

Discussion Paper on Business Registration in Bangladesh: Constraints Facing Women Entrepreneurs and Recommendations for Action



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Discussion paper

1.1 Introduction

Micro, small and medium sized enterprises (MSMEs) are key drivers of the Bangladeshi economy, contributing 25 percent to the country's GDP.¹ Despite the significant contribution to the country's economy, there is a huge untapped potential of women entrepreneurs based on the growing international evidence base on the link between women's economic participation and macro-economic growth. Specifically, Bangladesh has low levels of women's entrepreneurial activity in the formal sectors of the economy.² The IFC Enterprise Survey data indicates that only 1.7 percent of formal firms are majority owned by women, compared to regional and global averages of 9.6 and 14.5 percent.³ This is in a context where the most of Bangladesh's 7.8 million businesses are Cottage, Micro, Small and Medium Sized Enterprises (CMSMEs) and operate informally without trade licenses or business registration.⁴

Operating informally, without a trade license or business registration document, carries with it negative implications for all entrepreneurs but especially women, including restricting their access to formal business finance and business development services, with consequences for women's business growth and economic empowerment. There are also consequences for the broader economy. This is because formalising and expanding women's entrepreneurship has the potential to confer societal economic and development returns for the country.⁵ For example, increasing women participation in the economy in Asia Pacific could add \$4.5 trillion to the total regional GDP in 2025, a 12 percent increase over the business-as-usual trajectory.⁶

This internal briefing note sets out a high-level summary of the identified constraints to women's business registration in Bangladesh; an overview of the policy and legal framework for business registration in Bangladesh; the current steps in the registration process for the women entrepreneurs who want to register their enterprise and potential challenges at each step in this process; and in turn it sets out recommendations for action to address these constraints for the Catalysing Women's Entrepreneurship Project in Bangladesh and the SME Foundation (SMEF).

A note on methodology: This document is informed by desk research and consultations undertaken for number of CWE projects including: a report on Micro, Small and Medium-sized Enterprises' Access to Finance in Bangladesh;⁷ consultations for the Rapid Policy Assessment on the Impacts of the COVID-19 Pandemic on Women Entrepreneurs in Bangladesh⁸; and research conducted by Dnet⁹ on behalf of ESCAP on social media-based women entrepreneurs in Bangladesh as part of the CWE Research Challenge on Evidence-based Financial Solutions for Women Entrepreneurs.¹⁰ Additionally, the

¹ Financial Express, 2019.

² ESCAP, 2021a.

³ World Bank Group, 2019b.

⁴ ESCAP, 2021a.

⁵ ESCAP, 2021a.

⁶ McKinsey Global Institute, 2018.

⁷ ESCAP, 2021a.

⁸ ESCAP, 2021b.

⁹ <https://dnet.org.bd/>

¹⁰ Forthcoming. ESCAP, 2021c.

recommendations draw on wider regional research conducted for CWE on Innovations and Good practices on One-Stop Hubs to Support Women Entrepreneurs.¹¹

1.2 Background: Challenges facing Women Entrepreneurs in Business Registration

There is a low level of business registration among women entrepreneurs whose enterprises are typically clustered in a number of key sectors, such as wholesale and retail trade of textiles.¹² For instance, increasingly many Bangladeshi women entrepreneurs operate their businesses via social media platforms.¹³ Of a sample of 150 social-media based women entrepreneurs (SMBWE) in recent research by Dnet on behalf of ESCAP, despite requiring a valid license, more than three quarters (77 per cent) were not registered in any form. Less than one-fifth had an active trade license (19 per cent) SMBWE. Only 6 per cent held other forms of license including VAT or TIN. Moreover, this finding is supported by other studies in the literature.¹⁴

The low level of business registration among all types of businesses is broadly attributed to the lack of perceived value of formalisation, and awareness of the procedure as opposed to the process itself. This is true at a sector level, for instance in ESCAPs and Dnet's recent research on SMBWE, the majority of women did not even attempt to gain formal registration. The main reasons behind not obtaining business registration were that: they never felt the need; they had no clear idea about the registration process; and some of them had no National Identification Number (NID) which is required to apply for any form of license. However, of the 23 per cent that did try to acquire a trade license, VAT-BIN or another type of registration, 95 per cent did not face any challenges.¹⁵

Cultural norms related to the perception of women's business ownership can restrict women from seeking to formalise their business. A lack of adequate emotional and practical support from families was a key challenge faced by the SMBWE in all stages of running an online business, with 41 per cent were not supported by their respective families at the start-up stage.¹⁶ In the literature, it is recognised that there are cultural norms in Bangladesh that restrict women's business ownership, which can be a barrier for women entrepreneurs seeking to formalise their business.¹⁷

Nevertheless, some women operate informally in Bangladesh due a perceived ranged of constraints related to the business registration process per se. Women entrepreneurs are thought to face greater vulnerability to the business registration constraints also faced by men entrepreneurs. However, some business registration constraints are perceived to be gender-specific, driven by gender norms and power relations between women and men, such as constraints in women's mobility to access business registration centres, lack of the necessary supporting documentation, and the cost of business registration due to lower levels of asset ownership among women. Indeed, there is an established international evidence base, which suggests that more broadly women can face greater vulnerability to a range of barriers that may negatively affect their choice to not formalize their businesses.¹⁸

Business registration constraints may affect diverse groups of women differently. This can depend on their lifecycle stage (e.g., adolescence, marriage, pregnancy and childbirth, etc.) and the business sector of and stages of professional development, including education level, geographic location, and the lifecycle phase of the business. For instance, a study by SMEF in Bangladesh found that while the

¹¹ ESCAP, 2021d.

¹² ESCAP, 2021b.

¹³ CGAP, 2020.

¹⁴ ESCAP & Dnet, forthcoming.

¹⁵ ESCAP & Dnet, forthcoming.

¹⁶ ESCAP & Dnet, forthcoming.

¹⁷ World Bank Group, 2019b.

¹⁸ World Bank, 2010; Chamliou, 2008; ADB, 2014; DFID, 2013; IFC & GPFI, 2011 in DCED, 2016.

majority of women entrepreneurs consulted (88.64 per cent) reported that they didn't encounter any problem in registering their organization but there were differences based on where the women were located in the country.¹⁹ (see Table 1)

Table 1: Obstacles faced to get a trade license (by division)

Types of Obstacles	(in percentage)							
	Barishal	Chattogram	Dhaka	Khulna	Rajshahi	Rangpur	Sylhet	Total
The authority wanted many papers which are difficult to collect	2.33	0.37	1.06	1.1	1.3	1.08	0.94	1.08
Additional money paid	31.01	1.12	7.22	10.16	1.28	0	0	6.65
It took longer	8.53	0.75	4.67	2.67	0.85	1.06	2.83	3.09
No problem faced	56.59	97.75	85.77	86.1	96.58	97.87	96.23	88.64
Others	1.56	0	1.27	0	0	0	0	0.36
Total	100	100	100	100	100	100	100	100

Source: SMEF, 2019.

Gender-differential barriers exist in the process of registering a business. There are multiple reasons cited in the literature, and supported by stakeholder perceptions, as to why some women entrepreneurs in Bangladesh who try to register their business, are likely to face different and more severe barriers than men in formalising and running businesses. These include:

- **Cultural limitations on travel, time poverty due to domestic commitments.**²⁰ While only a small number at 3.09 per cent of consulted women entrepreneurs in an SMEF survey mentioned the lengthy process while registering their organization, women's caring responsibilities are recognised to interfere with their time availability to undertake lengthy registration procedures. Indeed, the average number of hours spent on unpaid domestic and care work in a week disaggregated by sex in Bangladesh is 24 hours for women and 7 hours for men.²¹ Moreover, consulted stakeholders from Bangladesh have indicated that only partial digitalisation of the process meaning there is still a need to submit documentation in person, which is problematic if you have time and mobility constraints.²² Indeed, international evidence suggests women generally have less time available for completing business registration procedures in part due to the burden of domestic responsibilities, and greater difficulty accessing registration facilities due to cultural factors restricting their mobility and interactions with male officials.²³
- **Lower education and skills and lower awareness of procedures.**²⁴ In Bangladesh, business associations recognize women entrepreneurs' lack of knowledge regarding the process of obtaining trade licenses and TIN certificates as a constraint to their business formalisation.²⁵ This issue was flagged during recent ESCAP stakeholder consultations with women entrepreneurs and related stakeholders,²⁶ and is recognised by international stakeholders such as the World Bank in its country assessments.²⁷ Conversely, capacity building of women entrepreneurs on the process is recognised as a demand-side need. A woman entrepreneur is quoted as saying that "some training would have helped me understand the requirements

¹⁹ SMEF, 2019.

²⁰ DFID Bangladesh, 2016.

²¹ UN Women Bangladesh, 2020.

²² ESCAP, 2021b (covid study).

²³ World Bank, 2010; Chamlou, 2008; ADB, 2014; DFID, 2013; IFC & GPFI, 2011 in DCED, 2016.

²⁴ DFID Bangladesh, 2016.

²⁵ IFC, 2016.

²⁶ ESCAP, 2021 (forthcoming) Covid study.

²⁷ World Bank Group, 2019b.

better and perhaps could have helped handle the officials also”.²⁸ This constraint is internationally recognised in the literature, as women have generally been found to have lower levels of access to information and lower levels of awareness about the business registration procedures compared to men.²⁹

- **Costs of business registration.** Recent ESCAP and Dnet research with SMBWE suggests that the trade license fee, including the yearly renewal fees, may be unaffordable.³⁰ This is supported by international evidence to suggest that women may be less likely able to afford the procedures, have the financial resources to pay for the start-up capital requirements.³¹
- **The length and complexity of the procedure:** The long process of obtaining a trade license is perceived as cumbersome and recognised as a constraint to women’s formalisation.³² This is supported by recent research by ESCAP and Dnet among SMBWE, which found that obtaining a trade license is a complex procedure regardless of business modalities (whether the venture is operated through online platforms or a physical shop).³³ Indeed, slightly more women (7 per cent) than men (5.2 per cent) entrepreneurs recognise procedural issues as a barrier to running an enterprise, according to World Bank data.³⁴ Moreover, there is a perceived constraint to women’s business registration due to an absence of a centralised and streamline trade license system.³⁵ Some stakeholders have called for more streamlined systems due to the time poverty faced by women resulting from their household caring responsibilities, and mobility constraints. This is despite most of the *Pouroshovas* of the country have opened One Stop Services, a special initiative for helping women entrepreneurs to apply for trade license according to SMEF.³⁶ Moreover, it is understood that the government is currently working to enable entrepreneurs to obtain the trade license through an online process, which is anticipated to be functional soon.³⁷ As such it underlines the inconsistent levels of awareness of the procedure for applying for a trade license or registering a business.
- **Absence of women-specific support.** There is a perceived constraint to women’s business registration due to an absence of one-stop-shop help desks including dedicated desks for women, according to consulted stakeholders.³⁸ Given that most of the *Pouroshovas* of the country have recently opened One Stop Services, it suggests that there is still an awareness gap of the support available.
- **Greater incidence of harassment in the process of registering a business by officials.**³⁹ For example, the IFC-Gender Finance Survey, 2016 cited a women entrepreneur who runs her own fashion boutique in a Dhaka market, who found the process of obtaining her trade license “not very smooth” and she felt “harassed” by the way the officials were treating her.⁴⁰ Moreover, it is recognised that cultural norms related to harassment but also more broadly can make it difficult for women to go through the registration process on their own.⁴¹
- **Demands for facilitation payments.** A survey from Bangladesh suggested that women are more vulnerable to corruption during the business registration and licensing processes. It

²⁸ IFC, 2016.

²⁹ DCED, 2016.

³⁰ ESCAP & Dnet, forthcoming.

³¹ DCED, 2016.

³² CGAP, 2019.

³³ ESCAP & Dnet, forthcoming.

³⁴ World Bank Group, 2019b.

³⁵ ESCAP, 2021 (forthcoming) Covid study.

³⁶ SMEF, 2019.

³⁷ ESCAP & Dnet, forthcoming.

³⁸ ESCAP, 2021 (forthcoming) Covid study.

³⁹ DFID Bangladesh, 2016.

⁴⁰ IFC, 2016.

⁴¹ CGAP, 2019.

found that government clerks were more likely to target women to charge “speed payments” to process claims and that pregnant and ill women were more likely to be subject to such “informal payments”.⁴² This may not be a significant problem but does seem to exist in some geographies. For instance, a SMEF study found that 6.65 per cent of women entrepreneurs surveyed mentioned they paid additional money for solving business registration problems overall. However, among the women who encountered the problem of paying additional money, the highest is from Barishal (31.01 per cent), followed by Khulna (10.16 per cent), Dhaka (7.22 per cent), Rajshahi (1.28 per cent) and Chattogram (1.12 per cent) and while women entrepreneurs from Ranhpur and Sylhet didn’t have to pay any additional money.⁴³ Beyond Bangladesh, there evidence is that internationally women are more likely to be subject to higher levels of corruption in the process of registering a business.⁴⁴

- **Lower levels of identification documents.** ESCAP & Dnet research identified lack of identification documents as a barrier facing some women in registering the social media based enterprise.⁴⁵ National identity documents (NID) are required as part of the business registration procedure but while Bangladesh is characterised as having an advanced identity ecosystem there remains a small gender gap in national ID ownership of 3.37 per cent facing women.⁴⁶ Those not covered by the NID are likely to be women in rural and remote areas, women with a low literacy level, women without a birth certificate, women who do not vote, and women who either stay at home or work in the informal sector (which limits demand for the NID).⁴⁷ This is supported by the ID4D global data set (2018), which highlights that 17.1 percent do not have a national ID, and a larger share of women (aged 15+) were found to not have a NID at 18.7 per cent compared to 15.4 per cent of men.⁴⁸
- **Customer due diligence requirements of bank account opening:** The requirement to establish certain types of bank account as part of the process for business formalisation can be a challenge for women without the required documentation to meet the customer due diligence requirements. These challenges were set out in the Alliance for Financial Inclusion (AFI) Guidance note on Gender Considerations in Balancing Financial Inclusion and Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) which includes a Bangladesh Case Study.⁴⁹
- **Requirement for a physical location in a commercial zone:** In ESCAP’s recent research with Dnet, two inactive SMBWE brought up the relevant point that officials asked them to note the physical location of their shop in commercial areas. As they were unable to place a physical location in the commercial area, they could not be registered. More broadly, it was noted that women entrepreneurs living in residential zones need to find a location in the commercial zone where they can register for a trade license.⁵⁰

The implications of a lack of a business registration in Bangladesh

The lack of formal business registration for women is recognised as having implications for women’s entrepreneurship as part of a chain of barriers which inhibit this economic strategy.⁵¹ One of the main implications of business informality is restricted access to formal finance and government COVID stimulus packages. Women entrepreneurs’ lower levels of access to formal sources of credit is a

⁴² DCED, 2016.

⁴³ SMEF, 2019.

⁴⁴ DCED, 2016.

⁴⁵ ESCAP & Dnet, forthcoming.

⁴⁶ GSMA, 2019.

⁴⁷ GSMA, 2019.

⁴⁸ World Bank Group, 2021.

⁴⁹ AFI, 2018.

⁵⁰ ESCAP & Dnet, forthcoming.

⁵¹ World Bank Group, 2019b.

recognised consequence of lack of business registration documents and related documentation (e.g., Tax Identification Numbers) required to support credit decision making.^{52 53 54} For example, a survey by the Alliance for Financial Inclusion (AFI) of its members, including Bangladesh Bank, found that lack of business registration documents was an identified challenge for increasing access to finance for MSMEs owned by women and women entrepreneurs.⁵⁵

The lack of business registration has been highlighted as a constraint facing women owned MSMEs access to the government stimulus package measures for entrepreneurs. This is because without formal registration or a trade license, informal businesses are ineligible for the financial stimulus package plan. Indeed, this has led to BRAC and other organisations call for policies to bring these informal businesses under the umbrella of formal post-disaster response and recovery support should be at the heart of the government's contingency plan.⁵⁶

Evidence based solutions to support women's business registration

There is international evidence of potential solutions to address these challenges facing women entrepreneurs in registering their business. These include: initiatives to increase awareness of the benefits of business registration; simplifying the business registration procedure; reducing the costs of procedures for business registration and licensing – although the costs and affordability will differ of these from place to place; lowering the start-up capital requirements and the exit requirements and costs for closing a business.⁵⁷ Additionally, there are some stakeholders that recommend that engaging with men and communities to address social norms against women's business ownership and asset ownership more generally, is part of the solution.⁵⁸ Some stakeholders have also suggested interventions related to discounted registration fees for women, to address their constraints in registering their business.⁵⁹ More broadly it is recommended in the literature that relevant laws and institutions responsible for business registration and government-to-business services are assessed to understand through on-site interviews areas where customary practice deviates from official policy related to business registration to the detriment of women.⁶⁰ It is also highlighted in the literature how there is a need to address risks of sexual harassment and other forms of gender-based violence and provide redressal mechanisms including in the business registration process.⁶¹

One-stop hubs (often also referred to as one stop shops) are advocated as a solution to support women entrepreneurs with their business registration and formalisation. This is because these hubs can bridge information gaps, provide greater access to services, and connect women entrepreneurs with a broad network and in turn support women on their entrepreneurial journey. As such, regional experience from Asia Pacific indicates that these should be established to provide support to women entrepreneurs from the formation, start-up and growth, as well as expansion and acceleration of their enterprise.⁶² Good practice examples of such hubs that provide on and offline incubation services for women entrepreneurs can be drawn on for inspiration from the wider Asia Pacific region, including from Cambodia, India, Malaysia, Singapore and Viet Nam.⁶³ *(see detailed examples in the ESCAP*

⁵² IFC, 2016.

⁵³ World Bank Group, 2019b.

⁵⁴ ESCAP & Dnet, forthcoming.

⁵⁵ AFI, 2017.

⁵⁶ Brac Institute of Governance and Development, 2020.

⁵⁷ DCED, 2016.

⁵⁸ World Bank Group, 2019b.

⁵⁹ World Bank Group, 2019b.

⁶⁰ DFID Bangladesh, 2016.

⁶¹ World Bank Group, 2019b.

⁶² ESCAP, 2021d.

⁶³ ESCAP, 2021d.

1.3 The Policy and Legal Framework for Business Registration in Bangladesh

From a policy and legal perspective, business registration and licensing are widely acknowledged internationally to be gender neutral. Women Business and the Law 2021 notes that in Bangladesh there are no legal differences in the way in which women and men can register a business.⁶⁴ Yet, international evidence on the gender-dimensions of the business environment acknowledges that access to the business registration process and how they are administered in practice can be different for women and men due to social norms. In part this can be related to the level of women's participation in administering these processes. These constraints can contribute to women entrepreneurs choosing to operate informally with implications for tax-collection, women's social protection and business growth.⁶⁵

Business registration in Bangladesh falls within scope of the policy frameworks of the Ministry of Commerce⁶⁶, which is responsible for regulation and implementation of policies applicable to domestic and foreign trade. Specifically, the entity responsible for business registration is the Bangladesh Investment Development Authority (BIDA).⁶⁷ BIDA helps prospective investors and promoted firms in obtaining official permits and documents required for conducting business.⁶⁸

The main relevant legal frameworks for business registration are:

- The Companies Act, 1994⁶⁹ which has been amended several times. The 'Companies (2nd Amendment) Act, 2020' was recently passed in Bangladesh Parliament, keeping provision for formation of one-person companies (OPC), with only one natural shareholder.⁷⁰ This is beneficial for women who may often choose to operate as sole proprietors and who are more likely to operate micro enterprises. Additionally, the first amendment removed the requirement of use of the company's seal in documentation that would ease procedure of transactions - including for women entrepreneurs. For more information on other aspects of the recent amendments see an analysis [here](#).⁷¹
- One Stop Service Act 2017, approved in May 2017.⁷² This is to centralize the execution of a number of regulatory, compliance, and value-added services through a single (physical or virtual) window. Under the act, Bangladesh Investment Development Authority (BIDA) has been empowered to implement One Stop Services (One Stop Shop) OSS for investors along with other Investment Promotion agencies like Bangladesh Economic Zones Authority (BEZA), Bangladesh Export Processing Zones Authority (BEPZA) and Bangladesh Hi-Tech Park Authority (BHTPA). The One Stop Services under BIDA shall ultimately serve as a single window and the only point of contact between the Government and investors for investment related services who are operating outside special economic zones established by BEZA,

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