

Study on

Appropriate registration system and product quality certification for microenterprises sub-sector



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Submitted by

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Executive Summary

'Sustainable Enterprise Project (SEP)' is a project of PKSF financed by The World Bank. The project is supporting Microenterprises (MEs) in Bangladesh to increase adoption of environment-friendly technology, enhance their marketing, and brand development capacity. To assist the design process of microenterprises, this study has identified the appropriate registration system and product quality certification for microenterprises required for selected subsectors, mainly in manufacturing and agribusiness clusters.

This study was conducted to identify and describe legal registration and environmental certifications required for microenterprises of selected subsectors to operate their business and identifying product quality certifications which are required to access in the market/ premium market, both domestically and internationally. The report describes the current registration and certification scenario of the subsectors, identifying the opportunities, constraints and threats as well as possible remedial measures regarding registration and certification both in business level and product level for those subsectors. The study also identified the registration, certification and environmental certification which are required for microenterprises and product or services of selected subsectors to operate their business; identified the certification/registration authority from where micro-entrepreneur may take certificate for their enterprises and products or services; describing overall process of getting the registration/certifications.

Study methodology

Both primary and secondary information was collected through questionnaire for qualitative and quantitative information. literature review, ME's interview, FGD and KII were done. Tools and questionnaires was developed as per ToR, and finalized in consultation with the SEP project team.

- There were 23 ME clusters for study and purposive sampling method was followed for field data collection. All 23 clusters were selected for data collection and in each cluster 10 MEs was selected purposively for interview, altogether 230 MEs were interviewed through mobile apps.
- In each cluster, one FGD (group discussion) was conducted with MEs in 23 clusters.
- Key Informant Interview (KII) was also conducted with relevant key officials, representative, and expert. □
The team emphasized on qualitative information more than the quantitative information.

Primary data was the key source of the study, which were collected from selected clusters and directly from the enterprises. MEs received their own required registration and certification from relevant authorities, standards, protocols, traceability and knowledge of MEs. Constraints, weaknesses and opportunities of the certification system and others as per requirement also studied.

Key Informants was providing primary information for ME certification system e.g. what are the requirement for certification, process and standards of production & certification, SOPs, compliances of the certification, relevant authorities each of the clusters, cost and benefits of certification, best practices, constraints and opportunities of the certification for MEs.

There were 23 FGDs provided primary information of the certification, demand and requirement, best practices, relevant authorities for certification and cost/benefits of the certification for each of the cluster. It also provided basic information on cluster mapping, statistics on constraints, opportunities and ME accordingly.

Secondary data was complementary to the primary information, this was to check support accuracy of information, compare primary information and guidance to the study it helped us get a scenario of the certification system in the eyes of others.

The report was prepared through analysis of field data, observation, KIIs, FGDs and secondary sources. Triangulation of data sources was made for cross checking and find relevancies, requirement, process, standards, SOPs, SWOT of the certification system. The triangulation of data was conducted based on the similar findings and information from different respondents and sources. The information was also compared with the findings of the literature review for triangulation of similar information and validation of the collected data. Final report was incorporated with comments, suggestions and feedback on draft report presentation outcome.

Findings of the Study

Micro Small and medium-sized enterprises (MSMEs) are the backbone of the national economy in Bangladesh. This sector is playing an important role to develop the economy of our country. The role of SMEs sector is immense to

alleviate the poverty from the country as well. Micro, Small and Medium enterprises are particularly suitable for the densely populated countries like Bangladesh where SME sector can provide huge employment opportunity with much lower investment. They have created jobs, reduced poverty, and drivers of a resilient national economy. The International Monetary Fund (IMF) Country Report indicated that MEs in Bangladesh accounted for more than 99% of private sector industrial establishments and created job opportunities for 70%–80% of the nonagricultural labor force.

Rapid and sustainable growth of SMEs is undoubtedly one vehicle for accelerating national economic growth to the point of having a measurable impact in the way of reduction of poverty and unemployment, generation of more employment. More than 90% of the industrial enterprises in Bangladesh are in the MSME size-class. Generally, MSMEs are labor intensive with relatively low capital intensity. The ME also poses a character of privilege, as it is cost effective and comparatively cost advantageous in nature. The ME policy strategies have been formulated to assist in the achievement of the goals and targets the MDGs set by the Government.

Due to the lack of national quality policy and adequate support system, and lack of credibility of the quality certification authority, MEs of Bangladesh have failed to ensure the quality of products and services both in domestic and international markets. Access to finance possess as one of the most important problems for the MSMEs in Bangladesh. Lack of investment or operating funds remains as one of the most prominent complains of the MSMEs in Bangladesh.

Bangladesh is member to the Codex Alimentarius. In 1985 the Bangladesh Standards and Testing Institution (BSTI) was established. This is the only national institution operating under the Ministry of Industries to formulate national standards and to conduct quality controls for industrial, food and chemical products coherent to regional and international standards.

According to Bangladesh's Economic Census, about 89% of the 7.8 million economic establishments in Bangladesh were cottage businesses and microenterprises. The average employment per microenterprise was 1.98 persons.

- Eighty-six percent of the ME employed below 10 employees, 11-20 staffs has employed 10% ME and above 20 only 4% but it is below 31. Interestingly 98% willing to expand and grow their market.
 - 92% are sole proprietorship 4% partnership and 4% having joint stock registrar limited liability Company.
 - 25% of surveyed respondent have relevant business-related training, 75% do not have any training.
 - Only 36% felt trade license requirement, 21% have TIN certificate, none of them have any fire safety license.
 - 68% have their own trade license, 28% TIN, 2% VAT and 1% have fire registration. None of the MEs has HACCP, IRC, ERC, Halal, GMP, and environment related registration.
 - 80% wanted to have trade licenses, 40% TIN, 25% VAT, 5% ERC/IRC, 5% Halal, 10% HACCP, 10% fire, 25% environment and 10% ecolabel.
 - 85% wanted to have various types of certificate relevant to their own business e.g. HACCP, ecolabel, GAP certificate.
 - 75% of the ME respondent want or interested to have own ME certificate due to increase sales, 66% access to bank loan, 62% establish reputation, 55% increase brand name, 39% attract buyer, 35% suppliers' requirement, 29% buyers' requirement, 35% expansion of market, 38% to open a bank account among many others.
 - 83% of the respondents ME willing to pay for registration and certificate, therefore they need some facilitation and way out to get certificate.
 - 86% feel that certification will add value to the company in many ways as mentioned above.
 - 18% have production manuals, 2% SOPs, only 1% production flow chart in the factory premises, none of them have GMP, HACCP at their factory. 77% had nothing about these types of activities.
 - 4% understand about ecolabel at this moment but 56% willing to have ecolabel design process and pay for it.
 - 66% of the MEs understand government rules and regulation on environmental issues. 52% feel that environmental registration and certification is required for their business. 83% feel that environment friendly production process is required for the production system.
 - 60% know about environment friendly packaging for their product.
 - During the data collection, FGDs, KII and sample survey it was found that 47% respondents MEs will require access to finance related training or support services are demanded followed by technical training 45%, access to market 19%, assistance or facilitation for getting registration 18%, certification 15%, machine related support 15% and other 4%.
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Registration and certification for microenterprises

As per survey and review of the relevant documents following is a list of registration required for the MEs:

Name of registrations	Name of certifications
Trade License	GlobalGAP
Tax Identification	ISO 9001
Number (TIN)	ISO 22000
Name of registrations	Name of certifications
VAT Registration	HACCP
Import Registration Certificate (IRC)	HALAL
Export Registration Certificate (ERC)	Organic Food
BSTI Quality Certification Mark	Eco-Label
Approval of Factory Plan	
Certificate of Registration of Factories and Establishment	
Explosives Licenses	
Registration Certificate from Inspector of Boiler	
Fire License	
Acid License	
Construction Certificate	
Registration Certificate of Designs	
Registration Certificate of Patent	
Trade Marks Registration	
Copyright Registration	
Environmental Clearance Certificate	
Registration with Civil surgeon	

Authorities from where microenterprises can take these registrations/certifications:

SL	List of registrations/certifications	Name of authorities
01	Trade License	All City Corporations, Municipalities & Union Parishads
02	Tax Identification Number (TIN) and Business Identification Number (BIN)	National Board of Revenue (NBR)
03	VAT Registration	National Board of Revenue (NBR)
04	Import Registration Certificate (IRC)	Office of the Chief Controller of Imports & Exports (CCI&E)
05	Export Registration Certificate (ERC)	Office of the Chief Controller of Imports & Exports (CCI&E)
06	BSTI Quality Certification Mark	Bangladesh Standard and Testing Institution (BSTI)
07	Approval of Factory Plan	Department of Inspection for Factories and Establishments (DIFE)
08	Certificate of Registration of Factories and Establishment	Department of Inspection for Factories and Establishments (DIFE)
09	Explosives Licenses	Department of Explosives
10	Registration Certificate from Inspector of Boiler	Office of the Chief Inspector of Boiler (CIOB)
11	Fire License	Fire Service and Civil Defense (FS&CD)
12	Acid License	Deputy Commissioner (DC) of all Districts
13	Construction Certificate	RAJUK/CDA/KDA
14	Registration Certificate of Designs	Department of Patent, Design and Trade Marks (DPDT)
15	Registration Certificate of Patent	Department of Patent, Design and Trade Marks (DPDT)
16	Trade Marks Registration	Department of Patent, Design and Trade Marks (DPDT)
17	Copyright Registration	Department of Patent, Design and Trade Marks (DPDT)
18	Environmental Clearance Certificate	Department of Environment (DOE)
19	Good Agricultural Practices (GAP)	GlobalGAP
20	ISO 9001	BSTI, SGS, Intertek, Bureau Veritas etc.
21	ISO 22000	BSTI, SGS, Intertek, Bureau Veritas etc.
22	HACCP	BSTI, SGS, Intertek, Bureau Veritas etc.
23	HALAL	Islamic Foundation Bangladesh, Halal Bangladesh Services Ltd.

24	Organic Food	Bangladesh Organic Products Association (BOPMA)	Manufacturers
25	Eco-Label	Best Aquaculture Practices Certified, EarthCheck Global Organic Textile Standard, IMO Certified Programme for the Endorsement of Forest Certification (PEFC) schemes	

In conjunction with GAP, GMP, HACCP, traceability can reinforce emphasis on prevention instead of only reacting or responding to breaches in food safety. ISO 22005:2007 comprehensively explains the principles and requirements for the design and implementation of a feed and food traceability system.

Constraints and Challenges of MEs

- Lack of Quality Assurance schemes and facilitations
- Lack of awareness on registration and certification
- Lack of information about registration and certification and market
- Inability to Market SME Product
- Inability to Maintain Product Quality
- Lack of Skilled Technicians and Workers
- Lack of proper initiatives of govt. agencies.
- Poor Management Skills of Entrepreneurs
- Absence of certification
- High Employee Turnover
- Absence of Modern Technology
- Poor Physical Infrastructure
- Lack of Commitment to Innovation and Customer Satisfaction
- Lack of Research and Development Facilities

Opportunities

- Meet customer requirements
- Get more revenue and business from new customers
- Improve company and product quality
- Increase customer satisfaction with own products
- Describe, understand, and communicate company processes
- Develop a professional culture and better employee morale
- Improve the consistency of operations
- Improve efficiency, reduce waste, and save money
- Achieve international quality recognition
- Environmentally sustainable business
- Strengthen market position
- Create own brand and establish reputation
- Operate business legally
- Increase sales and markets – local, international
- Access to bank loan
- Operate bank account
- Attract buyer and build buyers' confidence
- Meet supplier/buyer requirement
- Increase employee commitment, moral and loyalty
- Enhance business competitiveness
- Improved customer satisfaction
- Increased commitment from customers

Suggestions and Recommendations

MEs will continue to be the major driving force for income and employment generation in Bangladesh. The future for entrepreneurship appears to be very bright. Many of the ME traditionally doing business as informal sector facing lack of knowledge, awareness, limited access to financial inclusion to increase income, diversification of business is also interested in obtaining GoB registrations and entering into the formal sector. A modest suggestions and recommendations are given below:

- a) **Establishment of quality assurance cell** - ensure quality and facilitate certification, registration process this quality assurance cell will support POs and MEs to obtain relevant certificate. The cell will work for capacity building, awareness creation, branding of the MEs products, and market promotion of certified products. The cell should be accredited by the BAB. Cell will work independently and one-stop-service center for MEs. Cell will be equipped both hardware and software including adequate human resource – experts. A separate operational team will work independently consisting representative from PO and SEP and PKSf. A transparent set of operational guidelines and business structure, modes of operandi, human resources to identified and required to run the cell. This can work both for formal and informal sector of the MEs and all subsectors.
- b) **Establishment of knowledge center for MEs:** SEP will establish a knowledge center to support MEs on market information, branding, technology transfer, archives, trainings, and relevant business support services. These initiative would permanent and staffed under PKSf or staffed by PO's or could be a new business for MEs. There may be numbers of knowledge center depending on POs capacity and number of MEs in cluster.
- c) **Facilitate group approach for certification** – Form producer group in a cluster and facilitate for certification.
 - Create awareness on registration and certification system of the MEs

- Capacity building and training on registration and certification system
- Establish linkage with certification capacity building service providers and certification bodies
- Facilitate to provide environment friendly good working environment
- Enhance skills and knowledge on quality and product designing for better market development new, products, new markets, and new buyers
- Organizing Trade Fairs, Symposiums, Workshops on MEs on Regular Basis
- Proper implementation of SME policy

Government, financial institutions and Non-Government Organizations (NGOs) may take necessary steps to ensure uninterrupted financial support and certification to the prospective MEs in Bangladesh. Simultaneously branding and proper registration, certification facilitation is necessary. In order to encourage women entrepreneurship govt. may; involve women entrepreneurs in policy formulation and implementation. Provide necessary training to women entrepreneurs in rural and urban area of Bangladesh.

Conclusion

Micro entrepreneurs can provide a way of helping people help themselves out of poverty. Modern time is the golden time of business. Now-a-days the idea of ME business is also developed. So definitely it is a matter of thing that, how to established an idea-with different technique. The MEs business in Bangladesh have a strong position in the days of competitive market. ME entrepreneurs are continuously upgrading themselves with a view to be competitive and to remain the best. Appropriate certification, registration is essential for them. Proactive policy, registration system, environment friendly business enabling environment is essential to enact them. Certification for branding, positioning, MEs should prepare to meet the challenge by understanding their strengths and weaknesses and providing the inputs they need to help them upgrade. The main inputs are finance, market information, proper registration, certification, infrastructure development, management tools, technology, skills and links with institutions for support services.
