfers, particularly vis-à-vis India, was another hindrance to doing trade.

For example, there are three Pakistani bank branches in Afghanistan but the primary purpose of those branches is to provide basic money transfers to Pakistani diaspora in Afghanistan. Thus, their trade operations are not fully operational.

Insurance companies in Pakistan do not facilitate trade with Afghanistan. That is, Afghan importers have to arrange their own transport in Pakistan, which results in unrealized economies of scale. For such items as fashion derivatives, letters of credit are allowed for small amounts. This can lead to very high costs in doing trade, as a trader may have to incur the costs of multiple letters of credits for a single consignment.

### 3.2.5 HIGH DAMAGE COSTS AND POORLY TRAINED CUSTOMS OFFICIALS

Women-owned and led micro, small and medium enterprises in India, Pakistan and Nepal grumbled that their goods were often mishandled by custom officers and checkpoint officials, resulting in high damage costs. In Pakistan, WMSME surveyed cited the following as obstacles to trade: manual examination of goods; inadequate goods handling equipment; and poorly trained customs staff. There are several factors behind this.

First, the officials open the packages because some of the products that WMSME make, such as handicrafts, are often not clearly listed as a tradable product. That is, a specific HS classification code was not given to the product. For example, *allo* in Nepal does not have a specific HS code at the 8-digit level. The closest codes are at the 6-digit level, namely HS code 570190 for hand knotted silk carpets/*allo* hemp and other natural fibres and HS code 611710 for hemp/*allo* stole.

As a consequence of getting trade permits in the 'others' category, the officials open the package to inspect the

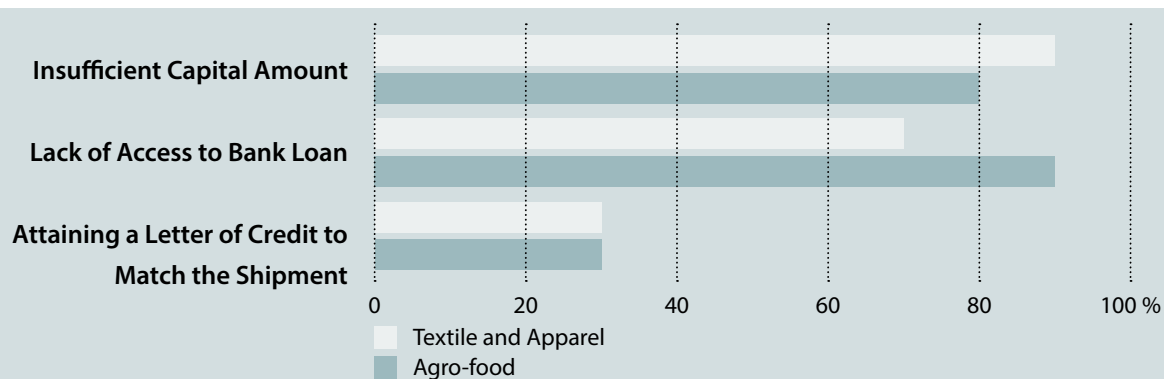


Figure 3.2 Major challenges to export products, Bangladesh

goods. If the officers have doubts they label the products as illegal or untradeable goods. Then, the products are held at customs for an extensive period of time, which results in delays in delivery and cost implications for traders.

Second, due to lack of electronic scanners, officials open the packages to inspect the goods and in the process may damage handicrafts, apparels, and jewellery-based fashion products.

Third, the officials open, throw out or mishandle the package on purpose if they are not paid an informal payment or one they deem as adequate.

Again, similar harassment may be done for male traders and large enterprises as well, but for WMSME, even small damage costs a lot compared to large enterprises that export in bulk.

### 3.2.6 BUREAUCRACY AND RED TAPE

Inefficient government authorities resulted in long delays and incur costs to traders. For example, 20 percent of WMSME in Pakistan identified bureaucracy and red tape as logistics and custom-related difficulties in trade. The response was much higher among those involved in the handicraft sector (36 percent).

Coir fibre exporters in Sri Lanka mentioned that the authority responsible for coconuts took 20 days to issue a certificate required for exports, which could have been issued within 10 days. It also increased the certification fee by 4.5 times (from SL Rs 4,500 to 20,200) in a year all of a sudden without giving any reasons for the price hike.

Indeed, lack of transparency in changes in fees and procedures undertaken by government authorities create unnecessary confusion, incur costs to the traders and industry as a whole, and ultimately reduce competitiveness in the international markets. Dealing with the red tape also occurs in other countries, such as to clear goods in the importing country or transit country. As noted previously, large enterprises may be able to absorb such costs and respond to sudden changes. However, WMSME, especially those that have difficulties in accessing information, may find it more difficult to cope with the changing situation.

Bhutan requires landing certificates and import licenses for goods originating from countries other than India that arrive by road from India. However, they are not required for imported goods that arrive by air.<sup>15</sup> Moreover, the documents are issued by different offices. The regional trade and industry offices issue the landing certificate, which is required for issuance of the import licence. Importers need to register with the Ministry of Economic Affairs, and to obtain an import licence they need to visit the Department of Trade in the capital city, Thimphu, even though both offices are under the same ministry. Furthermore, import licences for capital goods, such as plant, machinery and raw materials, are normally valid for a year, while for other goods, they are valid for six months.

*Even if handicraft products are duty free, the fixing of duties and bill of entry depends on the discretionary power of the custom officers and their mood. Bargaining is also done for an informal payment. If it is not paid, then they create disruptions by mishandling the packaging during inspections. We prefer to pay the officers to prevent our products from getting damaged.*

*A Nepali exporter*

<sup>15</sup> The certificate required is applied to control hard currency reserves and to verify that restricted imports are accompanied by appropriate clearance papers from relevant agencies. For instance, import of medicines and drugs must have clearances from the Drug Regulatory Authority of Bhutan.

In Bhutan, road expansion works carried out in recent years but the expansion of mountainous terrain roads remains insufficient to accommodate the increase in freight level.





## 3.3 | OTHER NON-TARIFF BARRIERS TO TRADE

This section highlights some of the NTBs attributed to commodities that WMSME export to or import from neighbouring countries. NTBs discussed here are common to all exporters or importers in their respective sectors, irrespective of the gender of the traders. As very few WMSME trade directly, the discussion below includes inputs from key informant interviews and focus-group discussions. More comprehensive discussions on NTMs in South Asia are available from country background papers, Raihan, Khan and Quoreshi (2014); CUTS International (2013); and Prasai (2015) among others.

### 3.3.1 CERTIFICATION AND LABELLING REQUIREMENTS AND INADEQUATE CAPACITY OF TESTING FACILITIES

Some countries require certain testing and certifications for radiation “fit for human consumption” or sanitary and phytosanitary (SPS) measures. Those restrictions are certainly important for food safety, human, animal and plant health, and other necessary forms of protection for the benefit of the importing country. However, traders held the view that some NTMs were obstacles to trade and found them to be discriminatory against foreign firms, thus NTBs. Various “technical barriers to trade” including labelling and standards on technical specifications and quality requirements were also cited by WMSME and key informants as obstacles to trade. For example, some MSME in India explained that the misplacement of a label was an export-related issue that they had encountered.

Survey respondents in Sri Lanka indicated that some countries in South Asia did not accept fumigation certificates issued by the exporting country and wanted to fumigate the shipments themselves, which incurred high costs for the exporter. This is the result of lack of mutual recognitions of standards and conformity assessments between countries. In that regard, however, the South Asian Regional Standards Organisation, a SAARC specialized body, became operational in April 2014 and could play an important role in promoting harmonization of standards across the subregion.

Insufficient testing capacity was also cited as a challenge in relatively small countries. Limited financial and human resources were attributed to delays in issuing export certificates for agricultural products by of the Bhutan Agriculture and Food Regulatory Authority, which is under the Ministry of Agriculture and Forests.

Similarly, it was noted that the Sri Lanka Standards Institute sometimes took up to three weeks to issue trade-related certificates, as some of the local labs were not equipped to issue international certificates demanded by buyers for certain products, such as coir and cinnamon oil. In such instances, exporters must send a sample of their products overseas to get a test report, which incurs high costs of trade.

### 3.3.2 PRICE-CONTROL MEASURES

A para-tariff in the form of a supplementary duty on various intermediary raw materials and finished products as NTBs were reportedly imposed on textiles and ready-made garments in Bangladesh and coconut-based products in Sri Lanka. For example, Bangladesh imposed a supplementary duty of up to 60 percent, in addition to custom-duty, on imported ready-made





garments (HS 61 and 62) and related inputs from India and elsewhere.

Another example mentioned for Bangladesh was price restrictions in India for imports of betel nuts (*supari*). India has set a minimum price requirement on certain products, including betel nuts. The price of betel nuts in the local market is 35 Bangladeshi taka (Tk) (\$.35) per kg, which is equivalent to 28 Indian rupees. The minimum requirement of cost, insurance and freight price of 35 Indian rupees per kg thus makes Bangladeshi exports uncompetitive through regular export channels.

### 3.3.3 EXISTENCE OF EXPORT SUBSIDIES IN PARTNER COUNTRIES

Sri Lankan exporters mentioned that prevailing subsidies in partner countries were adversely affecting

the country's trade competitiveness. For instance, according to a coir fibre exporter from Colombo, coconut production capacity in India is 15 billion coconuts, which is much larger than the 2.5 billion production capacity of Sri Lanka. In addition to the economies of scale, the Government of India offers 1 percent of the total export value as an incentive to exporters, enabling them to reduce their prices so that their products could become competitive in the world market. This has led to a deterioration of market share of other exporters from other countries, including Sri Lanka, in the world market as well as in South Asian market.



Interviewing a women entrepreneur in Bhutan.

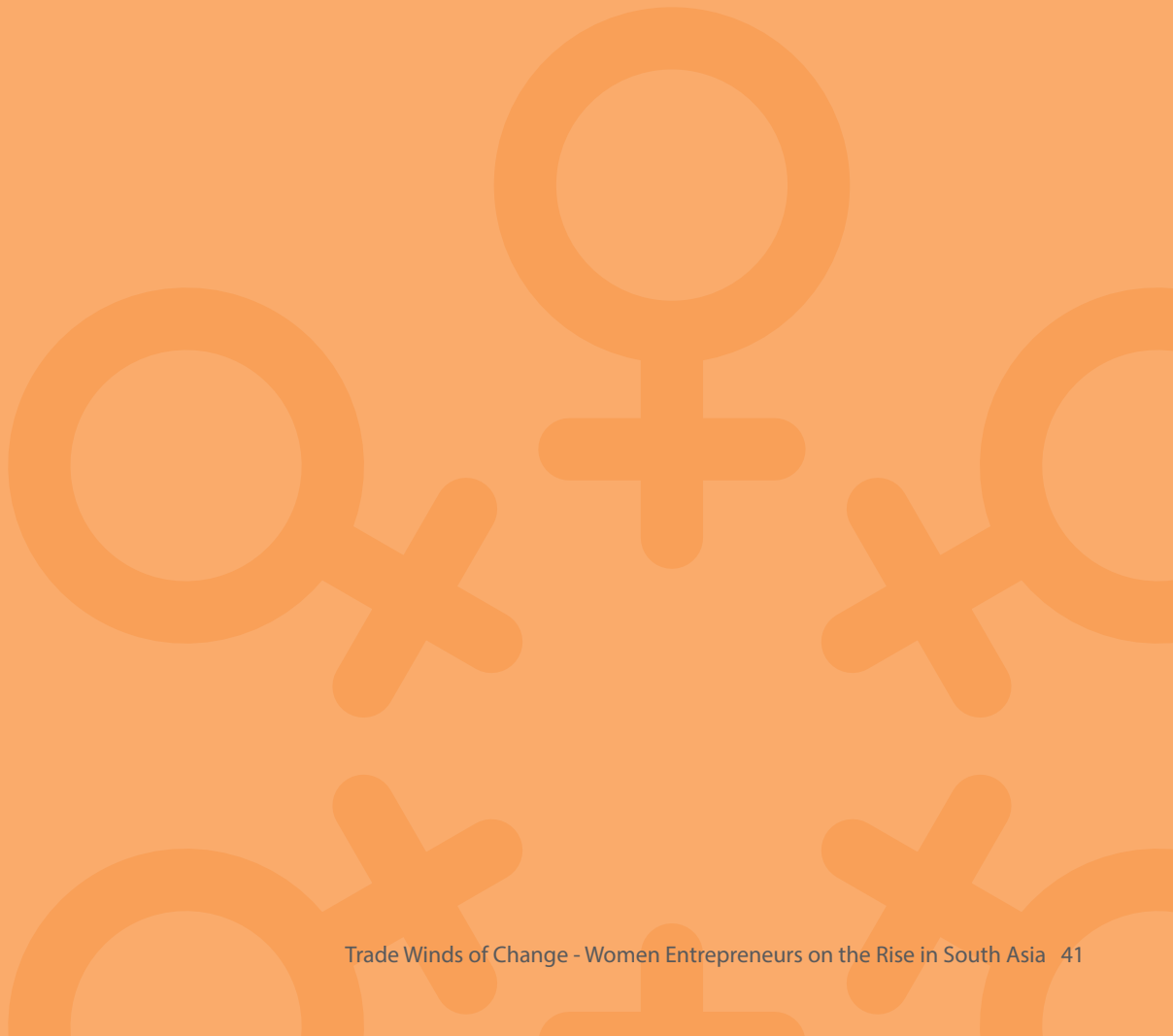




An Indian woman is operating a handloom.

# 4 | BARRIERS WOMEN ENCOUNTER TO CONDUCT BUSINESS

This section discusses the profiles of women entrepreneurs and the barriers they face in running business in respective countries in South Asia. The findings help us understand women's barriers in engaging in international trade.



## 4.1 | SELF-MOTIVATED FOR BUSINESS WITH FINANCIAL NEEDS

Nearly two thirds of the females surveyed in Pakistan and Nepal and 44 percent in Sri Lanka were self-motivated to start their own businesses. The others were motivated by family members, such as a parent or a spouse or an in-law. Only a few of female respondents said they were inspired by other entrepreneurs.

Whether the inspiration to start a business was through self-motivation or being motivated by family members, overall, push factors, such as personal financial needs and lack of other employment, were dominant reasons for establishing a business, particularly in Bhutan, India, Nepal and Sri Lanka. Pull factors, such as self-achievement, desire to be financially independent and

aiming for better personal and professional growth opportunities were also significant in Nepal and Pakistan and among women entrepreneurs working in the Indian apparel sector. Very few entrepreneurs in Bhutan, Nepal and Sri Lanka cited the desire to make a profit or exploit available market opportunities as motivations for starting a business.

The findings confirm the observations of Kabeer (2012) that most women conduct business as a survival strategy. In other words, when women find more profitable ventures or opportunities including emigration and remittance, they abandon their businesses, as observed in Baglung and Sankhuwasabha districts of Nepal.

REASONS	BHUTAN	INDIA (no. of responses)			NEPAL	PAKISTAN	SRI LANKA
	%	apparel	handloom	coir	%	%	%
Financial needs	70	54	63	62	53	34	57
Lack of other opportunities	-	15	26	37	-	-	-
Desire to achieve something and be financially independent	-	68	2	3	87	13	13
Self-interest	20	-	-	-	-	7	-
Capturing available market opportunity	7	-	-	-	20	-	5
Easy to balance with other household responsibilities/ flexible work schedule	-	-	-	-	13	11	-
Better personal and professional growth opportunities	-	-	-	-	-	23	-
Utilize free time	-	-	-	-	-	7	21
Others	3	-	-	-	-	-	21

Table 4.1 Reasons for setting up a business.

Note: Multiple answers for India and Nepal. Responses for Bhutan are only among informal sector only.

## 4.2 | WHY CROWDING? INDUSTRY SEGREGATION BY SEX

One of the criteria for selecting the goods for this study was high participation of women in the sector as owners, managers or employees. Although the exercise of selecting goods was carried out individually for each country, the goods/sectors selected were very similar, namely agro-processed commodities and textiles, garments, and handicrafts.

Feminist economics literature has shown that given gender discrimination in the markets and the limited choices available to women in determining income-generating activities, women flock to a particular industry or occupation. This, in turn, contributes to the gender pay gap against women's low wage.



When women entrepreneurs were asked the reasons behind their choice of business product, not many selected high profits or potential expansion of business. Instead, the respondents tended to start businesses in a sector they knew well. Women tend to know how to make certain products but they have no knowledge about operating a business. As discussed below, common factors underlying the selection of the business sector were very much influenced by gender norms, women's limited mobility and access to information and social networking.

Very few women entrepreneurs talked to fellow women entrepreneurs before starting their business. They had discussed the idea with family members, but not with other persons involved in the type of business they were planning to start. As many women live in a small circle comprised of their community, family and friends, they lack a clear understanding of what they are capable of doing and how to grow their businesses.

#### 4.2.1 UTILIZING LOCAL KNOWLEDGE AND TECHNIQUES FOR PRODUCTION

Many women entrepreneurs operate their family business or start a business with knowledge and techniques that were inherited from their parents or other senior members of their communities. An example of the former are women working in the handloom sector in India, a traditional community-based industry. Examples of the latter are women working in the spice sector in Sri Lanka or *allo* and *lokta* producers in Nepal.

For example, Kulung caste women from Sankhuwasabha district of Nepal engage in *allo* cloth making due to their attachment to their traditional knowledge and values. *Allo* cloth is required as part of a religious practice on such occasions as the birth of a child or funeral ceremonies, for instance.

Spice production, particularly cinnamon, has a long history in Sri Lanka. Women entrepreneurs said that they had been processing spices using techniques that had been passed on to them from generation to generation. As a result, they had not received any formal training. Nevertheless, even if modern technology, such as processing machines for cinnamon or pepper were available, financial constraints and difficulty in getting the proper training to operate the machines hinder the use of this new technology among WMSME.

#### 4.2.2 GENDER NORMS SHAPING THE DIVISION OF LABOUR BY SEX

The production of such goods as cinnamon or handlooms have been carried out over generations, with both men and women being involved in the process. Yet, the division of labour by sex have become more apparent as various factors affected their lives.

Around the world, but particularly in South Asia, men have more options in terms of careers given gender norms and gender differences in terms of access to education and trainings, mobility, ownership of and control over the assets and various resources, among other things. As a result, men can pursue jobs outside their homes while women work at home or in proximity to their homes. Both men and women engage in the production of a good, but women tend to concentrate on work that can be done at home, which is often at the bottom of the value chain.

For example, to produce cinnamon quills, small-scale production entails harvesting, selecting, removing knots, scrapping, rubbing, peeling, formation of quills, drying and then bundling. Women require a lot of support from men in harvesting and selecting, but they do the rest of activities mostly at home. Then, men come to collect and transport the bundles of cinnamon quills to sell them to the dealers. Further processing and packaging of cinnamon are also done by women. The distributors for both local and international markets tend to be men.

The work that involves carrying and transporting heavy loads of cinnamon sticks and bundles as well as sales and distributions are done by men while the other tasks are mostly done by women by hand. Similar divisions of labour are found in the production of other spices in Sri Lanka (annex II).

### 4.2.3 MAKING PRODUCTS FAMILIAR TO THEM

Almost half of the women entrepreneurs surveyed in Pakistan selected their business product based on having worked in an industry associated with that product, for example, apparel making. More than 90 percent of the women entrepreneurs surveyed in Pakistan responded that they had past experiences in their current business activity as a hobby or for work.

Women-owned and led micro, small and medium enterprises in this category also know how to make certain products but they don't have prior knowledge on how to run a business. In fact, more than half of WMSME in Pakistan had no experience with regard to business-related activities: sales and marketing experiences; supervising or management; or accounting. Lack of business experiences are common problems among WMSME in other countries as well.

### 4.2.4 SELECTING THE SECTOR BASED ON RECEIVING FAMILY SUPPORT

Nineteen percent of women entrepreneurs in Pakistan explained that they became involved in a certain business based on suggestions from family members. In some cases the family members also offered advice on how to operate the suggested business. Another 14 percent opted for their current businesses because they had a limited financial resource base and could only support their present initiatives.

An entrepreneur in Peshawar, Pakistan, indicated that she started a women's clothing business because it was "more of a women-thing in my culture." She said that if she were to start a business to produce a product that that men in her village were already producing, such as timber, logs or carpets, her family would not support her. She opened her business in her village; buying 4-5 suits in a nearby city and then stitching and lacing them with embroidery work before selling the suits in the village. Later, her brother and husband joined the business, which has evolved into a family shop in Peshawar city.

In Bangladesh, 70 percent of women entrepreneurs involved in textiles and apparel and 80 percent involved in the agro-food industry indicated that that their families were supportive of their business endeavours and that this support gave them the strength to continue carry on.

## 4.3 | SOCIAL AND SECURITY CONSTRAINTS

In addition to the constraints mentioned above, survey respondents indicated that sexual harassment, security and safety concerns, and social stigma were women-specific social constraints and challenges prevalent across the subregion.

### 4.3.1 SEXUAL HARASSMENT

Sexual harassment was reported among women entrepreneurs in Bangladesh, India, and Pakistan. In Bangladesh, 90 percent of the women entrepreneurs working in the textiles and apparel sectors and 65 percent in the agro-food industry reported experiences of being harassed at their business establishments. One such example involved a woman who had started to receive anonymous phone calls sexually harassing her. She had been circulating her business cards in the early days of her business. After that experience, she now only gives her business card to familiar customers. In Pakistan, 36 percent of the women reported to have experienced harassment from competitors, customers or public officials.

In India, such claims were only made by women working in the apparel sector. Women involved in the handloom and coir sectors in India as well as women entrepreneurs in Nepal and Sri Lanka mostly worked at home. As their interaction with men outside the home was minimal, very few of them reported experiences of sexual harassment.

While the harassment incidences were relatively low, almost 12 percent of women entrepreneurs in the apparel sector in India admitted to having faced it from public officials or from traders and aggregators they relied on for business purposes. Some had been forced to change the location of their businesses as a consequence. Some women entrepreneurs in the apparel sector highlighted that they preferred to be with a man when conducting business or send male counterparts to conduct business on their behalf as they felt uncomfortable engaging in client-trader interactions, attending industry association meetings, reaching out to foreign buyers and interacting with public officials.

### 4.3.2 SECURITY AND SAFETY CONCERNS

Related to harassment, another factor hindering women entrepreneurs from engaging in business on par with men are security concerns. Women's limited mobility stems from both time constraint and security concerns as reported in Bangladesh, Nepal

and Pakistan. In Bangladesh, 85-90 percent of women entrepreneurs identified the absence of a women-friendly transportation system in Dhaka vicinity as a pressing concern. Only nine seats are designated for women in public bus and most of the time those seats are occupied by men. Sixty percent of the Bangladeshi women that run businesses related to the textiles and apparel industry were engaged in trading, mostly retail trading. They face this challenge on a daily basis on their way to their own shop or during business trips. Poor transportation networks and lack of women-friendly marketing and distribution channels were singled out as hindrances for conducting business by Pakistani women.

### 4.3.3 SOCIAL STIGMA

A few of the survey participants in Bhutan acknowledged that social stigmas and traditions made it difficult for women to operate a business similar to the way men do. A large part of the society is matrilineal. However, the infamous cultural belief says women are nine lives lesser than men, meaning that women have to be reborn nine times to be equal to men. Some entrepreneurs mentioned that it was commonly perceived that women should not strive to be equal to men. Therefore, they should not travel alone or work into the late evening in their shops or their place of work. Some also mentioned religious beliefs associated with the menstruation cycle of women for which women are considered "dirty" as being constraints in producing and selling certain items, such as religious artefacts and incense. In some circles, these items are considered impure once women touch them, which puts women entrepreneurs at a disadvantage when conducting business with male suppliers and buyers.

In Sri Lanka, cinnamon peeling is perceived as a low-level job. However, the social stigma associated with the occupation is not gender related. Traditionally, cinnamon peeling was not a women's task; they initially began to engage in this activity because of lack of alternative work.

*Society does not recognize how difficult this work is. Only the workers understand the amount of work we do. Society accepts only the processed cinnamon quill, and not the person who processes it.*

*Cinnamon producer from Galle, Sri Lanka*

*Cinnamon processing is a very difficult job. Society doesn't accept this type of work as a well reputed job. We are always coated with an astringent and emit a strong smell of cinnamon. But this is how we make a living.*

*Cinnamon producer from Galle, Sri Lanka*



A woman is peeling cinnamon to produce quills, Galle, Sri Lanka.



## 4.4 | ACCESS TO INFORMATION

Access to various types of information ranging from prices and markets to credits and finance can determine the success of business. The information women entrepreneurs have access to and how they obtain and use it are key questions.

Overall, the majority of women entrepreneurs stated that they had access to information on various support schemes available to them, including, for example, finance information and required business contacts. Based on the survey, an exception to this are WMSME in Nepal, where 12 out of 15 women entrepreneurs/employers surveys found it difficult to obtain market-related information. Networking opportunities were also limited to Nepali women employers; some even admitted that their information sources were their husbands.

Among those who were aware of various schemes and business-related information, there was an information gap by industry, by business location, and by the membership association with the cooperatives and business association. For example, among Bangladeshi women entrepreneurs, on average, those involved in the textiles and apparel industry had better access to information related to various government schemes for SME, finance, product promotion and market promotion than their counterparts in the agro-food industry. This may be because the textiles and apparel industry is a priority industry for production and export in Bangladesh. A significant share of women entrepreneurs in textiles and apparel are engaged in retail and wholesale trading, while women in the agro-food industry tend to concentrated on production only. However, for both industries, the most sought after information was on business development services; only 10-15 percent of women entrepreneurs knew that their governments offered incentives to promote business development services for WMSME.

Women in the handloom sector in India indicated that they mostly worked from home and lacked information regarding business support schemes available to them and access to finance. In contrast, women in the apparel industry had a relatively high education and the least problems in terms of access to information. As for women in the coir sector, the cooperatives provided relevant information as well as raw materials and equipment.

Similarly, in Pakistan and Sri Lanka, women sought the information from business or community associations. In Pakistan, almost 60 percent of the survey participants were members of the Women Chamber of Commerce and Industry (WCCI) and about a half of them did so with the objective to get better access to information. At the time of the survey, only 22 percent of the respondents had information on the various kinds of government support and facilities available to women entrepreneurs.

In Sri Lanka, most of the entrepreneurs operated their businesses from home, and those who had a membership with a producer's association seemed to benefit from it. However, not all agro-processed commodities have such associations. For example, there is the Cinnamon Cultivator's Society under the Department of Export Agriculture but equivalent associations are not available for cloves. Those who don't have sectoral association memberships receive market information from village-level associations, such as a women's society group, a welfare society group or agriculture associations. Some had asked their intermediaries for the required information.

Even if women entrepreneurs obtained the information and became aware of, for example, government schemes, incentives and trainings, many women were not willing to take advantage of the benefits targeted for WMSME for various reasons. As mentioned above, women's limited mobility restricts them from attending trainings or trade fairs, which are held in places far from their residences. Other challenges were spelled out as well with regards to access to finance.

## 4.5 | ACCESS TO FINANCE

The Governments of South Asia have initiated a number of activities to increase women entrepreneurs' access to business loans. Some examples of them are listed below:

- Bangladesh Bank (the central bank) has refinanced facilities to banks and non-banking financial institutions (NBFIs) for promoting loans to SME and women entrepreneurs under special schemes and programmes, such as the Small Enterprise Fund and the Women Entrepreneurs Fund. The latter provides loans to women entrepreneurs at a rate of 10 percent, which is about 8 percentage points less than the market interest rate, and encouraged banks and NBFIs to set up a dedicated women entrepreneur's desk in all banks and NBFIs.
- The Government of Bhutan set up the Business Opportunity and Information Centre under the aegis of the Ministry of Economic Affairs in 2014. One of the centre's main initiatives is to provide loans to MSME at an interest rate of 4 percent per annum.
- The Government of India and specifically the Ministry of Micro Small and Medium Enterprises has initiated various programmes that target women, including the prime minister's Rozgar Yojana scheme, which provides special incentives and concessions for women entrepreneurs, and the Trade Related Entrepreneurship Assistance and Development scheme. This scheme promotes women's entrepreneurship in non-farm activities by providing grants to NGOs that offer skills development trainings.
- The Government of Pakistan has sponsored the Waseela-e-Haq programme, which provides small loans to women, and the Prime Minister's Youth Business Loans, which equally targets both men and women.
- The Government of Sri Lanka has allocated in its budget several incentives to promote the SME sector, including tax concessions, subsidized rates for SME loans, and import duty tax exemptions for raw material imports. SME bank branches were established to utilize the Investment Fund Account and to support SME, providing guidance for marketing, financial management, and increasing productivity and competitiveness.

Despite those national policies and incentive programmes aimed at helping women entrepreneurs, obtaining finance for business remains a major constraint for them.



Indian women are making coir rope.

In Nepal, 10 out of 15 women entrepreneurs in the formal sector had not taken a loan to run their business, although the level of investment required was as high as 1.4 million Nepalese rupees or US\$14,000. Only two had borrowed from banks, with the others securing loans family members or other relatives.

In Pakistan, 57 percent of the respondents said that obtaining finance was the most important challenge when starting their business. Only about a quarter of them received a bank loan in the end. More than 40 percent used their own savings for start-up capital while 24 percent used gift money from family and friends and 7 percent borrowed from family and friends.

In India, only 35 percent of the women respondents had some kind of start-up funding and 23 percent of had ongoing credit lines. Major beneficiaries were women entrepreneurs in the coir sector who benefitted from government schemes, such as the Trade Related Entrepreneurial Assistance and Development scheme and loans from public banks and cooperatives. This reflects positively on the administrative machinery working in this sector, particularly the close interface between the schemes and lending institutions and the important role that government plays as a guarantor.

Women entrepreneurs raised various factors as to why they didn't take advantage of the benefits offered to them or MSME. The factors are ambiguous credit requirements, the cumbersome process to get a loan and a loan package or the process does not meet the WMSME's demand.

#### 4.5.1 AMBIGUOUS CREDIT REQUIREMENT

Women entrepreneurs said that banks were not willing to provide loans to them for the following reasons: (a) the amount of working capital was too small; (b) the amount of the requested loan was too small; (c) they didn't have sufficient collateral; or (d) they didn't have all the documents required. The issue is that the financial institutions that promote loans to MSME or women entrepreneurs do not provide information on loans in detail to the public, for example, in the brochures or on the website.

Loan schemes targeting MSME or women entrepreneurs exist, but tend to be too general. This, in turn, creates an environment in which woman entrepreneurs need to visit a branch to get more details about the services. As mentioned earlier, women's limited mobility and high opportunity costs of leaving house prevent them travelling.





Women who had reached out to the financial institutions found that the loan requirements provided or reasons given when the loan request was turned down were ambiguous. Some women entrepreneurs in India could not get an interview with a bank official about a loan unless they were accompanied by a male member of the family. In Nepal, husbands were required to be guarantors even if the company was in the wife's name. Bangladeshi women mentioned that financial institutions had demanded two guarantors for the loans, preferably wealthy men, which is almost impossible for them to get. A Sri Lankan pepper producer stated that she was told that one of the guarantors of the loan had to be a government agent.

The requirement to procure a guarantee from a government agent not only discourages women and MSME from obtaining a formal loan, but it also could foster corruption. Women entrepreneurs in India found that bank employees considered providing loans only in lieu of a monetary consideration. During a focus-group discussion in India, it was revealed that a significant part of costs for availing a formal loan — up to 40 percent in some cases — goes towards bribing officials, making the cost of the loan prohibitive. Respondents shared that even to get non-credit support or eligibility under national or state schemes, extra payments were involved.

Women in India articulated quite strongly that the government financial support schemes were given to firms that listed a woman as the owner. Because of this, in some cases, business operate by male members of the family would list their wives as the owner to take advantage of lower interests or other benefits. The coir producers in Kerala, India, noted that the government was mostly only willing to provide financial support to the coir cooperative members with few resources being directed to independent women manufacturers. While the cooperatives are highly organized and have a very positive impact on women participation in society, regional politics sometimes affects who benefits from schemes. Similarly, the handloom producers in Uttar Pradesh of India noted that benefits from schemes and initiatives were appropriated by the office bearers of the Weavers' Association, and little would be given to the ordinary weavers, the people who really needed the support and probably would benefit the most from such schemes.

Regarding collateral requirements, women entrepreneurs in Pakistan who had received a formal loan revealed the various forms of the collateral required, ranging from land and buildings under the ownership of the firm to personal assets. Some women used their accounts receivable and their machinery and equipment as collateral. Women entrepreneurs in Nepal said they had property in their villages but the banks would not accept that as collateral.

More than half of Pakistani women interviewed stated that their applications for a formal loan were rejected because their business plan, which was submitted as part of the application, had not been rigorously chalked out. They did not receive in-house advisory services to help them in preparing or improving such plans. Some were not even give any reason for rejection. Some women were asked to apply for a personal loan even though the bank knew she wanted a business loan.

In summary, women entrepreneurs were of the view that the banks were not willing to undertake due diligence of women-led enterprises and, therefore, would not seek a loan from a bank again.

#### 4.5.2 COMPLEX AND LENGTHY APPLICATION PROCEDURES

Women entrepreneurs also found that going through complex and lengthy loan application procedures were not worth it for the relatively small amount of money they had applied for. This was the top reason given by Bangladeshi women. Women in Pakistan also found that it was difficult to obtain and fill out the plethora of documents required and provide all the details, many of which were difficult to understand. Women in India, particularly those working in the handloom sector, were also very discouraged by the requirement to submit numerous documents.

A cinnamon oil producer from Ambalangada, Sri Lanka, bought a boiler from the Cinnamon Oil Producers' Association after requesting a loan from a state-owned bank. She had been waiting for the loan to be finalized for some time but needed the boiler soon. She paid a small down payment to the association and got the boiler. A few weeks passed but the bank hadn't come back to here with the decision. She ended up borrowing from a private money lender to cover the rest of the costs.



### 4.5.3 LOAN PACKAGES FAIL TO MEET THE REQUIREMENTS OF WOMEN-OWNED AND LED MICRO, SMALL AND MEDIUM ENTERPRISES

Only a small percentage of women in Pakistan eventually had received loans but didn't get a multi-year financing to support their business. Most of the loans were in the form of short-term financing facilities that had to be returned in a limited time period with no grace period allowed. Only 9 percent of them could secure bank financing for more than a two-year period while 22 percent were given loans for less than a one-year period and the rest received loans for one to two years.

On the other hand, WMSME that engaged in agro-processing, such as cinnamon growers and producers in Sri Lanka, desired a short-term loan given that their

business is seasonal. However, the banks were only willing to offer then a one-year loan with a payback period of 12 monthly instalments, which was too costly for them.

Seasonal loan or short-term loans with small working capital requirements are available to farmers, with a payback option after the harvest. However, similar offers are not often available to agro-processing firms in SME financing schemes. The banks find customizing the loan package based on individual needs is costly, particularly for small amounts of loans. As the agro-processing is the key sector for women's business, the lack of flexibility hampers women's access to formal loans.

## 4.6 | TRAPPED BEING MICRO AND INFORMAL – COSTS AND RISKS OF BORROWING

When assessing the cost of availing a financial scheme against the anticipated benefit the financial cost in terms of interest along with the high transactions costs in various forms and opportunity cost including time cost must be taken into account. In general, the cost is higher for micro and small enterprises. If the cost exceeds the benefit, then an alternative option is sought, such as borrowing from the family, relatives, friends, microfinance institutions, an informal lender or traders. Pursuing these types of loans further keeps women entrepreneurs at the micro-scale, informal and survival end of the enterprise spectrum and prevents them from expanding their business for profits.

Microfinance is an important option for women who need credit but microfinance institutions often charge higher interest rates than the banks. As people can borrow from microfinance institutions for the purpose of household consumption, a good repayment record for a microfinance loan does not necessarily help build credit history for business. This point is also applicable for any type of informal borrowing.

Some women prefer not to take on debt obligations. For example, women in the handloom sector in India faced the most difficulties in obtaining a formal loan as compared with women involved in the apparel and coir sectors. In the absence of alternate credit sources, informal money lenders who charge exploitative interest rates are the only reliable source of credit. In cases in which business owners are unable to repay their loans, their assets, even personal assets, such as a home and land that are put up as collateral could be lost. Therefore, it is commonly viewed that those who apply for credit also run the risk losing their social standing in the community. The social pressure from the community prevents some from accessing credit.

The related pressure may be applicable to both men and women in the community. However, the risks associated with borrowing and the responsibility of repayment are on women's shoulders. Most women entrepreneurs are from low-income households. Managing the finance for the household needs is already difficult. They perceive that paying back interest on a business loan is an additional headache, particularly if the interest rate is very high.



Indian women making coir rope.

# 5 | PROSPECTS FOR BUSINESS EXPANSION

Most the women entrepreneurs surveyed expressed confidence about the prospects of their business. They had made plans to expand their business in various dimensions. At the same time, they faced a number of challenges in continuing and expanding their businesses.



## 5.1 | BUSINESS EXPANSION STRATEGY

A significant share of women entrepreneurs in Bangladesh and Pakistan clearly articulated plans to expand their businesses. In Bangladesh, 75 percent of the women entrepreneurs desired to increase their sales turnover. Women in the textiles and apparel industry and agro-food industry planned to hire more employees to achieve that goal. While the entrepreneurs in textiles and apparel industry held the view that market expansion is a way to bolster their businesses, the entrepreneurs in agro-food industry believed that product diversification and business diversification were essential for future success.

When asked about their main strengths in their drive to achieve their business targets, women in both industries responded that they would carry out their business plans with family support, ample capital, the provision of quality products at competitive prices and by working hard with a sound mind.

As the majority of women involved in the textiles and apparel industry were engaging in retail and wholesale trade, they perceived their interpersonal skills as a strength. On the other hand, women working in the agro-food industry were mostly manufacturers, and believed that marketing and the provision of hygienic products were their strengths.

As for Pakistani women, 77 percent of the entrepreneurs had a business strategy. A quarter of them responded that increasing turnover by exploring new markets was a priority. Indeed, more than half of women planned to sell their products in more cities in the country and in the overseas markets during the next five years. Pakistani women associated business priorities in terms of enhancing the skills of the workforce and increasing the productivity of their staff in order to reduce production costs. They also indicated that products and services diversification as well as hiring more staff were part of their future business plan.



Bhutanese women are selling red rice at a local market in Punakha district, Bhutan.



## 5.2 | CHALLENGES IN BUSINESS EXPANSION

In addition to challenges in conducting business, some other factors that may impede women entrepreneurs' plans to expand their business operation are discussed below.

### 5.2.1 MARKETING

Digital technology, such as e-commerce, offers great potential to reduce the distance gap and overcome the issues of women's mobility or sexual harassment related to face-to-face interaction with male customers, traders, and officials. However, the Internet as a major marketing or information tool among women entrepreneurs in Nepal, Pakistan and Sri Lanka has yet to take hold.

In Nepal, organizing an exhibition is the dominant marketing channel. Only a few of the women surveyed used the Internet, newspaper advertisements or posters and none of them had used TV or radio. In Pakistan, on the other hand, 20 percent of the women respondents used cable TV channels and newspapers as a means for marketing. Yet, in that country as well as in Sri Lanka, women sell their products to nearby shops or to intermediaries, or their male family members sell the products at the local market. Even when women entrepreneurs wish to expand their marketing channels, the intermediaries won't reveal information on pricing or on the traders or exporters.

### 5.2.2 HUMAN RESOURCE MANAGEMENT

Recruiting and retaining skilled workers are common challenges across the industries in developing countries. As the sectors selected for this study have a high concentration of women, women entrepreneurs in general perceived that they were providing a safe and decent work place to their female staff. For example, 65 percent of the Pakistan women interviewed said that they preferred to hire staff based on competence and merit. Only 14 percent of them said when hiring staff members, consideration of low wages took precedence over skills. However, lack of skilled and capable workers was a common problem raised in Nepal and Pakistan.

Yet, various challenges in recruiting, motivating and retaining women staff members remained due to the same factors that affected women entrepreneurs. In Pakistan, chronic security issues make it difficult to retain the staffs. More than 60 percent of women entrepreneurs held the view that crime, theft and lack of order were problems. Transportation or commuting to the workplace was the biggest challenge among women

entrepreneurs in Bangladesh and Bhutan. Nepali women employers also added that mobility problems resulting from security concerns and time constraints made it difficult to hire women employees.

Most women workers in Nepal leave their job after giving birth. In some cases, women are not allowed to work after marriage as their family becomes their priority. In addition, women tend to request for many days off to take care of family responsibilities.

Product diversification with creativity and innovation are important in order to stay competitive and expand businesses related to handicrafts, textiles and apparel, and fashion derivatives. Gaining business management skills is also important to increase the chances to obtain loans and expand to the other markets. However, both women entrepreneurs and employees have limited access to trainings, equipment, and technology, which increase their productivity, because of limited mobility, household responsibilities and financial constraints.

More than 80 percent of women entrepreneurs in Pakistan were willing to send their staff to trainings, if they were offered free of charge. Women entrepreneurs found that the training programmes offered by the government agencies, NGOs or development partners were supply-driven and therefore, were not suited to the needs of WMSME. Women entrepreneurs desired training programmes that were output-oriented and offered throughout the business development process from start-up to scale-up. As women entrepreneurs and employees have limited opportunities in society, they require handholding guidance for informal entrepreneurs to register their business, apply for a formal loan and become successful entrepreneurs.

### 5.2.3 REGULATORY KNOWLEDGE AND ACCESS TO BASIC SERVICES

The women entrepreneurs interviewed were highly motivated to expand their businesses, but they admitted that they needed to acquire knowledge and information on regulations related to labour management, the environment and trade. The survey of Nepali women employers showed that their confidence level was relatively high regarding financial and administrative rules and low on labour laws and management practices. More than half of them maintained work records on their employees, including keeping track of leave notices, and provided them with on-the-job training. However, few firms gave appointment or dismissal letters to their

employees and very few had a grievance system in place. Worker's unions are non-existent in the enterprises involved in the production of *allo* and *lokta* handmade paper.

Women entrepreneurs in Pakistan also acknowledged having low confidence in dealing with sectoral regulatory issues and issues related to labour unions and taxation.

About 85 percent of the women surveyed in Pakistan said uncertainty about power supply cutoffs was a problem in operating a business, of which more than 50 percent raised this as the major problem. Two thirds of them also found the unavailability of fuel and gas as a problem that impeded the creation of an enabling environment. Women entrepreneurs raised energy crises as the second biggest challenge being faced at the time of the survey following by financial constraints. On the other hand, Nepali women entrepreneurs indicated that the availability of electricity as a moderate problem, but access to fuel and gas a greater concern. Large enterprises complained about energy crises. However, production of *allo* and *lokta* paper is not mechanized at present; that is the work is mostly done by hand.

## 5.2.4 TRADEMARK AND BRANDING

As women's businesses crowd in a small number of industries, the competition within the industry is high. Sixty percent of women entrepreneurs in Nepal and Pakistan cited fierce competition as a major or moderate problem. Targeting niche products or markets, such as organic or handmade products, is an important business strategy to secure high prices and high returns. Yet, most WMSME products face copyrights issues as cheap duplication is threatening their products.

Nepal has applied a collective trademark on such products as Nepali tea or shoes made in the country, but not on *allo* and *lokta* products even though they are unique handicrafts that are identified with distinct cultural and social identities. All but one of the Nepali women surveyed referred to the absence of a trademark as a moderate or minor problem. On the other hand, 18

percent of the women surveyed in Pakistan responded that lack of a trademark as a major and moderate problem and another 21 percent saw it as a minor problem. Almost 40 percent of them didn't even know about trademarks.

The Ministry of Economic Affairs of Bhutan provides the "Bhutan Seal" to high-quality Bhutanese traditional arts and crafts. The Handicraft Bazaar in the capital city is also a hub for promoting such products.

## 5.2.5 ACCESS TO LAND, APPROPRIATE BUILDINGS AND RAW MATERIALS

Access to land and appropriate buildings is crucial for business expansion. Such property can be used as collateral when applying for formal loans. Respondents in Pakistan noted that lack of access to land and appropriate buildings for business were major and moderate problems while women entrepreneurs in Nepal considered them to be moderate or minor problems.

As discussed above, very few women entrepreneurs operate their businesses in industrial zones with trade benefits. Many often are restricted from setting up their shops or workshops in commercial areas. From a woman's perspective, access to an appropriate building also includes a building or workspace with a proper toilet, which is essential to retain staff. Interviews with 48 women employees in Bhutan indicated that the lack of a proper toilet at the workplace was the largest challenge. More than a half of the respondents had access to safe drinking water, proper toilets and medical care facilities, but they were mostly working in the western part of the country where urban amenities are fairly well developed. Women workers and the self-employed in Bhutan and Nepal claimed to be suffering from occupation-related health and environmental hazards. For example, some of them suffered from dust stemming from processing *allo* or incense. Setting up a good work environment as well as the provision of protection or safety gears are important for retaining and motivating the staff.

Availability of raw materials in terms of both quantity and quality was an issue. Due to import constraints, WMSME relied on domestically available materials, which are of an inferior quality. Moreover, producers found it difficult to maintain the quality of the handmade products, such as *allo*, but still to charge higher prices than for the same product that produced by a machine.

There is an acute shortage *allo* and *lokta*, two indigenous plants. *Lokta* producers have been forced to mix it with straw, for example. This deteriorates the authenticity and quality of the products and lowers demand for it in the long run.

The government of Nepal has implemented policies on the harvesting of raw materials from the forest as part of natural resource management. However, the focus-group discussion participants stated that forest legislation on NTFP collectors and conservation did not seem to be properly translated into appropriate regulations, rather it resulted in increased rent-seeking behaviour in the form of taxes, transport permits and royalty payments. The producers are seeking an approval of afforestation or plantation.

## 5.2.6 CONTROL OVER THE REVENUE

Not all women entrepreneurs have control over the revenue earned by their enterprises. More than a quarter of the women entrepreneurs in Pakistan and 40 percent in Nepal, both employers and self-employed/ employees, were able to keep their earnings. Some women in Nepal said they managed the revenue jointly with their husbands, while others said their husbands, fathers and other elders in the family controlled the revenue.

Among women who have full control over the revenue, not all of it is reinvested in the business. Family often contributes significantly to efforts to expand a business. This support may be either working in the business or helping in the household. But it results in difficulties in drawing a fine line between business and home for women entrepreneurs. Women tend to pay for household needs, children's education and personal

needs. Some who have managed to have some left over funds are able to afford recreational activities or invest in real estate or jewellery.

In Nepal, almost one half of the women employers interviewed reinvested some funds in their business but none of self-employed managed to do so. A breakdown of the business revenue allocation in India indicated that the proportion of women working in the apparel sector who reinvested in their business was much higher than women working in the coir and handloom sectors. There are various factors behind the differences in women's decisions regarding business investment.

First, women entrepreneurs who are working in informal sector or are self-employed are less likely to reinvest the revenue in their business. Either the amount of revenue is just enough to meet household and personal needs, or the thought does not come to their mind. For them, the primary reason for engaging in entrepreneurial activities was financial need. On the other hand, a significant share of Indian entrepreneurs in the apparel sector said sense of self-achievement was their motivation for starting a business, in addition to financial needs. The majority of them had a college degree or above. They chose to be an entrepreneur over working for someone else.

Second, when women entrepreneurs mix the personal and business expenditures and prioritize their spending on household and family expenses, the less family obligations that women have, the more investment can be made in the business.

For women entrepreneurs to transform from the survival-oriented to growth-oriented end of the enterprise spectrum, introducing proper practices to account for business and personal expenses is crucial. This will increase the chances of receiving a business loan.





Interviewing a woman chilipaste producer at Phuentsholing, a border town in Chukha district, Southern Bhutan.

# 6 | CONCLUSION AND RECOMMENDATIONS

This field-based research aimed to address NTBs of South Asia trade and other barriers to conducting business from a perspective of women entrepreneurs. The expansion and integration of WMSME in South Asia has made considerable progress, but there remains a lot of room for advancement.

There are a number of South Asian regional mechanisms to tackle the issues of both gender equality and intraregional trade, including the SAARC Secretariat and related economic and trade and social development bodies, the SAARC Chamber of Commerce and Industry and the SAARC Chamber Women Entrepreneurs Council. Respective national counterparts also exist, including ministries, government agencies and women chambers of commerce and industry, among others. However, progress in terms of both growth of intraregional trade and WMSME as well as gender equality has been rather slow, despite a long history of negotiations and improvement in national and regional policies that are intended to improve trade relations and women's empowerment.

To make progress, policymakers and business leaders need to have a strong political will, which would translate policies into actions. Currently, South Asia is enjoying the demographic dividend, but if countries don't exploit it to attain inclusive growth in the near future, the dividend will be lost and could be a trigger for severe economic, political and social insecurity within a country and within the subregion.

The survey findings show that women entrepreneurs have remained at a micro and informal scale for many years. Issues, such as limited mobility and limited access to information, finance and trainings continue to serve as barriers for women to conduct and expand business and trade. However, with the advancement in women's educational attainment and mobile technology and increased advocacy for women's empowerment, a number of opportunities have also emerged.

A number of the literatures<sup>16</sup> has already called for the removal of NTBs and the promotion of women's entrepreneurs. This field-based country studies makes recommendations along the same line but it also highlights key points provided from the a perspective of WMSME, which should be useful to all MSME.

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<sup>16</sup> For example, on NTBs, see Prasai (2015), CUTS International (2013), Sharma and others (2016), and Raihan, Khan and Quoreshi (2014). As for promotion of women entrepreneurs, see Patel (n.d.) and ESCAP (2015).

## 6.1 | RECOMMENDATIONS

### 6.1.1 GENDER-RESPONSIVE TRADE AND DOMESTIC POLICIES

Expediting border clearance of goods needs to be done urgently. For example, Nepal and India have made an institutional arrangement for a joint committee headed by chief customs officials from stations on both sides of the border to resolve problems related to the clearance of goods. Governments should hold regular meetings to discuss and resolve pending issues and to consider suggestions made by women entrepreneurs by setting tangible outputs and a timeline. The ministries of finance and development partners that support cross-border infrastructure projects should apply “gender-responsive budgeting” to ensure that women-friendly interventions are undertaken. This requires consultations with women entrepreneurs, traders and residents in border areas. For example:

**Offer safe amenities in border areas:** Provide a safe environment for women to cross the border by developing a safe transportation mechanism, accommodation or rest areas, safe and hygienic toilets in the offices and storage/cargo clearance areas and well-lit facilities and streets. A grievance mechanism should also be put in place.

**Establish a single window beyond mere automation:** Simplify the procedures and formalities. Make the information required for cross-border trade available to the public with a one-stop visit (single window) or on a website. This includes the types of the documents and the administrative fees required in the trade process.

**Set a separate 8-digit HS code for goods produced by WMSME:** Make HS codes easily accessible to the public. Review the codes regularly to ensure that the key exportable products are well-reflected in them. Provide separate 8-digit HS codes to the products that WMSME produce and frequently trade across the borders.

**Mutual recognition agreements and harmonization of standards:** The South Asian Regional Standards Organisation became effective in 2014, and bilateral discussions are moving forward in this area, to some extent. The process needs to be expedited by incorporating the needs of WMSME with strong cooperation from India, the largest economy in the subregion.

**Upgrade the existing testing capacity and improve the efficiency of the services and certifying offices:** Provide capacity-building trainings to staff members on technical procedures and management skills for the provision of better services and improvement in the attitudes of the staff members towards traders, particularly women traders.

**Set up testing facilities in a safe environment:** Ensure that new testing facilities and certifying offices are equipped to issue the certificates that are accepted by South Asian and international buyers. Set up the new facilities in safe and easily accessible areas for women.



**Removal of NTBs:** Governments should negotiate for the removal of the product or industry-specific NTBs that affect WMSME and women-dominant industries most as a priority.

**Offer incentives for MSME:** Extend government policies that tend to benefit large enterprises to MSME. For instance, relax the conditionality attached to tax-free raw material imports for manufacturing exports so that MSME can also benefit. Offering tax holidays to start-up firms would help them become viable.

**Offer incentives to export to neighbouring South Asian countries:** For instance, the Government of Nepal has been providing incentives on all exports, except those being shipped to India. Inclusion of India would boost exports to India.

**Subsidize the purchase of equipment and technology:** Subsidies to WMSME with high potential of exports for purchases or leases of equipment and production technology would increase their productivity, reduce

health hazards associated with the production and standardize the high export quality of products across the WMSME.

**Make public transportation safe and affordable:** The national and municipal governments should invest more in the transport system that is safe, affordable, accessible and sustainable for all.<sup>17</sup> This would help increase the mobility of women, which would assist them to move up the value chain.

**Offer affordable quality care facilities and promote shared responsibilities of care:** Provision of affordable quality facility and care services for children, the sick and people with disabilities, and the elderly is a prerequisite for promoting women's economic participation. This is a critical aspect of a nation's social and economic policies; the unleashing of women's unpaid work through the provision of public and private care services would not only achieve gender equality but also boost the economy.<sup>18</sup>

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17 See the Sustainable Development Goal target 11.2. The Sustainable Development Goals are available from <https://sustainabledevelopment.un.org/?menu=1300>.

18 For example, see the Sustainable Development Goal target 4.2: "By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education" and target 5.4 "Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate".

## 6.1.2 BETTER ACCESS TO INFORMATION AND NETWORKING

Almost all women entrepreneurs who participated in the survey or in focus-group discussions possessed mobile phones and used them extensively and effectively for business purposes. Therefore, dissemination of information can be done effectively through mobile phones and on the Internet. This has great potential to be an effective medium for communicating with women entrepreneurs, particularly those in remote areas.

The study from India on the coir sector, in comparison with other sectors in the country and the coir sector in Sri Lanka, shows that women entrepreneurs who are members of local cooperatives have significantly greater access to information, trainings, finance and other services required to start and expand their businesses. These services benefit micro entrepreneurs, particularly those who produce standardized products, such as coir, spices and handicrafts, including *allo* and *lokta* products, to some extent. However, governments and business communities should also have in place other support mechanisms for women entrepreneurs who want to scale up their enterprises outside of the cooperative model, or those who wish to focus on niche products, small quantity but of a high-value, such as fashion items.

**Set up an information centre:** Bangladesh has the Access to Information programme<sup>19</sup>, which takes a whole-government approach to make information available and decentralize services related to the citizen's civil registration and daily life. These types of services can be extended to business registration or filling of trade documents and be made available in other countries.

**Reduce the information gap through the use of mobile phones and the Internet:** Government agencies and the private sector, including chambers of commerce, producers associations and other business associations should share information on local and international market prices, exports and imports of key products, trade fairs and exhibitions, changes in government rules and regulations and available trainings and financial schemes at the information centre, as well as through mobile phone services. Information-sharing through mobile phones is economical and rapid and reaches a wider population. Dissemination of news through mobile phones would alert women to possible travel dangers and reduce their chances of facing discrimination that might arise during from face-to-face interactions.

**Establish a central warehouse or trade centre:** Governments and business associations should establish central warehouses or collection centres at the village or district levels and near the land ports. Having a central warehouse would help women entrepreneurs improve their economies of scales, and give them more opportunities to enhance the quality of their products or diversify their products. It would also put them in a position to bargain for better prices for their products and enable them to interact with other women in the general vicinity who produce similar products. This facility should also be used as a platform for sharing information listed above as well for putting buyers and traders in touch with each other. The centre can be set up by upgrading existing local markets, information centres, village development society (of Sri Lanka), the SAARC Business Association of Home-based workers (SABAH) trading facilities centre or other facilities.

**Facilitate the expansion of business networks among WMSME:** The chambers of commerce, producers associations, SABAH and other business associations can organize meetings for women entrepreneurs from similar sectors to meet each other and build or expand their networks at the village, district, province and national levels and then at the international levels. Often home-based entrepreneurs are not aware of other women who live and work nearby that produce the same products and use the same intermediaries. Waive or reduce the membership fees for women entrepreneurs to join local chambers of commerce and women's caucuses, producers' associations, exporter's associations or other business associations.

**Expand employment options for women:** The survey found that the women entrepreneurs tended to work in limited number of sectors and occupations because their familiarity with the work and forthcoming family support. Those factors are often driven by gender norms. Policymakers and practitioners tend to set policies and programmes to promote women's employment and women's entrepreneurship separately but they are indeed interlinked. Therefore, one way to promote diversification of women's business is to promote the employment of women in male-dominated sectors. In this way it would help women gain sectoral knowledge and networking opportunities and eventually lead to more women entrepreneurs in those sectors.

### 6.1.3 BETTER ACCESS TO FINANCE

Central banks and financial institutions in South Asia have established various schemes to promote access to credit for WMSME. However, the country studies have found that the schemes were not reaching those who need credits and the funds made available to those schemes were underutilized.

The success of microfinance indicates that women have higher repayment rates than men. If the banking institutions aspire to do well, investing their time and efforts in increasing loan allocation to WMSME is an economic case. Financial institutions should also consider that they are now competing with innovative credit schemes.

For instance, crowdfunding enables entrepreneurs to mobilize funds without going through the banking system. Ant Financial of Alibaba, the e-commerce giant in China, lends small amounts of money to micro and small enterprises based on an applicant's good financial record in Alibaba's payment mechanism called Alipay, without requiring any collateral and undergoing a complex application process (Ni, 2016). Bangladesh-based BRAC Bank, which is part of BRAC, the largest NGO in the world has been focusing on loans to MSME. It has established bKash, a mobile banking platform targeting low income households and micro-enterprises. bKash has facilitated at least \$15 million in microfinance repayments through mobile phones, which has resulted in lower microcredit costs and interests rates (Palm, 2016).

**Adopt a more flexible approach for extending credit to WMSME:** SME banks and other financial institutions need to customize their financial products and simplify the application procedures according to the needs of WMSME. For example, they could offer a flexible payback period, allow mobile application and repayment and have no collateral requirements.

**Consult with WMSME when introducing a new finance package and service:** Training of the bank staff on gender equality is important, but to be effective, it needs to be output-oriented; WMSME should be surveyed on the services they want the bank to offer. WMSME are now very diverse. Similar to any other firms, they require credit for start-ups, business expansion and trade finance.

**Evaluate the impact of loan schemes to WMSME regularly through a transparent process:** The financial institutions should monitor and evaluate the development impact of the loans, not just track how many entrepreneurs received the loans or the repayment rates. To determine the criteria of borrower and evaluation, the financial institutions may wish to consult various stakeholders including local women's NGOs and village-level associations to ensure that the loan scheme is benefiting women's businesses and women's empowerment, creating decent jobs in the community and contributing to sustainable development, among other things.

**Make required documents and information accessible:** Not all banks and financial institutions disclose the information related to MSME loans or loans that target women's entrepreneurs. The required documents, amount of loan, processing fees and so forth should be available for public view. Given the safety and security concerns, women may prefer to obtain the information on their mobile phones or through the Internet or other media outlets, such as cable TV or radio ads, rather than visiting a bank branch.

19 For more information see information on the Access to Information (a2i) programme, visit [www.a2i.pmo.gov.bd/](http://www.a2i.pmo.gov.bd/) or the UNDP A2i project website, [www.bd.undp.org/content/bangladesh/en/home/operations/projects/democratic\\_governance/access-to-information--II-.html](http://www.bd.undp.org/content/bangladesh/en/home/operations/projects/democratic_governance/access-to-information--II-.html)



#### 6.1.4 BETTER ACCESS TO SUITABLE TRAININGS

Most of the women entrepreneurs surveyed found that for the most part, the trainings provided by governments, international organizations and NGOs were not useful. They said that the trainings were not demand-driven. They also indicated that the modality of the trainings, such as the location, duration, participation fees and contents, were not women-friendly.

**Provide output-oriented practical trainings:** Women entrepreneurs seek step-by-step support from the start-up period to the various stages of their business development. Government agencies, such as ministries of MSME should design and coordinate training curricula targeting WMSME in partnership with, for example, other line ministries, the private sector, business associations, NGOs and international organizations. They should assess the needs of WMSME at the beginning and advise them on the most suitable training courses based on the stage of their business establishment and their growth strategy. An accredited certification system may be a one way to benchmark the quality of the training programmes. Output-oriented trainings also assist women entrepreneurs in obtaining, for example, business loans and the skills to improve the design of their products or trade their products online.

**Offer trainings free of charge or for a low fee and near to the participants' homes:** Providers of trainings should organize them closer to women entrepreneurs rather than asking them to come to a city centre. The duration and timing of the trainings offered should be set based on the needs of the targeted women entrepreneurs. Training participation fees should take into account the size and revenue portfolio of the participating entrepreneurs. The provision of a child care facility during the trainings would also encourage women with small children to participate in them.

**Develop online training programmes:** With the number of smartphone subscriptions continuing to rise, particularly among the youth, and Internet connection speed improving, particularly in urban areas, offering trainings in the form of short videos or by sharing modules online would be convenient, especially for women as they would be able to learn at their own pace during their free time. Information centres proposed earlier could support those who don't own smartphones or personal computers by providing access to computers as well as space to study during the day time. By translating the audio scripts or training modules into local languages the trainers could reach out to wider audiences and reduce the cost of a training. There are already online courses such as Massive Open Online Courses (MOOC) available, but customized programmes for MSME in South Asia, such as ones that are output-oriented, hands-on or in local languages, would be useful.

## 6.1.5 BETTER ACCESS TO MARKETS AND MARKETING PROMOTION

Governments as well as business associations and exporters associations should assist women entrepreneurs to optimize the benefits in conducting business and trade.

**Evaluate and revise promotion incentives based on the needs of WMSME:** Review the promotional arrangements to send women entrepreneurs to trade fairs abroad offered by the governments or the chamber of commerce and improve with consultations with women entrepreneurs so that the opportunities to participate in promotion events are given to many women. For example, travel tickets should be purchased by the sponsors, and at least two women from the enterprise should be invited so that they can travel together.

**Promote WMSME products at the provincial and national levels:** Nepal has implemented the One Village One Product (OVOP) programme and other South Asian countries have implemented similar programmes. Similar to the OVOP campaign, provincial and national governments can promote the products of WMSME with strong marketing messages focusing on women's empowerment and societal development for greater effects. A market place for selling handicrafts, processed food and other commodities that women entrepreneurs make, like Bhutan's Handicraft Bazaar, can be established in the cities or the airports targeting local and international tourists.

**Encourage value marketing:** Governments, chambers of commerce, business associations, NGOs, and international organizations, among others, should assist WMSME to develop marketing messages that influence the target audiences to understand the value of handmade products, eco-friendly products, products that are made by people in remote areas and marginalized communities as a way to build better livelihoods. A good example is the "Bhutan Seal." The collective trademark discussed above and "fair-trade" branding and marketing also help women entrepreneurs in the same industry to work together to benefit from higher prices and better marketing channels.

**Conduct a gender analysis of the value chain and implement gender-responsive programmes and policies:** Governments, chambers of commerce, business associations and exporters associations should assist women to move upwards in the value chain of each product. The value chain analysis that describes the division of labour between women and men would assist policymakers and business leaders in determining the bottlenecks that prevents the sector from growing and developing interventions to improve that part of the value chain. The gender analysis of the value chain, therefore, is useful for strategizing a particular industry's growth for the potential contribution to the national economy.

# ANNEX I

## DEFINITION OF MICRO, SMALL AND MEDIUM ENTERPRISES

The definition of MSME vary by country. Table A.1 summarizes MSME information.

Bangladesh categories the industry/enterprise by asset value (excluding land and factory building and including replacement value) and/or number of workers according to National Industrial Policy Order 2010. The figures below are for the manufacturing sector.

Bhutan applies employment and investment parameters to define the size of enterprises. In the event of conflict, investment would take precedence over employment (Ministry of Economic Affairs, 2012).



	CATEGORY	MICRO	SMALL	MEDIUM
BANGLADESH	Number of workers	< 24	25 - 99	100 - 250
	Asset in Taka	0.5 million - 5.0 million	5.0 million - 100 million	100 million - 300 million
BHUTAN	Employment	1 - 4	5 - 19	20 - 99
	Investment in Bhutan Ngultrum	< 1 million	1 million - 10 million	10 million - 100 million
INDIA	Investment in Indian Rupees	< 2.5 million	2.5 million - 50 million	50 million - 100 million
NEPAL	Investment in Nepalese Rupees as a fixed capital	up to 200,000	up to 50 million	50 million - 150 million
PAKISTAN	Per annum financial size in Pakistan Rupees	< 1 million	1 million - 10 million	10 million - 50 million
SRI LANKA	Number of employees	< 5	5 - 50	51 - 150
	Annual turnover in Sri Lankan Rupees	less than 250,000	250,000 - 10 million	10 million - 25 million
	Asset value in Sri Lankan Rupees	< 10 million	< 20 million	< 50 million

Table A.1 MSME Definitions

Note: Figures are for manufacturing sector, when different criteria apply for services and agricultural sectors.

Sources: See country studies.



Indian women are drying dyed yarn.

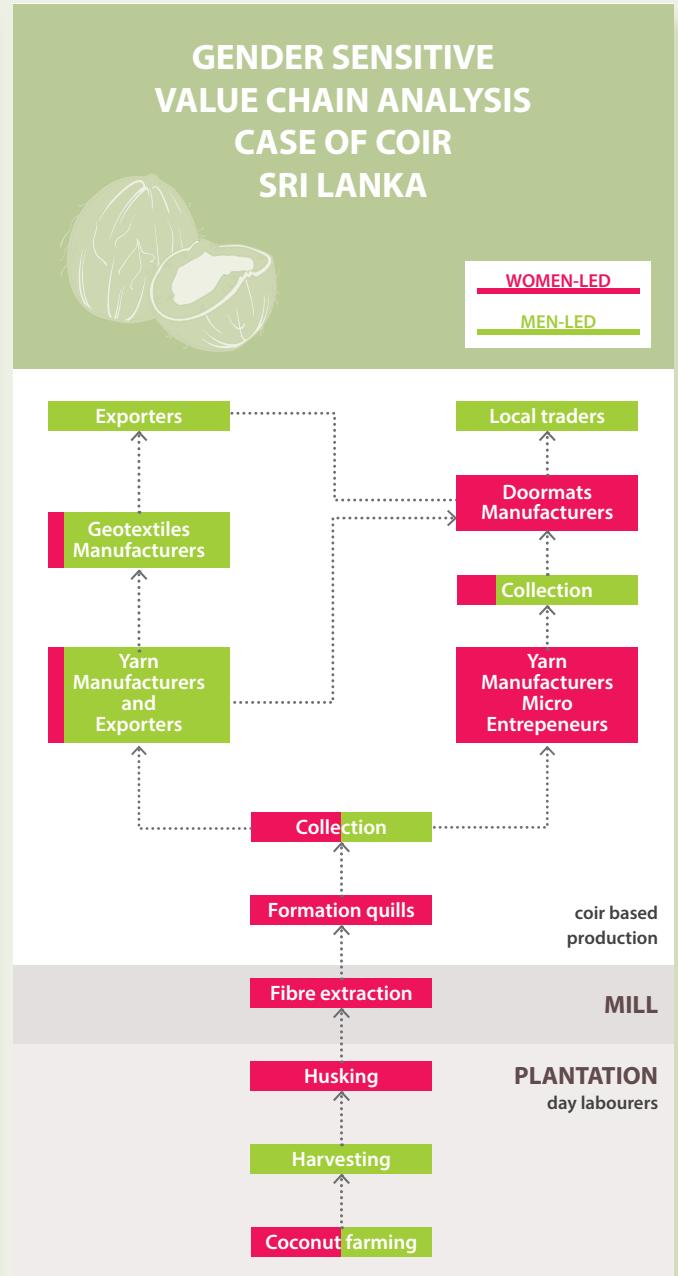
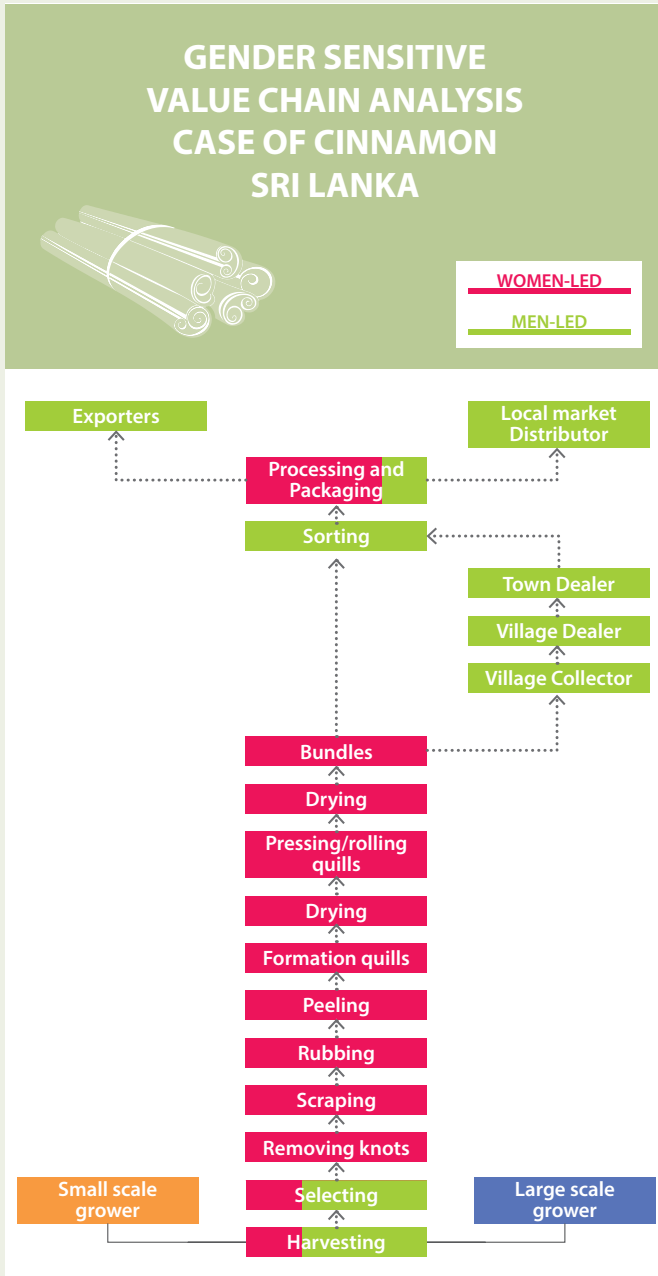






# ANNEX II

## GENDER-SENSITIVE VALUE CHAIN ANALYSIS, SRI LANKA



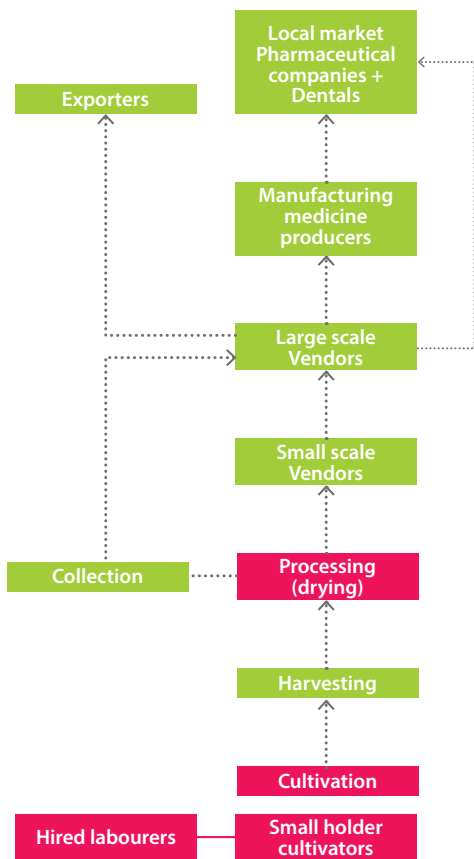
Source: Madurawala, Hirimuthugodage, Premaratne and Wijayasiri (2016).

## GENDER SENSITIVE VALUE CHAIN ANALYSIS CASE OF CLOVE SRI LANKA



WOMEN-LED

MEN-LED

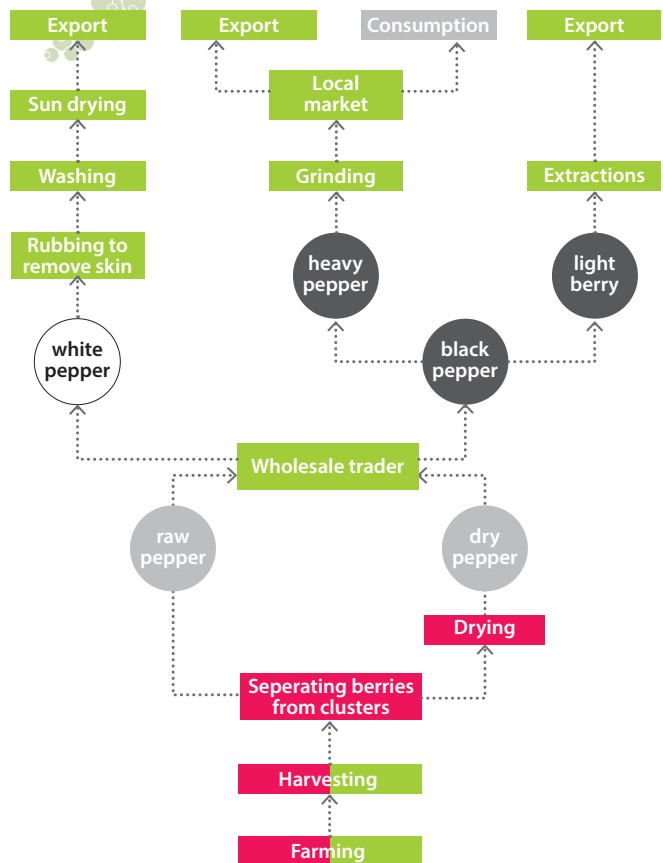


## GENDER SENSITIVE VALUE CHAIN ANALYSIS CASE OF PEPPER SRI LANKA



WOMEN-LED

MEN-LED



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