

Gender Dimensions of Trade Facilitation *Evidence from India*

Background

Economic liberalization and rapid economic growth in India has not encouraged more women to join the economic activities. For example, India's female labour force participation rate (LFPR) was only 21 per cent in 2019¹ and the country was ranked on 140th place in the Global Gender Gap Index 2021 rankings on Economic Participation and Opportunity among 156 countries much below Bangladesh (65th position), Nepal (106th position) and Bhutan (130th position).²

According to 73rd round of national sample survey, 20.36 per cent Micro Small and Medium Enterprises (MSMEs) are owned by women entrepreneurs in India (around 12.39 million). This is marginal increase from 13.76 per cent (around 8.05 million) during 6th economic census.³

While only 5 per cent of SMEs are owned by women, the situation is specifically grim for women entrepreneurs in different states. For example, except West Bengal (23.42 per cent) and Tamil Nadu (10.37 per cent) all other states and union territories have a single digit share among all MSMEs with women MSMEs.

An old but still valid a study by International Finance Corporation (IFC) estimated that in 2011, the ratio of women owned SME per 1,00,000 is very poor in South Asia (only 29) while it was found very high in sub-Saharan Africa (around 469), East Asia (around 570), Europe (around 600) and also globally (around 370).

Similarly, the same report also estimated that per cent of women owned SMEs in South Asia varies amongst other regions, for example, in South Asia (around 8 per cent) while it was found very high in sub-Saharan Africa (around 24 per cent), East Asia (around 43 per cent), Europe (around 42 per cent) and also globally (around 34 per cent).⁴

Given a wide range of obstinate and conventional macro and micro socio-economic challenges (more specifically non-financial barriers) in the Indian economy, CUTS International conducted a study titled "Gender Dimensions of Trade Facilitation: Evidence from Bangladesh, Bhutan, India and Nepal". The main goal of the study was to collect evidence from women led/managed/owned Micro, Small and Medium Enterprises (MSMEs) to study the gender dimensions of trade facilitation among Bangladesh, Bhutan, India and Nepal (BBIN).

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

2 http://www3.weforum.org/docs/WEF_GGGR_2021.pdf

3 <https://msme.gov.in/sites/default/files/All%20India%20Report%20of%20Sixth%20Economic%20Census.pdf>

4 <https://www.ifc.org/wps/wcm/connect/44b004b2-ed46-48fc-8ade-aa0f485069a1/WomenOwnedSMes+Report-Final.pdf?MOD=AJPERES&CVID=kiiZZDZ>

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Methodology

The study is based on both primary and secondary research. Nonprobability sampling technique was used, which is based on the researcher's judgment to determine the appropriate proportion of each type of stakeholder (e.g. types of women entrepreneurs based on the nature and state of MSME and other stakeholders involved in the business process). The study also used the qualitative data analysis (QDA) to analyse the primary information received from the field survey. QDA provides the results based on experiences and views of the concerned stakeholders.

Semi-structured questionnaire based interviews were conducted with women entrepreneurs (total 100) in India. Interviews were conducted In Rajasthan, Delhi, Assam, Arunachal Pradesh, Karnataka, Maharashtra, Gujarat, and Madhya Pradesh. The majority (56 per cent) of women entrepreneurs surveyed were under the category of micro enterprises. The remaining 39 per cent were small enterprises and 5 per cent were medium enterprises.

Two case studies were also selected to showcase the success of women entrepreneurs who penetrated in international market through their hard work and skills.

Other stakeholders interviewed were: representatives of chambers of commerce and industry. A number of policy experts in academic institutions, representatives of infrastructure/logistics sector, representatives of non-government organisations (NGOs) etc. were also interviewed during the field work.

Challenges

Inadequate implementation of Initiatives

In November 2018, the MSME Ministry of India under the initiative "MSME-SAMBANDH" mandated that all the Ministries of Central Government (including public sector undertakings) must procure 3 per cent of their annual procurements from MSEs owned by women entrepreneurs out of 25 per cent mandatory procurement from MSE sectors. This limit is inadequate and it should be raised to at-least 5 per cent level.⁵

This is very unfortunate that despite this novel initiative, the ratio of procurement by central public sector enterprises from women entrepreneurs was only 0.25 per cent of the total procurement (for FY 2019-20). Though exact reason of such a low level of procurement are not known, yet it is expected that there are primarily two reasons for that – (i) lack of systematic and regular monitoring of procurement process by the central public sector enterprises, and (ii) lack of awareness among women enterprises with regard to participation in central procurement process which is often done by bids and tenders.

Linking of skill upgradation with entrepreneurship

Almost every government ministry and department have skill upgradation, training and awareness generation programmes for women but often these result in making women to opt for provider of services rather than opting to establish their own business. For example, under the Prime Minister Employment Generation Programme (PMEGP)'s *Mahila Coir Yojana*, women artisans are given stipend of ₹3,000 per month for training followed by financial assistance to setup a coir unit with project costs up to ₹25,00,000.⁶ However, often these women artisan

5 https://msme.gov.in/sites/default/files/FINAL_MSME_ENGLISH_AR_2019-20.pdf

6 https://msme.gov.in/sites/default/files/MSME%20Achievement_English%202014-18.pdf



work as laborers instead of setting up their own units due to lack of awareness about business rules and regulations.

Generalisation of schemes

Often government schemes are not tailored made for women entrepreneurs even their share is not specified in target beneficiary. This often results in bias in distribution of benefits in the favour of male entrepreneurs. For example, Credit Linked Capital Subsidy Scheme (CLCSS) is aimed to provide capital subsidy of 15 per cent for improvement of technology (in plant and machinery) in MSEs in 51 product segments.⁷

First, at a time when women do not have adequate finance to run a business how are they supposed to make arrangement for the remaining 85 per cent term loan? Second, the scheme document said that emphasis will be given to women entrepreneurs but how many women entrepreneurs in a state or what share of women entrepreneurs will be covered in a respective product segment is not articulated in the document.

Looking at the skewed distribution of MSMEs ownership towards males, there is a need to develop such policies, which promote female participation in

entrepreneurial activities for their social and economic empowerment.

Women entrepreneurs face various socio-economic challenges in running their trade; therefore it is essential for the Indian government to realise that few women centric-trade related laws/ policies/ schemes/ programmes can at least provide level playing field to women entrepreneurs to some extent. India until now has maintained that trade policies are gender neutral, and was also among other countries to oppose gender issues getting introduced at the WTO in 2017.

India pressed on an argument that while it supports gender equality, gender is not a trade related subject. This gender neutral stand of the Indian government should be changed because women entrepreneurs are definitely not on equal footing in comparison to their male counterparts and need a level playing field to grow and excel.

More such policy initiatives are needed in India where the government has made special provisions for women under various sectors, such as Public Procurement Policy for MSEs.⁸ Further, under Market Development Assistance Scheme for MSMEs, women entrepreneurs are eligible for reimbursement of 100 per cent of space rent and economy class airfare while participating in international trade fair.⁹

7 http://www.dcsmse.gov.in/schemes/credit_link_scheme.htm

8 Out of the total annual procurement from Micro and Small Enterprises, 3 per cent from within the 25 per cent target shall be earmarked for procurement from Micro and Small Enterprises owned by women.

9 http://www.dcsmse.gov.in/MSME-DO/Marketingod32_7_2007.htm#:~:text=1.2%20Permissible%20subsidy%3A&text=The%20Govt,from%20North%20Eastern%20Region%20Govt.

36 per cent of surveyed women entrepreneurs have faced transportation related challenges either while doing their business or sending their consignments

Transportation Problem

It was found during the CUTS survey that 36 per cent of surveyed women entrepreneurs have faced transportation related challenges either while doing their business or sending their consignments. Of these, 19 per cent women entrepreneurs informed that the transportation infrastructure is highly inefficient in the country and the 18 per cent said that the transportation costs are too high including third party transportation. Their mobility across borders remains compromised by infrastructure deficits and safety-related challenges, all of which combine to perpetuate an unwelcoming trading environment.

Around 53 per cent women entrepreneurs also shared that they faced issues related to inadequate storing facility (e.g. ware houses, *godowns* and cold storage etc.) such as very long distance between their manufacturing units and ware-houses/cold storage facilities.

Tax related challenges

Tax related challenges were also experienced by the women entrepreneurs in India. For example, it was found that around 25 per cent women entrepreneurs feel that the current taxes are too high, while the 17 per cent said that the tax regime and process is very complex. It was also found during the survey that almost all the women entrepreneurs are not happy with the rates mentioned in the GST as they are either high in comparison to the previous rates under the old tax system or still faces local level *octroi* etc.

Inadequate gender-sensitivity

Indian women entrepreneurs find it very difficult to access credit, insurance and market access through banks, insurance firms and other financial institutions for being just women. For example, often they are asked to come with their male relatives. They are often refused loans or benefits of government

schemes as bank and other government department employees do not see them as monetary worthy. Further, in many industries it is witnessed that female workers are paid less than their male counterparts having similar skills leading to discrimination on the basis of gender.

Women entrepreneurs have expressed that it has been difficult for them to develop trust and goodwill in a male-dominated industry where no one would place orders for the lack of trust in a woman.

Inadequate export-related infrastructure

Often, many banks do not have international money transfer's facilities in many industrial clusters, especially in border areas which will make any sort of formal international trade very difficult, and the process for gaining Letter of Credit (LoC) or pre-shipment finance on a regular basis is virtually impossible. This has a greater effect on women entrepreneurs rather than men, who typically find it more difficult to travel frequently due to familial responsibilities. Many times, there are limited offices of other necessary institutions required for cross-border trade, such as testing laboratories, plant quarantine office or standard testing facilities.

Policy planning and trade negotiations

It is necessary that women entrepreneurs are included in national level trade consultations, policy planning meetings and other trade negotiations with other countries, for instance, free trade agreement (FTA) negotiations. Through this process, the Trade Facilitation Agreement (TFA) of the World Trade Organisation (WTO) will also become more gender responsive. For instance, most of India's FTAs are negotiated through a national level team without considering specific zone/sub-region related challenges where women are part of formal and informal trade.



Less attention on alternate products

One of the repeated factors which came out during CUTS study is that women entrepreneurs in India tend to prefer businesses in a few product segments only such as agriculture & food processing, textiles & clothing and creative industries, etc., where they are comfortable with their conventional understanding. Very few women entrepreneurs in India have attempted to step or expand into other businesses where there is a clear profitable market.

Targeted capacity building

There is a need of transparency and sector-specific selection on how entrepreneurs are chosen for various promotional or training events and that would enable them to participate and learn better. Many of these women entrepreneurs are first-generation entrepreneurs and do not have mentorship.

Training programmes and awareness generation workshops designed by Central government and other related bodies are often not designed as per specific requirements of women entrepreneurs such as: (1) targeting a particular type of women, for

instance, artisans; (2) occurring on a regular basis, for instance, quarterly/half-yearly at major capital/ industrial city; (3) it should be product specific, for instance, textiles and clothing; (4) targeting particular issues of difficulty, for instance, certification of products/standard and packaging requirements; (5) targeting aspiring entrepreneurs; and (6) providing information about financial support schemes.

Access to Financial Institution

Access to loans from financial institutions is bit challenging especially for women entrepreneurs. The women are often questioned on their ability to payback, and are often neglected by the officials. It was also found that while accompanied by a male counterpart it was comparatively easy to avail loan. There were 56 per cent respondents who said that they do not have any existing loan. The most common reason reported by 25 per cent respondents for not taking loan was formal sector reluctance to provide loan.

Further, 23.21 per cent said there was no collateral against loan, and 16.07 per cent said that inaccessibility of loan from formal source was an

issue. Additionally, lack of awareness about financial instruments is another challenge restricting women to become entrepreneurs.

Social norms and responsibilities

The most common difference between males and females is that males are not subjective of household activities. In contrast, women in India are held responsible for household activities like cooking, childcare, etc. Society believes that it is a woman's job to take care of the household irrespective of their employment, while men with or without jobs play no role in managing the house. In 2018 women in urban India spent 312 minutes a day on unpaid care works, whereas men did just 29 minutes. Furthermore, in rural villages, this time for care work was 291 minutes for women as against 32 minutes for men.

Further, on the other hand, networking becomes difficult for women as some feel uncomfortable to deal with male officials or other male stakeholders. However, male faces no obligation in investing time for networking purpose in their clients, government officials and other stakeholders.

Mindset posing a problem

Most of the women entrepreneurs prefer international clients over domestic, as they have experienced instances where domestic clients have tried to bargain, did not pay on time, and had to go through unnecessary tantrums. Moreover, the fear of failure or inability to take risk often becomes a hurdle in the development of women entrepreneurs.

Awareness related to trade procedures

Information related to trade procedures and regulations does not seem to be known by majority of the respondents. It was reported by only 26 per cent of the respondents that they have adequate knowledge related to documentation. Further, 25 per cent said they have knowledge about other country's product standards and role of CHAs. There were 23 per cent respondents who have knowledge about quality standards certificate. Only one per cent knew about RoO certification.

There were 26 per cent exporters who were exporting directly. Among these there were 92.31 per cent respondents had knowledge about documentation. The source of knowledge about documentation was Ministry's website as reported by 50.00 per cent, followed by private organisations (23.08 per cent). The aspiring exporters, on the other hand, seek for information but do not have adequate resources to understand the procedures and formalities.

Ease of Doing Business for women entrepreneurs

Changes in government regulations every now and then make a negative impact on the growth of the businesses particularly, that of women entrepreneurs. Government should focus towards providing stabilised business environment and reducing red tapism. There should be less paper work, less clearing fees and taxes on women exporters and more efficiency at ports / airport terminals/railway terminals so that cargo can be sent to their destination at a relatively low price and on time.

Women entrepreneurs have often expressed the need for women-specific financial schemes or tax related incentives for women entrepreneurs and exporters in India. Women entrepreneurs often face difficulties in relation to unavailability of cheap finances for the expansion of business, limited awareness about government schemes and they encounter occasional problems with government officials mainly with custom department. Often women entrepreneurs have complained about the attitude of government officials in India towards women exporters particularly and the lengthy procedures, extra duties and fees and lack of cooperation from the part of the government officials.

Further, grievance redressal mechanisms should be set up in relation to international trade where women exporters in MSMEs can easily raise their voices without any prejudice or bias.

Key Recommendations

Enabling Financial sector reforms for women entrepreneurs

1. Provide collateral free or on less collateral special loans with less interest payable with longer payment period to women entrepreneurs.
2. Make credit application processes as simple as possible and bring better services at the community doorsteps more specifically in North-Eastern states and Industrial clusters.

Awareness generation and training programmes

3. Conduct more targeted awareness generation meetings for benefit of local traders and women entrepreneurs in hinterland and backward states.
4. Women entrepreneurs must also be made aware about the tender process and procurement initiatives of Central and state governments. The bidding and tender process must be made simplified so that women entrepreneurs can easily participate in them.
5. Provide Financial discipline by way of training and financial literacy programs and create digital literacy through targeted approach.
6. Sensitise officials working in key government agencies and departments that have direct impact and trade such as customs, border security agencies, customs, financial institutions, etc. among others.

Women centric policy initiatives

7. The MSME Ministry of India under the initiative "MSME-SAMBANDH" should mandate that all the Ministries of Central Government (including public sector undertakings/enterprises/departments) must procure 5 per cent of their annual procurements from MSEs owned by women entrepreneurs.
8. States/UTs must be encouraged to implement the MSME-SAMBANDH initiative in their respective ministries/departments also.
9. Within the MSME-SAMBANDH portal regular (either monthly or quarterly) monitoring and evaluation (M&E) is required to ensure whether targets related to procurement from Women MSEs are achieved or not by different ministries/PSEs/States. If in any quarter targets are not achieved than course correction should be done on priority basis.
10. Every training programme under PMEGP and other central schemes such as *Mahila Coir Yojana* must have training module on – how to start a formal unit/business and how to comply with different rules and regulations including finance and tax related matters.
11. The capital subsidy cap for women entrepreneurs under the CLCSS must be increased to at-least 25 per cent. Apart from it, product-wise share of eligible women MSEs must also be articulated in the policy document. The scheme must be expanded to all the government/private banks/financial institutions not just for 12 nodal banks/agencies.

Need for inclusive women entrepreneurship

12. Include successful women entrepreneurs in trade and investment agreement negotiation teams and make effort to include gender dimension in future trade deals.
13. Handholding support should be given once they start a business or at the time of stepping into the export sector particularly by business chambers, CSOs and government agencies.
14. Construct a platform for women entrepreneurs to make networking easy and comfortable. Social media can be helpful for networking especially in a post COVID 19 world and a separate website/webpage can be launched with information about trade procedures along with the information about the officials to be approached for government formalities.

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