

Women Entrepreneurship in Bhutan - the Scenario and the Way Forward

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Introduction

In 2016, the Department of Cottage and Small Industries (DCSI) reported that only 35.53 percent of the total registered micro, small and medium enterprises in the country were owned by women. Women mostly operate cottage and small enterprises and function in the informal economy with very small probability of expanding their businesses¹.

The dearth of women entrepreneurs, as well as the small and informal nature of their entrepreneurial ventures, should be of concern to our policy makers because it indicates a gender gap which will impede inclusive social development and economic growth. In fact, the Global Gender Gap Report (2017) has ranked Bhutan 103 out of 144 countries in terms of Economic Participation and Opportunity (with a score 0.622), pointing to the gender disparity in terms of women's opportunities and participation in economic activities.

A recent study from International Monetary Fund (IMF) suggests that the economic benefits from closing gender gaps in labour force participation are even larger than it was thought before². They explain that women and men complement each other in the production process, creating an additional benefit from increasing women's employment on growth. In other words, adding more women to the labour force should bring larger economic gains than an equal increase in male workers, reflecting the fact that women bring different skills and perspectives that add value which cannot be substituted by men.

¹Dorji, Lham (2018). Women-Owned Micro and Small Enterprises in Bhutan : What Major Obstacles Impede Their Growth and Innovation? IDE Discussion Papers.

² Economic Gains from Gender Inclusion: New Mechanisms, New Evidence; IMF Staff Discussion Notes No. 18/06; October 9, 2018; by J. D. Ostry, J. Alvarez, R. Espinoza, and C. Papageorgiou.

Since entrepreneurship is one important path to increasing women's participation in the labour force, this article explores the challenges and successes of women entrepreneurship in Bhutan, with the aim to encourage further policy interventions. In the Bhutanese context, where a large number of working-age women have limited or no education, entrepreneurship offers an ideal solution for bringing these women into the labour force, and for empowering them to contribute to the nation's economic growth.

This article will use the report by National Statistics Bureau's (NSB) research team, "Challenges Facing Micro and Small Businesswomen in Bhutan" (2018) as the main guiding document to understand the experience and constraints of Bhutanese women entrepreneurs, and compare it to the international experience. It will then highlight a few successful and budding women entrepreneurs to identify their secrets to success. Finally, it will provide recommendations to boost women entrepreneurship and enhance the capacity of women entrepreneurs in Bhutan in order to achieve inclusive economic growth overall.

Current Scenario of Women's Participation in the Economy

Before delving into the research findings from NSB, some statistics on enterprises in Bhutan and women's participation in the economy are essential to understand the context and reality of Bhutanese women and women entrepreneurs.

According to Bhutan's Labour Force Survey Report 2016, the Labour Force Participation Rate (LFPR) for women is 53.6, as opposed to 71.7 for men, indicating that women are far more "economically inactive" than men. Although "pursuing studies" and "old age" are main reasons for the inactivity, 29.5 percent of the total economically inactive population are comprised of women who name "house/family duties". The same report shows 30.3 percent of the total employed persons (TEP) are comprised of women working in agriculture activities. Out of 24 percent of TEP working in "regular paid employment", only 6.6 percent are female. Furthermore, 13.2 percent of the TEP are "own account workers (non-agriculture)" which can be interpreted as the number of entrepreneurs, out of which 6 percent are female.

The above statistics provide a few important insights:

- A large proportion of women do not engage in economic activity because of the house/family duties;
- Women who do engage in an economic activity are mostly engaged in agriculture.

Although the percentage of “regular paid employers” (which includes civil servants) is quite large compared to entrepreneurs, about the same number of women are engaged in both forms of economic activity, implying that as many women venture into business as they join regular paid jobs. It is important to note that women’s involvement in domestic work and agriculture must not only be acknowledged, but also be encouraged and facilitated. Calling it non-paid work by (mostly) women is a misnomer for something often more valuable to society than salaried positions and income-generating activities. The limitation of the current economic model in recognising and accounting for unpaid, informal work is a larger issue that is beyond the scope of this article. The next section elucidates the characteristics and challenges facing women entrepreneurs as they seek to earn and be a part of the formal economy.

Socio-demographic and Business Characteristics and Challenges

Using the mix of quantitative and qualitative methods, the NSB study³ concludes that the major challenges facing businesswomen in micro and small enterprises are:

- Lack of financial capital
- Lack of appropriate business premises
- Growing informal competitions
- Lack of business skills
- Labour shortage and regulation
- Government’s regulation
- Tax rates, and
- Personal motivation/aspiration.

³Dorji, Lham; Jamtsho, Cheda and Dorji, Cheku. (2018). Challenges Facing Micro and Small Business-women in Bhutan. National Statistics Bureau

In summary, the study found that women usually undertake retail enterprises (vegetable, general, garment or grocery shop) that have low investment as well as low returns, and the entry is relatively easy albeit there is growing competition. It also highlights the fact that these women entrepreneurs compete to deliver similar products and services, that impacts sales and increases competition for customers as well as business space. With little or no education, most women start their businesses out of necessity, keeping their businesses at a subsistence level.

Although “lack of financial capital” was the most significant challenge reported, limited access to capital from financial institutions was not necessarily the only cause. The study showed that collateral requirement and group-lending schemes deterred businesswomen from availing commercial loans, preferring to use their own money, or lend from family and friends. It also revealed that women were generally risk-averse and apprehensive about their ability to pay back from the low returns of their businesses, resulting in lack of demand for credit.

Other constraints presented in the report, such as shortage of labour, government regulations and tax rates, are applicable to entrepreneurs in general (both men and women). Bhutan stands at 81 out of 190 countries in ease of doing business⁴, pointing to the need for improving the business environment in Bhutan for both men and women. The next section considers some international experience of women entrepreneurs.

International Experience of Women in Entrepreneurship

According to Global Entrepreneurship Monitor (GEM)⁵ ‘Report on Women’s Entrepreneurship 2016/2017’, female entrepreneurship continues on an upward trend globally. The report finds that most participation among female entrepreneurs is in wholesale/retail, especially in Asia, with the Philippines reporting 87 percent of women starting wholesale/retail businesses.

⁴ World Bank’s Doing Business Report (2018)

⁵ www.gemconsortium.org. GEM is a trusted resource on entrepreneurship for key international organisations like the United Nations, World Economic Forum, World Bank, and the Organisation for Economic Co-operation and Development, providing custom datasets, special reports and expert opinion.

Similarly, an analysis of performance gaps between male- and female-owned companies in Eastern Europe and Central Asia, Latin America, and Sub-Saharan Africa revealed that women ran smaller firms, as they tended to concentrate in sectors in which firms are smaller and less efficient⁶.

The GEM report finds that women are more likely to start businesses out of necessity than men, and that necessity-driven activities are more prevalent in developing economies. Estrin and Mickiewicz (2011) found that women were less likely to start high-aspiration businesses in countries where government size is large (ratio of government expense to GDP)⁷. Their interpretation is that, where there are fewer government-provided services (health, education, etc) women will be more compelled to seek income sources. Alternatively, where there are high levels of government services and high taxes, women might more often take on domestic responsibilities.

Finally, studies show that under-developed financial systems in developing countries inadvertently discriminate against women⁸ and that the risk-averse nature of women impacts on their ability to finance their businesses⁹. The following section explores the institutional setting, legislation and programmes that relate to women's entrepreneurship in Bhutan.

Policies, Institutions and Programmes Supporting Women Entrepreneurship

Bhutan has numerous legislation and policies that support small enterprises -- from Vision 2020, which identified the development and promotion of cottage and small industries as a priority area, and the Economic Development Policy (2010), to the Cottage, Small and Medium Industries (CSMI) Policy (2012) introduced to enhance the sector.

⁶ Elena Bardasi, Shwetlena Sabarwal and Katherine Terrell. How do female entrepreneurs perform? Evidence from three developing regions. *Small Business Economics*, Vol. 37, No. 4, pp. 417-441

⁷ Estrin, Saul and Mickiewicz, Tomasz. (2011). Institutions and female entrepreneurship. *Small Business Economics*. 37, 397-415.

⁸ Muravyev, Alexander, Talavera, Oleksandr and Schafer Dorothea (2009). Entrepreneurs' Gender and Financial Constraints: Evidence from International Data. *Journal of Comparative Economics*. 37. 270-286.

⁹ Elena Bardasi, Shwetlena Sabarwal and Katherine Terrell. How do female entrepreneurs perform? Evidence from three developing regions. *Small Business Economics*, Vol. 37, No. 4, pp. 417-441

In fact, DCSI instituted the Bhutan Enterprise Awards (BEA) in 2013 to encourage entrepreneurs and recognise the role of entrepreneurship in the society. These policies are applicable to both men and women entrepreneurs and are not necessarily calibrated for women in particular.

The Royal Monetary Authority has formulated a monetary policy for Priority Sector Lending (PSL) which mandates that the commercial banks provide collateral free and low-interest loans to micro and small businesses. Rural Enterprise Development Corporation (REDCL) provides low-interest credit without collateral requirements to fund rural enterprises and activities. Furthermore Bhutan Development Bank Limited (BDBL) allocates a minimum of 10 percent of all credit to rural women entrepreneurs, and about 36 percent of BDBL's loan borrowers constitute rural women entrepreneurs.

There are few non-government organisations that support entrepreneurs: Loden Foundation, Bhutan Association of Women Entrepreneurs (BAOWE) and Respect, Educate, Nurture, Empower Women (RENEW). The Loden Entrepreneurship Programme (LEP) offers interest-and collateral-free loans (up to Nu 1.5 million) and mentorship to selected entrepreneurs. Although LEP is not targeted specifically for women, many women entrepreneurs are beneficiaries of the programme. Out of the 152 entrepreneurial projects Loden Foundation has supported till today (from 2008 to 2018), roughly one third of the entrepreneurs are women -- 45 of the enterprises are owned by women and 7 enterprises have women as partners.

BAOWE engages single businesswomen and marginalised youth through Women-Owned Open Market (WOOM) which provides spaces for women to sell their home-grown and homemade products. They also provide capacity-building and networking opportunities, as well as micro-finance, branding and marketing services. Similarly, RENEW has a Micro Finance Project (MFP) targeted at vulnerable women, which consists of micro loans, savings opportunities, credit facilities and insurance services. They complement the MFP with the Livelihood Project that provides skills training to women in traditional looming, weaving, tailoring, food production and agricultural techniques.

Since 2016, Techstars Startup Weekend, a global programme that helps entrepreneurs develop their business ideas, has been running in Bhutan. In November 2018, a women’s edition of the Startup Weekend was held in Thimphu for the first time, in order to give the women an exclusive platform to pitch their ideas. Since women were usually not confident enough to present in a co-ed environment, the women’s edition made women more forthcoming, noted Anurag Maloo, Techstars APAC Regional Manager.

The above policies, institutions and programmes demonstrate the clear intention and interventions to encourage entrepreneurship in general, and few concerted efforts to increase women entrepreneurs in particular. The next section presents the entrepreneurial journey of two women, both recipients of Loden Foundation’s collateral-free loans.

Profiles of Two Successful Women Entrepreneurs

Tshewang Dem, Tshejor Azey

In 1998, Tshewang Dem’s friend liked her *Azay* (pickle) so much that she suggested Tshewang start selling them. She took up the idea two years later and started pickling on weekends, using her salary to buy the ingredients. It took a lot of trial and error for her to master her recipes, find proper packaging and increase shelf life of her products.

In 2010 she received the interest-and-collateral free loan from the Loden Foundation to establish her business, and a year later, she officially licensed her business, “Tshejor Azyey”, a brand that has skyrocketed in popularity over the years, and also enabled her to leave her job in 2013. She credits Loden Foundation mentors and the 3-month BEGIN course from DHI for helping her gain business skills. She currently employs 9 regular and 2 temporary workers, and has employed 25 women over the years.

Although her brand is popular, Tshewang is experiencing stiff competition, affecting her sales in the last two years. Nonetheless, she plans to build a factory on the outskirts of Thimphu so she can move out of the rented flat from where she currently operates. She mentions affordable finance and staffing as major challenges to her business expansion. She also feels that a cold-storage facility and technical assistance from the government would help her in expanding her business.

Tshewang feels that the biggest obstacle facing businesswomen is themselves-their lack of confidence and ability to take risk. Another obstacle she notes is managing time between family/household work and business. Tshewang was challenged with raising two children and four nieces/nephews, along with starting her business. Although the children are now out of the house, Tshewang still struggles to manage her time between household and business, a challenge she believes keeps her life interesting as a woman entrepreneur.

Chandrika Tamang, CDK

Chandrika Tamang is another budding woman entrepreneur who received a loan from Loden Foundation in 2017. Chandrika was always interested in making clothes-as a young girl, she once took her mother's clothes apart to stitch herself a fancy dress. In order to follow her passion for clothing and fashion, she quit her job to start her journey as a fashion designer. With initial financial support from her family and friends as well as assistance from her husband, she started her clothing brand "CDK" in 2014.

Although lack of business experience, limited capital and lack of skilled manpower were obstacles she faced initially, her business has started to pick up and is hitting the sales target. In fact, she was recognised as "Woman Entrepreneur of the Year" in the Bhutan Entrepreneur Awards in 2017. She currently employs 8 permanent and 12 temporary workers and has opened a store in the capital. Chandrika wants her brand to pioneer sustainable and eco-friendly clothing and hopes to go international. However, she believes sourcing raw materials and capturing the international market are big challenges to achieving her vision for the company. She believes the government can support entrepreneurs like her by removing barriers to trade and export and increasing access to capital.

Similar to Tshewang Dem, Chandrika believes managing time between family and business is a major difficulty for women entrepreneurs, the stress which can hinder creativity and innovation. She believes determination, hard work and support from family and friends as well as organisations such as Loden help her overcome her challenges as a women entrepreneur.

Conclusion

Despite the challenges faced by women entrepreneurs in Bhutan and worldwide, the success stories are a testament to Bhutanese women's talent and capacity to succeed. A developing country like Bhutan needs improvements in many areas to promote entrepreneurship and the private sector in general, a topic that will not be addressed in this section, as there are plenty of research and recommendations on the matter. The NSB report provides few recommendations specific to the challenges identified that are not covered here either. Since the focus of this article is on women entrepreneurs in Bhutan, the following are a few broad recommendations to promote women entrepreneurship specifically:

Improving both demand and supply of finance: The evidence presented in this article and recent research show that there is a disparity in women's access to financing, especially capital for further expansion. Programmes, training, and coaching in finance and business expansion are important to help new and established businesses grow out of their cottage and small business. Attaining financial literacy and business acumen could help boost women's confidence and counter their risk-averse nature. This is especially applicable to the majority of Bhutanese women with no or low formal education.

However, training women entrepreneurs needs to be supplemented with demand-side programming, where bankers, investors, and other resource providers need to examine the extent to which stereotypes or biases are applied in funding decisions, or whether policies such as credit scoring or collateral requirements affect women unfairly. Furthermore, introducing innovative financial products that are calibrated for women, or the types of businesses typically run by women -- could help channel funds to help women entrepreneurs specifically.

Building women's confidence and identity as entrepreneurs: As argued by Hanson (2009)¹⁰, access to credit alone is rarely sufficient to change the women's level or nature of participation as entrepreneurs. She advocates for grassroots actions-whether formal or informal -- that build women's skills, confidence, and sense of belonging; expand women's knowledge of

¹⁰Susan Hanson (2009). Changing Places through Women's Entrepreneurship. *Economic Geography*, Vol. 85, No. 3, pp. 245-267

potential suppliers and markets; and connect women with other women business owners. In fact, a consultative meeting on “Developing Effective Policies for Women Entrepreneurship in the SAARC Region” held in Thimphu on July 2017 revealed that Bhutan is the only SAARC member country which does not have a separate platform for women entrepreneurs.

Bangladesh and Sri Lanka both have a Chamber of Commerce for women in order to strengthen women’s participation and promote a women-friendly business environment.

While work-life balance is an impediment identified by many women, they are not addressed convincingly in the design and development of entrepreneurial ecosystems. Programmes run by RENEW and BAOWE, as well as the recent success of the women’s edition of Techstars Startup Weekend in Thimphu, is an example of how a women-focused intervention can help more women gain confidence in the initial stages of their entrepreneurial journey.

Reviewing taxes and welfare: An interesting trend revealed in the GEM report is that women are less compelled to seek income out of necessity in countries where governments provide welfare services (such as health and education). In addition, high taxes deter women from doing business. Therefore, women prefer to take on domestic responsibilities in countries where welfare as well as taxes are high. While this finding should not discourage government services in Bhutan, it does provide food for thought in reviewing how welfare affects women’s participation in the economy, especially since a considerable percentage of women stay at home. In addition, high taxes were reported as a challenge for Bhutanese women in the NSB report; therefore, perhaps revising taxes that specifically encourage women entrepreneurs could bring more women into business.

Identifying and driving innovation in sectors where women have a comparative advantage: Statistics point out that a vast majority of Bhutanese women are engaged in agriculture and domestic work. Research also shows that Bhutanese women traditionally venture into sectors such as retail, food and hospitality, handloom and fashion, and services such as tailoring and beauty salon. Women’s experience and interest in these areas is a comparative advantage that can and should be leveraged to start more innovative enterprises in those sectors.

For instance, women's experience in farming can be leveraged to introduce high-quality food in the market, and their skills in housework can be leveraged for hospitality, childcare and cleaning businesses. A great example is the success of Aum Kesang Choedon's preserved foods brand, Chuniding Food, that not only boasts a store, but also an attached eatery that serves local and traditional food.

In conclusion, Bhutan has made tremendous progress in promoting women entrepreneurship. However, societal and structural challenges continue to impact upon woman's participation in economic development. As presented in the beginning of the article, women's participation in the economy improves both the economic and social outcome of a country. Therefore it is imperative that Bhutanese leaders find strategies to encourage women's entrepreneurship to achieve inclusive economic growth.