

Gender Dimensions of Trade Facilitation

Evidence from Bangladesh

Background

Bangladesh has made significant progress in socio-economic indicators such as health and education and maintained steady economic growth over the past few years. That is why, in 2021, consecutively second time Bangladesh fulfilled all three eligibility criteria (e.g., per capita income, human assets and economic and environmental vulnerability) for least developed country (LDC) graduation from the Committee for Development Policy (CDP) of the United Nation's list of LDC categories. If it meets graduation eligibility criteria again in 2026, then it will transit to the developing country status.¹

The latest World Economic Forum (WEF) data projects that its economy will increase at eight percent in 2020, higher than India and other neighbouring countries. With a boom in the export of garments and clothing sector, footwear, digital products and the handicraft sector, the country is diversifying its export basket.

Yet, there is a huge need to focus on infrastructure, simplification of export procedures and gender inclusiveness in trade and other economic policies. According to Bangladesh Economic Census 2013, an estimated 0.43 million women entrepreneurs own businesses in Bangladesh and this is only 5.9 percent of the country's total entrepreneurship. Similarly, only 7.21 percent of women heads/leads the enterprises and businesses in Bangladesh. With regard to female labour force participation, only 12 percent have been participating in some entrepreneurship activities.²

This is primarily due to society's patriarchal nature, absence of gender sensitiveness among traders' an economic community and government officials, and non-inclusiveness of gender-specific components in major economic and foreign trade policies.

1 <https://www.un.org/development/desa/capacity-development/2018/04/10/leaving-the-ldc-category-booming-bangladesh-prepares-to-graduate/>; <https://www.worldbank.org/en/country/bangladesh/overview>

2 https://bids.org.bd/uploads/events/almanac2018/TS-2_P-3.pdf

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The socio-economic situations are changing for women entrepreneurs who are determined to break the stereotypical conditions in Bangladesh's economic system. Still, it is not easy, particularly for women exporters, to start, operate and expand a business in Bangladesh compared to women entrepreneurs of neighbouring countries, such as Nepal or Bhutan.

Bangladesh also ranks very low in major indicators related to women's economic empowerment. For example, its female labour force participation rate was only 36 percent in 2019, very low compared to Bhutan and Nepal.³ However, it made significant progress in the Global Gender Gap Index 2021 Rankings on Economic Participation and Opportunity, where it was ranked 65th position in comparison to 141st rank of 2020.⁴

Given these chronic macro socio-economic challenges in Bangladesh's economy, CUTS International, with the support of the UK's Foreign, Commonwealth and Development Office (FCDO) and in collaboration with Bangladesh Women Chamber of Commerce and Industry (BWCCI), implemented a project titled "Gender Dimensions of Trade Facilitation: Evidence from Bangladesh, Bhutan, India and Nepal".

The main goal of the project is to collect evidence from women-led/managed/owned Cottage, Micro, Small and Medium Enterprises

(C-MSMEs) in favour of gender inclusive trade policies to enhance participation of women from the sub-region, in trade and trade related income generation activities.

Methodology

This study is based on: (a) a literature review of women entrepreneurs and aspiring exporters in Bangladesh and (b) fieldwork. Fieldwork was conducted at the following locations: (a) Dhaka, (b) Sylhet, (c) Rajshahi, (d) Chattogram, (e) Narayanganj (f) Jessore (g) Khulna, and (h) Tamabil-Land Port under Sylhet District. These locations are major trading centres for domestic and international business in Bangladesh.

The survey was conducted among 76 women entrepreneurs. Among the interviewed women entrepreneurs, none of the respondents were involved in direct exports and imports with the foreign markets. However, some were sending their products to other countries using third parties or middlemen. This was supplemented with key informant interviews (KIIs) and focus group discussions (FGDs) with around 50 other stakeholders comprising: customs house agents (CHAs), customs and border security officials, representatives of the chambers of commerce and industry, policy experts in academic institutions, representatives of the infrastructure/logistics sector, representatives of non-government organisations (NGOs) and women workers.

3 <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS>

4 http://www3.weforum.org/docs/WEF_GGGR_2020.pdf

In total, around 125 stakeholders in Bangladesh were consulted for this study. Apart from it, selected case studies were also collected from Bangladesh based on some successful women entrepreneurs.

Challenges Faced by Women Entrepreneurs

Women entrepreneurs and potential exporters in Bangladesh face several challenges when it comes to participation in international trade. Despite quality production in significant quantity at competitive prices, they are unable to sell their products in global markets, even to neighbouring countries like India, Bhutan, Nepal and Myanmar. This study identified the following specific challenges:

Scarcity of Finance

In Bangladesh, access to finance is the main obstacle for women entrepreneurs. Most women have no inherited property and other resources, so they cannot have the capital to start or expand their business. The financial challenges revolve around loans mostly. It is tough for them to get a loan from a bank or any other formal financial institution.

In terms of bank loans, most women face problems while submitting proper documents and certificates due to their lack of bank readiness. Most of the time, lack of adequate knowledge of important rules and submission of inappropriate papers is one of the main reasons for banks' loan rejection.



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While obtaining a bank loan, there is a standard norm across Bangladesh to bring one adult male member of the family as a guarantor and sign the bank's bond or documents. Sometimes, it needs a property mortgage while applying for a considerable amount. When they do not get family support for a guarantor and papers for a mortgage, it becomes very tough to process their business expansion loan.

Another option to get a loan is from NGOs – (locally known as *Samity*) or other informal private sector entities that provide micro-finance to women at the time of financial difficulty. The main problem with this type of loan is that the rate of interest is too high.

Mounting Care Work

Due to patriarchal society, women face the burden of everyday lives related to household chores, upbringing children, looking after the sick and elderly, taking care of farms and, often, family businesses simultaneously. Most of the women in Bangladesh have to dedicate equal, if not more, time to household chores and family, even if she is running a business.

All the women entrepreneurs who responded said that family issues still take a lot of their time and sometimes business becomes a second priority. Further, when it comes to outstation travels, the problem becomes grave for women entrepreneurs. Safety and security become a significant concern, especially if

women travel alone for product promotion, trade fair, or marketing.

Inadequate Training and Capacity Building

Most of the women traders in Bangladesh face difficulty in managing financial aspects of the business in terms of proper book-keeping tasks, owing to a lack of formal vocational training in accountancy.

Capacity building in terms of financial management, book-keeping, accounting, profit and loss calculations, buyer sourcing, participation in international fair, collection of the purchase order and delivery, export-import readiness, etc., are not provided by women traders timely and regularly. For example, around 69 percent of women entrepreneurs reported that the tax system is too complicated and taxes are too high on their products during the CUTS survey.

Meagre Infrastructure and Testing Facilities

Many women traders are vulnerable to seasonal demand, mainly due to their products' specific nature, for example, home-made agro-processed product makers. But they face difficulty in storing these products if they receive bulk orders. Another issue is related to testing and certification. Only a few testing and certification agencies/institutions are in place and access to them is very hard due to distance and mobility challenges.

High Transportation Costs



Women entrepreneurs trade informally with international clients using courier services despite the high cost for transportation of their goods. For example, during the CUTS survey, around 84 per cent of women entrepreneurs reported infrastructure-related challenges either in the form of the high cost or inadequacy (e.g., limited cold storage, warehouses and go-downs, etc.).

Challenges in Scaling Business

Most of the existing women entrepreneurs produce their goods using traditional artisanal skills with no or minimum automation. Upgrading their skills for using technology and better standards would improve production efficiency. Thus, better knowledge on quality standards, safety and regulatory standards of the items sealing and packaging, branding and labelling, and applying other mandatory standards are pre-requisites to participating in international trade.

Some women participate in international trade fairs but have no idea about connecting with the global buyers and creating a market for their products internationally. They have very little information and knowledge about trade promotion campaigns and strategies.

Need for Grievance Redressal Mechanism

There is no specific organisation for addressing the women exporters' grievances and addressing international trade-related queries. These can be related to customs, for instance, waiting charges levied by customs, transport charges, or even when expired products are returned by consumers causing losses.

Low Levels of Digital Inclusion

Although many women entrepreneurs use smartphones for their business purpose and use social media like Facebook and messenger apps like WhatsApp and Imo, Viber, Daraz, national online shop, etc., they have less access to email correspondence and e-commerce platforms.

Absence of Gender Sensitivity

Since Bangladeshi society is conventional and often follows patriarchal norms, there is a lack of gender sensitivity among the working male population. This is particularly observed in government institutions, such as banks, custom stations and trade associations. Apart from this, there is a low representation of women in these key bodies. These hindrances pose a significant challenge to women entrepreneurs in starting and scaling their businesses.

Key Recommendations

Policy Challenges

- Gender-specific components must be included in foreign trade, industrial, finance and other economic policies; for example, subsidy on raw materials/inputs can be given under industrial policy if an exporter is a woman or targeted scholarships/grants can be given to women exporters to take part in global trade fairs, exhibitions and conferences. To promote women exporters, the fees for participation in any International Trade Fair should be reduced and income/corporate tax/value-added tax (VAT) should also be imposed at a lower rate. Subsidies and monetary incentives should also be given to women entrepreneurs to participate in such events;
- Tax procedures need to be simplified so that women entrepreneurs can understand them easily and submit the tax papers without taking help from others. To encourage local production, VAT should be reduced to 5 percent instead of 15 percent for the manufacturers, which will also cover the women entrepreneurs involved in exports and imports;
- Officials working in government institutions, such as in the Ministry of Commerce & Industries, Export Promotion Bureau, trade wing of other ministries, banks, insurance firms, customs and district industrial offices and testing facilities should be sensitised on gender issues. For example, right from their training period in the job, a sense of gender sensitivity must be inculcated through specific interactions with successful women entrepreneurs;
- A grievance redressal mechanism must be established in the trade, finance, and other major institutions that can address women entrepreneurs issues. Preferably, a woman officer can be posted in these key ministries to handle the issues related to women entrepreneurs;
- Input costs should also be reduced for women entrepreneurs by providing electricity at subsidised rates, promoting green energy technology like solar driers and cooling chambers.

Building Capacities

- The government, more specifically foreign trade as well as industry ministries, should organise awareness generation campaigns regularly, targeting women traders and entrepreneurs to disseminate necessary information regarding schemes, subsidies and provide networking opportunities;
- Focused skill development training programs; capacity building programme on trade procedures, business expansion and market development need to be organised. The government can engage civil society organisations and industry chambers for the purpose; For example, BWCCI & the Ministry of Commerce and the Ministry of Industries can collaborate to train 100 potential women exporters under a targeted training programme within one year within Dhaka within 1 specific sector, followed by expansion in subsequent years in other areas/clusters/product segments;
- Women traders and entrepreneurs should be encouraged to explore non-traditional businesses and high-value products in demand for niche segments in developed countries. For instance, non-timber forest or produce value-added products.

Gender-sensitive Infrastructure

- Bangladesh has inadequate institutions and infrastructure for international trade, such as testing laboratories, storage facilities with modern equipment. Thus, new institutions and infrastructures need to be established, and existing institutions should be upgraded with modern equipments and a significant number of trained staff. For example, a starting point can be the three major trading points at the border with India and Myanmar. Women entrepreneur-friendly environment and dedicated women help desk for one-stop service can be established in the land ports;
- Gender-sensitive measures such as deploying female staff, separate restrooms, and feeding and childcare facilities at border points and trade centres should also be adopted. Uninterrupted power supply and internet connection in border points need to be assured;
- Affordable public transportation could be promoted for women entrepreneurs for trade purposes. In the case of third-party transportation by trucks, charges should be based on a weight basis as the business volume is low in most cases.

Inclusive Financing

- Implementation of easy and accessible financial schemes for women entrepreneurs, including provisions for collateral-free loans and discounted interest rates, should be done. Access to venture and working capital, provision for tax incentives, and special measures to develop land and finance business support services need to be enhanced.

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