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# TRADE WINDS OF CHANGE

## WOMEN ENTREPRENEURS ON THE RISE IN SOUTH ASIA

### Background country study-Bhutan

United Nations Development Programme



**TRADE WINDS OF CHANGE - WOMEN ENTREPRENEURS ON THE RISE IN SOUTH ASIA**  
**Background country study – Bhutan**

By Kezang, Gem Tshering, Ugyen Lham, and Dil Maya Rai, InfoAge Consulting

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## Background country study-Bhutan

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## Abbreviations and acronyms

ADB	Asian Development Bank
APIC	Agency for Promotion of Indigenous Crafts
BAFRA	Bhutan Agriculture Food Regulatory Authority
BAoWE	Bhutan Association of Women Entrepreneurs
BCCI	Bhutan Chamber of Commerce and Industry
BDBL	Bhutan Development Bank Limited
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BOiC	Business Opportunity Information Centre
DCSI	Department of Cottage and Small Industries
EDP	Economic Development Policy
FDI	Foreign Direct Investment
FGD	focus-group discussion
KII	key informant interview
MoEA	Ministry of Economic Affairs
MoLHR	Ministry of Labour and Human Resources
MSME	micro, small and medium enterprises
NGO	non-governmental organization
NSB	National Statistics Bureau
NTB	non-tariff barrier
NTM	non-tariff measure
RGoB	The Royal Government of Bhutan
SAARC	South Asian Association for Regional Cooperation
SABAH	SAARC Business Association of Home Based Workers
SPS	sanitary and phytosanitary
UNDP	United Nations Development Programme
WMSME	women-owned and led micro, small and medium enterprises
WTO	World Trade Organization

Note: US\$1 was equal to approximately 63 Bhutan Ngultrum (BTN) as of June 2015.

# Map of South Asia



Map No. 4140 Rev. 4 UNITED NATIONS  
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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.



## Executive summary

This study was carried out to cover the widest possible areas of the country; 10 out of the 20 districts and five out of six trade regions were covered in this study for fair representation of the sample population. The target population of this study were women-owned and led micro, small and medium enterprises (WMSME). Sampling procedure was purposive given the huge challenge of finding the WMSME trading with the five identified products for the purposes of this study.

The products identified met the criteria that they should not be the ones already into full-fledged trade with other South Asian countries, but rather those products with the potential for trade in the future. After the consultations with the stakeholders by conducting key informant interviews (KIIs) and focus-group discussions (FGDs), the products identified and selected for this study were Bhutanese hand woven textiles, wooden and bamboo crafts, red rice, chili paste and incense.

The total sample size of this study are broken into three categories; 88 formal WMSME with trade licenses from the Department of Trade, Ministry of Economic Affairs; 69 informal WMSME who operate their businesses without trade licenses and the locations of their enterprises are limited to their homes; and 48 employees of the WMSME who were interviewed to understand their working conditions. Primary and secondary data collection, extensive literature review on the enterprise history of Bhutan and referring policies and acts in place to support the growth of MSME were some of the methodology steps applied.

The study has examined challenges facing WMSME face to conduct business and trade, which have hindered them from growing to the fullest potential. The survey respondents and key informants identified various trade-related barriers related to regulatory issues, transport and transit, customs regulations and taxation policy, limited national capacity in terms of financial and human resources to adequately deliver its responsibilities for issuance of export certification, among others.

Women-owned and led micro, small and medium enterprises identified their business constraints as social stigma against women entrepreneurs, unfriendly attitude of male suppliers, high cost of transportation and diesel or petro for trucks. Recommendations are made in relation to promotion of women-friendly facilities for intraregional trade, simple procedures for exporting and importing, establishing and expanding business networks among women entrepreneurs, women's better access to finance and capacity building opportunities among others.

# 1. Background and context

Bhutan is a mountainous landlocked country sharing borders with India in the east, west and south, and China in the north. With a projected population of 745,153 (National Statistics Bureau (NSB), 2014), Bhutan enjoys the coverage of 70 percent forest reserve. Male-female ratio of the population is 1:1.2 (Ministry of Labour and Human Resources (MoLHR), 2013). Bhutan is largely a matrilineal society, which is still very common in remote areas of eastern and western parts of the country, with the land and property traditionally passed onto female members of the family. However, this trend is diminishing among the educated and urban families.

The main income source of Bhutan as a nation is the hydropower generated electricity, followed by trading sector and tourism. Subsistence agriculture farming is practiced by its majority population of 70 percent who live in the rural areas. The urban towns of Bhutan are seeing an increasing level of rural-urban migration for want of facilities and economic opportunities.

Transportation of goods and people in Bhutan is mostly by inland roads, although domestic air services have been introduced in 2011. The country is almost entirely dependent on road transport for both domestic and international travels. There is no rail network, either within the country or connecting it directly from the bordering towns of India. Connecting Bhutan to the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Asian Highway for future trade is one of the best alternatives for Bhutan to have easy access to sea ports for trade, given comparatively expensive air transportation.

Bhutan is a heavily import driven country. The largest trading partner is India, which accounts for more than 90 percent of Bhutan's imports. India provides the biggest funding source for development activities of Bhutan, including those in the five-year plans. Given the good state of bilateral relations with India, there is free movement of Bhutanese people and vehicles in India. Exports to third countries including Bangladesh and Nepal must transit through the seaports of Kolkata and Haldia in India. Bhutan also offers visa on arrival facility for Bangladeshi nationals.

For the last two decades, Bhutan's economic growth was primarily driven by hydropower, construction, services and power-intensive manufacturing sectors. All of these have low employment elasticity and minimal linkages in the domestic economy. Due to this, the spillover effects of structural changes and economic modernization has not been able to tackle challenges related to poverty alleviation, rising income inequalities and unemployment. Hence, an urgent need was felt to revisit private sector development policies and design appropriate interventions to bring the vulnerable and the poor into the socio-economic development mainstream (Osmani, Bajrachrya, Tenzing and Wangyal, 2007: 275).

## 1.1. Current macroeconomic indicators

Bhutan recorded the long-term growth rate of nearly 8 percent, but the rate has gone down to 4 percent in the fiscal year of 2014 (Asian Development Bank (ADB), 2015). The industry and construction, mainly hydropower, comprises about a third of economic activity followed by the services sector, particularly the the tourism sector. The annual inflation was 9.6 percent and current account deficit was 25.5 percent of GDP in the fiscal year of 2014 (ibid.).

Bhutan's gross national income per capita was \$2,330 in 2014, categorized as a lower-middle-income economy (World Bank, 2014). Bhutan ranked 141 among 189 countries in terms of ease of doing business; key bottlenecks for doing business include lack of access to credit, difficulties in obtaining electricity and paying taxes (ibid.).

Food security is a serious concern across all policy matters in Bhutan. While less than 10 percent of the country's population suffer from food poverty or consume less than 2,173 kilocalories food in a day, those who reside in very remote areas or those who are the poorest face severe seasonal hunger (ADB, 2014a).

In terms of educational achievements, females have always been behind the male counterparts for many years till date. The Ministry of Education implements the education for all policy. Education is provided for free of charge until grade 10 (middle secondary school). As the educational level goes higher, the female representation drops significantly (table 1.1).

**Table 1.1 Educational attainment by sex, 2010 and 2013**

Educational achievements	2010			2013		
	Male	Female	F/M, %	Male	Female	F/M, %
Higher Secondary (Cl. XII)	17,200	14,000	81.4	23,807	20,727	87.1
College Graduates	6,400	3,400	53.1	12,867	7,343	57.1
Masters and Above	1,600	600	37.5	3,174	1,137	35.8

Source: MoLHR, 2010 and 2013.

## 1.2. Policy development for business

Adequate policies and enabling environments for the micro, small and medium enterprises (MSME) are in place, such as the creation of relevant institutions to help with providing access to credits without collateral requirements. The Royal Government of Bhutan (RGoB) developed an Economic Development Policy (EDP) in 2010. The EDP brought out the need for creating a dedicated department within the MoEA for promotion and development of MSME. The Department of Cottage and Small Industry (DCSI) was established in July 2010. The development of Cottage and Small Industry Policy with special focus on women's enterprises may have been attributed to an increase in women entrepreneurs in recent years. *The Cottage, Small and Medium Industry strategy 2012-2020* also stated that more emphasis should be given to WMSME (MoEA, 2012). The Government of India provided the grant of Nu. 5 billion in 2014 to the RGoB to implement its economic stimulus programme through supporting cottage and small enterprises during the implementation of the 11<sup>th</sup> five-year plan (2014-2018).

### 1.2.1. Business opportunity and information centre

RGoB approved the establishment of the Business Opportunity and Information Centre (BOiC) in December 2013, under the aegis of the MoEA. BOiC was a time-bound autonomous agency for implementing the revolving funds of Nu 1.9 billion as part of the the economic stimulus programme. Its objective was to stimulate the growth of the cottage and small manufacturing industries, and non-formal commercial sector. BOiC through the financial institutions provided business loans at 4 percent interest rate per annum against 10-15 percent in the financial market.

BOiC became operational in August 2014. By the end of the year, BOiC approved 589 projects proposals amounting to Nu. 178 million has been approved; of which, 534 projects were for non-formal rural activities fund (BOiC, 2014). The agriculture, livestock and dairy sectors received most. In 2016, the RGoB has established Rural Enterprise Development Corporation to carry out BOiC's functions.

### 1.2.2. Better Business Council of Bhutan

RGoB approved the establishment of the Better Business Council of Bhutan in July 2014 with the objective to create jobs by bringing reforms in nature of business operations, and investment promotion in the country to accelerate the pace of economic development, and to foster the much-needed institutional linkage platform between the public and private sectors. This replaced the Private Sector Development Committee. RGoB also recently established the “Meet the Business” forum every Monday of the week.

### **1.2.3. FDI rules and regulations amended**

Foreign Direct Investment (FDI) rules and regulations have been amended in December 2014 to promote FDI in the country. Any FDI in Bhutan can now take back their incomes in convertible currencies unlike the previous arrangement. A change in the land lease agreements is now underway, which would result in attraction of more FDIs. The change in the FDI regulations ensured that FDI businesses shall be allowed to borrow from abroad as per the external commercial borrowing laws of the country. Repayments shall be based on the net-balancing principle.

### **1.2.4. Regional and international trade agreements**

Bhutan submitted a request for the World Trade Organization (WTO) membership in 1999. The country currently holds an observer status in the WTO. Bhutan has assigned the agreement on South Asian Association for Regional Cooperation (SAARC) Preferential Trading Arrangement in 1993, which was superseded by the Agreement on South Asian Free Trade Area in 2004. Bhutan is also a member of BIMSTEC.

In addition, Bhutan has bilateral trade agreements with India, Bangladesh and Thailand. The main objective of the Bhutan-India Agreement on Trade, Commerce and Transit is to promote free trade and commerce between the two countries. Bhutan and Bangladesh first signed the bilateral agreement in 1980, which was renewed in December 2014. The agreement extends duty free trade on 18 major categories products that cover 90 different items. The Government of Bangladesh also offered Bhutan the use of Mongla and Chittagong seaports and Lalmonirhat and Saidpur airports and the use of the road network for trade with Bangladesh and to be used as a transit to India.

## 2. Methodology

The objectives of the study were:

- i. To identify the constraints that the WMSME face in the followings:
  - a. Operating and expanding their businesses;
  - b. Access to regional markets, particularly in the forms of non-tariff barriers (NTBs); and
  - c. Social, cultural and physical barriers.
- ii. To provide policy and programme recommendations to ease and manage the constraints identified.

This study was carried out in phases of literature review, focus-group discussions (FGDs), key informant interviews (KIIs), primary data collection from enterprises and employees, analysis and stakeholder consultation meetings. The literature review was carried out in the first month of the study, with the use of secondary data and KIIs. The secondary data are mostly from the reports by the RGoB, international organizations and the NSB, and journals of the relevant agencies.

KIIs were conducted in Thimphu, where almost all the government agencies and the business units are located. The objective of the KIIs was to collect information for use as inputs to the field questionnaire including selecting the products based on their potential in the South Asia market for exports as well as for a better market within the country, with the focus to WMSME. Criteria for selection of these products include an export potential of the product in the five South Asian countries (Bangladesh, India, Nepal, Pakistan, Sri Lanka) and at least 40 percent value addition in the case the raw materials were imported. Criteria also include that the enterprise is owned or managed by women or 40 percent, or more employees are women if the enterprise ownership under the products considered was dominated by men. The interviews were conducted with agencies dealing with policy formulation, implementation, capacity building of the entrepreneurs, marketing and export associations, financial institutions and international agencies among others.

The selected products were either manufactured by women with the licenses from the Department of Trade at the established places of operation or manufactured informally at homes and backyards but linked to some organizations for final market and sales. The five products selected for the study were hand woven textiles, wood turnings and bamboo carvings, red rice, incense and chili paste. Below, each product has been explained in details, with inputs from the KIIs and the FGDs.

**Handwoven textiles:** Bhutanese woven textiles have intricate designs and can be used to stitch into dresses, sofa covers, bed linen and other household uses as well as bags and purses. It is also worn by women and men as national dress in Bhutan. Materials used to weave these textiles range from cotton to teri-cotton and pure silk. Textiles weaving is popular in the eastern and central regions.

Textiles business has been gaining steady growth with increasing demands. The number of tourists increased over the years. As a result, more handicrafts shops were opened, and women weavers sell their products directly to customers or to handicraft shops. One stakeholder mentioned of Bhutanese textiles being exported to the United States through courier like DHL. Some demands have come from Japan. Therefore, there is a potential to export to other countries but good market information and know-how are lacking at this moment.

Women weavers who sell their products directly to the customers were often home-based weavers and do not own any established points of sales or shops. In some places, women were also seen selling their textiles products in the weekend vegetable markets. There are also weavers, who weave as members of SAARC Business Association of Home Based Workers (SABAH)-Bhutan. SABAH-Bhutan provides women the raw materials, and women weave in exchange of nominal monthly stipends.

**Wooden turnings and bamboo crafts:** Wooden baskets known as *dapa* are popular among the tourists. The raw materials used to produce *dapa* are made from tree trunks of high and mid value trees. Wood turnings and bamboo carvings were traditionally used as food containers and for other daily uses. These products have potential for exports. The eastern and central parts of Bhutan with rich wood and bamboo materials are well-known for production of the crafts. The crafts are sold in handicraft shops in Paro and elsewhere. Both men and women involved in production of wood and bamboo crafts but there is a division of labour; women engage in weaving and men engage in lacquering and wooden crafts.

**Red rice:** Bhutan's highland rice is gaining popularity among the western consumers as organic with high nutrition. Only one business house exports red rice to the United States, and other countries, but not to neighbouring countries in South Asia. Red rice is also sought after by local consumers and hotels, as red rice is the mark of Bhutanese staple food. Food Corporation of Bhutan has started collecting rice from farmers in bulk, and sell it further to consumers from its own depots. There is a good scope of red rice business in Paro, Wangdue and Punakha as these districts grow red rice in abundance.

**Incense:** Bhutanese incense is manufactured from medicinal herbs and aromatic plants grown in the Himalayan Mountains and a number of incense producers are coming up in this trade. Exports have been noted into the United States, Taipei China, Thailand, Nepal and Sri Lanka as well as in bordering towns of India. Bhutanese incense making is considered as lucrative business in the future as the market demand has been increasing domestically and internationally, including the neighbouring Indian State of Sikkim.

**Chili paste:** The market for red chilies in the form of powder and paste (*ezay*) (hereafter as chili paste) is growing. Farmers sell green chili in summer and dried ones in winter. Chili paste are sold in all seasons. Bhutanese spice steadily capturing the domestic market as well as international market such as Thailand. It can be used for taste while preparing noodles and any other vegetables and curries. Some women sell chili paste in local vegetable markets, rather than selling to local grocery stores.

As for the primary data collection, details of women entrepreneurs were obtained from the Department of Trade, MoEA. A rigorous data cleaning and stratification per region and districts had to be done before the field survey. A mixed method of random and purposive sampling of the respondents was adopted given the difficulties to identify WMSME per product. Purposive sampling was administered as it was really challenging to identify the WMSME dealing with the selected products at a significant level. Given the limited market size and inadequate incentives for effective trade, the sample respondents were very difficult to identify for the interviews.

Primary data were collected by using structured questionnaires, which had a mixture of close ended and open ended questions. Primary data were collected in 10 districts in the eastern, central and western regions of Bhutan, through one on one interviews based on the questionnaires (annexes 1-5). The regional distribution of the districts was to ensure that there was fair distribution of the samples and maximum number of districts were covered for fairer representation. This way of selection of the districts also ensured that five trading regions out of six that the Department of Trade has demarcated were covered. The five trading regions are namely, Gelephu, Paro, Phuentsholing, SamdrupJongkhar and Thimphu. Samtse was not covered under this study due to resource constraints.

Focus-group discussions were also conducted to solicit the general overview of the WMSME in each region and also to capture the open ended responses concerning the business environments in the respective regions (annex 6). One focus group with various stakeholders per region was conducted to have a fair distribution of the region and products. In the last stage of the study, the stakeholder consultation was held in Thimphu on February 4, 2015, to present preliminary findings from the study and to receive feedback for correction or improvement.

### 3. Literature review

Limited literature is available on WMSME and the existing documents have very little gender disaggregated information/data, which are at best inconsistent in nature. Further, to understand the nexus of MSME development and some of its underlying issues, it warrants a brief historical perspective of private sector development in Bhutan and within it, issues pertaining to MSME, particularly the WMSME.

#### 3.1 MSME development in Bhutan

The importance of private sector in fostering economic development and as a source of employment in Bhutan was recognized since the 6<sup>th</sup> five-year plan (1987-1992). In support of private sector development, reforms towards privatization and corporatization of public sector enterprises, liberalization of financial system, liberalization of interest rates, establishment of a stock exchange, lifting of foreign exchange restrictions on current accounts payments and transfers, and development of cottage and small industries have been introduced since then. In addition, industrial estates, industrial service centers, special credit programs for MSME and various policies and strategies to support MSME have been developed in recent years. Some of these initiatives yielded positive results. However, it is stated in the country's vision document that the "overall impact [of the reforms] has been modest and the response of the private sector to liberalization has been sluggish," particularly in the area of realizing balanced development, bridging gender equity and creation of jobs (Planning Commission 1999: 33-36).

Like many developing economies around the world, fostering MSME was identified as a viable avenue for the poor to unleash their potential and participate effectively in the market economy and improve their livelihoods. The 9<sup>th</sup> five-year plan (2002-2007) declared the promotion of small, cottage and micro enterprises as a means to stimulating the rural economy (Planning Commission 2002: 44-45). Strategies were put in place to enhance rural income through the development of small-scale handicrafts, bamboo products, textiles, wood works, incense sticks and papermaking. In the following five-year plan (2008-2013), economic diversification and industrial development, particularly the development of small and micro enterprises was seen as a way to achieve poverty reduction (Gross National Happiness Commission, 2009: 31).

Despite the high importance accorded to the development of micro and small enterprises, there was no single agency tasked and made responsible for MSME development. Due to lack of comprehensive policy and coordination agency, efforts of various government agencies and development partners in support of MSME development took place in isolation. Further, only a few non-governmental organizations (NGOs) were engaged in implementing and supporting MSME. To tackle this issue, the government developed an EDP in 2010 and established the DCSI in July 2010 to develop the Cottage and Small Industry Policy with special focus on women's enterprises as mentioned above.

Some of the immediate interventions identified and entrusted upon DCSI included; formulation of policies, simplification of licensing arrangements, introduction of unambiguous commercial law, introduction of measures to make private sector employment attractive, creation of opportunities for small businesses to flourish and promote linkages to larger enterprises, encouragement of small businesses to make longer-term investments that take advantage of opportunities for export and open up small businesses access to capital, technology, know-how, including strengthening the fledgling stock exchange by opening doors to FDI among others.

When the DCSI initiated the change process, it soon found out that the RGoB had several definitions and interpretations of MSME. The MoEA itself used two definitions, focusing on investment and turnover respectively (MoEA 2011a: 83). International best practices indicate that such situation leads to data

inconsistencies, confusion for MSME and distorts policymaking and evaluation. *The White Paper on Micro, Small and Medium Enterprises in Bhutan 2012* recommended to introduce a single uniform and consistent MSME definition (DSCI, 2011: 146). RGoB attempted to harmonize the definition of enterprise size by applying both employment and investment parameters (table 3.1). It was also proposed that in the event there is a conflict, investment would take precedence over employment (MoEA, 2012: 5).

**Table 3.1 MSME definition in Bhutan**

Category of MSME	Headcount/Employment	Investment (in million BTN)
Micro/cottage	1 to 4	< 1
Small	5 to 19	1-10
Medium	20 to 99	10-100
Large	100+	>100

Source: MOEA, 2012.

## 3.2. Women’s economic participation in Bhutan

Female labour force participation rate was about 59 percent in 2013, 13 points lower than that of male counterparts (table 3.2). It also went down from 2009 to 2013 by more than five points, while male labour force participation hasn’t changed much over the same years. Unemployment rates were generally low but higher percent of women experienced unemployment than men.

A similar picture is depicted of women's share of enterprise ownership. Among a total of 519 enterprises surveyed, women owned only 29 percent of the enterprises with a slightly higher level of female ownership in micro enterprises (32 percent), followed by small (24 percent) and medium enterprises (17 percent) (MoEA, 2011: 11).

A high split between proportions of male and female employees within the survey sample. Female employees accounted for only 28 percent of the total. Microenterprises had a somewhat higher proportion (about 33 percent) while medium enterprises showed that only 19 percent of the employees were female workers (ibid.).

There is also a significant variation in the sectoral distribution of employment. Men accounted for a large proportion of the workers in construction (98 percent) and manufacturing (85 percent), while female workers were mostly engaged in indigenous craft (61 percent) and services (48 percent) and agro-processing (44 percent) (ibid: 14).

Another striking gender aspect to employment is the regional difference in hiring women. Cities such as Thimphu and Paro had a higher percentage of firms that employs women whereas the district of Sarpang predominantly hosted firms that did not employ women (World Bank 2010: 62). The prevailing socio-cultural norms in certain parts of the country where men are still considered as the bread earner of the household might have a strong bearing on these gender employment patterns (ibid.).

While business enterprises provide both women and men non-wage benefits such as paid leave, trainings, and compensation for premature termination of contracts for services, about 10 percent gender disparity in wages were observed in Bhutan (World Bank, 2010: 68). Underemployment amongst female workers is also evident (MoEA, 2010: 130). There was no evidence that women-owned firms were less productive than the firms owned by men, and women and men entrepreneurs shared the same business constraints such as access to finance, regulations regarding hiring foreign workers and transport (MoEA 2011: 79).



**Table 3.2 Summary of labour statistics**

Key indicators	2009	2013
Total population	679,700	745,939
Male (%)	49.5	49.6
Female (%)	50.5	50.4
Labour force participation	325,700	345,786
Male (%)	72.8	72.1
Female (%)	64.6	58.9
Rural (%)	71.9	67.9
Urban (%)	63.2	59.5
Total unemployed persons <sup>1</sup>	12,900	9,916
Unemployment rate (%)	4.0	2.9
Male (%)	2.6	2.2
Female (%)	5.3	3.7

Source: MoLHR, 2013.

### 3.3. Overview of Bhutan's regional trade potential

Table 3.3 shows Bhutan's trade (excluding hydropower) with five neighbouring South Asian countries. Trade with India dominates the regional trade, and Bhutan has been experiencing persistent current deficit with India. Bangladesh is the second best trading partner in terms of Bhutan's export. Trade with Nepal, Pakistan and Sri Lanka is quite limited in both exports and imports.

**Table 3.3 Bhutan's trade with neighbouring South Asian countries**

Countries	Imports (in million Nu.)				Exports (in million Nu.)			
	2010	2011	2012	2013	2010	2011	2012	2013
India	35,000	29,000	41,800	43,700	15,900	15,600	17,500	17,800
Bangladesh	169	190	281	161	1,200	906	1,200	1,500
Nepal	138	585	467	244	76	40	107	87
Pakistan	1.2	7.4	0.1	160	--	--	--	--
Sri Lanka	0.3	--	--	0.4	--	1.1	2.2	--

Note: Estimated figures based on *Bhutan Trade Statistics*, Ministry of Finance, 2010, 2011, 2012, and 2013.

The top five export products in 2013 were mineral products and metals (table 3.4), and those products have remained among the top 10 exports of Bhutan for the last several years. These products come nowhere near the purview of the capacity of the MSME finances. Extraction of natural resources such as minerals often lead to neither job creation nor MSME development as it requires large capital investment. In order to promote the MSME for the top 10 or 20 exports, Bhutan needs an alternative industrial strategy.

Despite tariff liberalization, trade among SAARC member countries has not yielded results, with intraregional trade still only around 5 percent (Dorji, 2014). In 2011, Bhutan exported 221 commodities (at the 6-digit HS code level) to the world and only 54 products to India (Raihan, Khan and Quoreshi, 2014). Of the top 50 products in which Bhutan had full or some export capacity but made zero exports to India, 26 commodities face NTMs (ibid). Many of them are related to sanitary and phytosanitary (SPS) measures as the majority of the goods listed in top 50 products are food products. Issues related to SPS measures will be discussed in the next section.

<sup>1</sup> By the definition of NSB, unemployed are those who are without any monetary incomes for more than a year.

**Table 3.4 Top five exports of Bhutan, 2013**

Products	Values in Nu.
Ferro silicon	7,672,436,424
Calcium	981,381,670
Portland pozzolana cement	887,096,530
Carbides of silicon	830,740,523
Bars and rods of iron and non-alloy steel	744,343,646

Source: Ministry of Finance, 2013.

Since Raihan, Khan and Quoreshi (2014) used US\$ 1 million threshold for global import of the product under examination in a certain SAARC country, rice is the only product listed in the top 50 products and selected for this study, given another criterion for selection was WMSME.

## 3.4. Trade barriers

The removal of tariffs and NTBs and better connectivity will boost intra-regional trade in South Asia more than 3.5 times over the next five years<sup>2</sup>. Various NTBs including technical regulations, quality certifications, product standards, and custom procedures also affect the flow of goods and services in South Asian countries.

### 3.4.1. Regulatory trade barriers

The procedures related to imports are still relatively cumbersome, despite recent measures adopted to simplify import licenses, which is below standard in the region and creates unnecessary barriers to trade (MoEA, 2011). Visa processing and route permits is another barrier for traders who are importing goods from Bangladesh through India into Bhutan. Similar difficulties are faced by exporters as well although transit agreements have been signed between Bhutan, Bangladesh and India. Delay in delivery of goods has cost implications for traders who take perishable and seasonal vegetables and fruits across borders from Bhutan.

The MoEA plays an import control function in cross-border trade by issuing import licenses and landing certificates for goods originating from countries other than India. The purpose of import license is to control hard currency reserve and also to verify that restricted/prohibited imports are accompanied by appropriate clearances from relevant agencies. For instance, import of medicines and drugs should have clearances from Drug Regulatory Authority of Bhutan. This is to comply with the Rules and Procedures for import from third countries maintained by the Department of Trade under MoEA.

However, Bhutan requires import license and land certificates for goods originating from countries other than India that arrive by road through India. They are not required for imported goods that arrive by air (Raihan, Khan and Quoreshi, 2014). Moreover, the documents are issued by different offices. The Regional Trade and Industry Offices issue the landing certificates, which are required for issuance of the import license. But one has to travel to the Department of Trade in Thimphu to obtain the import license.

In addition, MoEA also issues "radiation" and "fit for human consumption" certificates for goods that is being exported to Bangladesh. This is a requirement of the Government of Bangladesh. However, this certification is seen as a purely bureaucratic requirement, devoid of any function, because there is no agency in Bhutan with the required technical expertise and the laboratory facilities to scientifically fulfill this requirement (MoEA, 2011b). Discussion with officials from the Department of Trade, MoEA hinted that

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<sup>2</sup> Byron (2015).

the Regional Trade and Industry Offices issue the above two certificates to fulfill the requirement without any scientific test being conducted. Therefore, it is felt that the process is not serving either the governments of Bangladesh or Bhutan.

Another bottleneck in trade is the difficulty in accessing information. Traders feel that information should be all encompassing, descriptive rather than legislative, and compiled in few documents. Further, there is a need for updating and editing trade information and making them accessible on common public domain like the MoEA's website (ibid: 19).

As per the *Cottage, Small and Medium Industry Development Strategy and Action Plan 2012*, there are many regulatory anomalies pertaining to import and export (MoEA, 2012: 58). For example, a manufacturing unit is allowed to import plant, machinery and capital equipment but such imports must result in clear advantages in terms of price or technology. However, the rule does not provide as to how this "clear advantage" must be drawn or who is competent enough to decide the nature of it.

Import of raw materials for industrial use must have a value addition of minimum 40 percent as the product is to be considered as made in Bhutan. Since it is applied across the board, it is felt that relaxation for MSME may be required to support its development.

Importers need to register themselves with the MoEA (Raihan, Khan and Quoreshi, 2014). Import licenses for goods of capital nature, such as plant, machinery and raw materials are normally valid for a year. For other goods, it is six months. As per the Department of Trade, the validity can be extended for one or two months, but may not be extended more than once. According to the officials in the Department of Trade in Thimphu, a person with an import license can either import 40ft container once or 20 ft. container twice. The maximum import a person can make in a year is two 40ft containers after the issue of each import license valid for six months. Once the import license is issued, the importer can import a mix of items such clothes, furniture, kitchen items etc. The validity of the import license is different because unlike goods that can be procured off the shelf, heavy equipment like machinery of specific nature, the suppliers take time to supply them. The import license is issued only by the Department of Trade in Thimphu and not by any other regional offices, which MSME find very restrictive.

Only licensed and registered clearing agents are permitted to act as the agent for importers and exporters (Ministry of Finance, 2000). The licensing of such registered clearing agents and the conditions of their operations are determined by the Ministry of Finance. It has cost impacts, especially for the MSME as enterprises need to pay for the clearing agents' services in addition to the taxes they have to pay to the customs after declaring their goods.

### **3.4.2. Trade barriers related to infrastructure and services**

Although there has been a lot of road expansion works carried out in recent years, the expansion is insufficient to accommodate the increase in freight level (MoEA, 2011: 20). The low transportation speed and loading limitations due to mountainous terrain and winding roads remain a barrier, and a cost factor for the economic development of the country. Some portions of the southern east-west highway are the last remaining gap in the road network. Rehabilitation and improvement of the road along the southern border is going to be a key investment for the success of the planned economic industrial zones in the Samtse, Gelephu and SamdrupJongkhar regions. Currently, the need to transit through the Assam roads to connect between these regions creates delays resulting to higher costs to traders.

There is immense pressure on the border infrastructure, particularly in Phuentsholing, where the majority of the traffic of imports from India or other countries entering Bhutan via roads and also exports to India and other countries takes place. Space limitations make it currently impossible to allow a better traffic flow or to envisage a more effective design of the clearing areas, with adequate equipment and parking spaces (MoEA, 2011b). The clearance process for third countries is fragmented into two processes,

with document processing taking place at the customs offices and the inspection process undertaken at the inspection area. There is no telecommunications and data connection between these two locations and traders frequently incur additional costs to finish the clearance process.

Rail connections are not available inside Bhutan. Indian railway does not have a railhead into Bhutan. No dedicated airfreight services exist at present. It is unlikely that a significant volume of trade will develop quickly enough to make the airfreight business attractive to private service providers.

Another transportation factor is that Bhutan is dependent on transit traffic through India for access to the sea and third-country markets. There are three main transit corridors; Phuentsholing–Kolkata, Phuentsholing–Birimari and Phuentsholing–Birgunj. Of these, the Kolkata corridor carries the most regular and substantial freight flows as it is used for the transit of third-country goods (table 3.5). The performance of this corridor is however, hampered by operational delays in the port of Kolkata, a lengthy clearance procedure, and frequent strikes en-route. Poor road conditions along the National Highway 34 of India from Siligurito Kolkata also adds to the travel time and cost of transporting goods to and from Bhutan (ADB, 2014b). Alternative ports such as those of Chittagong and Mongla in Bangladesh cannot, in the short term, offer transit facilities, due to a lack of equipment and infrastructure.

Further, freight rates for transport in Bhutan are higher than in any part of the region as a whole. However, dependency on transit traffic is only one of the factors explaining the high transportation costs. Other factors include the industry’s inefficiencies, in particular the lack of adequate transport and logistics services; the poor conditions of the road network resulting in long travelling times; low and unbalanced cargo volumes; and the low level of containerization that increases handling costs.

**Table 3.5 Cross-border trade by corridor, in billion Nu.**

Gate/corridor	2010		2013	
	Imports	Exports	Imports	Exports
Phuentsholing-India and third countries	32.50	13.72	43.73	15.24
Geleghug	1.33	0.08	2.17	0.38
Paro	0.95	0.83	1.93	0.21
SamdrupJongkhar	32.49	1.69	3.26	1.40
Thimphu	0.06	0.05	0.07	0.07

Source: Ministry of Finance, 2010 and 2013.

### 3.4.3. Customs regulations and taxation policy

Bhutan customs legislation and practices are not aligned with modern practices such as those outlined in the Revised Kyoto Convention (MoEA 2011b: 20). Risk management is not used systematically, and there is no database of information on risks that could be used to support risk management. This leads to a high percentage of cargo traffic being inspected physically (100 percent inspection for third cargo traffic, although with varying degrees of intrusiveness), resulting in delays in the clearance process. The information technology system currently used by the Department of Revenues and Customs for the clearance process provides only for semi-automated clearance and does not offer real-time linkages between the Regional Offices and Headquarters. It is furthermore reported to be slow and unstable. Updates cannot be easily made electronically, so that additional manual processing becomes necessary.

### 3.4.4. Sanitary and phyto-sanitary measures

Bhutan has substantial body of modern legislation related to SPS matters. Currently, there are two autonomous agencies, the Bhutan Agriculture and Food Regulatory Authority (BAFRA) under the Ministry of Agriculture and Forests and the Bhutan Standards Bureau. They have the national mandates to ensure standards and safety.

BAFRA is responsible for bio-security and issuance of export certification for agricultural products, for import control over livestock, plants and their products, and for food safety including imported and domestic products. BAFRA has a well-developed policy framework consistent with stated national goals. It is mandated to embrace the full range of SPS responsibilities. It is also an important body of contemporary legislation to guide and support necessary regulatory programmes with good field presence and infrastructure. However, lack of both financial and human resources to adequately deliver its responsibilities is a challenge. BAFRA has limited capacity to cope with significant food safety or bio-security emergency situation.<sup>3</sup>

### **3.4.5. Other non-tariff barriers**

The Customs Office enforces seven days of clearing time from the days of notice after the arrival of the import goods creating unnecessary time pressure on the MSME. This is inconsistent with the Sales Tax, Customs and Excise Act of Bhutan 2000, which actually gives 90 days of clearing time (Ministry of Finance, 2000).

The Royal Monetary Authority of Bhutan regulations that traders need to pay in advance to the suppliers through mechanisms like the letter of credit, electronic fund transfers and telephonic transfers creates an unnecessary restriction on MSME indirectly acting as the NTBs in its own ways. Given that MSME are not as affluent as the large scale entrepreneurs, they cannot manage to import in bulk at a time and the government's restriction on having to pay directly to the suppliers through the Banks endorsed by the Royal Monetary Authority adds to the bureaucratic red tapes for the MSME.

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<sup>3</sup> Source: <http://www.moaf.gov.bt/agencies/bhutan-agriculture-and-food-regulatory-authority/bafra-about-us/>

## 4. Survey analysis

Out of 234 respondents were interviewed, 88 enterprises operate with trade license from the Department of Trade. Among the formal enterprise respondents, 76 respondents, or 86 percent were females. It is to be noted that some WMSME trade more than one product line in their enterprises, even mixed with the imported ones from India and other neighbouring countries. However, interviews were conducted by picking up on a product that they dealt the most. For example, if respondent A sold red rice the most but also sold and traded other products in smaller quantities, then s/he was interviewed on the product of red rice.

The informal enterprises and entrepreneurs were interviewed to find out the challenges facing the WMSME in the informal sector. Informal sector here meant those enterprises that operate without a formal trade license. All 69 respondents in the informal sector are females. They operate their businesses either from their homes or from the temporary sheds built by an NGO, Bhutan Association of Women Entrepreneurs (BAoWE).

Out of 77 employees of the WMSME were interviewed, 48 of them were females and 29 of them were males. They were interviewed to find out the nature and ways of operation of the enterprises from the employees' perspective. Working conditions and wage levels along with the skills developed for their efficacy in delivering the services in the enterprises they work were some of the major highlights of interviewing the employees.

### 4.1. WMSMEs and their challenges in the formal sector

#### 4.1.1. Profiles of the formal enterprises surveyed

The enterprise culture in Bhutan started gaining momentum only from the year 2000 onwards. There were hardly any agency or NGOs that were engaged in implementing and supporting MSME prior to mid-2000. About 85 percent of the enterprises surveyed were established in 2000 onwards. The firms established and owned by men tend to be in business much longer than those owned by women. Deliberate efforts made, such as the EDP in 2010 and Cottage, Small and Medium Industry Development Strategy (2012-2020) followed by the Action Plans, might have helped women to engage in business although ground works to encourage women entrepreneurship had started a bit earlier on.

**Table 4.1 Year of the enterprise establishment**

	Number of response					Distribution, %				
	1980-1989	1990-1999	2000-2009	2010-till date	Total	1980-1989	1990-1999	2000-2009	2010-till date	Total
Female	--	9	31	36	76	--	11.8	40.8	47.7	100.0
Male	1	3	5	3	12	8.3	25.0	41.7	25.0	100.0
Total	1	12	36	39	88	1.1	13.6	40.9	44.3	100.0

While some enterprises deal with diverse products, nearly half of the enterprises surveyed were producing and trading traditional handwoven textiles and products (table 4.2). More than a quarter of them were in wood and bamboo crafts. The rest produce and sell incense, chili paste and red rice. More than 86 percent of the enterprises surveyed or 76 out of 88 enterprises were microenterprises. About 10 percent of women surveyed in the formal sector own small or medium enterprises while one-third of men surveyed own small or medium enterprises.

The majority of the surveyed were self-employed (table 4.3). Many of them worked from homes. Nearly two-thirds of women surveyed were self-employed, while only two out of 12 men surveyed (17 percent) were self-employed. As men being in the business longer, they might have had various opportunities of expanding businesses.

Besides working at home, other locations of business are rented spaces in the traditional sheds built by NGOs, or in main business centers. Some sell their products only at trade fairs occasionally. None of the women ran their businesses in the industrial sites, while two male entrepreneurs running the incense business has their factories in the industrial sites.

While working from home has certain disadvantages in terms of doing business, the rent of the work space in business centres or elsewhere adds up to the overhead costs and huge financial burden to microentrepreneurs, according to the women entrepreneurs surveyed. The rents in the western region are particularly comparatively expensive than other regions. These reasons add up to the vicious cycle of the challenges facing the WMSME leaving very little rooms for expansion or growth.

**Table 4.2 Size of enterprises surveyed by product and by sex**

Size of enterprises	By product					By sex		Total
	Textiles	Wood crafts	Red rice	Chili paste	Incense	Female	Male	
Micro/Cottage	36	22	2	5	11	68	8	76
Small	4	2	0	2	1	6	3	9
Medium	1	1	0	0	1	2	1	3
Total	41	25	2	7	13	76	12	88

**Table 4.3 Mode of operation by product and by sex**

Product	Male		Female		Total	
	With employees	Self-operated	With employees	Self-operated		
Textiles		4	2	10	25	41
Crafts		1	0	8	16	25
Red rice		1	0	0	1	2
Chili paste		1	0	3	3	7
Incense		3	0	6	4	13
Total		10	2	27	49	88

**Table 4.4 Location of operation by sex**

	From own home/ shop	Traditional market place with shed provided	In a rented apartment in the main business centre	Industrial site	Others	Total	
Female	12		10	51	--	3	76
Male	5		--	5	2	--	12
Total	17		10	56	2	3	88

Enterprises interviewed took place in the three regions statistically divided by the NSB as follows:

- i. Western region consists of Chukha, Paro and Thimphu districts,
- ii. Central region includes Bumthang, Sarpang and Wangdue districts, and
- iii. Eastern region includes Lhuntshe, Mongar, Trashigang and Trashiyangtshe districts.

Overall, 75 percent of the enterprises, or 66 out of 88 enterprises interviewed were from western region, which consists of commercial hubs such as Thimphu capital and Paro (table 4.5) although considerations like random selection and equal number of enterprises in all regions were given the due

emphasis. In other regions, enterprises dealing with the five products under examination were very challenging to find. Those that were found were selling the said products mixed with other items in their shops/show rooms of handicrafts.

All small and medium enterprises, except one, were located in the western region. Both central and eastern regions are far away from the capital city of Thimphu and also the border crossing points like Phuentsholing and Gelephu.

As for the level of education that the entrepreneurs completed, there was not much difference between men and women. The percentage of entrepreneurs who had completed secondary school or above was 51 percent of women (39 out of 76) and 58 percent of men (7 out of 12) (table 4.6). Four women and one man interviewed were college graduates. On the other hand, a quarter of female and male entrepreneurs had no education, and cannot read and write. The Ministry of Education has a project called *Light Drukyl* that provides basic reading and writing classes in the remote areas of Bhutan. Eight women or nearly 10 percent of the respondents availed to this non-formal education.

**Table 4.5 Size of enterprises by region**

Size of enterprises	Western	Central	Eastern	Total
Micro/Cottage	55	12	9	76
Small	9	0	0	9
Medium	2	1	0	3
Total	66	13	9	88

**Table 4.6 Entrepreneurs' level of education, number of responses**

Education level	None	No formal education	Monastic School	Primary (PP-CI.VI)	Secondary (VII-XII)	Diploma	Bachelors and above	Total
Female	19	8	1	9	35	--	4	76
Male	3	--	2	--	4	2	1	12
Total	22	8	3	9	39	2	5	88

#### 4.1.2. Business constraints

When asked about business challenges, tax-related policies such as stringent taxation rules, high business tax rate, and difficulties to understand the taxation were cited most. Bhutanese entrepreneurs felt that business income tax, at 30 percent of the net profits, is too high and restricts MSME from obtaining their full potential.

As for the financial sources for starting business, nearly half (48 percent) of the respondents didn't take any loans while 18 percent of the surveyed started their business with funds they borrowed from their family members and friends. The rest borrowed from various sources; namely, bank loans (18 percent), loans from financial institutions such as Bhutan Development Bank Limited and Royal Insurance Corporation of Bhutan Limited (14 percent) and credit from suppliers (1 percent).

As for social and traditional challenges hindering WMSME from doing their best, the respondents, although not many, acknowledged of social stigma for women doing what men do including business (table 4.7). A large part of the society is matrilineal. However, the infamous cultural belief says that *women are nine lives lesser than men*, meaning 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, women should not travel alone or work into late evenings in their shops or the place of work.

Some also mentioned religious belief associated with the menstruation cycle of women for which women are considered as '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.

**Table 4.7 Socio-cultural challenges that WMSME face**

Challenges related to Socio-cultural practices	Ownership	
	Male	Female
Stigma on women as an entrepreneur	2	4
Women should not strive to be equal to men like travel everywhere and stay up late hours	--	6
Less cooperation from male suppliers	1	6
Cannot sell certain types of products as they are earmarked as masculine and women cannot transact	--	2
Cannot sell certain products because of religious beliefs	2	5
<b>Total</b>	<b>5</b>	<b>23</b>

Note: Multiple answers.

When asked about the sources of availing raw materials for their production, the majority of the entrepreneurs obtained the raw materials domestically, either buying from local suppliers (54 percent) or availing at their own places (21 percent) (table 4.8). WMSME said that they have limited network with the local suppliers, and such a response was common among the entrepreneurs with no or little education. A quarter of the responses indicated importing raw materials from India or other countries.

Producing the goods with locally sourced materials would help establishing value chain in Bhutan. However, the entrepreneurs surveyed and those who participate in the FGDs mentioned of inadequate supply of and low quality of locally available raw materials. Inadequate supply of raw materials results in the low volume of production or delay in delivery. Low quality of raw materials such as poor quality of fabric for hand woven textiles would result in low price of the final products and thus lose competition in the market (table 4.9). Weavers and textile manufacturers pointed out that the materials available in Bhutan were more expensive than the imported ones despite being lower quality.

In order to ensure regular supply and high quality of the products, some sought importing raw materials from India and elsewhere. Bhutan being a landlocked country, the cost of transportation is very high when this is factored in the products carried. As the road transportation is a main route, price fluctuation in diesel or petrol for trucks also adds uncertainty in doing business given the fact that WMSME deal with relatively small quantities in production and trade (table 4.9).

**Table 4.8 Sources of availing raw materials**

Source of raw material	Number of responses			Distribution, %		
	Male	Female	Total	Male	Female	Total
It is manufactured in my own Manufacturing Unit	5	21	26	29.4	19.6	21.0
I buy from local suppliers	8	59	67	47.1	55.1	54.0
I have Indian suppliers	4	19	23	23.5	17.8	18.5
I import from third countries	--	8	8	--	7.5	6.5
<b>Total</b>	<b>17</b>	<b>107</b>	<b>124</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note: Multiple answers.

**Table 4.9 Product-wise challenges in Bhutan**

Challenges	Products			Total
	Textiles	Crafts	Incense	
Strict government import policies	--	--	2	2
Fluctuation in price	5	2	2	9
Compromise quality (not good)	2	--	--	2
Time constraint/order in advance	2	1	--	3
Transportation problem	3	2	1	6
Financial constraint	2	--	--	2
<b>Total</b>	14	5	5	24

Among those who trade with India, a few entrepreneurs in the incense industry mentioned their difficulties in communicating and doing business with Indian male suppliers, and perceived that they are not very friendly with women entrepreneurs. Others saw constraint of availing Indian currency, strict import rules of the government and high tax as challenges.

## 4.2. WMSME and their challenges in informal sector

Women entrepreneurs in informal sector normally operate their businesses from their homes, or through other means like mobile cars and direct contacts with the end consumers. The informal sector has been dominated by women. About 40 percent of the respondents produced mainly handwoven textiles. About 31 percent of the surveyed produced red rice, and 17 percent of them chili paste. The remaining produced incense (7 percent) and wood and bamboo crafts (4 percent). Handwoven textiles weavers surveyed concentrated in central and eastern regions. Red rice, chili paste, and incense producers resided in western region at the time of the interview. Only the eastern region was found dealing with wood and bamboo crafts makers.

Financial constraints in the family was the main reason cited for starting informal businesses (70 percent), followed by self-interest (20 percent). Some (7.1 percent) saw the potential of good sales in the market and took the opportunity of venturing into the informal trade.

Seventy-two percent or 51 out of 69 women surveyed started business during the last 15 years. A few started their businesses before 1980. About a half of the respondents operated their businesses from homes. And the percentage share of those who work at home is the highest among textiles weavers, followed by wood and bamboo craft makers. About a dozen had mobile shops, carrying their products and going around to offices and homes to the door steps of the customers. The remaining shared a space with friends or operated from other places such as community farmers market. A recent trend is that they sell their products from sheds built and provided by BAoWE, an NGO. Almost all textiles weavers in the central region work at home. On the other hand, the location of business operation is more diversified in the western region.

More than half of the respondents admitted that they have financial crunches in operating business. Yet, the informal sector had virtually no access to finance from the financial institutions. Only 13 percent respondents said they availed loans from banks. About half of the respondents borrowed from friends, family and relatives instead.

Other challenges raised by women entrepreneurs in the informal sector are similar to what WMSME in the formal sector cited. They are a lack of adequate network with buyers and markets and challenges of

availing raw materials at affordable rates, which also compromised the quality in many cases. About 12 percent of the respondents also raised trade and customs related issues as their business challenges.

However, more than half of the respondents saw potential of their products for both domestic and overseas markets in the future, if they received a bit of guidance and information from the relevant agencies/government. A large share of handwoven textiles makers and wood and bamboo craft makers found a trade potential in overseas markets in the future. On the other hand, only about 40 percent of the producers of other three products found a trade potential in overseas markets.

Forty-five percent of the respondents wish to have a formal business if business environment becomes more favourable in the future. Some of the reasons cited in wanting to become part of the formal sector were that their perception of being easy to sell products as established units, and a potential to export products abroad and expand the markets, and wish to start own business and shop at permanent location. Somehow, the share of those who wish to establish formal business is higher in the eastern and central regions than the western region. More than half of the surveyed in the central and eastern regions wish to establish formal business in the future, while less than 40 percent of the surveyed in the western region would consider formalizing their businesses.

Women entrepreneurs who do not wish to form a formal business stated various reasons. While 13 percent of the respondents were satisfied with current business, others seem to lack confidence seeing the intricacies of joining the formal sector. More than 20 percent of the surveyed thought that they cannot produce large quantities of goods. Related to this, some also cited the financial constraints and lack of human resources and capacity (15 percent each) as the reasons for not formalizing their businesses. Some others cited lack of education and knowledge as well as family obligation (13 percent each) as the bottlenecks. Others found that procedures are too lengthy to register as a formal enterprise.

### **4.3. Women employees: Opportunities and challenges**

Among 48 female employees interviewed, nearly a half (23 employees) had secondary schooling and four had completed primary education. Four employees had non-formal education while the rest had no education.

The age of the employees ranged from 19 to 47 years old with the mean age of 26 years old. Sixty percent of the respondents were between 19 and 25 years old. Equal number of the respondents, 23 employees each, were single and married while two female employees were divorcees.

Regarding the work-related trainings, only nine out of 48 employees provided their responses. Three attended computer courses. Two attended hospitality and management. Another two attended training on making incense. One took commercial accounting. Another took an IT course on online business.

Five of them responded that their parent or other family members paid for attending the trainings. Others, one each, received the support from i) Nado Poizokhang, an incense house, ii) Agency for Promotion of Indigenous Crafts (APIC) of the Department of Cottage and Small Industry, while others received from their employers like a call centre in Paro. The trainings received from Nado Poizokhang was on cottage management of incense manufacturing units, including basic book keeping. The APIC provided handicrafts making and selling, basic management of businesses and art of weaving and commercial accounting. The skills development trainings received at a call center included computer skills and customer services, IT and online business courses, hospitality and management. When most of them received trainings in Bhutan, APIC has sent some of the trainees to India. As for the relevance of the trainings to their work, six respondents found it relevant to their work. Two others said somewhat relevant but one of them did not find the trainings relevant to work at all.

The majority of the respondents answered that they were not facing any discriminatory treatments or labelling. One respondent experienced teasing. The other felt being looked down because of her work.

About 90 percent of the female employee respondents or 43 employees said that they had good working conditions/environment and did not face any harassment in the work places. Three employees found that they do not have good work environment while two others did not respond to the question.

Yet, various problems were identified. First, benefits that civil servants enjoy are uncommon in the private sector, especially in the MSME sector. Holidays and leave entitlements were not found to be given to all employees. Twenty-eight out of 48 respondents received holidays. Only seven respondents enjoyed paid leave, while eight respondents received maternity leave. Twenty-two respondents also received medical leave. The MoLHR rules are not extended to private sector employees, especially to those who work in micro and small enterprises.

Secondly, about 14.6 percent of the female employees surveyed claimed their health problems. A little over 4 percent claimed cough and cold due to dust, which often found in the incense making units. Another 4 percent each identified with eye sight and breathing problems. About 27 percent of the female employees expressed their need for safety gears such as face mask, apron or body cover and eye protection glasses in the incense or chili paste production. The percent of female respondents who complained of their unfair work treatment was 12.5 percent. Although insignificant, about 4 percent felt exploited due to lack of sufficient human resources in work place. Others felt they were not paid properly or underpaid. Several others raised lack of proper toilet at work place is the biggest challenge. Overall, two-thirds of the employees had access to safe drinking water, 57 percent of them had access to proper toilets and 54 percent of them had easy access to medical care facilities. These facilities are found mostly in the western part of the country where urban amenities are fairly well developed unlike the eastern and the central parts of the country. Two female employees cited lack of family support as a challenge outside the work place. Some others responded that transportation or commuting to workplace is their biggest challenge.

## 4.4. Discussion with stakeholders

This section summarizes the additional information given by the key informants and participants of the national stakeholder consultation meeting, which was held in Thimphu on February 4, 2015. There are a number of initiatives in place in order to promote micro and small enterprises, particularly women's businesses. For example, APIC developed clusters of handwoven textiles, metals, wood turnings and bamboo crafts. APIC, jointly with the Department of Cottage and Small Industry, provides these clusters a "seal of origin." The seal is a Brand Bhutan certification to prove that the products are genuinely produced in Bhutan and that they have maintained the highest quality. APIC provides interest free loans to artisans. APIC also set up a craft village in Thimphu with concessional rents for WMSME to display and sell crafts. APIC has been given a 10 acres land at Zamdongthang, at truck parking area at Lungtenzampa. In addition, APIC secured Nu. 18 million to develop a new craft market in order to shift the present craft bazaar to a new location.

At the FGD of women weavers, it was found that some women artisan members of SABAH-Bhutan and they benefited from the International Corporations like SABAH-Bhutan. However, many of FGD participants opined that SABAH efforts are now on the decline. Unlike the past women hardly receive any materials to weave. As a consequence, the members were losing their monthly stipends.

As for women's access to trainings, an entrepreneurship course offered by the MoLHR is for those who completed higher secondary education. For instance, an advanced level entrepreneurship courses are for university graduates. MoLHR provides short-term courses of the Entrepreneurship Development Programme to entrepreneurs with no or limited education. Those who completed the Entrepreneurship Development Programme can avail a loan from the Programme. However, most of women entrepreneurs who attended the short-term courses couldn't obtain the loan because submitting a proposal was a

challenge to the trainees with low level of education. Bhutan Chamber of Commerce and Industry (BCCI) provides various entrepreneurship trainings, too. However, the survey respondents were not aware of it.

Speaking of work-life balance of married women and women with small children, Tarayana Foundation started day care centres and the organization is encouraging school dropout girls to take working in the day care centres as an income generating activity. BAoWE started a project to train school dropout girls to be domestic helpers. But upon the completion of the training, the trainees did not want to take up the domestic helper job considering it as low paid and hard work. When there is a need for additional income to the family, parents also prefer their children to work at home. So the initiative was discontinued at BAoWE. BAoWE is also providing credit facility to WMSME.

As for business facilities, BCCI provides a warehouse facility to the enterprises on first come first served basis. The new development is that the enterprises with good business records can take the goods imported directly to the facility where the customs checking and other services are given. Bhutan Development Finance Corporation, a development bank that normally targets the rural population, provide collateral-free loans to women-led enterprises. These loans were available through Group Guarantee Lending Scheme. However, these loans were found getting diverted to other non-intended activities such as lending to other borrowers at higher interest rates. Some of the policies, especially the regulated payments through financial institutions and documentation process was found very cumbersome at the MSME level. WMSME also find tax filing very complicated as most of them lack proper education.

## 5. Recommendations

The political will is building strongly to promote enterprise culture in Bhutan with the introduction and institutionalizing of many enterprise promotion policies like the amendments of the FDI Policy 2010, relaxing the lending schemes with some grants on the rural enterprise start up and equity funding on social enterprises in the country. An enterprise registration bill is in advanced stage of drafting as of date.

Based on the findings, this chapter provides key recommendations to promote women's entrepreneurship, particularly of micro and small businesses, and promoting their business in relation to regional trade. It also provides suggested areas for further research.

### 5.1. WMSME promotion

Preferential programmes for WMSME need to be developed in various areas in order to address the specific challenges facing them and with targeted efforts as summarized below.

**Establishment of business networks:** As many women entrepreneurs operate alone and at home, they lack economies of scale and face various challenges when they wish to expand their businesses.

- DCSI, APIC, DAMC, MoLHR and BCCI among others assist facilitating the WMSME for better communication and networking with other producers in the same sector and traders in the country, in the region and globally so as to help WMSME to ascertain their business continuity and sustainability.
- The Government could help establishing the necessary platform like SABAH for WMSME to aggregate their raw materials and final products to have economy of scales, which would reduce the cost of production by sourcing raw materials in bulk or increasing their bargaining power for negotiating better price of their products.
- Sharing business information among WMSME in person and virtually would also help WMSME to improve the quality of their products and diversify the products and markets. Occasional gatherings such as MSME forum, business exhibition and trade fairs would be one type of platform. Establishment of mobile platform is another. BCCI could venture into providing this platform.

**Better access to finance:**

- Coordination of the organizations working in the similar line like Loden Foundation, DHI-BEGIN Program and BDBL Rural financing schemes would make a positive impact on the WMSME than implementing their programs in isolation.
- Microcredit schemes should be extended to WMSME regardless of their status of business registration so as to prevent women entrepreneurs in informal sector from borrowing at high interest rates from informal financial sources/lenders.
- Institutions like BDBL, Rural Enterprise Development Corporation and other financial institutions should come up with specific package of credit facilities for WMSME to enhance WMSME' access to business loans.
- Financial support for business start-up is important. However, loans should be made available for the established enterprises for business growth and expansion, too. For this, financial institutions should provide hands-on support to WMSME on how to establish a good business record including book keeping. In addition, financial institutions may want to opt for more cash flow

based low interest loans by providing more simplified processes and procedures for loans for WMSME.

- Financial institutions need to train their staffs at customer services to explain procedures and document requirements in non-technical languages for women entrepreneurs with no or limited educational attainment or first time users of banking services.

#### **Ease business regulations for promotion of WMSME:**

- In partnership with SABAH Bhutan and NGOs, assist women entrepreneurs move from informal to formal sector. The transition can be encouraged by simplifying business registration procedures and having an easy guideline for doing businesses. In partnership with the Department of Revenue, micro and small enterprises should be given tax holidays of five years or longer from the business income tax. The business income tax rate is currently 30 percent of the net profits.
- Gender responsive fiscal rules need to be developed and encourage WMSME to avail and help them grow.

**Capacity building of WMSME:** Various trainings would be required to increase WMSME' business skills and confidence.

- Newly established Rural Enterprise Development Corporation, which replaced BOiC, should also function as information and support centres that provide well-analyzed market information and other useful information such as new loans and training opportunities for WMSME.
- A basic knowledge of using internet for market information from the community centres based in the *gewogs* (groups of villages) would benefit the WMSME to a great deal. A radio programme or TV Spots could help the rural based WMSME a lot in improving their access to information.
- Trainings have to be provided to women entrepreneurs at hours that are convenient to them and at the location close to their home, given transportation problems particularly in rural areas.
- Given diverse Bhutanese women entrepreneurs in terms of age, educational attainment, marital status, years of business experiences and so on, a wide range of training courses has to be prepared and provided to right target groups.
- The organizations such as Tarayana Foundation and SABAH Bhutan are already in the field working with women entrepreneurs. WMSME support should work with those organizations for enhancement of social enterprises.
- The "Bhutan Seal" promoting the Brand Bhutan has to be made mandatory for all agencies and MSME in order to capture the markets outside Bhutanese borders. Quality improvement is highly recommended to be taken as a serious criterion by all agencies working with the WMSME. SABAH Bhutan supported by APIC can play the lead role in this.
- Establishment of affordable childcare facilities subsidized by the Government would ease the problem of double burden of paid and unpaid care work on women entrepreneurs and employees.

## **5.2. WMSME promotion in relation to regional trade**

Constant help by relevant agencies is required to assist WMSME overcome simple but stumbling hurdles like transportation challenges, currency conversion problems and gaining equal place with the male counterparts when it comes to dealing with the suppliers across the border.

- Lack of gender responsive facilities for intraregional trade hinders women entrepreneurs to cross the borders. Provision of safe and easily transportation mechanism and accommodation for women would result in more women traders who engage in cross-border trade.
- To facilitate trade, the innate complexity of the procedures and formalities the traders have to comply should be reduced beyond mere automation.
- Bhutan has a great advantage in producing agricultural commodities and processed food such as chili paste and red rice and capture niche markets for organic products. The country needs to demonstrate a high level of SPS knowledge, control and ability to reliably certify its exports meet official requirements of importing countries. Provide necessary information and trainings to women entrepreneurs as well.
- Collaborations with regional and international accreditation agencies for getting accreditation will help WMSME to access to international markets.
- Tax holidays should be made attractions for WMSME to get the vibrancy in trade rather than give it only to large scale entrepreneurs.

### 5.3. Areas of further research

Given the limited scope of this study, more research is needed to examine WMSME in other products, or the product integration that could broaden the role of WMSME in the trade sector. Fragmentation of enterprises into “micro and small,” and “medium and large” would have been more realistic to study than having the micro sector together with the medium. Cases of heavy outliers in the investment levels and business turn out were observed in the data in this study. Such a categorization is recommended for future studies. Having an equal representation of MSME owned by women and men is recommended in future researches for a clearer picture of the gender-based differences in the challenges facing the WMSME.



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# Annex 1. KII guide questions

## Women-owned and led micro, small and medium enterprises (WMSME) Bhutan Study, 2014

NOTE: One note taker should be assisting the consultant.

The goal of this survey is to gather information from women-owned and led micro, small and medium enterprises (WMSME) in Bhutan. The analysis from this survey aims to identify challenges and opportunities facing WMSME in their daily operation of the businesses and to identify products with regional trade potential for which the WMSME can venture into regional trade in the future. It is also to identify tariff and non-tariff barriers facing the WMSME and the study aims to recommend ways to reduce challenges to do better business in the future. The information shared as part of this study will be held in the strictest confidentiality and used solely for this Research.

Name of the organization:

Officer met (Name):

Age:

Sex:

Designation of the Officer:

Products List:

1. Handwoven textiles
2. Wood craft (Wooden carvings, cane and bamboo products)
3. Red Rice
4. Incense
5. Chili paste

### **I. Opinions of the Organizations (Put the names of the organizations separately for separate organizations).**

1. From the list of the products above, what do you have to say about the WMSME business environment in Bhutan?
2. Is the list exhaustive from your knowledge of the products with trade potential in the future with South Asian Countries?
3. Do you think WMSME are doing equally well like their male counterparts in business in Bhutan?

### **II. Enterprises/Entrepreneurs**

4. Can you refer/recommend some of the women entrepreneurs dealing/selling these products?
5. What are some of the challenges you see are facing the WMSME dealing with the products mentioned? (Try to touch/lead on the trade related challenges and non-tariff barriers.)
6. Why do you think the challenges mentioned in no. 5 are there?
7. What can you suggest about ways to reduce the challenges mentioned?

8. What types of challenges have you seen are common to women entrepreneurs?
9. Do you maintain database of the entrepreneurs dealing with specific products? If yes, ask for the list of the entrepreneurs).
10. From the list of the products mentioned above, rank them in order (1 being the highest) in terms of having trade potential for exports in the future. Give any additional products that you think are relevant.

### **III. Exports/Trade Potential and Non-Tariff Barriers**

11. In terms of trade potential in the future, what do you think of the products listed?
12. How is the estimated export turnover of the products mentioned, or is it on the rise?
13. What are some of the export related problems with the products listed?
14. Are you aware of any non-tariff barriers while exporting the products?
15. Have you noticed any gender based challenges when it comes to exporting these products?
16. Please share some socio-cultural barriers hindering WMSME, if you have observed any.
17. What measures is the Government taking to reduce the non-tariff barriers? (Not relevant for CSOs).

## Annex 2. Questionnaire for enterprises (formal sector)

QUESTIONNAIRE ID# (Only one ID per questionnaire).

### Women-owned and led micro, small and medium enterprises (WMSME)

#### Bhutan Study, 2014

For Supervisor use:

Date entered (D/M/Y)	Date verified (D/M/Y)	Supervisor code

Name of Interviewer \_\_\_\_\_

#### EXPLAIN THE FOLLOWING TO THE RESPONDENT BEFORE PROCEEDING.

The goal of this survey is to gather information from women-owned and led micro, small and medium enterprises (WMSME) in Bhutan. The study aims to identify challenges and opportunities facing WMSME in their daily operation of the businesses and to identify products with regional trade potential for which the WMSME can venture into regional trade in the future. It is also to identify non-tariff barriers facing the WMSME and the study aims to recommend ways to reduce challenges to do better business in the future. The information shared as part of this study will be held in the strictest confidentiality and will be used only for the benefit of improving the market conditions for WMSME.

#### Socio Demographic Information

NAME OF THE ENTERPRISE: \_\_\_\_\_

TELEPHONE NUMBER: \_\_\_\_\_

NAME OF RESPONDENT (Optional): \_\_\_\_\_

1. Sex:

- i. Female
- ii. Male

1a. Marital Status

1b. Number of Children

ADDRESS OF THE ENTERPRISE:

2. Town \_\_\_\_\_

3. Village \_\_\_\_\_

4. Dzongkhag \_\_\_\_\_

#### MODULE A: PROFILE OF THE ENTERPRISE

A1. Choose the level of education you have completed: (Put a tick mark on the correct one)

- i. None
- ii. Non Formal Education
- iii. Monastic School
- iv. Primary School (PP-CI.VI)
- v. Secondary School (VII-XII)
- vi. Vocational Education
- vii. Diploma

- viii. University Degree (Bachelors and above)

A2. When did you start your enterprise? (Enter year of establishment).

A3. Choose the range of the annual income of your enterprise. (Put a tick mark on the correct answer)

- i. Micro: Less than 1 Million (10 lakhs)
- ii. Small: Nu.1-10Million (1-100lakhs)
- iii. Medium: Nu. 10-100 Million (upto one thousand lakhs)

A4. Do you sell any of the products?

- i. Handicrafts (wood carvings/turnings, cane and bamboo products and textiles)
- ii. Red rice and Chilli paste
- iii. Others (pls specify about three high selling products in your enterprise)
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_

A5. How do you operate your enterprise? Choose the correct answer.

- i. From own home
- ii. Traditional market place with shed provided
- iii. In a rented apartment in the main business center
- iv. Industrial site

A6. How many employees do you have?

- i. Males: \_\_\_\_\_
- ii. Females: \_\_\_\_\_

## **MODULE B: NATURE OF ENTERPRISE and RELATED CONSTRAINTS**

B1. How do you avail products for your enterprise?

- i. Manufactured in my own home industry (Go to question B2).
- ii. I buy from local suppliers (Go to question B3).
- iii. I have Indian suppliers (Go to question B4)
- iv. I import from third countries (like Nepal, Bangladesh, Thailand etc.) (Go to question B5).

B2. How far is the industry located from your place of operation? (Point of Sale)

B2.1 What are your raw materials?

B2.2 From where do you get your raw materials?

B2.3 Do you face any challenges in availing the raw materials? If yes, please mention them.  
(List at least 3 challenges)

Challenge 1 \_\_\_\_\_

Challenge 2 \_\_\_\_\_

Challenge 3 \_\_\_\_\_

Challenge 4 \_\_\_\_\_

B2.4 Do you face challenges related to trade regulations in operating your business? List at least two of them.

B 2.5 How is the demand in the market for your products? (Ask about turn over in sales and how fast the products finish from the shelves/stores).

B2.6 What are your long term goals for your business?

B3. How often do you get your supplies?

B3.1 Please share any challenges/problems while buying from local suppliers. (List at least two of them).

B3.2 List any two customs and trade related challenges you face.

B3.3 Any other challenges you face related to socio-cultural practices?

B3.4 Are you able to make enough profits while dealing with local suppliers?

B4. How efficient is your business transaction with the Indian suppliers?

B4.1 What stage of the product do you buy from the Indian Suppliers?

- i. Raw materials
- ii. Semi-finished goods
- iii. Finished goods

B4.2 Do you face any trade related challenges while dealing with the Suppliers to avail your products? List two of them.

- i. \_\_\_\_\_
- ii. \_\_\_\_\_

B4.3 What are other challenges faced in this type of business? List at least two.

- i. \_\_\_\_\_
- ii. \_\_\_\_\_

B4.4 How is the demand for your products in the market?

- i. \_\_\_\_\_
- ii. \_\_\_\_\_

B4.5 What are your future plans to promote your products?

B4.6 Have you ever exported your products?

If yes, please share your experiences of exporting.

If no, please answer B4.7

B4.7 Why did you not embark into exporting business of your products?

B5. What are the products you import from the third countries?

B5.1 What form of products do you import from these countries?

- i. Raw materials
- ii. Semi-finished products
- iii. Finished products

B5.2 Please list any trade related and other challenges faced while importing the products from the third countries. List at least three of them.

- Challenge i \_\_\_\_\_
- Challenge ii \_\_\_\_\_

Challenge iii \_\_\_\_\_

B5.3 What are the challenges faced as a female entrepreneur importing goods from the third countries? List at least two.

Challenge i \_\_\_\_\_

Challenge ii \_\_\_\_\_

Challenge iii \_\_\_\_\_

B5.4 Please list some opportunities of being a female entrepreneur while dealing in imports from third countries. List at least three.

Challenge i \_\_\_\_\_

Challenge ii \_\_\_\_\_

Challenge iii \_\_\_\_\_

B 5.6 Are you exporting some of your finished products already?

- i. Yes. (If yes, ask the countries and the volume of exports).
- ii. No. (Ask for reasons for not exporting and note all the challenges cited).

### **MODULE C: HR AND FINANCE**

C1. How do you operate your enterprise?

- i. With full time hired employees
- ii. Day workers
- iii. With help from the relatives who need not be paid
- iv. Family run

C2. Are you satisfied with the output of your employees in terms of their skills?

- i. Yes (Go to question C3.)
- ii. No (Go to C4)

C3. What is the minimum level of schooling your employees have?

- i. High School
- ii. Diploma
- iii. College Degree
- iv. Others (please specify)

C4. What are the HR related challenges in your enterprise?

C5. Do you attribute your challenges in the business to your gender?

- i. Yes (please give details with some examples)
- ii. No (please answer question C6)

C6. What were the opportunities you had as a man/woman for the success of your business? (List at least three).

C7. How was the capital for your enterprise's start up arranged?

- i. Loan from the Bank
- ii. Loan from Institutions like BDBL/RICBL
- iii. Pension Fund
- iv. Credit from Suppliers
- v. Borrowed from Friends/Family
- vi. Did not take loans (please answer C9)



C8. What was your collateral for the loan mentioned in C7 (can have multiple choices).

- i. Land and Building owned by me
- ii. Land and Buildings owned by my parents
- iii. Guarantor by my relatives
- iv. Goodwill of the Family with Suppliers

C9. Why did you not take the loans?

- i. Did not need it; family had enough savings
- ii. Requirements in the Banks and Financial Institutions were too high
- iii. No one was there to be my guarantors

C10. Is access to finance a constraint for you?

#### **MODULE D: WMSME CHALLENGES**

D1. Did you face any problems as a woman entrepreneur?

- i. Yes (Go to question D2)
- ii. No

D2. Choose the challenges you faced (can opt for multiple choices).

- i. Transportation related problems
- ii. Access to finance
- iii. Managing staffs/employees
- iv. Limited freedom of movement
- v. Family obligations
- vi. Trade and tax regulations

D3. In terms of catering to export markets, did you ever face problems cited below?

- i. Not being able to produce economy of scale to meet huge demands
- ii. Could not mobilize labour force
- iii. Could not manage capital needed
- iv. Very demanding job; have to work odd hours
- v. Could not meet quality standards
- vi. Too many regulations on exports

D4. If you were to be given a choice, which product(s) would you specialize for exports in the future? (Rank them in highest order first). (Interviewer, re-order as per the responses)

- i. Handicrafts (wooden crafts, cane and bamboo basket weaving and textiles)
- ii. Red rice and chili paste
- iii. Soap
- iv. Pickles
- v. Any others (name and rank them).

D5. What support would you solicit for enhancement of business environment for women in the future? (Note what the respondent says freely, do not lead the conversation).

## Annex 3. Questionnaire for enterprises (informal sector)

Questionnaire ID

For the statistician

Interviewer: \_\_\_\_\_

Date: \_\_\_\_\_

### EXPLAIN THE FOLLOWING TO THE RESPONDENT BEFORE PROCEEDING.

The goal of this survey is to gather information from women-owned and led micro, small and medium enterprises (WMSME) in Bhutan. The study aims to identify challenges and opportunities facing WMSME in their daily operation of the businesses and to identify products with regional trade potential for which the WMSME can venture into regional trade in the future. It is also to identify non-tariff barriers facing both the mainstream and informal WMSME and the study aims to recommend ways to reduce challenges in order to do better business in the future. The information shared as part of this study will be held in the strictest confidentiality and will be used only for the benefit of improving the market environment for WMSME.

#### A. Name of entrepreneur (optional)

1. Gender (mandatory): Male                      Female
- Telephone Number: \_\_\_\_\_

#### B. Address:

1. Place of enterprise: \_\_\_\_\_
2. Village/Town: \_\_\_\_\_
3. Dzongkhag: \_\_\_\_\_

#### 1. What products do you sell?

- i. Handicrafts
- ii. Rice and Chilli paste
- iii. Others (list at least three of them)

#### 2. When did you start operating your unit? (Note the year of establishment/year started).

#### 3. How did you start initially?

- i. Economic Family needs
- ii. Saw the market and took opportunity
- iii. Self interest
- iv. Others (please specify)

#### 4. Do you foresee any potential of exporting your products in the future?

- i. Yes (Name the products that sell well with the tourists/visitors from outside dzonkhags)
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
- ii. No (End of this question, no follow up on No.)

5. Did you have access to Finance when you started your enterprise and choose the sources: (Can choose multiple ones):

- i. From the Banks
- ii. From Development Banks like BDBL and RICBL
- iii. From friends/relatives
- iv. None, it was not accessible (answer question 5)

6. How did you manage funds to start your enterprise? (note qualitative response)

7. From where do you operate?

- i. Mobile shop (move from one place to another/ visit offices).
- ii. From home
- iii. In a shed built by a NGO. (name the NGO)
- iv. Supply products to an established unit

8. Do you face challenges while operating your business in the given areas? (Can choose multiple ones):

- i. Trade and customs related
- ii. Pressure from the established enterprises
- iii. Restrictions from the government
- iv. Financial crunches
- v. No established network
- vi. Getting raw materials
- vii. Others (list at least three)
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_

9. Do you wish to become a part of formal sector in the future?

- i. Yes (state reasons, note at least three)
- ii. No (give reasons, note at least three)

10. Please share three opportunities and three challenges faced (if any), as a woman in this sector?

Opportunities:

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_

Challenges:

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_

## Annex 4. Questionnaire for employees

### Guide Questions for Employees

The goal of this Interview is to gather information from women-owned and led micro, small and medium enterprises (WMSME) in Bhutan. The study aims to identify challenges and opportunities facing WMSME in their daily operation of the businesses and to identify products with regional trade potential for which the WMSME can venture into regional trade in the future. It is also to identify non-tariff barriers facing the WMSME with aims to recommend ways to reduce challenges in order to do better business in the future. The information shared as part of this study will be held in the strictest confidentiality and used solely for this research.

Name of the Employee:

Age:

Sex:

Education Background:

- i. None
- ii. Non-formal education
- iii. Monastic School
- iv. Primary School (Cl.PP-VI)
- v. Secondary School (VII-XII)
- vi. Vocational Education
- vii. Others: (Specify)

Marital status:

- i. Single
- ii. Married
- iii. Divorcee
- iv. Widow

Name of the Enterprise:

Village:

Gewog:

District:

Products List:

1. Handwoven textiles
2. Wood crafts (wood carvings/turnings, cane and bamboo products)
3. Red Rice
4. Chili Paste
5. Incense

### I. Capacity of the Employees

1. Have you taken any trainings? If yes, please mention the types of trainings attended.
2. Who provided the trainings you received? (Name the agency/organization)
3. How relevant were the trainings you received to your work?
  - i. Highly relevant
  - ii. Relevant
  - iii. Somewhat relevant
  - iv. Not relevant

4. Are there any rules and regulations that you find restrictive to your professional development?
5. What do you think about the prospects of this business?

## **II. Social Cultural Challenges**

1. How supportive is your family for your work?
  - i. Very supportive
  - ii. Supportive
  - iii. Somewhat supportive
  - iv. Not supportive
2. Do you find any discriminatory treatment between male and female employees by your employer? If yes, list some of them.
3. Have you faced any harassment at work?  
If yes, please specify.
4. Did you face any stigma (labeling/name calling) when you work in this type of enterprise?

## **III. Working Conditions**

1. How is work environment in your enterprise?
2. Does your enterprise give you any types of support?
  - a. Holidays
  - b. Paid Leave
  - c. Maternity Leave
  - d. Medical Leave
  - e. Others (specify)
3. Are there any health hazards you face while doing your work? If yes, list some of them:
4. In your opinion, what are the solutions you can suggest to minimize the hazards mentioned in No.3?
5. Do you need any safety gears while working?  
Yes. (Answer Question 6)  
No.
6. Are you provided with the safety gears by your employer?  
If yes, specify the types of safety gears.
7. Do your payments (salaries) justify the work you do?  
Yes.  
No (please specify)
8. Do you have adequate health and sanitation facilities to cater your needs in the work place? Choose from the following options:
  - i. Proper toilets
  - ii. Access to medical facilities

- iii. Access to safe drinking water

## Annex 5. FGD guide questions

### **Women-owned and led micro, small and medium enterprises (WMSME) Bhutan Study, 2014**

NOTE: Two note takers should be assigned for this task. The third one goes to take pictures of the market. Participants in the focus Group (FG) can be male entrepreneurs too.

The goal of this survey is to gather information from women-owned and led micro, small and medium enterprises (WMSME) in Bhutan. The study aims to identify challenges and opportunities facing WMSME in their daily operation of the businesses and to identify products with regional trade potential for which the WMSME can venture into regional trade in the future. It is also to identify non-tariff barriers facing the WMSME and the study aims to recommend ways to reduce challenges to do better business in the future. The information shared as part of this study will be held in the strictest confidentiality and used solely for this research.

Total Number of participants:

Number of males:

Number of females:

Place of Focus Group (FG) administered:

Date:

Choose the products which the FGs are selling mostly from the list below. Can choose multiple options as the FGs may be selling all of these products:

- i. Textiles
  - ii. Craft Works (Wooden carvings/Cane and bamboo products)
  - iii. Red Rice
  - iv. Incense
  - v. Chili Paste
1. How is the business in relation to the products mentioned above? (Use your notebooks to take down the notes).
  2. Which products (from the choices above) sell the most in all shops?
  3. Do you know who are the entrepreneurs dealing with these products?
  4. What are the types of challenges facing the WMSME here while dealing with the products mentioned? (Try to touch/lead on the trade related challenges and non tariff barriers.)
  6. Why do you think the challenges mentioned in No. 4 are there?
  7. What can you suggest about ways to reduce the challenges mentioned?
  8. What types of challenges have you seen are common to entrepreneurs?
  9. What types of challenges have you seen are specific to women entrepreneurs?

10. Do you face any policy related problems in your businesses? If yes, list some of them (at least two).
11. From the list of the products mentioned above, rank them in order (1 being the highest) in terms of having trade potential for exports in the future.
12. Which are the government and other organizations present here that help you to do better business?
13. Do you have a business association? If yes, ask the following questions:
  - i. Who is the President/Chairman?
  - ii. Who is the executive secretary/vice president?
  - iii. How many members are there in the association?
  - iv. What are the activities of the association?

## Annex 6. Summary of FGD members

Sl. No	Dzongkhag (District)	Gewog/Town	Village	No. of participants	No. of female participants	Main products
1	Lhuntse	Khoma	Khoma	5	5	Textiles
2	Sarpang	Gelephu Thromde (Municipality)	Gelephu Thromde	6	2	Chili paste and Incense
3	Wangdue	Bajo Thromde	Bajo Thromde (Municipality)	10	7	Textiles, chili paste and red rice
4	Mongar	Chaskhar	Chaskhar	6	6	Textiles
5	Punakha	Khuruthang	Khuruthang town	7	1	Chili paste and red rice
6	Thimphu	Thimphu Town	n/a	7	6	
7	Paro	Paro Town	n/a	5	4	



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## United Nations Development Programme

Bangkok Regional Hub  
3<sup>rd</sup> Floor United Nations Service Building  
Rajdamnern Nok Avenue  
Bangkok 10200  
Thailand

Tel: +66 (0)2 304 9100  
Fax: +66 (0)2 280 2700

<http://asia-pacific.undp.org>