



Enabling Environment for Women in Trade

A case of Nepal

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Executive Summary

As entrepreneurs, women face difficulty in accessing market information, technology, and credit. They face greater constraints to participating in international trade. Despite the strides made by women entrepreneurs in Nepal in the past couple of decades, their presence in international trade is still minimal. Women-owned or -led businesses are particularly inhibited by social and cultural barriers persisting due to gender discrimination, which further impedes their participation in international trade.

Women's role as primary caregivers in the household, restricted mobility, and limited access to education and training, among others, limit their scope of work outside home. As a result, women entrepreneurs operate in small firms and less profitable sectors. Women are at a disadvantage vis-à-vis men in terms of access to resources such as education, health and nutrition from an early age. This compromises their capabilities in the economic sphere. Similarly, women do not have access to economic resources, such as property, which impedes their ability to be financially independent. Likewise, the threat of sexual and physical violence often limits women's ability to venture out, rendering them less mobile. Moreover, socially ascribed gendered roles mean women are socially conditioned to prioritize their care roles at home which leaves them with less time to contribute to economic activities. Constraints related to time, finance and security make women more risk averse and satisfied with running a small and stable business that provides them with flexibility. These constraints result in limited economic and financial independence of women.

In the last few years, the number of entrepreneurial ventures led by women in Nepal has been on the rise. According to the latest available figures, 29 percent of the business establishments in Nepal are led by women. The enterprises run by women are mostly micro-enterprises. The National Economic Census 2018 reports that 98.3 percent of women-led enterprises are small and 96.3 percent employ less than five employees. Most of the women-led firms appear to be limited to operating their businesses locally. The proportion of women-managed enterprises engaged in export is less than one percent. Women entrepreneurs are producing products such as pashmina, carpets, felt products, papers and items made from natural fibres, handbags and herbal-based beauty and skincare products.

Recognizing the need to provide additional support to promote women in entrepreneurial ventures, the Government of Nepal has floated different kinds of support programmes targeted at women. The most common support has been the provision of subsidized loans to women-owned enterprises. Earlier, support programmes tended to be limited to helping women establish their businesses and disregard other aspects of running businesses that women might require support in, such as providing support services to women-led enterprises, favouring them in public procurement, etc. Realizing the need to facilitate women in running their businesses successfully, since 2021, the government has started to provide business support services

through local governments. However, awareness about the presence of such a programme is quite limited.

Women entrepreneurs face problems right from establishing business entities. Accessing markets is equally challenging as marketing and networking required to establish business relations do not come easily due to restrictions related to time and mobility, and limited access to information, among others. Exporting requires scaling up businesses, which necessitates additional capital. This is even more difficult for small businesses, especially those owned by women. Women entrepreneurs are found to be apprehensive about entering international trade due to a lack of information, difficulty in accessing capital and the risks involved. Even for those engaged in export activities, logistics, transport and customs procedures make export a daunting process. Thus, only a minority of women-led firms export.

Not that these issues are exclusively faced by women-led firms, as men-led ones also face a similar predicament, especially when they are small in size. Small businesses lack sufficient access to finance, technology, expertise and networks required to navigate overseas markets. However, women-led firms face a higher degree of vulnerability and are less likely to withstand external shocks as they have limited access to productive resources (finance and technology), and distribution and information networks. For example, for the majority of women entrepreneurs, their households are their primary focus, so they have limited time to look for information on overseas markets or to establish networks required for export. Similarly, the threat of unwanted sexual advances while dealing with men and the stigma attached to socializing with men also discourage women from establishing networks.

Although men-led businesses also face challenges while operating businesses, the underlying gender discrimination limits women's capabilities and access to resources to overcome those challenges. Hence, providing solutions to those challenges requires looking at these issues through a gender lens as well. At the same time, policies that make doing business easier by implementing better trade facilitation measures, which reduce trade costs and time, will be of great help to encourage women entrepreneurs to engage in exports by reducing trade costs and time. Thus, creating an enabling environment would require concerted gendered efforts complemented by an overall improvement in trading infrastructure.

Addressing information gaps will help women entrepreneurs navigate the export markets better. Although all entrepreneurs are affected by information gaps, men have better access to social networks and are relatively more mobile and able to navigate the spaces that are dominated by men. Women entrepreneurs point out that they are not able to socialize with male business associates after working hours. Since the trading spaces are overrepresented by men, this results in limited business opportunities for women. Besides the time constraints due to care work, they also want to avoid situations that could put them in a vulnerable position to sexual assault and also due to fear of society, which frowns upon such meetings no matter the objective of such social calls. One of the ways to address this issue is by making the relevant information easily available. Although this may not make up for the informal information exchange, this will at least

ensure that women are not excluded from accessing formal information. Basic and necessary information related to procedures and regulations to export must be made available by the government, which will require coordination between different government agencies.

Collective marketing of Nepali women-owned businesses could play a role. Women entrepreneurs could be provided support, in the form of training, marketing and finance, to tailor their products and processes to create ethical and sustainable products. Moreover, creating a collective or certification mark (whichever is suitable for the diverse kind of products that women entrepreneurs produce) could be a useful marketing tool. Another form of marketing support that women entrepreneurs require is in the form of opportunities to participate in trade fairs and exhibitions, which are important platforms to meet buyers and suppliers. Women entrepreneurs say that they do not have the resources to participate in international trade fairs on their own and the support provided at the moment is not enough. One way to deal with this could be creating a fund that will help finance the participation of more women entrepreneurs. Another area of support that women entrepreneurs could use that will contribute to marketing efforts is through helping women-owned firms get different quality and product-related certifications.

Ecommerce and Internet-enabled services have opened opportunities for women-owned/managed firms, which are usually constrained by limited capacity and resources. In Nepal too, digital commerce has started to take off on the back of enhanced digital connectivity and ease of payments. However, digital commerce is largely confined to the buying and selling of goods within Nepal's borders. Using ecommerce for international trade entails much more than having a platform to showcase the products and the means to contact the buyers. In Nepal, anti-money laundering regulations and foreign exchange-related regulations do not permit firms to accept foreign exchange payments in their bank accounts without prior approval from the central bank. This inability to receive international payments has affected both women and men entrepreneurs. Digital platforms provide opportunities to women e, but they may not have the expertise to navigate ecommerce space and may lack necessary skills.

Women-led enterprises generally start small, and the entrepreneurs are not well-versed in the regulatory and accounting requirements that a registered enterprise is required to fulfil. When it comes to challenges related to running a business, discourse is usually focused on access to finance but other factors such as maintaining proper accounts, fulfilling industry-related regulatory formalities, and maintaining a robust supply chain do not get much discussed. Overcoming this everyday red tape takes up a lot of time and effort for women entrepreneurs mostly because there is no one-stop information source. Although the government's Women Entrepreneurs Facilitation Centres across the country envisage facilitating women entrepreneurs, they have limited capacity. Addressing this gap could be a worthwhile intervention that civil society organizations that work on enhancing private sector capacity could undertake by getting associated with the government's initiative.

Nevertheless, access to finance also needs to be addressed to enhance the participation of women entrepreneurs. Although any explicit gender discrimination is absent when it comes to

lending to women, the existing financial system is designed in such a way that women entrepreneurs become excluded. Since lending to small businesses is perceived to be riskier for profit-oriented financial institutions, the government needs to step in to shoulder those risks to encourage banks to provide more loans to women entrepreneurs. One of the ways to do so is by providing facilities such as credit guarantees to the banks so that in case of defaults banks' losses will be cushioned. Moreover, besides depending on traditional banking, the government could launch a special-purpose vehicle that provides patient capital to women entrepreneurs.

Nepal's trade is highly affected by the limited and sub-standard presence of trade-related infrastructures, such as accredited laboratories, better customs points, cold storage facilities and warehouses. These limitations have increased trade costs for exporters since the additional charges to get their samples tested and the longer time to deliver their products, for example, add to the unit cost of their products. Implementing better trade facilitation measures that make trading across borders faster, cheaper and more predictable is crucial. Owing to their limited production capacity, women entrepreneurs tend to export smaller quantities, which makes export logistics costs quite expensive for small businesses compared to bigger ones. Along with implementing measures such as paperless customs clearance that does not require physical documents to be submitted, trade costs for small exporters could be minimized by facilitating cargo consolidation services. For this, exporters, government and business chambers need to come together to figure out the best way to proceed with cargo consolidation. A concerted effort is needed to facilitate cargo consolidation by involving private cargo businesses and warehousing facilities and simplifying cargo tracking.

Economic and trade policies need to address the deliberate and non-deliberate gender biases present in the economic structure to encourage the participation of women in economic activities. The trading space—from policymaking to operational levels—is dominated by men. The overwhelming presence of men in these areas involuntarily excludes women who do not feel welcome in places with mostly male presence, further limiting women's presence in these areas. Employing more women officials and inducting more women service providers into trading spaces will also send a message that those places are not only for men and that women are equally welcome. However, all this should also come with gender sensitization of the men involved in these activities so that their conscious and unconscious gender bias does not prevent women from seeking their services.

One of the basic initiatives that the government needs to take if it is committed to gender-responsive policymaking is to institute mechanisms to disaggregate data in terms of gender. Having information on the pattern of engagement of women entrepreneurs in international trade would provide insights into the kind of interventions necessary to help them.

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Introduction

Despite the strides made by women entrepreneurs in Nepal in the past couple of decades, their presence in cross-border trade is still minimal. Women-owned and –led businesses tend to be smaller, operating in less profitable sectors and do not usually venture into international trade. Besides the obvious constraints faced by small businesses, women-owned or -led businesses are particularly inhibited by social and cultural barriers persisting due to gender discrimination, which further contracts their participation in international trade. Even as entrepreneurs, women face difficulty in accessing information about markets, innovations, technology, and credit. Moreover, in the modern trading regime characterized by the proliferation of trade-impeding non-tariff measures, women are further discouraged from participating in cross-border trade.¹

Women's role as primary caregivers in the household, restricted mobility, and limited access to education and training, among others, limit their scope. Even when women are engaged in income-earning economic activities, they are generally employed in sectors that tend to be low-paying and informal.² Women-led businesses tend to be smaller, less profitable, operating in less profitable sectors, necessity-based, more informal, limited to the domestic market and risk-averse.³ As a result, women entrepreneurs operate in smaller firms and less profitable sectors. Hence, the link between women's entrepreneurship and micro, small, and cottage enterprises cannot be ignored.

Women-led businesses remaining small is not by design but due to gendered inequality that underpins social, economic and political interactions. Studies have shown that women-led businesses, in general, remain small and are prominently in highly competitive and less-profitable sectors due to women's desire to combine their household commitments with entrepreneurial activities.⁴ Women are disadvantaged compared to men in their access to resources such as education, health and nutrition from an early age, which compromises their capabilities in the economic sphere.⁵ Similarly, women do not have access to economic resources, such as property, which impedes their ability to be financially independent.⁶ Likewise, the threat of sexual and physical violence often limits women from leaving their safety net and venturing out, rendering

¹ UN Conference on Trade and Development. (2022). Digital Economy Report 2022: Data, Trade and Development. Retrieved from https://unctad.org/system/files/official-document/ditctab2022d1_en.pdf

² UN Conference on Trade and Development. (2019). Trade and Development Report 2019: Financing a Global Green New Deal. Retrieved from <https://vi.unctad.org/tag/docs/vol1/vol1m1.pdf>

³ Chen, S., & Ravallion, M. (2011). The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight Against Poverty. *The World Bank Research Observer*, 26(2), 237-271. Retrieved from https://openknowledge.worldbank.org/bitstream/handle/10986/13515/wbro_26_2_237.pdf

⁴ Autor, D. H., Katz, L. F., & Kearney, M. S. (2002). The Polarization of the US Labor Market. *Journal of Labor Economics*, 20(1), 1-21. doi: 10.1086/339116.

⁵ UN Millennium Project (2005). Taking action: Achieving gender equality and empowering women. UN Millennium Project Task Force on Education and Gender Equality.

⁶ *ibid.*

them less mobile. Moreover, socially-ascribed gendered roles mean women are socially conditioned to prioritize their care roles at home which leaves them with less time to contribute to economic activities. Constraints related to time, finance and security make women more risk averse and satisfied with running a small and stable business.⁷ The constraints manifest in limited economic and financial independence for women.

Women-led enterprises find overcoming the regulatory barriers costlier than do men-led counterparts. The difficulty faced by women entrepreneurs in establishing and expanding business entities has been well-documented in the economic literature. Economic and trade policies are no more considered to be gender-neutral as the policies have an unintended discriminatory impact on women. Hence, policymaking and implementing bodies and their stakeholders need to realize that inherent biases prevailing in the social and economic spheres warrants gendered considerations if more women are to be encouraged to take up economic activities.

Studies have shown that women set up businesses out of necessity—means to income generation when all else fails. That is more prevalent in the cases of least developed countries where industrialization is lacking and entry to formal paid employment is minimal and difficult for women. In the Nepali entrepreneurial space too, the number of women running businesses has been on the rise. But they are more concentrated in the services sector as more than three-fourths of women-led enterprises are in wholesale and retail trade, accommodation and food services and such sectors while only 8.5 percent of the total enterprises run by women are in manufacturing.⁸ Even the ones in manufacturing have a limited footprint in the international markets as Nepali women entrepreneurs were found to be sticking more to the domestic market than venturing into international markets.

A study done by SAWTEE in 2019-20 found that limited knowledge about foreign trade procedures and schemes, limited access to finance, challenges in scaling businesses, and constrained due to domestic care work, among others, are the major factors that inhibit women entrepreneurs' participation in international trade.⁹ Moreover, the women entrepreneurs who were engaged in international trade were selling their products in relatively distant western markets rather than in the regional market. This is in sharp contrast to the national trade trend—a large share of exports is destined for India. There seems to be a disconnect between women entrepreneurs and the regional trade setup, which could be due to the absence of established

⁷ Chen, S., & Ravallion, M. (2011). The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight Against Poverty. The World Bank Research Observer, 26(2), 237-271. Retrieved from https://openknowledge.worldbank.org/bitstream/handle/10986/13515/wbro_26_2_237.pdf

⁸ Central Bureau of Statistics (CBS). 2021. National Economic Census 2018: Women in Business. Kathmandu: Central Bureau of Statistics, Government of Nepal.

⁹ CUTS-Centre for International Trade, Economics and Environment. (2019). Gender Dimensions of Trade Facilitation: Evidence from Nepal. CUTS CITEE Policy Brief No. 3. Retrieved from <https://cuts-citee.org/pdf/policy-brief-gender-dimensions-of-trade-facilitation-evidence-from-nepal.pdf>

trade channels to connect buyers and sellers, the lack of suitable products and the lack of information regarding the trade potential of the regional market.

Given this context, this study explores the major barriers faced by Nepali women-run businesses in transitioning to export, scaling up, and sustaining exports and illustrates how they are tackling those challenges. Building on the existing literature, including previous studies by the study team, further information and insights were generated from 14 key informant interviews and 2 focus group discussions, covering not only women entrepreneurs, but also policymakers and logistics service providers (see Annex 2 for details). The study also undertook a survey of 20 women entrepreneurs using a basic structured questionnaire.

Nepal's women exporters

In the last few years, the number of entrepreneurial ventures led by women in Nepal has been on the rise. According to the latest available figures, 29 percent of the business establishments in Nepal are led by women.¹⁰ The enterprises run by women are mostly micro-enterprises that employ only a handful of workers—98.3 percent of women-led enterprises are small and 96.3 percent employ less than five employees.¹¹ The service sector has an overwhelming presence of women-led firms while only 8.5 percent of the women-led businesses are in the manufacturing sector.¹²

Women entrepreneurs in Nepal are mostly engaged in the service sector and only a tiny share is in the manufacturing sector. Within manufacturing too, women are overrepresented in sectors such as handicrafts products—handmade paper products, natural fiber products, felt goods and agro and food processing see greater participation of women entrepreneurs in Nepal. Although these goods are low-value products with a limited market, women are comfortable venturing into these sectors as they utilize traditional knowledge and/or the skills they already possess.

A qualitative study done by SAWTEE in 2020 found that women entrepreneurs that are engaged in manufacturing produce products such as pashmina, carpets, felt products, papers and items made from natural fibres, handbags and herbal-based beauty and skincare products.¹³ Women-led businesses specialize in items that are mostly handmade and low-technology-intensive, requiring simple machines to sew, weave or mould the products. The study found that 72 percent of the women entrepreneurs that were surveyed exported their products and, among those exporters, 28 percent exported indirectly via third-party exporters. Export destinations include

¹⁰ Central Bureau of Statistics (CBS). 2021. National Economic Census 2018: Women in Business. Kathmandu: Central Bureau of Statistics, Government of Nepal.

¹¹ *ibid.*

¹² *ibid.*

¹³ CUTS-Centre for International Trade, Economics and Environment. (2019). Gender Dimensions of Trade Facilitation: Evidence from Nepal. CUTS CITEE Policy Brief No. 3. Retrieved from <https://cuts-citee.org/pdf/policy-brief-gender-dimensions-of-trade-facilitation-evidence-from-nepal.pdf>

the US, countries in Europe, Japan and Australia. None of the women entrepreneurs was found to be exporting to the regional market (South Asian countries).

Besides the National Economic Census and National Labour Surveys undertaken by the Central Bureau of Statistics¹⁴—the national statistical agency of Nepal—there is hardly any study related to economy and trade that attempts to compile gender disaggregated data. The trading sphere is considered to be a gender-neutral space; consequently, there is no information on how many women-led enterprises are engaged in international trade or the kind of products they produce. The World Bank’s 2013 Enterprise Survey in Nepal provides information on the export status of firms. According to the survey, only 0.5 percent of the firms with women managers export more than 10 percent of their products in the international market (Table 1). However, 17 percent of the firms owned by women (majority ownership) export more than 10 percent of their products in the overseas markets. Most of the studies conducted in this regard rely on qualitative studies that provide insights into the trading habits of women entrepreneurs in Nepal.

Table 1: Women in export

	Firms directly exporting 10% or more of sales
Percent of firms with female participation in ownership	19.3
Percent of firms with majority female ownership	17.6
Percent of firms with a female top manager	0.5

Source: World Bank Enterprise Survey for Nepal (2013)¹⁵

Policies to support women in business

Recognizing the need to provide additional support to promote women’s participation in entrepreneurial ventures, the government of Nepal has floated different kinds of support programmes targeted at women. The most common support has been related to providing subsidized loans to women-owned enterprises. Earlier support programmes were mostly limited to assisting women establish their businesses and disregarded other aspects of running businesses that women might require support in, such as support services, favouring them in

¹⁴ The Central Bureau of Statistics is now referred to as the National Statistics Office.

¹⁵ World Bank Group. (2013). Enterprise Surveys: Nepal. Retrieved from <https://www.enterprisesurveys.org/en/data/exploreeconomies/2013/nepal#trade>

public procurement, etc. Realizing the need to facilitate women in running their businesses successfully, the government has started to provide business support services through local governments since 2021. However, awareness about the presence of the programme is quite limited. This section looks into different provisions introduced by the government to promote women's entrepreneurship and the general support available to exporting firms.

Special provisions for women entrepreneurs in the Industrial Policy 2010

- Representation of women entrepreneurs belonging to indigenous or marginalized groups shall be mandatory at the policy-making level while formulating industry/business policies.
- Group loans shall be made available through banking and financial institutions to micro and small women entrepreneurs.
- Women will be prioritized while providing venture capital in establishing an industry.
- 35 percent exemption in the registration fee for companies registered in women's name.
- Priority shall be given to women entrepreneurs for establishing the industry in an industrial area.
- To develop entrepreneurship and to empower women to become entrepreneurs, women entrepreneurs will be included in trainings, seminars, conferences, and study visit teams on technology development.
- Showrooms established in various development regions must also include showrooms for products produced by women entrepreneurs.
- Exhibitions organized by the government must have participation of women entrepreneurs.
- Provisions shall be made for providing export loans based on the financial situation of the enterprise to women entrepreneurs who export their products.
- 20 percent exemption on the registration of industrial property, patent, design and trademark for the enterprise registered solely in a woman's name.
- A women entrepreneurship development fund will be set up for women's entrepreneurial development.
- In order to protect the rights of all women entrepreneurs and employees, all industrial enterprises must formulate and implement directives to control and stop gender-based violence in the workplace.

- Ensure gender equality in industrial promotion plans, programmes and budget implementation by making them gender friendly as well as by embedding gender analysis and assessment, gender audit and gender budget in the related policies and programmes.

Provisions for women entrepreneurs in the Industrial Enterprises Act, 2020

- If a company is registered under the sole ownership of a woman entrepreneur, a discount of 35 percent will be provided in the registration fee of such an enterprise.
- If a company is registered under the sole ownership of a woman entrepreneur, a discount of 20 percent will be provided in the fee leviable on the registration of industrial property of such an enterprise
- Priority will be given to women entrepreneurs for establishing industry in an industrial zone or industrial village.
- Provision of export loans based on the financial situation of the enterprise to women entrepreneurs who export their products.

Additional provisions for micro-enterprises

- No registration fee will be charged for the registration of a micro-enterprise
- No income tax will be levied on micro-enterprises.

However, the same act also provisions a fine of NPR 5000 per year for micro-enterprises if they do not submit the necessary details at the designated time. This seems to be an effort to bring micro-enterprises into the legal jurisdiction.

Women Entrepreneurship Development Fund

The fund was established by the Industrial Policy, 2010. This fund has been providing collateral-free loans of up to NPR 500,000 at a six percent interest rate for a period of three years to women entrepreneurs operating micro, cottage, and small enterprises. Such loans are provided to registered enterprises that have been in operation for at least two years, on the recommendation of umbrella organizations (Federation of Nepalese Chambers of Commerce and Industries, Federation of Nepal Cottage and Small Industries, Federation of Women Entrepreneurs' Associations of Nepal, National Micro Entrepreneurs Federation Nepal).

Subsidized loan to women entrepreneurs

The government of Nepal introduced a loan scheme with subsidized interest rates for different groups, to be administered by the central bank of Nepal, Nepal Rastra Bank, in September 2018. One of the major portfolios under the subsidized loan scheme is targeted at women entrepreneurs. According to the scheme¹⁶, banks and financial institutions (BFI) can offer loans up to NPR 1.5 million to eligible women entrepreneurs for a period of up to five years with the

¹⁶ NRB (Nepal Rastra Bank). (2021). सहूलियतपूर्ण कर्जाका लागि ब्याज अनुदान सम्बन्धी [Interest Subsidy for Concessional Loans]. Retrieved from <https://shorturl.at/impwA>

interest rate not exceeding two percentage points on the BFIs' base interest rate. The government, through NRB, subsidizes by up to 6 percentage points the interest rate levied on loans to women entrepreneurs under the programme (that is, if the interest rate is 10 percent, women entrepreneurs will be charged an interest of 4 percent while the rest of the amount is paid by the government). Along with the interest subsidy, the government also subsidizes 50 percent of the credit guarantee fee and 50 percent of the insurance premium for the enterprises. In 2021, the central bank announced that all commercial banks are required to provide a minimum of 500 such loans or issue at least 10 such loans per branch (whichever is higher) while development banks are required to float a minimum of 200 such loans or at least 5 such loans per branch and finance companies need to provide a minimum of 100 such loans.¹⁷

Women Entrepreneurship Facilitation Center

The federal government's Ministry of Women, Children and Senior Citizens in association with local governments provide business facilitation support to women under its Women Entrepreneurship Facilitation Center programme. According to the operation guidelines of the Center, the programme aims for the economic empowerment of women by enhancing knowledge, skills, and capacity and by enhancing access to credit, services, facilities, concessions, and information thereof.¹⁸ The facilitation center is envisioned to provide information on the availability of raw materials, help coordinate services such as testing, labelling and packaging, provide information on the facilities provided to women entrepreneurs, provide training on accounting and marketing, etc. Since they are operated via local governments—rural and urban municipalities—that also undertake other micro-entrepreneurship-related programmes, the facilitation centres will link up the entrepreneurs with those programmes whenever deemed necessary. At present, there are 70 such centers operational across Nepal.¹⁹

Cash Incentive for Export²⁰

The 'cash incentive for export' programme offers exporters cash subsidies of up to 7 percent of the value of export transactions for a select group of products. The exporters can avail themselves of a cash incentive of a certain percentage of their total export value depending on the products exported and the value addition. The Ministry of Industry, Commerce and Supplies has identified 36 exportable products for the cash incentives.²¹ As per the ministry, incentives of up to five percent will be provided to 18 goods that include processed tea, processed coffee, handicrafts and wooden crafts, leather goods, handmade papers and related products, processed herbs and oil products, precious stones and jewellerys, finished goods made out of Himalayan

¹⁷ NRB (Nepal Rastra Bank). (2020). Monetary Policy 2020/21. Retrieved from https://www.nrb.org.np/contents/uploads/2020/09/Monetary-Policy-2020_21-Full-Text-English-Version.pdf

¹⁸ Ministry of Women, Children and Senior Citizens, Government of Nepal. (2020). Working Procedure for Women Entrepreneurship Facilitation Centre, 2077. <https://mowcsc.gov.np/rules/RLgTIZ79o5lv0mRGPLkugholmC6XjsGrRRcyf6Vn-1625476093.pdf>

¹⁹ Sumit Subedi. (2021). "Mahila Uddhyamshilta Karyakram ko Nirantarta" 30 April 2021 Karobar National Daily <https://www.karobardaily.com/news/136872>

²⁰ This is not gender specific.

²¹ The latest update was dated October 2022.

nettle (*allo*), and mineral water. Goods such as turmeric, vegetables, flowers, processed honey, cardamom and ginger and related products are also eligible to receive the cash incentives, provided these products are exported to countries other than India. The goods receiving a five percent incentive should have at least a 50 percent domestic value addition. Likewise, 18 items have been listed for three percent cash incentives. These include textiles, readymade garments, carpets and woollen products, pashmina products sold under the brand of collective trade mark logo of 'Chyangra Pashmina,' gold and silver jewelleryes, semi-processed leather, drugs, felt items, copper utensils and yarn made out in polyester, viscose, acrylic and cotton.

Existing barriers to trade

International trade is considered to contribute to growth and employment.²² Studies have found that countries with higher rates of GDP growth also tend to have higher rates of growth in trade as a share of output.²³ Even at the firm level, firms that export tends to be larger, more productive, more capital intensive and pay higher wages than the ones engaged in domestic markets only.²⁴ Similarly, the small businesses that export are found to expand their markets, innovate and increase profits.²⁵ Hence, encouraging participation of women-led firms will not only enhance the capacity of women entrepreneurs, but it makes economic sense as well. Yet, the instances of women-led firms venturing into export are limited in Nepal. This section will delve into the problems and challenges faced by women entrepreneurs in general and will look closely at the trade-specific challenges. This will also try to dissect how traditional gender roles and gender-blind policies have inadvertently affected women-owned businesses.

Women entrepreneurs face problems right from establishing business entities. Accessing markets is equally challenging as marketing and networking required to establish business relations do not come easily to women due to restrictions related to time and mobility, and limited access to information, among others. Exporting would require scaling up businesses, which necessitates additional capital. Small businesses, especially those owned by women, have a difficult time generating necessary capital.²⁶ Women entrepreneurs are found to be apprehensive about entering international trade due to a lack of information, difficulty in accessing capital and the risks involved. Even for those engaged in export activities, logistics, transport and customs procedures make export a daunting process. Only a minority of women-led firms export due to costs associated with exports, and limited information about the market.²⁷

²² Bowles, S., Carlin, W., & Sutch, R. (2017). The Economy. CORE. Retrieved from <https://core-econ.org/the-economy/book/text/18.html#1810-trade-and-growth>

²³ Roser, M., & Ortiz-Ospina, E. (2019). Trade and Economic Growth. Our World in Data. Retrieved from <https://ourworldindata.org/trade-and-econ-growth#causality-evidence-from-cross-country-differences-in-trade-growth-and-productivity>

²⁴ *ibid.*

²⁵ Topalova, P. (2007). Exporting and firm performance: Evidence from Egyptian rug manufacturers. VoxEU.org. Retrieved from <https://cepr.org/voxeu/columns/exporting-and-firm-performance-evidence-egyptian-rug-manufacturers>

²⁶ World Bank Group. (2013). Gender disparities in Africa's labor market. Retrieved from <https://openknowledge.worldbank.org/bitstream/handle/10986/16973/832320WP0Gende0Box0382076B00PUBLI00.pdf?sequence=1&isAllowed=y> and Fontana, M. (2011). Women and trade in Africa: Realizing the potential. Presented at the PEP-AFD Policy Forum on Growth, Employment and Poverty Reduction: Dynamic Synergies between Micro and Macro Analyses, Dakar, Senegal. Retrieved from https://www.pep-net.org/sites/pep-net.org/files/typo3doc/pdf/files_events/fontana_pap.pdf

²⁷ CUTS-Centre for International Trade, Economics and Environment. (2019). Gender Dimensions of Trade Facilitation: Evidence from Nepal. CUTS CITEE Policy Brief No. 3. Retrieved from <https://cuts-citee.org/pdf/policy-brief-gender-dimensions-of-trade-facilitation-evidence-from-nepal.pdf>

Not that these issues are exclusively faced by women-led firms, as men-led ones also face a similar predicament, especially when they are small in size. Small businesses lack sufficient access to finance, technology, expertise and networks required to navigate overseas markets. However, women-led firms face a higher degree of vulnerability and are less likely to withstand external shocks as they face limited access to productive resources (finance and technology), and distribution and information networks. For example, for the majority of women entrepreneurs, their households are their primary focus so they have limited time to look for information on overseas markets or to establish networks required for export.²⁸ Similarly, the threat of unwanted sexual advances while dealing with men and the stigma attached to socializing with men also discourage women from establishing networks. These sorts of difficulties are not faced by men who own small businesses. The difficulty faced by women entrepreneurs in establishing and expanding business entities has been well-documented in economic literature.²⁹ To improve women's participation and provide them with more benefits from business and trade, concerted policy efforts are necessary. Even when there are no explicit discriminatory provisions, economic policies have an unintended discriminatory impact on women. For example, many women entrepreneurs are engaged in food processing businesses and are the most affected by the lack of accredited laboratories in Nepal. Since these businesses do not have sufficient lobbying capacity, their demands have been left unheard, discouraging them from selling their products outside Nepal. In the absence of proper advocacy, these issues have remained in the footnotes.

Starting and operating a business

Women entrepreneurs in Nepal seem to be heavily concentrated in industries such as food processing (making bottled pickles and other dried delicacies), textiles and clothing, and handicrafts (handmade paper products, felt products, pashmina, carpet, etc.). One of the common features of most of these products is that these items could be prepared within one's own home and are relatively less capital-intensive. These items are an extension of the reproductive roles (such as cooking, sewing, etc.) that women play within their households. Women entrepreneurs point out that they learn these skills within their homes. Women entrepreneurs' origin often could be traced to receiving some kind of skill training provided by either government agencies or non-government organizations. Furthermore, these skill trainings provided to them were usually of a similar nature, related to handicrafts or food preparation. These kinds of products also do not require a large investment and since finance has always been an issue for women entrepreneurs, these products become a natural choice. Also, since these items do not require a lot of investment, the financial loss of the business failure will not be significant. According to a study, on average, a woman-led firm's total capital averaged around

²⁸ *ibid.*

²⁹ Khandker, S. R., & Samad, H. A. (2011). Dynamic effects of microcredit in Bangladesh. The World Bank Research Observer, 26(2), 237–263. Retrieved from https://openknowledge.worldbank.org/bitstream/handle/10986/13515/wbro_26_2_237.pdf?sequence=1&isAllowed=y

NPR 600,000 but their average monthly sales averaged around NPR 800,000.³⁰ The most important aspect of choosing these products for women has been the flexibility it provides to them as they can start off within the security of their homes. The majority of the women entrepreneurs who have been running their businesses successfully also admit that home is still their biggest priority.

Consultations held for this study reconfirmed the finding of the literature on women's entrepreneurship that women find operating businesses relatively more difficult due to the disproportionate burden of household work, fewer years of schooling, lack of capital and limited professional network.³¹ In addition, women face internal barriers stemming from psychological factors, doubts regarding management capability, funding constraints, as well as external barriers such as regulatory environment, market conditions, and labour market conditions, among others.³² These internal and external barriers are exacerbated by gender discrimination that limits women's capabilities, mobility and access to resources.

Registering a business formally requires procedures that take up about 7-15 days, depending on the types of products manufactured. Likewise, getting documents ready for registration, such as memorandum and articles of association, would require accessing the services of a professional law firm, which turns out to be a substantial burden. The businesses first need to get registered at their local ward office, then at the Office of Cottage and Micro Industries under the Province's Ministry of Industry (as per the Industrial Enterprises Act, 2020). Then, they need to get registered at the Inland Revenue Department for the Business Permanent Account Number. Furthermore, most exporting businesses may also require to get registered at the Inland Revenue Department for the purposes of Value Added Tax. Further, exporters also need to get Export-Import Code (EXIM Code) from the Department of Customs to be eligible to export. Actual exporting entails more approvals and certificates such as the Certificate of Origin, GSP certificates, valuation certificates in the case of handicrafts, and Sanitary and Phytosanitary Certificates in some cases. Similarly, exporters need to get an advance payment certificate and fulfil other necessary regulatory requirements at the banks to receive the payments sent by their buyers.

³⁰ CUTS International (2021). Mainstreaming Shepreneurs in International Trade. Jaipur, India: CUTS International. Retrieved from <https://cuts-citee.org/pdf/research-report-mainstreaming-shepreneurs-in-international-trade.pdf>

³¹ OECD (2019). Policy Brief on Women's Entrepreneurship. Paris, France: OECD. Retrieved from <https://www.oecd.org/cfe/smes/Policy-Brief-on-Women-s-Entrepreneurship.pdf>. and Khandker, S. R., & Samad, H. A. (2011). Dynamic effects of microcredit in Bangladesh. The World Bank Research Observer, 26(2), 237–263. Retrieved from https://openknowledge.worldbank.org/bitstream/handle/10986/13515/wbro_26_2_237.pdf?sequence=1&isAllowed=y

³² OECD (2019). Policy Brief on Women's Entrepreneurship. Paris, France: OECD. Retrieved from <https://www.oecd.org/cfe/smes/Policy-Brief-on-Women-s-Entrepreneurship.pdf>. and ITC (2018). Women's Economic Empowerment through Inclusive Trade: A Guide to Getting Started. Geneva, Switzerland: International Trade Centre. Retrieved from <https://intracen.org/media/file/2803>.

The National Economic Census finds that more women-led firms lack formal registration compared to men-led ones. About 64 percent of women-led enterprises are reported to lack registration while 36 percent of men-led businesses are not registered.³³ Although this study does not dwell on the prevalent informality among women entrepreneurs, informality cannot be separated from women entrepreneurship. Even the ones engaged in exporting are often informal; they send their products to collectors—an export house—that package and export these products to the international markets. It was found that entrepreneurs felt that there are minimal benefits to be accrued from registering but significant costs in the form of taxes and regulatory liabilities, hence discouraging women entrepreneurs from registering their enterprises.³⁴ However, the lack of registration further excludes them from formal credit and information networks, limiting their chances of expanding their businesses.

Women entrepreneurs also suffer from the lack of support available to them when it comes to familiarizing themselves with taxation and other regulatory formalities. During the FGDs and the KIs that we undertook for the study, entrepreneurs pointed out that the difficulty in accessing information and getting an accurate evaluation of their regulatory liabilities takes up a lot of time. This difficulty in accessing support services affects women business owners more than men, which adds to their disproportionately higher domestic duties, hence creating a double burden for women—of looking after their home and then business. An example supports this assertion. The government provides cash incentives of up to 5 percent of the amount of exports made to encourage exporters. However, many small women entrepreneurs pointed out that the hassles involved in receiving the cash are far greater than the amount they would receive so they have forgone the incentives. It is evident that the regulatory burden is felt greater by small businesses as they do not have dedicated human resources to undertake these tasks, and the burden is even higher for women-led businesses owing to their double burden.³⁵ Although the government has tried to bridge this gap by establishing Women Entrepreneurship Facilitation Centres across Nepal, the lack of funding and expertise of the local governments in this area first needs to be addressed. According to news reports, the annually allocated budget for such 70 centres across the country is a mere NPR 32.5 million.³⁶ Moreover, the scope of work in these facilitation centres seems to be quite broad, requiring business consultations for each step involved in production and sales; however, the local bodies do not have the requisite expertise. Moreover, none of the entrepreneurs that the study teams interacted with were aware of such services.

³³ Central Bureau of Statistics (CBS). 2021. National Economic Census 2018: Women in Business. Kathmandu: Central Bureau of Statistics, Government of Nepal.

³⁴ Based on the interactions undertaken between 2020-2021 at different places by SAWTEE.

³⁵ To get the perspective from men, the study team talked to a couple of entrepreneurs (felt exporters) who said that the process is difficult but they have not given up.

³⁶ Sumit Subedi. (2021). “Mahila Uddhyamshilta Karyakram ko Nirantarta” 30 April 2021 Karobar National Daily <https://www.karobardaily.com/news/136872>

Readiness to export

Exporting products to foreign markets requires a certain level of expertise and efficiency in navigating the requirements of the destination markets and the buyers there. This would require an understanding of how to gather intelligence regarding overseas markets. Similarly, they need to establish contacts with the buyers in the destination market. Although the rise of digital communication has made searching and contacting buyers easier, not all small businesses are adept at that. Half of the surveyed entrepreneurs did not even have email addresses and relied on instant messaging applications such as Facebook Messenger, Viber, etc. This indicates that business communication could be a problem for many, especially due to the language barrier. Navigating the export market for buyers requires a certain level of expertise. Since entrepreneurs may not possess the expertise and their constrained resources prevent them from hiring dedicated personnel or hiring consultants who could help launch their products, poor market intelligence is a major obstacle for women-led firms.

Another important source of meeting buyers is trade fairs and exhibitions. Since international trade fairs are quite expensive to participate in, most of the small businesses cannot afford to go there on their own, making state support crucial. In this regard too, women entrepreneurs have expressed that they found inadequate state support in Nepal compared to other countries in the region. However, Nepal rarely hosts international trade fairs. While Nepali enterprises participate in international fairs abroad and the women entrepreneurs admit that such opportunities help them establish contacts, such opportunities are quite rare. Moreover, women entrepreneurs mention that there is a lack of clarity regarding who gets to participate and how to establish contacts there, and customs and tax-related hassles in the destination country, among others, create confusion for the exporters from Nepal. An entrepreneur recalled her experience in Bangladesh where the tax authorities claimed sales tax on the sales made at the exhibition, of which she was unaware.

Women entrepreneurs are generally risk averse and given the limited information about the workings of foreign markets, they would rather stay in the domestic market. Our survey finds that almost all of the non-exporters (3/4th of the total sample) cited a lack of information about the foreign market as the reason for not venturing into the export market. Although the Government of Nepal has established the Trade and Export Promotion Centre (TEPC) to provide such support services, not many entrepreneurs are aware of its existence. Even the ones who are engaged in export expressed that TEPC's main responsibility was to recommend names for participation in trade fairs and issue GSP certificates for exports to the EU. Furthermore, our study finds that in some cases, the perceived cost of exporting and accessing foreign markets may even outweigh financial gains from exporting, at least in the short run, discouraging women entrepreneurs from exporting. Moreover, exporting is procedurally intensive (see the next subsection). Besides all the regulatory requirements related to certifications, exporters need to get an EXIM Code to be able to export. To obtain the Code, exporters (or even importers) need

to deposit NPR 300,000. The amount of money is not meagre, which further discourages them from venturing into export markets.

Even among women entrepreneurs, not all entrepreneurs are on an equal footing. Relatively less-educated entrepreneurs, mostly operating informal entities away from urban centres, could find establishing and accessing export distribution channels and contacting overseas customers more difficult than the ones hailing from urban areas and from better social backgrounds. Similarly, a couple of women entrepreneurs from relatively rural areas whom we interviewed did not even fathom the rationale to get their products (incense sticks in one case and bamboo wares in another) tested by laboratories and the fumigation requirement for export. They assumed that since they source all their inputs from forests, their products were inherently organic and hence did not need testing certificates and fumigation. Moreover, the language barrier—a lack of command of the English language—poses a significant barrier when it comes to communicating with buyers abroad. Thus, instead of venturing into foreign markets on their own, women entrepreneurs seek export houses to undertake the export of their products. Although such arrangements are useful, entrepreneurs lose out on potential access to foreign technology transfer that could have resulted from direct collaboration. Similarly, relying on export houses also discourages exporters from getting formally registered as exporters, thus, preventing them from accessing facilities provided by the state and, at times, hindering their expansion.

It is believed that the adoption of digital communication and the internet in accessing information could help reduce the information barrier to a great extent. However, the digital adeptness of entrepreneurs—how well-versed the entrepreneurs are in navigating the digital maze to churn out useful information— is crucial in tapping the potential benefits provided by digital advances. In Nepal, the internet penetration rate is 35 percent but the quality and reliability of the service are questionable, more so in rural and semi-urban areas.³⁷ Moreover, even with access to a reliable internet service, women entrepreneurs who have to manage the business, in many instances, need to devote a substantial time to the production floor, and also manage household chores. Hence, sieving through the internet for relevant information may not be easily manageable. Similarly, the internet through different ecommerce tools could be instrumental in expanding markets for entrepreneurs, but the difficulties in receiving cross-border payments have left cross-border ecommerce still unreachable for Nepali entrepreneurs. Still, for many women entrepreneurs, the internet, especially social media platforms, have emerged as a viable tool to connect to buyers, albeit domestically.³⁸

Women entrepreneurs pointed out that maintaining consistent quality is an issue they grapple with. This is a significant impediment given that the quality required by the buyers in the foreign market is of the highest level, and more so when Nepali goods are competing with goods from all over the world. Moreover, since Nepali goods are already expensive given the relatively higher

³⁷ DataReportal (2020). Digital 2020: Nepal. Retrieved from <https://datareportal.com/reports/digital-2020-nepal>.

³⁸ One of the entrepreneurs even pointed out that she was contacted by some buyers after they saw her interview in one of the YouTube vlogs.

cost of production owing to expensive labour and high cost of capital, not maintaining quality could be detrimental to entrepreneurs' quest for exporting.

Becoming export ready also requires scaling up the size of the business, which requires additional capital. And this is an area where women face difficulties, given their relatively low access to finance. First, Nepal's financial system exercises a collateral-backed credit system, where loans are provided after pledging property as collateral. The problem with this system is that a significant proportion of women do not own property and even those with property to their name do not have the agency to pledge the family property for business enterprises. The government provides collateral-free and subsidized loans for women entrepreneurs of up to NPR 500,000 under its Women Entrepreneurship Development Fund. Likewise, Nepal Rastra Bank, the central bank, provides interest-rate-subsidized-loans of up to NPR 1.5 million via commercial banks to eligible women entrepreneurs for a period of up to five years. Besides these, there are microfinance banks that offer group-based loans of up to NPR 500,000. However, these loan amounts are too little to start an export-oriented enterprise. As for NRB-subsidized loans, although on paper this is a project-backed loan that does not require a collateral, individual banks require borrowers to have some form of fixed assets in the name of their family members who are willing to stand in as the guarantor. Despite these difficulties, subsidized loans for women entrepreneurs have taken off since NRB made it mandatory for each branch of financial institutions to issue at least 10 such loans. Between mid-July 2020 and mid-July 2022, the number of such loans increased by more than 12-fold (the number of borrowers under the programme was about 6,700 in 2020, which reached 84,000 by 2022).³⁹ This programme is useful to many entrepreneurs to access finance. However, many entrepreneurs complained that the amount provided is not sufficient for expanding their plants to enhance production.

Exporting products

Even with established businesses and regular overseas buyers, women entrepreneurs find it difficult to meet the supply order on time and in the desired quantity, which affects their expansion potential. This is where trade facilitation measures could help women entrepreneurs the most. Transport infrastructure and logistics that allow swifter transport of raw materials and finished products, and easy customs clearance are the components that could reduce the cost of trading while also reducing uncertainty and risks associated with trading across borders.

A variety of costs is incurred during exports—for instance, costs incurred to establish a distribution network and market products, and fees for certifications and permits, among others. Exporting products also requires confirming that the products are safe for consumption and will not cause any harm to the people and environment of the importing countries. To confirm that the products are safe for consumption, they need to be certified by accredited laboratories that test the products for different hazards. For example, exporting food products requires getting

³⁹ Nepal Rastra Bank (NRB) (2022). Current Macroeconomic Situation: Annual Report 2078/79. Retrieved from <https://www.nrb.org.np/category/current-macroeconomic-situation/?department=red&fy=2078-79&subcategory=annual>

the products tested at a laboratory at the Department of Food Technology and Quality Control (DFTQC). However, the testing process is not hassle-free. For instance, entrepreneurs reported that the laboratory is not consistent in the time taken to provide the test results. Furthermore, the time to issue a report for similar products could range from two days to two weeks. Likewise, the format in which results are reported is not easily readable by importers, necessitating additional clarifications. Similarly, in the cases of other products too, such as textiles and carpets, the lack of accredited laboratories has been time and again reported as a major issue. Entrepreneurs have to resort to getting their items tested and certified by laboratories in other countries, which is an expensive task. There is also a lack of awareness among entrepreneurs regarding the importance of such certification. Since not many entrepreneurs deem it necessary to get their products tested and certified, they are losing access to the export markets. Buyers would rather go to another country's entrepreneurs who could provide all the necessary certifications. Only the loyal buyers who are assured of the quality and are willing to spend their own money on tests place orders to Nepali buyers, thus, limiting the business opportunities for the entrepreneurs. Moreover, the dearth of laboratories has also resulted in the Nepali market becoming buyer-driven—since Nepali exporters are not able to produce the certificates on time or have to rely on the buyers to shoulder the cost of expensive testing in foreign countries, the buyers are able to dictate terms and conditions. Although this issue is faced by both men- and women-led enterprises, women entrepreneurs say that they are willing to bend to many conditions of the buyers as they do not want to lose the existing contact, especially given that establishing a new buyer network is in itself a huge task.

Most of the women entrepreneurs engaged in manufacturing in Nepal are engaged in sectors that require importing raw materials. These industries—for instance, carpet, pashmina, felt, etc.—regularly face delays in the delivery of raw materials.

Likewise, the complex export procedure does not help either. It takes about 43 hours to meet documentary and border compliance requirements for goods exported from Nepal.⁴⁰ Usually, social conditioning has left dealing with customs, transporters or truckers as an exclusive domain of men, due to the overwhelming presence of men in these sectors. As a result, entrepreneurs either hire an employee explicitly for this purpose or outsource this work. Outsourcing, although convenient, means incurring higher costs and many times being removed from the information network.

If only border agencies such as customs would hire more women staff, and encourage more women to work for customs house agencies, it would be instrumental in aiding women entrepreneurs to fulfil necessary procedures by themselves. Moreover, women tend to avoid places crowded with men due to the perceived threat of sexual harassment. If at least government-run offices such as customs hire more women staff, it could encourage women to

⁴⁰ Retrieved from <https://data.worldbank.org/indicator/IC.EXP.TMDC?locations=NP>

approach those places on their own.⁴¹ Also, it could open up new avenues of career for women. Moreover, having female-friendly public space is a must if trading is to be made gender-responsive.

Besides outsourcing the procedural aspects of export, a large number of women entrepreneurs are exporting their products through export houses or collectors. For instance, a survey of women entrepreneurs found that 28 percent of the women-owned business that export their products were exporting via third-party exporters.⁴² These export intermediaries collect products from different small entrepreneurs, package them, and export them to the markets. That way, women entrepreneurs outsource exporting roles to such export intermediaries. Although such intermediaries provide a much-needed service in connecting women-led enterprises to the international market, how the export earnings are shared between the trading houses and entrepreneurs, and what roles can these intermediaries play in enhancing women-led MSMEs need to be carefully looked into.

In recent times, skyrocketing freight cost has also impacted exports. According to exporters and freight forwarders, air freight cost has increased by four times compared to the time before the COVID-19 pandemic.⁴³ It is worth noting that most of the women entrepreneurs use air freight to transport their products as their export volume is limited and they do not have sufficient cargo for a full container load. The limited volume of cargo results in the consignments shipped as less than container load (LCL), which increases the cost of transport and storage at warehouses at the transit port, which, according to the freight forwarders, is a prime reason for making Nepal's export expensive. This phenomenon is more prevalent among women entrepreneurs since their production size is small. Consequently, they face a higher cost of transportation. Moreover, the smaller quantity of cargo means they have limited negotiating power with service providers.

Box 1 discusses Nepali women entrepreneurs' status in the country's exports to South Asia. Box 2 illustrates the challenges faced by women entrepreneurs in Nepal's export-oriented felt industry.

Box 1: Women entrepreneurs in regional export

⁴¹ ITC (2018). Women's Economic Empowerment through Inclusive Trade: A Guide to Getting Started. Geneva, Switzerland: International Trade Centre. Retrieved from <https://intracen.org/media/file/2803>.

⁴² CUTS-Centre for International Trade, Economics and Environment. (2019). Gender Dimensions of Trade Facilitation: Evidence from Nepal. CUTS CITEE Policy Brief No. 3. Retrieved from <https://cuts-citee.org/pdf/policy-brief-gender-dimensions-of-trade-facilitation-evidence-from-nepal.pdf>

⁴³ See Annex 1 for a brief analysis of how women entrepreneurs fared during the pandemic.

The major markets for the products produced by women entrepreneurs are the US, EU and Japan as shown by previous studies and the consultations undertaken for this study. Although Nepal's export is dominated by South Asia, mostly due to India, women entrepreneurs have not been able to find their footing in the region. Nepal's export to South Asia has been growing in the past few years (see Figure 1)—the share of Nepal's export to South Asia in its total exports, in terms of value, has risen steadily from 59 percent in 2017-18 to 78 percent in 2021-22. However, this rise in export is predominantly due to the rise in export to India. Nepal has not been able to achieve diversity in terms of destination markets even within the region as Nepal's export to India represents 99 percent of its total export to South Asia.



FIGURE 1 SHARE OF SOUTH ASIA IN NEPAL'S TOTAL EXPORTS IN NPR MILLION (SOURCE: DIFFERENT VERSIONS OF ANNUAL TRADE STATISTICS AS AVAILABLE ON DEPARTMENT OF CUSTOMS WEBSITE)

In the absence of gender disaggregated trade data that could shed light on women's exposure to South Asian markets, the discussions held with women entrepreneurs provide some insight into the reasons for favouring the western markets. Women entrepreneurs point out that breaking into the South Asian market is extremely difficult for them, primarily because of their lack of established contacts in the South Asian markets. Moreover, according to them, the kind of products that they export do not have a substantial market in India. At the same time, their experience at the trade fairs that they have participated in cities across South Asia demonstrates that people in those markets like the products sold by Nepali women entrepreneurs. Hence, the lack of an established buyers' network is a trade-impeding obstacle for the kind of products produced by Nepali women entrepreneurs.

Box 2: Case study of Felt industry

Shanti Shrestha has been exporting felt products for the last 18 years. After receiving training, she teamed up with a friend to establish Friends Handicrafts, which began exporting its products to foreign wholesalers within a couple of years of its establishment. In 2015, Shanti set up Nuptse Crafts as a sole promoter. This new venture also produces felt items (decorative items, toys, etc. made from felted wool), specializing in making felt flowers. Nuptse Crafts uses sheep wool, which workers painstakingly felt by hand in their factory located in Chabahil, Kathmandu. The felted textile is then dyed, cut and sewn based on different designs. The unique selling point of Nepali felt products is the use of hand-felted natural wool to prepare the final products. The majority of workers engaged in felting and sewing the items are female. Since all of the work is done by hand, requiring only simple machines, the firm did not need a large investment.

Like all of the companies in the sector, Nuptse Crafts also uses sheep wool imported from New Zealand to make felt textiles. According to Shanti, there are about five big importers in Nepal that supply most of the required wool to the felt manufacturers in Nepal. This information was corroborated by other manufacturers of felt items that the researchers have talked to. Nuptse has been using the same importer to buy the wool from, especially, due to convenience. The wools are then felted by hand using soap and water. Once the textiles are prepared, they are dyed at a dyeing facility. Again, there are a handful of dyers in Kathmandu that specialize in felt. Each felt manufacturer has standardized codes for colours and shades, which ensure colour uniformity in its products. This helps while receiving design specifications from their buyers. The dyed felt is then cut and sewn as per the design forwarded by the buyers. Then the items are packed and sent via air cargo to the buyers.

Shanti's factory, which has 15 managerial staff members and about 100 factory workers, has annual sales averaging NPR 20 million. Although the majority of the output produced is exported, the factory's direct exports are worth NPR 7.5 million on average. The products are sent to wholesalers in the US, Germany, Canada, Norway, Sweden, and Japan, among others. Besides engaging with buyers in foreign markets directly, Nuptse supplies its products to export intermediaries in Nepal. There are two types of intermediaries that the firm takes orders from: bigger felt manufacturers that deal with commercial buyers and handicraft outlets such as Manushi.

Most of Nuptse Craft's clients abroad that buy directly from it are relatively small entities that deal in Fairtrade items. Since Shanti has been doing business with the buyers (the firm did not want to name its buyers) for some time, they are well aware of the factory's capacity and strengths. The buyers send designs via email. The design includes images of the items that the firm is required to replicate, and colour combination codes (which are usually in the form of colour-by-number formats, where numbers are Nuptse's code for its colour swatches). After receiving confirmation from the buyer, Nuptse starts production. If the orders are large, it would have to start with purchasing wool. In the meantime, it receives advance payment from the buyer. In order to export any product, the law requires exporters to provide an Advance Payment Certificate issued by banks to get customs clearance. The advance payment mechanism helps small-time producers with managing their cash flow as well. Nuptse's case is also not different. Depending upon the order volume, it takes them anywhere between two to four weeks to fulfil the order. Almost all of the logistical procedures are undertaken by freight forwarders. In many cases, freight forwarders even undertake additional tasks, such as obtaining the Certificate of Origin and the handicraft valuation certificate issued by the

Federation of Handicrafts Association of Nepal, on behalf of the exporter. Some buyers even appoint freight forwarders themselves so that the firm's responsibility ends with providing the freight forwarders with packages along with the invoice. For the felt items of the volume that Nuptse exports in one go, air cargo is the preferred mode of freight even though it is up to four times more expensive than sea freight.

The buyer-driven value chain model, where buyers provide details such as design to the manufacturers, characterizes Nuptse's interactions with its domestic buyers as well—be they large commercial ones such as Everest Fashion or handicraft outlets such as Manushi. The difference is the presence of an additional link in the chain in the form of intermediaries. These intermediaries receive orders from foreign buyers, who provide design details. Then the intermediaries instruct firms like Nuptse to provide the items within certain deadlines. The only difference between producing for direct buyers and intermediaries is that manufacturers can communicate directly with the ultimate buyers under the former model but not under the latter model. There are times when Shanti and her team feel that the designs could be enhanced with the addition or omission of certain elements and buyers have listened to them. However, such communication is not possible in the presence of intermediaries.

Almost all of the present (foreign) clients of Nuptse Crafts are relatively smaller buyers who follow Fairtrade principles. Nuptse did try to establish business with large commercial buyers who supply their items to large chain stores, but Shanti found commercial buyers ruthless in contract execution. Considering the labour-intensive nature of her products and the volume of orders, it was difficult for her to find workers who could finish the order on time. The contracts with commercial buyers have clauses that allow the buyers to deduct money for delayed delivery. After working on two orders with such buyers, Shanti decided to stick to the smaller buyers who are accommodating of slight delays in delivery. Moreover, commercial buyers provide large orders but the prices offered are quite low while the smaller ones are open to negotiations.

Despite having diverse buyers, there are times when Nuptse Craft has had to struggle with a slowdown in demand. Last year, around May to June, Nuptse did not have any orders to fulfil. Despite the slowdown, the factory had to be run and employees paid. It had to make do with producing different items to be sold at local and international trade fairs. However, the situation made Shanti realize that depending on a single commodity is risky. To hedge risks, she has set up a bamboo textile workshop in her factory and started to weave textiles from bamboo fibre.

Despite her ambitions to expand, Shanti is hesitant about approaching new buyers. First, given the limited resources of her small enterprise, participating in international trade fairs, which is the most efficient way to seek out new customers, would be difficult. Second, she is not well-versed with e-commerce to establish contact with potential buyers via such platforms. Third, expanding the business would require increasing the workforce, which is a difficult task.

Shanti considers the lack of skilled labour as one of the biggest problems in her industry. Since felting is quite labour-intensive, as it requires rubbing wet wool by hand for an extended period of time, not many are interested in this task despite it fetching double the wage rate offered for sewing tasks. The workers are paid on a piece-rate basis, that is, workers are paid based on the number of units they produce. This kind of labour arrangement is a common practice among handicraft-manufacturing firms as it is convenient for both workers and employers. Piece-rate payment allows

workers to work flexible hours and this is crucial given that most of these workers are women. Since these enterprises' production is dictated by the volume of orders, employees are not needed throughout the year. And employers also get the most from the wages they are paying. However, the recent labour policy which has made social security contribution* mandatory for all sorts of employees has created confusion. Entrepreneurs like Shanti say that this will increase their cost of production substantially and remove the flexibility of piece-rate employment.

There is a fear in the felt industry in Nepal that it may lose its business to mass-produced products from countries like China and India in future if mass producers there take an interest in this sector. As the unique selling point of Nepali felt products is their handmade aspect, the felt producers of Nepal are working on getting a collective trademark registered.

** According to the Contribution-based Social Security Act 2017, employers now have to provide 20 percent of the base salary of the employees while employees have to contribute 11 percent of their salary to be deposited at the Social Security Fund on a monthly basis.*

Creating an enabling environment

The previous chapter dwelt on existing barriers that inhibit women-led businesses' participation in international trade. Although these barriers are also faced by men-led businesses, the underlying gender discrimination limits women's capabilities and access to resources to overcome those challenges. Hence, providing solutions to those challenges requires looking at these issues through a gender lens as well. At the same time, policies that make doing business easier by implementing better trade facilitation measures, which reduce trading costs and time, will be of great help to encourage women entrepreneurs to engage in exports by reducing trading costs and time. Hence, creating an enabling environment would require concerted gendered efforts complemented by an overall improvement in trading infrastructure. This section will provide insights into potential measures required to address the barriers faced by women entrepreneurs. The interventions can be grouped into six categories based on the barriers identified.

Address information gap

The difficulty in accessing information relevant to the export market and export procedures has been repeatedly pointed out as one of the major reasons that inhibit women's cross-border engagement. Although all entrepreneurs are affected by the information gap, men have access to social networks and are relatively more mobile to navigate the spaces that are dominated by men. Women entrepreneurs point out that they are not able to socialize with male business associates after working hours. Since the trading spaces are overrepresented by men, this results in limited business opportunities for women. Besides the time constraints due to care work, they also want to avoid situations that could put them in a vulnerable position to sexual assault and also due to fear of society, which frowns upon such meetings no matter the objective of such social calls. This kind of social networking is quite important to move businesses ahead. Even without a deliberate intention to exclude, women entrepreneurs are excluded from such networks.

One of the ways to address this issue is by making the relevant information easily available. Although this may not make up for the informal information exchange, this will at least ensure that women are not excluded from accessing formal information. The rise of digital space has made information sourcing and dissemination quite easy. However, not everyone is equipped with the skills and time to ferret out relevant information from the internet. This is where government, civil society organizations and business chambers could come together and make information easily accessible. Basic and necessary information related to procedures and regulations to export has to be made available by the government which will require coordination among different ministries—Ministry of Industry, Commerce and Supplies, Ministry of Finance, and Ministry of Home Affairs, among others. Trade and Export Promotion Centre (TEPC) could lead the coordination among these government entities and be the focal point for those seeking

information. Nepal government's diplomatic outposts in different countries could be mobilized to collect information related to markets and regulations. A mechanism should be in place that guides embassies and consulates around the world to keep tabs on the changes in policies in the destination countries that might affect the business interests of Nepali entities and report them immediately.

TEPC has already established an online platform, Nepal Trade Information Portal, which is information-rich. However, not everyone is aware of its existence. The focus should be on making this portal efficient and effective instead of replicating similar information portals. Furthermore, besides providing information about domestic regulations, TEPC's information portal could also be the place that could collate information about the changes in the major markets and major products worldwide. Having a team of dedicated human resources to do this would be a worthwhile investment for the government. In a similar vein, commodity associations and business chambers could also help their members in sourcing necessary and relevant information. However, this too will require investment in forming a dedicated team for the purpose. Similar is the situation with the Women Entrepreneurship Facilitation Centres of the government operated by the local governments. More should be done to empower these kinds of centres which could be instrumental in addressing the information gap and empowering women entrepreneurs.

Help in marketing products

Nepali export products are recognized for their high quality, craftsmanship and for being laboriously handmade. This is the reason why, in spite of the higher price tags, Nepali products have been able to capture a small portion of the niche market. The entrepreneurs say that if Nepali products are well-marketed, they can command more premium market sections. However, given their limited finances, women-owned businesses are not able to conduct their own marketing. This is where collective marketing of Nepali women-owned businesses could play a role. According to entrepreneurs, their buyers are not the mainstream stores in the first world that are into buying mass-produced factory-made items. The majority of the buyers of typical Nepali items are conscious consumers who carefully make purchasing decisions based on the environmental and ethical footprints of the products during the production chain and do not shy away from paying extra. This is the segment that women entrepreneurs could target to sell their products. To catch their attention, however, producers have to be conscious about each step—from sourcing raw materials to packaging and tweaking the processes and products to match their preferences. Women entrepreneurs could be provided support, in the form of training, marketing and finance, to tailor their products and processes to create such ethical and sustainable products. Moreover, creating a collective or certification mark (whichever is suitable for the diverse kinds of products that women entrepreneurs produce) could be a useful marketing tool. In this case, a collective mark demonstrating that those products are manufactured by women and marketed by women-owned businesses could work as a marketing leverage targeted at conscious consumers who want to support women-owned businesses.

Another form of marketing support that women entrepreneurs require is in the form of opportunities to participate in trade fairs and similar exhibitions. Trade fairs and exhibitions are important platforms to meet buyers and suppliers. Women entrepreneurs say that they do not have the resources to participate in international trade fairs on their own. They admit that TEPC ensures that women entrepreneurs are included in government-sponsored delegations to international fairs. However, the support provided at the moment is not enough. The government also has issues regarding managing the finances to increase the number of businesses that they could fund. One way to deal with this could be creating a fund that will help finance the participation of more entrepreneurs. Entrepreneurs have pointed out that the lack of clarity regarding transport, storage, tariffs and taxes while participating in exhibitions, even when they finance their trip privately, has hindered their participation in the international trade fairs organized in other countries. These issues point out the need for the government to prepare a guideline for sponsoring businesses in international trade fairs to ensure clarity. The Nepali government needs to recognize the importance of international (and even domestic) trade fairs and their roles in expanding markets. Entrepreneurs (especially women) have been calling attention to constructing proper exhibition centres and organizing different trade fairs in Nepal that would gather foreign buyers.

Another area of support that women entrepreneurs could use that will contribute to marketing efforts is through helping women-owned firms get quality and product-related certifications. Currently, there is limited awareness among entrepreneurs regarding the importance of certifications such as the GoodWeave certification labels for carpets, Hazard Analysis Critical Control Points (HACCP) for food products, etc. They are taken as an unnecessary imposition by many. However, receiving these certificates ensures the buyers that the products they are purchasing fulfil certain standards, and, thus, are safe. Similarly, becoming a member of the collectives such as the Fair Trade Group has also proven quite useful to entrepreneurs in expanding their market access.⁴⁴ A significant share of women entrepreneurs in Nepal who export their products credit Fair Trade Group membership for helping them connect to buyers.⁴⁵

Leverage digital opportunities

E-commerce and internet-enabled services have opened opportunities for women-owned firms, which are usually constrained by limited capacity and resources. The internet and emerging technologies are contributing to levelling the information asymmetries that prevented smaller firms from opting into international trade. The internet has made collecting information, marketing products and coordinating logistics and delivery services more efficient, convenient and cheaper. Since time poverty is an issue for women entrepreneurs, integrating into digital

⁴⁴ The Fair Trade Group is a group of social enterprises. The World Fair Trade Group's Guarantee System verifies that the certified enterprise put the interests of workers, farmers and artisans first. The WFTO verifies members are fully practicing the 10 Principles of Fair Trade across their business and supply chains.

⁴⁵ CUTS-Centre for International Trade, Economics and Environment. (2019). Gender Dimensions of Trade Facilitation: Evidence from Nepal. CUTS CITEE Policy Brief No. 3. Retrieved from <https://cuts-citee.org/pdf/policy-brief-gender-dimensions-of-trade-facilitation-evidence-from-nepal.pdf>

commerce is ideal for women entrepreneurs as it makes exploring new markets and potential clients easier and cheaper. Digital platforms provide opportunities for networking and marketing their products at flexible times.

In Nepal too, digital commerce has started to take off on the back of enhanced digital connectivity and ease of payments. However, digital commerce—the actual buying and selling of goods—is largely confined to the domestic market. Yet, digital platforms have helped in levelling the information asymmetries that prevented smaller firms from opting to venture into international markets. In the case of Nepal, online platforms have helped entrepreneurs connect with buyers and showcase their products; however, logistical issues impede extracting full benefits from these platforms. On average, about 68,000 online transactions paid through online payment methods take place each month.⁴⁶

The internet has simplified information gathering while e-commerce has reduced costs associated with the physical distance between buyers and sellers, helping small businesses expand their markets. McKinsey Institute's survey found that web-savvy SMEs' export revenue was twice that of firms that used the internet sparingly.⁴⁷ Besides e-commerce platforms, social media marketing has rapidly made global advertising affordable for these businesses all over the world. According to Social AXcess Consulting, the average cost per 1,000 impressions (a standard metric in advertising) on social media is around US\$2.5 while the same in the print media costs about US\$17 and television advertising US\$28.⁴⁸

The domestic ecommerce market has seen some concerted efforts towards engaging more women-led firms in the digital space. For example, Daraz Nepal launched Jagriti Campaign on 2020 International Women's Day focusing on empowering women entrepreneurs and sellers by raising awareness about and featuring their products. Similarly, two ecommerce platforms—Sasto Deal and thulo.com—were provided with performance-based grants and technical assistance to help 4,000 micro and small enterprises (60 percent of these supposed to be women-led) digitize their operation.⁴⁹ The e-commerce platform thulo.com conceptualized a campaign to empower women-led businesses in Nepal by providing access to digital tools and technologies

⁴⁶ Nepal Rastra Bank (NRB) (2022). Current Macroeconomic Situation: Annual Report 2078/79. Retrieved from <https://www.nrb.org.np/category/current-macroeconomic-situation/?department=red&fy=2078-79&subcategory=annual>.

⁴⁷ Manyika, J. and C. Roxburgh. 2011. The great transformer: The impact of the Internet on economic growth and prosperity. McKinsey Institute.

⁴⁸ Social AXcess Consulting. 2019. "Digital Marketing Vs Traditional Media the Cost Differences CPM." <https://www.socialaxcessconsulting.com/2019/05/07/digital-marketing-vs-traditional-media-the-cost-differences-cpm/>

⁴⁹ UNCDF. (2021). SDC and UNCDF to Empower 4,000 Micro, Small and Medium Enterprises in Nepal with Digital Skills and Access to E-Commerce. Retrieved from <https://www.uncdf.org/article/7679/sdc-and-uncdf-to-empower-4000-micro-small-and-medium-enterprises-in-nepal-with-digital-skills-and-access-to-e-commerce>

following the COVID-19 pandemic.⁵⁰ Women entrepreneurs also pointed out that ease in payments and the rise of social media platforms have helped them integrate into ecommerce.

Using ecommerce for international trade entails much more than having a platform to showcase the products and means to contact buyers. In Nepal, entrepreneurs have identified the inability to process international payments as one of the major reasons hindering cross-border ecommerce. In Nepal, anti-money laundering regulations and domestic regulations on foreign exchange do not permit firms to accept foreign exchange payments in their bank accounts without prior approval from the central bank.⁵¹ This inability to receive international payments has affected both women and men entrepreneurs. The central bank and the government need to consider ways to allow Nepali sellers to receive international payments directly to their bank accounts. A women entrepreneur who sells sustainably manufactured readymade garments said that she lost a lucrative order from India due to difficulty in receiving payments. Her buyers, who had contacted her after looking into her products on Instagram, had to resort to informal channels to make full payments even for the samples she had sent so they withdrew their order citing that it was too much hassle. In the absence of such payment options, exporters point out that they have been missing out on cashing in on the opportunities afforded by ecommerce. They say that since online orders through such marketplaces are relatively smaller in volume, they are able to charge higher prices—as high as three times. They point out that although the cost of couriers for small packages (about US\$8 for up to four-kilo packages) has reduced in the last few years, lack of payment services has prevented them from tap into ecommerce.

Digital platforms provide opportunities to women entrepreneurs but, at the same time, they need to realize that they will be competing with other similar manufacturers from all over the world. Hence, they will face stiffer competition than in the traditional markets that they have been catering to. This means that addressing the need to make their product stand out among hundreds of similar products is an urgent imperative. Women entrepreneurs may not have the expertise to navigate the ecommerce space and may lack the skills related to marketing their products and processing logistical issues such as delivery, payments and after-sales support services. Efforts are required to make them ready for digital commerce and this may require extensive training. Moreover, given the digital divide between men and women with the digital arena implicitly considered to be a male bastion, women entrepreneurs may be discouraged from adopting ecommerce. Hence, women entrepreneurs should be provided with training on how to navigate the digital space. Besides streamlining logistical and payment-related procedures, equipping women entrepreneurs (especially the small ones who cannot afford to hire dedicated personnel for the purpose) with training is imperative.

⁵⁰ B360. (2020). Ma Udhyaami Campaign for Digitalising Women's Business Amidst COVID-19. B360. Retrieved from <https://b360nepal.com/ma-udhyami-campaign-for-digitalising-womens-business-amidst-covid-19/>

⁵¹ Discussion took place at the roundtable organized by SAWTEE <https://sawtee.org/featured-events/pathways-to-enhance-exports-through-innovation-.html>

Support in operating business

Women-led enterprises generally start small and the entrepreneurs are not well-versed in the regulatory and accounting formalities that a registered enterprise is required to fulfil. The discourse on challenges to running a business is usually focused on access to finance, but other factors such as maintaining proper accounting, fulfilling industry-related regulatory formalities, maintaining a robust supply chain, etc., do not get much importance in the discourse. Overcoming this commonplace red tape takes up a lot of time and effort for women entrepreneurs mostly because there is no one-stop information source. A woman entrepreneur pointed out that despite exporting carpets, she has not been able to receive duty drawbacks for the raw materials imported, a provision established by the law. In such cases, business associations and chambers could provide consultation services on the process to avail of the facility. A similar type of orientation—on the kind of facilities available, how to get those facilities, and what regulatory compliances they need to fulfil, etc.—is required for a large group of entrepreneurs. Although the government's Women Entrepreneurs Facilitations Centres across the country envisage facilitating women entrepreneurs, even in lesser urban areas, they have limited capacity. Given that these centres can provide transformational support to women entrepreneurs, this could be a worthwhile intervention that civil society organizations and international development partners that work on enhancing private sector capacity could undertake by collaborating with the government.

Nevertheless, access to finance also needs to be addressed to enhance the participation and performance of women entrepreneurs. Although any explicit gender discrimination appears absent when it comes to lending to women, the existing financial system is designed in such a way that women entrepreneurs are significantly more likely to be excluded. As explained earlier, a collateral-based bank lending regime has led to inadvertent financial exclusion of women. The Nepal government even introduced subsidized collateral-free loans of up to NPR 1.5 million for up to five years. According to the Nepal Rastra Bank (NRB)'s data, the average amount of loans is NPR 1.2 million.⁵² Despite encouraging the growth of such subsidized loans, entrepreneurs say the maximum loan amount is measly compared to their needs. According to them, this could be helpful for those who aim to expand their micro-enterprises to small ones but not enough to expand into medium enterprises. They point out that the current lending rate (average weighted lending rate is around 11.6 percent⁵³) for regular loans is too steep for them and discourages them from borrowing.

Since lending to small businesses is perceived to be riskier for financial institutions, the government needs to step in to shoulder that risk to encourage banks to provide more loans to women entrepreneurs. One of the ways to do so is by providing facilities such as credit

⁵² Nepal Rastra Bank (NRB) (2022). Current Macroeconomic Situation: Annual Report 2078/79. Retrieved from <https://www.nrb.org.np/category/current-macroeconomic-situation/?department=red&fy=2078-79&subcategory=annual>.

⁵³ *ibid.*

guarantees to the banks so that in case of defaults banks' losses will be cushioned. Moreover, besides depending on traditional banking, the government could launch a special-purpose vehicle that provides patient capital to women entrepreneurs.

Trade facilitation measures and trade-related infrastructure

Nepal's trade is highly affected by the limited and sub-standard presence of trade-related infrastructures, such as accredited laboratories, efficient customs points, and cold storage and warehouses. These limitations add to the trade costs of exporters since the additional charges to get their samples tested and the longer time to deliver their products, among others, add to the unit cost of the products. Moreover, the additional hassle also discourages entrepreneurs from approaching new buyers. Exporters point out that even when testing laboratories are available, they are either not accredited and/or not able to provide timely services. For example, a food exporter shares that the DFTQC laboratory does provide the required testing of her products but there is no guarantee of how long she has to wait to receive the report. Establishing more accredited laboratories or supporting such private laboratories, enhancing the capacity of the existing laboratories, and hiring additional human resources could help not only women-owned businesses but all of the exporting fraternity. Concerning accredited laboratories, the government needs to invest in establishing such laboratories and undertake necessary legal and technical actions to get them accredited by trading partners. Since a large number of women-led businesses are involved in food processing, investment in accredited laboratories that provide efficient and timely services will encourage more such businesses to venture into international markets.

Implementing better trade facilitation measures that make trading across borders faster, cheaper and more predictable is crucial. This involves streamlining border procedures and instituting infrastructure (legal and technical) for expedited customs clearance and transportation. Owing to their limited production capacity, women entrepreneurs tend to export smaller quantities, which makes export logistics costs quite expensive for small businesses compared to bigger ones. Their products are usually exported as less than container load (LCL) cargo, which increases the cost of transportation. The logistics and freight-related expenses make Nepali products expensive for buyers, eroding competitiveness. This is further compounded by transit-related difficulties while using sea freight, delaying the delivery and increasing transport costs. Entrepreneurs point out that a lot of buyers have postponed their orders due to higher freight costs as the freight rate has increased at least three- to four --fold in the past two years.

Along with implementing measures such as paperless customs clearance that does not require physical documents to be submitted, trade costs for small exporters could be minimized by facilitating cargo consolidation services. For this, exporters, government and business chambers need to come together to figure out the best way to proceed with cargo consolidation. There is a need for a concerted effort to facilitate cargo consolidation by involving private cargo businesses, warehousing facilities, and simplifying the tracking of cargo, among others.

Gender-sensitive policymaking

Economic and trade policies need to address the deliberate and non-deliberate gender biases present in the economic structure to encourage the participation of women in economic activities. This could only happen if policies become such that women entrepreneurs are afforded a level playing field. Such initiatives will not only favour women but the economy as a whole, as the investment in women is believed to have a multiplier effect.

Trading space—from policymaking to operational levels—is dominated by men. For example, at the policy levels, the National Trade Facilitation Committee, Board of Trade and other such bodies have no women representation. This makes policies gender-blind, which results in discriminatory impacts. The new five-year master plan for customs modernization—the Sixth Customs Reform and Modernization Plan 2021-26⁵⁴—states that customs will take gender and social inclusion concerns into account and will design legal and physical infrastructure addressing these concerns.

There is a risk of a similar gender-blind discourse on the issue of Nepal's preparations for ensuring a smooth graduation from the least developed country (LDC) status. Nepal is expected to graduate from the LDC category in 2026. Although a positive development, it will also mean Nepal losing a host of preferential treatments accorded to LDCs. Nepal will lose duty-free-quota-free access to certain markets, including the EU and the UK. Since one of the major export destinations for women-exported goods is the EU, graduation will have impact on them, too. Since women entrepreneurs have a difficult time accessing information and have less ability to absorb income shocks, there needs to be concerted efforts to prepare them for the impact of the graduation. This dimension has not been examined in existing research and women entrepreneurs' active participation is yet to be ensured in the ongoing discourse on preparations for ensuring a smooth graduation.

Similarly, at the operational level too, almost all of the service providers, such as freight forwarders, and customs agents, are men. The overwhelming presence of men in these areas involuntarily excludes women who do not feel welcome in places with mostly male presence, further limiting women's presence in these areas. The recent cohort of 660 customs agents has about 70 women agents. Earlier there were about 480 customs agents among whom only a handful were women (and only one active). According to a female customs agent, she had also given up the work temporarily in the past because the space was not welcoming for women; however, now as she is more prepared to handle this environment, she is not daunted.⁵⁵ Moreover, the overrepresentation of men in business circles means women have fewer networking opportunities as socializing after work hours for women is frowned upon. The threat

⁵⁴ Customs Reform and Modernisation Plan 2021-2026 (CRM Plan 2021-2026). (2021). Retrieved from https://customs.gov.np/storage/files/1/Publication/Compressed-CRM%20Plan%202021-26%20Print%20Version_reduce.pdf

⁵⁵ CUTS International (2021). Mainstreaming Shepreneurs in International Trade. Jaipur, India: CUTS International. Retrieved from <https://cuts-citee.org/pdf/research-report-mainstreaming-shepreneurs-in-international-trade.pdf>

of sexual and physical violence also makes women avoid spaces that they deem to be full of such threats. These further limit opportunities for women entrepreneurs.

One of the basic initiatives that the government needs to take if it is committed to gender-responsive policymaking is to institute mechanisms to disaggregate data in terms of gender. The Nepal government's central statistical body is cognizant of this fact so the reports such as National Labour Force Survey, and National Economic Census provide gender-disaggregated data. However, it is difficult to ascertain the presence of women entrepreneurs in international trade, receipt of government-provided facilities (such as cash incentives), etc. This would have helped to understand the pattern of engagement of women entrepreneurs in international trade—the products exported, countries exported to, volumes of export, etc. Having such information would provide insight into the kind of interventions necessary to facilitate women entrepreneurs. Although the inadequacy of gender-disaggregated data has been discussed for a long time, the issue has not been properly addressed. Since data collection and analysis have become digital, even if we do not consider big data analytics, maintaining gender-disaggregated data has been simplified. For example, just adding a field of gender marker of the owner or the manager of the business in the Customs' single administrative document form alone would provide information on the participation of women-led firms in trade. As of now, there is no publicly available data on how many women have received the EXIM code.

The policymaking bodies need to recognize that time poverty faced by women due to their care responsibilities, constricted access to economic and other resources, the threat of violence and socially-constructed barriers that limit women's social and physical mobility inhibit women in ways not experienced by men. Hence, conscious efforts to bring women into the decision-making fold are required so that issues that might get overlooked by men-heavy decision-making bodies could be taken into account. Similarly, employing more women officials, and inducting more women service providers into trading spaces will also send a message that those places are not only for men and that women are equally welcome. However, this all should also come with gender sensitization of the men involved in these activities so that their conscious and unconscious gender bias does not prevent women from seeking their services.

Action plan

Based on these findings, the required interventions to support women entrepreneurs in international trade and the stakeholders responsible for carrying out those interventions and actions are presented in Table 2.

Table 2: Action plan for creating an enabling environment for women entrepreneurs in export

Recommendations	Actions required	Responsible agencies
1. Bridging the information access gap	1.1 Make Nepal Trade Information Portal robust and updated	Trade and Export Promotion Centre

	1.2 Involve overseas diplomatic mission to gather and relay information about the destination markets	Federal Ministry of Foreign Affairs; Overseas diplomatic missions; Trade and Export Promotion Centre
	1.3 Expand and enhance the capacity of Women Entrepreneurs Facilitation Centres	Provincial Ministries of Industries; local government bodies; Federal Ministry of Industries, Commerce and Supplies
	1.4 Educate women entrepreneurs about how to seek and search for relevant information	Private sector organizations (especially Federation of Women Entrepreneurs Associations of Nepal); civil society organizations
2. Effective marketing of products	2.2 Prepare guidelines for state sponsored trade fair participation, including clear instructions on gender inclusion	Federal Ministry of Industry, Commerce and Supplies; Trade and Export Promotion Centre; private sector organizations
	2.2 Create a collective mark for women-owned businesses and their products	Private sector organizations; Department of Industry
	2.3 Support women entrepreneurs in product certifications (HACCP, GAP, etc.)	Provincial Ministries of Industry; Federal Ministry of Industry, Commerce and Supplies, Department of Food Technology and Quality Control, Central Food Laboratories, etc.; Private sector commodity associations
3. Harness digital opportunities	3.1 Train women entrepreneurs to make them ecommerce ready—navigating the online platforms to showcase products, make sales, logistical preparedness, after-sales services, etc.	Private sector organizations (especially Federation of Women Entrepreneurs Associations of Nepal); civil society organizations

	3.2 Prepare online payment system to allow entrepreneurs receive payments from abroad	Ministry of Industry, Commerce and Supplies; Nepal Rastra Bank
4. Business facilitation	4.1 Expand the ceiling of subsidized loan to women entrepreneurs from NPR1.5 million to an amount that required for business expansion; simplify the procedures for the smaller loan amounts	Federal Ministry of Finance; Nepal Rastra Bank
	4.2 Prioritize women entrepreneurs in the different funds for subsidized loans, matching grants and technology transfer programmes offered by the government	Provincial Ministries of Industry; Federal Ministry of Industry, Commerce and Supplies
	4.3 Setup a special funding vehicle (non-debt) to invest in viable women-owned businesses	Provincial Ministry of Industries; Federal Ministry of Industry, Commerce and Supplies
	4.4 Train women entrepreneurs (especially micro-enterprises) on building creditworthiness of their businesses	Private sector organizations (especially Federation of Women Entrepreneurs Associations of Nepal); civil society organizations
5. Trade Facilitation	5.1 Undertake gender audit of trade-related services and infrastructure (logistical chain, customs, banking, export subsidy, export promotion, etc.) to	Federal Ministry of Industry, Commerce and Supplies

	understand and address existing gaps	
	5.2 Improve overall trade infrastructure, especially laboratories and certification facilities	Federal Ministry of Industry, Commerce and Supplies; Department of Food Technology and Quality Control; Central Food Laboratories, etc.; private laboratories
6. Gender-sensitive policy making	6.1 Increase representation of relevant women entrepreneurs and stakeholders in decision making so that interventions can be more gender-responsive	All of the involved stakeholders
	6.2 Ensure gender disaggregated data is collected to aid policymaking	All of the relevant stakeholders
	6.3 Ensure ex ante and ex post assessments of major interventions (e.g., trade agreements, LDC graduation, tax incentives, subsidies) are undertaken, and the potential and realized impacts on women-led businesses understood	Relevant government authority

ANNEX I

COVID-19 and women entrepreneurs in Nepal

The COVID-19 pandemic-induced disruptions have had an all-encompassing impact on the lives and livelihoods in Nepal. Women entrepreneurs not only have to deal with the economic slowdown owing to the shutdown of business activities and restricted mobility but face additional care burdens due to socially prescribed gendered norms, traditions and cultures.

The pandemic and the lockdowns throughout 2020 and 2021 added to women entrepreneurs' woes and financial vulnerability. However, some entrepreneurs utilized the pandemic to venture into digital commerce and developed new product portfolios, demonstrating their ability to innovate and adapt. Some women entrepreneurs who were already in the food processing business (for example, pickles production) entered the frozen food segment. Likewise, many women entrepreneurs working in textile and related sectors adopted the new mask mandate into their products. The financial difficulties brought by the lockdown and reduced demand for their products made women entrepreneurs seek formal loans to support their business operations. A previous study⁵⁶ found that about 57 percent of the surveyed respondents had obtained loans to deal with the slowdown in business and two-thirds of them had borrowed from financial institutions. The pandemic and the government's push for subsidized loans for women entrepreneurs complemented each other resulting in the expansion of the loan programme in the aftermath of the pandemic. Moreover, many women entrepreneurs ventured into the digital space as physical stores remained shut and they started selling their products through online marketplaces as well as social media platforms such as Facebook and Instagram.

Despite these positive developments, the pandemic saw women entrepreneurs struggling harder as not many were aware of the support offered to entrepreneurs. Moreover, the support offered by the government was mostly administered via Nepal Rastra Bank (NRB)'s policy interventions in the forms of subsidized working capital loans, refinancing of loans, restructuring of old loans, etc., leaving the ones not already in the banking system without much help. Some of the entrepreneurs were also forced to borrow informally to keep their businesses afloat. The reverberations of the pandemic are still not completely over as the increased freight rate after the pandemic is still one of the major issues for exporting entrepreneurs.

In a nutshell, the pandemic forced many entrepreneurs to review their business operations as they ventured into newer products, and newer markets through digital space, and sought formal lending, among others. At the same time, some faced difficulties arising from shrinking orders and lack of access to finance. Among other problems, increased care work due to lockdown and illness in the family also created difficult times for women entrepreneurs during COVID.

⁵⁶ Singh, Dikshya. 2021. "Towards recovery: Women entrepreneurs: coping with the pandemic". https://sawtee.org/presentations/March_4_PPT_women_entrepreneurs_Covid19.pdf

Annex 2

Methodology

The study used a qualitative research approach, involving literature review, key informant interviews and focused group discussions. A brief survey was also undertaken that included basic questions.

For literature review, existing economic policies (including fiscal, industrial, monetary, trade policies) were thoroughly examined to understand how policy support is provided to women entrepreneurs in Nepal. In addition, academic literature on the gender, entrepreneurship and export were also studied for a better insight into how these dynamics play out in the entrepreneurial spaces. Different reports published by multilateral agencies in the related topics were also studied.

Between August and September 2022, detailed key informant interviews were undertaken of the relevant stakeholders—women entrepreneurs that export and the ones aspiring to, representatives of women entrepreneur associations, policymakers, intermediary services providers among others. The list of the interviewees is presented in the table below.

S.N.	Name and organization	Stakeholder
1	Ms Neeru Rayamajhi Khatri, President, FWEAN	Women entrepreneur and representative of women entrepreneurs' association
2	Ms Rekha Aryal, Immediate Past President, WEAN and Board Member, SABAH-Nepal	Women entrepreneur and representative of women entrepreneurs' association
3	Ms Mahalaxmi Shrestha, General Secretary, FWEAN and Beekeeping Shop	Women entrepreneur and representative of women entrepreneurs' association
4	Ms Rosalind Tuladhar, Rainbow Collection	Women entrepreneur
5	Ms Anuja Rajbhandary, Ekadesma	Women entrepreneur
6	Ms Julia Chitrakar, Yala Mandala	Women entrepreneur
7	Ms Malika Shrestha, WEAN Cooperative	Women entrepreneur and representative of women entrepreneurs' association
8	Mr. Sunil Chitrakar, Mahaguthi	Representative of collective exporter
9	Mr. Karken Gurung, Everest Pashmina and KW Industry	Entrepreneur and exporter
10	Mr. Sarad Bickram Rana, Trade and Export Promotion Center	Policy maker
11	Ms. Pratistha Koirala, Department of Customs	Policy maker

12	Mr. Shyam Pd Dahal, Trade Facilitation expert	Expert
13	Ms. Sita Adhikari, Nepal Freight Forwarders Association	Freight forwarder
14	Mr. Rajan Sharma, Nepal Freight Forwarders Association	Freight forwarder
15	Ms. Shanti Shrestha, Nuptse Crafts	Women entrepreneur
16	Ms. Suyesha Sthapit, FWEAN	Representative of women entrepreneurs' association

The study also undertook two Focused Group Discussions (FGDs), in August and September 2022. The first one included a group of 30 entrepreneurs. We undertook this FGD on the side-lines of the Symposium and Trade Fair organized by FWEAN. This enabled us to gather a diverse group of entrepreneurs from all over Nepal. In the midst of the FGD, we also carried out a short survey including 17 simple structured questions to gauge their involvement in international trade. Twenty of the entrepreneurs filled the forms and their responses are cited in the study. The second FGD took place at FWEAN's office, which was more detailed and precise with nine entrepreneurs and FWEAN office bearers.