

# Gender Dimensions of Trade Facilitation

## *Evidence from Nepal*

### Background

Nepal has set a target of becoming a developing country by 2022 and a middle-income country by 2030. Over the past three years, Nepal experienced an average gross domestic product (GDP) growth rate of around 7.3 per cent.<sup>1</sup>

Transformation in supply and value chains, improvement in transportation services and infrastructure, energy availability, speedy construction, increased tourism, growing remittances and expanded international trade have led to its economic growth. However, the country's development is not devoid of bottlenecks and constraints, which pose a challenge in sustaining a high economic progress level.<sup>2</sup>

Considering the relationship between trade, economic growth, and development, Nepal needs to expand the export of selected niche products, which are unique to the country, mainly when the inclusion of domestic producers into formal export business is a pre-requisite. This would also mean increasing the participation of more women entrepreneurs in economic activities, including export trade.

Currently, the ratio of male to female entrepreneurs, particularly in the export sector, is meagre. For example, Nepal ranks in the 101<sup>st</sup> position among 153 countries in Global Gender Gap Index 2020 rankings on Economic Participation and Opportunity, which is not a very good<sup>3</sup> position.

Similarly, according to the National Economic Census 2018 of Nepal, of the total firms operational in Nepal, only 29.6 per cent are managed by women, while only 26.8 per cent of the firms are owned by women.

Socio-economic developments complement the women entrepreneurs who are determined to break the stereotypical situation in Nepal's trade and economic system. For example, during fieldwork for this research project, it was found that women entrepreneurs in Nepal are eager to export their products overseas. They consider foreign markets a natural progression towards expanding their businesses and widening the source of sustainable revenue.

In Nepal, women entrepreneurs mainly engage in manufacturing and exporting handicraft items

1 <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=NP>

2 <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9019.pdf>

3 [http://www3.weforum.org/docs/WEF\\_GGGR\\_2020.pdf](http://www3.weforum.org/docs/WEF_GGGR_2020.pdf)

# Socio-economic developments complement the women entrepreneurs who are determined to break the stereotypical situation in Nepal's trade and economic system

such as pashmina, carpets, felt products, papers and items made from natural fibres, handbags and herbal-based beauty and skincare products. These items are mostly handmade, requiring simple machines to sew, weave or mold the products.

Most of these exporters are concentrated in Kathmandu Valley as the entrepreneurs outside the capital only operate at the local and provincial levels. However, overall, women entrepreneurs' participation in international trade is limited.

According to the World Bank's Enterprise Survey for Nepal, for 2013, only 17.6 per cent of the firms with women as majority owners export more than 10 per cent of their output. The reasons for not engaging in trade range from lack of understanding about global standards and quality, concentration on the domestic market, and lack of knowledge about foreign markets and buyers. Many of those who export seem to depend on old and established buyers and have not ventured into diversifying their buyers.

Given these persisting macro socio-economic challenges in the participation of Nepal's women entrepreneurs in export trade, CUTS International, in collaboration of South Asia Watch on Trade, Economics & Environment (SAWTEE) and with support from Foreign, Commonwealth and Development Office (FCDO), UK, undertook a study entitled "Gender Dimensions of Trade Facilitation: Evidence from Bangladesh, Bhutan, India and Nepal".

The main goal of the study is 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.

## Methodology

This study is based on (a) a review of existing literature on women entrepreneurs and exporters in Nepal and (b) fieldwork. Fieldwork was conducted at the following locations: (a) Birgunj, (b) Biratnagar, (c) Tribhuvan International Airport (TIA), (d) Pokhara, (e) Kathmandu Valley, (f) Jhapa, and (g) Ilam. Since these locations are major trading centres for domestic and international business in Nepal, fieldwork was conducted at these locations.

Questionnaire-based interviews (survey) were carried out with around 50 women entrepreneurs. Among the interviewed women entrepreneurs, 72 per cent export their products to the foreign market and, among those exporters, 28 per cent export indirectly via third-party exporters. Other stakeholders interviewed were: custom house agents (CHAs), customs officials, representatives of the chamber of commerce and industry, policy experts in academic institutions, representatives of the infrastructure/logistics sector and representatives of non-government organisations (NGOs).

Three focus group discussions (FGDs) were also conducted with women workers. In total, around 100 stakeholders in Nepal were consulted for this study. Two case studies were also selected to showcase women entrepreneurs' success who penetrated the international market through their hard work and skills.

## Challenges Faced by Women Entrepreneurs

Women entrepreneurs and potential exporters in Nepal face several challenges when it comes to taking part in international business. Some of the

obstacles haunting women entrepreneurs are the same as those faced by businesses owned by men, such as lack of productive and competitive capacity due to expensive raw materials, higher wages and expensive logistics, and inadequate supportive trade infrastructure.

At the same time, challenges faced by women entrepreneurs are of gendered nature, too, such as limited access to relevant information and finance, the uneven burden of care work, to name a few. Based on the research undertaken, this study identified the following challenges:

### ***Inadequate Infrastructure***

One of the major problems women entrepreneurs face in Nepal is lack of access to proper infrastructure at central industrial locations and border points, for example, modern cold storage, warehouses, accredited testing laboratories for accreditation and certification.

About 44 per cent of women entrepreneurs interviewed during fieldwork face issues related to

lack of warehouse and cold storage facilities. It was found that 77.42 per cent of the respondents faced transport-related hurdles. Among these respondents, 91.67 said that the transport-related charges are too high.

Inadequate availability of proper laboratories and certification services is a common issue faced by Nepali exporters. For example, textile and felt manufacturers have to get their products certified for dyes and other foreign countries' hazards due to lack of those services in Nepal. This is an expensive and lengthy task. On the other hand, if entrepreneurs fail to get their products tested beforehand, they may risk losing international business.

For example, obtaining organic certification for agro-processed products such as tea is also expensive and samples need to be sent to India. Similarly, Pashmina and garment exporters also pointed out the lack of proper testing and certification facilities in Nepal. They either have to take their samples to be tested in India or wait for buyers to undertake those activities.



## Women entrepreneurs point out that they face difficulty accessing information that is not publicly available, such as a list of trade fairs for which possible subsidies could be availed, as they have limited networking time and abilities

As a result, producers and exporters of handicraft items said all the necessary tests are done by the buyers on the sample they send. This disadvantages the exporters by increasing their dependency on buyers.

Besides the absence of physical infrastructures to facilitate smoother trading, women traders also lack female presence in these facilities as a discouraging factor. Ideally, this should not have been an issue, respondents said, but they feel more comfortable dealing with women officers in many cases. Or simply their presence in the public space is reassuring and puts the traders at ease, they said.

### ***Limited Knowledge about Foreign Trade Procedures and Schemes***

Women entrepreneurs point out that they face difficulty accessing information that is not publicly available, such as a list of trade fairs for which possible subsidies could be availed, as they have limited networking time and abilities. They say they get information only when they seek them actively, which is an additional burden besides running a business.

Many exporters, mainly related to the handicraft and clothing sector, are not updated with changes in regulations as much of the information is related to producers through buyers. They are dependent on buyers for the set of standards and rules they need to follow. This weakens their position as they become overly reliant on buyers and have difficulty exploring new markets or buyers.

Domestically, women entrepreneurs seem to lag in favour of receiving government-supported export promotion schemes such as cash-back incentives. Based on the products' classification, the Nepal government provides cash to the exporters ranging from 3-5 per cent of export transactions. However, not many women exporters were aware of this facility or could not avail the subsidy due to procedural hassle.

### ***Limited Access to Finance***

In Nepal, where the financial market is in a nascent stage, bank borrowing is the most common external financing source. Most of the interviewed women entrepreneurs said getting external financing is in their future plans. However, during the survey, only 20 per cent of interviewed entrepreneurs have outstanding loans. Others have already approached banks and found that some banks were encouraging, yet collateral is still an issue.

Women entrepreneurs appeared to be risk-averse when it comes to borrowing money to expand their business. The production process is dependent on advance payment—the work on orders placed by foreign buyers is started only after receiving a certain amount in advance—thus, they do not require extra working capital to finance business activities.

For the women entrepreneurs in Nepal, who have difficulty pledging collateral and need a little more considerable sum (about NPR 1 million or more), getting finance is challenging. They have to seek informal loans from family and friends. However,



none of the interviewed entrepreneurs admitted to taking loans in such a manner.

Similarly, complicated and high taxes are significant problems for women entrepreneurs. For example, 74 per cent of women entrepreneurs interviewed during fieldwork said they have tax-related issues, such as high and complex taxes regime.

It appears that lack of information and insufficient support to manage tax affairs have left women entrepreneurs paying high taxes. Though micro-enterprises are exempt from paying income tax for up to 10 years from their registration, some still pay the taxes. Similarly, businesses also lack access to counsel regarding better accounting practices that could save them money and enhance their creditworthiness.

### ***Challenges in Scaling Business***

Many women entrepreneurs and exporters appear to face difficulty in establishing new business contacts in foreign markets. Many women

exporters are engaged in business with the same old buyers and have not ventured into new markets. The limited productive capacity of women entrepreneurs discourages them from approaching new buyers.

Some of them said that even when they establish contacts with new buyers and their orders are so large, they had to decline them as the entrepreneurs' productive capacity was limited. For example, one of the organic tea producers interviewed said they sold organic tea in bulk to the international café chain Starbucks for a year. The following year, the global café chain increased the order volume beyond their supply capacity to let go of the contract.

Besides the issue of scaling up production, quality issues also affect the entrepreneurs' business potential. Most of the existing cottage and small-scale enterprises produce their goods using traditional artisanal skills with no or minimum automation.

Thus, in terms of efficiency in the manufacturing process, quality standards of the products, safety and regulatory standards of the items, sealing and packaging, branding and labelling, and application of other mandatory standards that are pre-requisites to international trading are lacking.

### ***Limited Information about Grievance Redressal Mechanisms***

New entrepreneurs pointed out the difficulties of getting their business registered for export. The need to repeatedly visit government offices and knowledge gap even within different government entities, exacerbated mainly by the nation's federal structure, made getting necessary registration cumbersome.

Women entrepreneurs do not know about the presence of grievance redressal mechanism or the presence of such institutions. They have to approach the respective commodity association or Ministry of Industry/Commerce in case of need. This lack of information on grievance redressal lacks access to exporting information that inhibits women entrepreneurs' growth. For example, for exporters dealing with non-timber forest products (NTFPs) is a lengthy process to get the approval letter from the forest department.

### ***Challenges Related to Household Work***

Due to traditional roles expected from women, they share the unequal burden of household chores and caring responsibilities and take care of farms and, often, family businesses simultaneously. Most of the women in Nepal have to dedicate equal, if not more, household chores and family, even if she is running a business.

Managing business and home was one of the biggest challenges cited by the interviewed women entrepreneurs. All the women entrepreneurs who responded said family issues still take a lot of their time, and sometimes, business takes a second seat, in comparison.

Further, when it comes to outstation travels, the issue becomes grave for women entrepreneurs.

Safety and security become a significant concern, especially if the women travel alone for promotion, trade, or marketing duties.

Unlike their male peers, women entrepreneurs pointed out that they can only meet clients or other business contacts during office hours and at offices. They admitted that it is easier for men to establish business contacts even after office hours through informal/ casual meetings.

### ***Constraints in Digital Transactions and Logistics***

Although women entrepreneurs in Nepal are increasingly turning to online marketplaces to sell domestically, they face difficulty when it comes to selling their products to global buyers through these platforms. Many online platforms such as daraz.com, thulo.com, hamrobazar.com, among others, have emerged as a viable marketplace for entrepreneurs. However, cross-border e-commerce is not feasible due to a lack of payment solutions, expensive delivery and ambiguity in processing returns.

A significant challenge is the lack of convenient payment options from overseas for small packages. The existing regulations allow foreign currency transfers to Nepal only through banking channels.

Thus, sellers from Nepal cannot accept payments made from credit cards and other alternative payment gateways such as PayPal. These are popular modes of payment for retail buyers in other countries. Although payments platforms such as Payoneer and 2Checkout are operable, entrepreneurs are apprehensive as they are not convinced that those modes are legal.

Besides the troubles in payment, logistical issues such as cheap and reliable courier services are also an issue. Using international logistics service providers, such as DHL, FedEx, UPS, etc., to post small packages as ordered by the retail buyers is expensive for the firms, making their products quite expensive.

## Key Recommendations

### **Policy Challenges**

Nepal has inadequate institutions and infrastructure for international trade, such as modern testing laboratories and standard checking organisations, storage facilities and necessary infrastructure at major border points. Thus, new institutions and infrastructures should be established and existing ones be upgraded with modern facilities with an adequate number of trained staff.

A robust mechanism must be established for international logistics related to foreign trade, including the facilitation of online financial transactions from other countries (for example, similar to India).

Undertake ex-ante gender assessment of trade policy changes and reforms to obtain a gendered picture of the impact of women's reforms as producers, consumers and workers.

Maintain a gender-disaggregated database that will assist a greater understanding of women's participation in supply-chain and help policymakers make evidence-based policy decisions.

Establish a dedicated desk at the Department of Industry or Trade and Export Promotion Centre to facilitate women entrepreneurs to navigate enterprise development and trade-related procedural and information network easily.

Make the existing web-based trade information portal accessible (for example, by making it available in vernacular languages and making the site responsive even on lower bandwidth) to help narrow the information gap experienced by women entrepreneurs.

An overall assessment of market access and non-tariff barriers (NTBs) and lower them to enhance overall trade facilitation.

Establish a mechanism to certify women-owned small businesses to make the firms eligible for targeted policy interventions in the forms of subsidised loans, subsidies to participate in trade fairs, among others.

### **Building Capacities**

There is also a need to find organisations (e.g. women organizations or women self-help groups) to help women entrepreneurs as mentors. These organisations should be linked with key government ministries and trade bodies.

Awareness generation campaigns and capacity-building workshops in remote areas and at major border points must be organised regularly, targeting women entrepreneurs. They can get necessary and updated information regarding new schemes, change trade rules/standards, subsidies, network opportunities, and business registration issues, taxation, enhancing creditworthiness, export, and broader business environment.

### **Gender-sensitive Infrastructure**

Male officials working in government and private institutions such as ministries/departments related to trade, industry, finance, banks, insurance firms, export promotion bodies, customs, border security forces, testing facilities and local industrial offices must be sensitised on gender issues and specific needs of women entrepreneurs.

Prepare a mechanism to help women entrepreneurs to expand and establish market linkages through direct contact with buyers, trade fairs and other such mediums.

Increase representation of women in occupations/professions related to cross-border trade such as transport and logistics, customs authorities and other forms of intermediaries.

This Policy Brief has been published as a part of CUTS project entitled, 'Gender Dimensions of Trade Facilitation Agreement: Evidence from Bangladesh, Bhutan, India, Nepal' undertaken with the support of the Foreign, Commonwealth and Development Office, UK and in partnership with South Asia Watch on Trade, Economics and Environment.

