Identifying Regulatory, Institutional, and Operational Barriers in Bangladesh's Business Environment

Business Process Reengineering Approach

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Abstract

The report investigates the multifaceted challenges facing Bangladesh's business environment, with an emphasis on regulatory, institutional, and operational limitations. It highlights the complex regulatory landscape characterised by cumbersome registration processes and complex regulations, which complicate compliance and deter investment. Institutional inefficiencies compound these problems, affecting business operations because of bureaucratic hurdles and scattered initiatives by government regulatory bodies. Operations challenges such as infrastructural limitations, inconsistent power supply, and gaps in internet access limit business activity and lower Bangladesh's desirability as a destination for foreign investment. The report emphasises the crucial need for Business Process Reengineering (BPR) as a strategic approach to redesigning current processes, reducing redundancies, and increasing efficiency. Key recommendations include streamlining the registration process and licence application through a single digital platform, simplifying renewal procedures, and eliminating undocumented fees to promote transparency and accountability. Improving digital infrastructure and integrating sophisticated IT solutions should be prioritised to increase service delivery and operational efficiency. The report also argues for financial sector reforms to improve the availability of credit, particularly for small and medium-sized enterprises, and suggests encouraging sustainable practices to meet global standards. The envisioned reengineering is intended to produce a more responsive, transparent, and dynamic business environment. The study concludes that collaboration among government bodies, the private sector, and international partners is required to successfully implement these reforms, promoting a conducive environment for long-term sustainable economic growth and positioning Bangladesh as a competitive player in the global market.

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Acronyms

BIDA	Bangladesh Investment Development Authority
BDT	Bangladeshi Taka
BPR	Business Process Reengineering
BSTI	Bangladesh Standards and Testing Institution
DCCI	Dhaka Chamber of Commerce & Industry
DGDA	Directorate General of Drug Administration
DNCC	Dhaka North City Corporation
EPB	Export Promotion Bureau
NBR	National Board of Revenue
OECD	Organisation for Economic Co-operation and Development
SME	Small and Medium-sized Enterprises
RJSC	Registrar of Joint Stock Companies and Firms
TIN	Tax Identification Numbers
VAT	Value Added Tax

1. INTRODUCTION

Bangladesh, with an expanding market of over 170 million people, stands at the crossroads of significant economic advancement. However, its business landscape faces multifaceted challenges within the existing regulatory, institutional, and operational framework, which are crucial to understand for fostering a conducive environment for growth and development.

The regulatory environment presents a complex challenge, with cumbersome registration processes and ambiguous regulations creating compliance difficulties. International organisations such as the World Bank and the World Economic Forum have underscored the necessity for regulatory reforms to enhance the business climate, advocating for streamlined legal procedures and greater regulatory transparency to attract investments and encourage entrepreneurial activities. Furthermore, institutional inefficiencies severely disrupt the smooth functioning of businesses. The potential of both established enterprises and new market entrants is hindered by prevalent bureaucratic obstacles, which are compounded by an absence of accessible information and scattered efforts among government authorities. Streamlining processes and enhancing interagency collaboration are crucial changes that will promote a business ecosystem that is more responsive and dynamic (World Bank, 2021).

Operational challenges, highlighted by infrastructural limitations, inconsistent power supply, and disparities in digital access, compound the adversities businesses encounter. These problems undermine Bangladesh's attractiveness as a destination for foreign investment and business, in addition to impeding domestic operations. Improving technology and infrastructure strategically is essential to improving the operational environment (Kafi et al., 2008).

The systemic inefficiencies are starkly highlighted by Bangladesh's positions in the World Bank's Doing Business 2020 report (173rd out of 190) and the World Economic Forum's Global Competitiveness Report 2020 (105th out of 140) (World Bank, 2020). These rankings point to hurdles in regulatory navigation, permit acquisition, contract enforcement, business innovation, and technological adoption, indicating a critical need for Business Process Reengineering (BPR). The procedural delays in starting a business, averaging 15.5 days compared to the Organisation for Economic Co-operation and Development (OECD) average of 4.2 days, and complexities in trading across borders, reflect the inefficiencies in Bangladesh's business processes (World Bank, 2020). Challenges in the financial sector, notably in Small and Medium-sized Enterprises (SMEs) credit access due to a deficient credit information system (ranked 122nd globally), and the prolonged process of resolving insolvency, which averages 4.2 years, deter potential investments (World Bank, 2020). Corruption was identified as a significant barrier with Bangladesh scoring 25 out of 100 in Transparency International's Corruption Perception Index 2022 and 68 per cent of businesses citing it as the most problematic factor in the World Economic Forum's Global Competitiveness Report 2020, further complicating the business environment. The bureaucratic hurdles and a low score of 0.49 in the UNCTAD Digital Economy Report 2022 for e-government development underscore the urgent need for digital modernisation (IMF, 2020).

Efforts to reform Bangladesh's business and audit regulations have seen mixed results. The establishment of a Regulatory Reform Commission, which became dysfunctional a decade and a half ago, and fragmented reforms by individual ministries illustrate the challenges in implementing cohesive regulatory changes. The auditing sector's ad-hoc regulatory changes, aimed at enhancing audit quality through the establishment of the Financial Reporting Council (FRC) under the Financial Reporting Act of 2015 and interventions by the Bangladesh Securities and Exchange Commission (BSEC), confront obstacles such as family-dominated corporate ownership and a limited pool of qualified accountants. These challenges highlight the need for a central regulatory body to efficiently drive comprehensive reforms, ensuring a streamlined and supportive business environment for both domestic and international enterprises (Istiaq, 2021).

The concept of Business Process Reengineering (BPR) is introduced as a strategic response to these challenges. The BPR advocates for a radical revaluation and redesign of business processes to achieve dramatic improvements in critical performance measures such as cost, quality, service, and speed. This approach is seen as essential for addressing the entrenched inefficiencies and aligning Bangladesh's business practices with global standards, thereby improving its competitive stance and fostering a more conducive environment for business growth and development.

1.1 Objectives

The study has following five objectives:

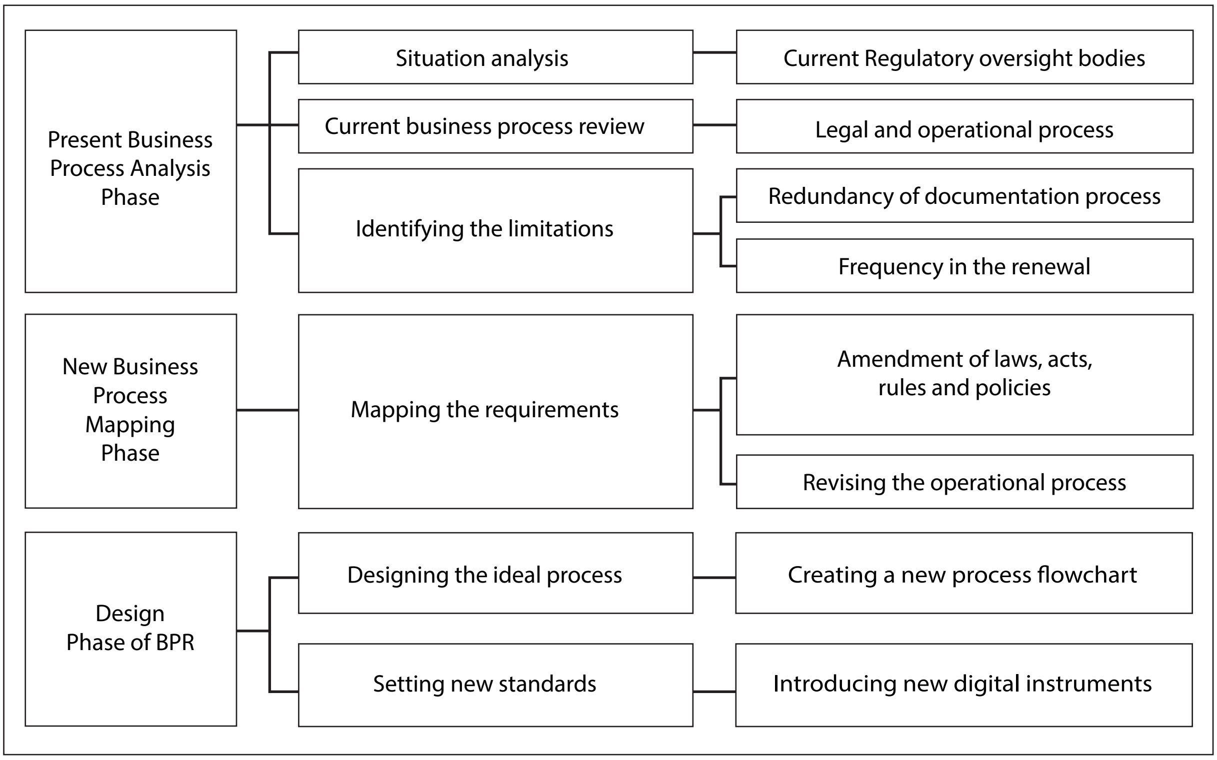
- ***Assessment of Business Operations:*** Conducting a thorough analysis of the operational modalities within Bangladeshi businesses to identify and rectify inefficiencies and competitive disadvantages.
- ***Identification of Operational Challenges:*** Evaluating operational processes to identify challenges for improving efficiency and responsiveness in the business landscape.
- ***Reformation of Institutional Barriers:*** Analysing and reforming institutional frameworks to eliminate constraints and enhance support for business growth in Bangladesh.
- ***Streamlining Regulatory Barriers:*** Reviewing and recommending changes to regulatory policies to reduce barriers and facilitate easier business operations and expansion in Bangladesh.
- ***Development of a Comprehensive Business Enhancement Strategy:*** Formulating a strategic guideline designed to facilitate an efficient business environment in Bangladesh.

2. ANALYTICAL FRAMEWORK AND METHODOLOGICAL ISSUES

The Business Process Reengineering (BPR) framework begins with the identification of regulatory, institutional, and operational limitations (Figure 1). It outlines a progression from recognising these challenges to redesigning processes for improved efficiency. The final stage shows the implementation of the new, streamlined processes, completing the cycle of business improvement.

There is available research that champions business process reengineering (BPR) for business efficiency. A study by Gunasekaran and Kobu (2002) underscores the critical role of BPR in aligning organisational procedures with overarching business goals. Their comprehensive review highlights the lack of formal mechanisms in effectively integrating business strategies with process redesign, a gap that often leads to the automation of outdated processes rather than their innovation and improvement. By surveying recently employed BPR methods and tools (1993-2000), they advocate for a strategic framework that involves modelling and analysis as central to understanding and implementing BPR effectively. This framework emphasises the selection of appropriate tools and techniques based on specific reengineering objectives, ensuring that BPR efforts are not only strategic but also aligned with the innovative capabilities offered by advanced information technology (Gunasekaran and Kobu,2002). O'Neill and Sohal (1999) critically examine the evolution

Figure 1: Conceptual flowchart of Business Process Reengineering



Source: Prepared by authors.

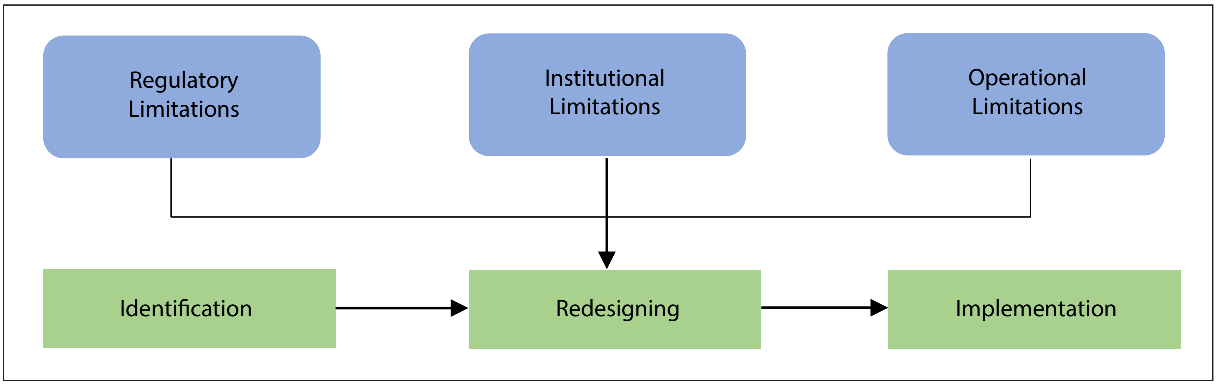
and application of BPR from the late 1980s to 1998. The review systematically categorises BPR strategies under six major themes: defining BPR, its tools and techniques, the relationship between BPR and TQM (Total Quality Management), understanding organisational processes, the reengineering challenge, and organisational redesign using BPR. They emphasise that successful BPR initiatives require a deep understanding of current business processes, strategic alignment, and integration with TQM principles (O'Neill and Sohal, 1999).

The present study employs a three-phase approach to BPR, focusing on understanding current processes, defining new requirements, and designing optimised procedures (Figure 2). Initially, it scrutinises the business environment, identifying inefficiencies like documentation redundancy and licensing complexities. The subsequent phase plans transformation through simplification of renewal processes and proposing policy amendments. Finally, the design phase actualises these plans, setting new operational standards and incorporating digital tools to ensure efficient, error-free operations.

2.1 Methodology

The report critically examines several legal and regulatory documents as well as the publication 'Business Start-up Licences: A Regulatory Guide, 5th Edition' published by BUILD and the Bangladesh Investment Development Authority (BIDA) to get insights into the overall operational framework of businesses and the challenges that arise from the existing process. This is complemented by key informant interviews with stakeholders from Mutual Trust Bank, Dhaka North City Corporation and relevant business personnel as well as focus group conversations with DCCI members, providing profound insights into the regulatory environment and the challenges it presents.

Figure 2: Limitations of Business Process Reengineering



Source: Authors' illustration.

2.2 Data collection process

Data collection combines primary and secondary sources for an in-depth understanding. Key informant interviews and focus group discussions provide first-hand knowledge of the regulatory landscape, with discussions recorded and transcribed for accuracy. The thematic analysis of interview, focus group discussion, and document review data allows for identifying patterns within the regulatory environment, contributing significantly to understanding its complexities and impact on business operations in Bangladesh. This approach acknowledges potential biases and the subjective interpretation of legal documents, ensuring findings are contextualised to their time and scope.

3. REVIEW OF THE PRESENT BUSINESS ENVIRONMENT IN BANGLADESH

3.1 Current business process review: Legal and operational process

The current business process for setting up and operating a general company in Bangladesh, encompassing both legal and operational aspects, reflects a comprehensive approach to ensure compliance and competitiveness. Legally, companies must navigate a multi-layered framework that involves registration, adherence to financial regulations, and labour laws. Operationally, emphasis is placed on establishing robust infrastructure, efficient supply chains, and effective market strategies. This process underscores the importance of understanding and adapting to Bangladesh's dynamic market and regulatory landscape. It also highlights the need for continuous monitoring and strategic planning, integrating aspects like corporate social responsibility and sustainability. While the process provides a structured approach to establishing and running a business, improvements in regulatory clarity, infrastructure, labour practices, and financial systems could greatly enhance the ease of doing business in Bangladesh.

Establishing a general company in Bangladesh involves several key legal and operational steps. The process starts with company registration at the Registrar of Joint Stock Companies and Firms (RJSC). This includes obtaining a Name Clearance, preparing and submitting the Articles and Memorandum of Association, and fulfilling other documentation requirements. After the initial registration with the RJSC, the company needs to ensure compliance with the Companies Act and other relevant laws. This includes regular filings, maintaining proper records, and adhering to corporate governance norms (BUILD, 2017).

For foreign participation, additional steps such as BIDA approval for foreign investment may be necessary. The company must then acquire various operational licences, which might include Trade Licences, Tax Identification Numbers (TIN), VAT registrations (for companies with an annual turnover of BDT 3,00,00,000 or more), Export and Import Registration Certificates, Factory or Establishment licenses, Fire Safety licences and Environmental Clearance Certificates, depending on the nature of the business. Specific regulatory licences may also be required for particular sectors e.g. BSTI certification for the food industry, Drug Licence from DGDA for the pharmaceuticals industry. Overall, more regulatory licencing requirements apply for manufacturing operations, compared to commercial operations or the service industry (BUILD, 2017).

Legal considerations encompass compliance with local labour laws, and company and business laws, ensuring proper employment contracts, and adhering to safety and environmental regulations. Regular tax compliance and adherence to financial reporting standards are also important considerations for any business. Operational processes involve setting up corporate governance structures, establishing a physical or virtual office space, and ensuring proper supply chain management. Engaging with local chambers of commerce and industry associations can provide valuable support and networking opportunities. Table 1 illustrates the necessary permits and documents required across different industrial and manufacturing sectors for Bangladesh.

Table 1: Permits needed for setting up a factory in different sectors

Readymade Garments (RMG) Industry	Leather and Leather Processing Industry	Pharmaceutical Industry	Food Processing Industry	Ceramic Manufacturing Industry
• Certificate of Incorporation	• Certificate of Incorporation	• Certificate of Incorporation	• Certificate of Incorporation	• Certificate of Incorporation
• Article of Association and Memorandum of Article	• Article of Association and Memorandum of Article	• Article of Association and Memorandum of Article	• Article of Association and Memorandum of Article	• Article of Association and Memorandum of Article
• Partnership Deed	• Partnership Deed	• Partnership Deed	• Partnership Deed	• Partnership Deed
• Trade Licence	• Trade Licence	• Trade Licence	• Trade Licence	• Trade Licence
• Fire Licence	• Fire Licence	• Fire Licence	• Fire Licence	• Fire Licence
• Factory Layout Plan from DIFE	• Factory Layout Plan from DIFE	• Factory Layout Plan from DIFE	• Factory Layout Plan from DIFE	• Factory Layout Plan from DIFE
• Factory or Establishment Licence from DIFE	• Factory or Establishment Licence from DIFE	• Factory or Establishment Licence from DIFE	• Factory or Establishment Licence from DIFE	• Factory or Establishment Licence from DIFE
• VAT Registration Certificate	• VAT Registration Certificate	• VAT Registration Certificate	• VAT Registration Certificate	• VAT Registration Certificate
• Tax Identification Number	• Tax Identification Number	• Tax Identification Number	• Tax Identification Number	• Tax Identification Number
• Directorate of Textile Registration	—	—	—	—
• Membership from BGMEA/BKMEA	• Membership from LFMEAB/BTA	• Membership from BAPI	• Membership from BAPA	• Membership Certificate from BCMEA
• Bank Solvency Certificate	• Bank Solvency Certificate	• Bank Solvency Certificate	• Bank Solvency Certificate	• Bank Solvency Certificate

(Table 1 contd.)

(Table 1 contd.)

Readymade Garments (RMG) Industry	Leather and Leather Processing Industry	Pharmaceutical Industry	Food Processing Industry	Ceramic Manufacturing Industry
—	—	• Product Inclusion and Trade Name Check	—	—
—		• Recipe Approval for Introduced and Non-introduced Products	—	—
—	—	• Drug licence from the DGDA	—	—
—	—	—	• Standard certificate from BSTI	—
• Export Registration Certificate	• Export Registration Certificate	• Export Registration Certificate	• Export Registration Certificate	• Export Registration Certificate
• Import Registration Certificate	• Import Registration Certificate	• Import Registration Certificate	• Import Registration Certificate	• Import Registration Certificate
—	—	—	• Phytosanitary Certificate for Export of Plant & Plant Related Products	—
—	—	—	• Import Permit of Plant & Plant-related Products	—
• Environmental Clearance Certificate	• Environmental Clearance Certificate	• Environmental Clearance Certificate	• Environmental Clearance Certificate	• Environmental Clearance Certificate
• Bond Licence	• Bond Licence	• Bond Licence	• Bond Licence	• Bond Licence
• Bonded Warehouse Licence	• Bonded Warehouse Licence	• Bonded Warehouse Licence	• Bonded Warehouse Licence	• Bonded Warehouse Licence
• Export Promotion Bureau (EPB) Enrollment Certificate	• Export Promotion Bureau (EPB) Enrollment Certificate	• Export Promotion Bureau (EPB) Enrollment Certificate	• Export Promotion Bureau (EPB) Enrollment Certificate	• Export Promotion Bureau (EPB) Enrollment Certificate

Source: Complied from 'Business Start-up Licenses: A Regulatory Guide' published by BUILD and BIDA and websites of various government bodies.

3.2 Situation analysis: Current regulatory oversight bodies

The current regulatory oversight in the business, financial and economic environment of Bangladesh encompasses several key organisations and bodies, each playing a crucial role in different aspects of business regulation. For clarity and efficiency in understanding their functions and impacts, these institutions have been broadly categorised under four umbrella terms: Fiscal Regulatory Institutions, Financial Regulatory Institutions, Certification Regulatory Agencies, and Monitoring/Regulatory Institutions.

Fiscal Regulatory Institutions, such as the National Board of Revenue (NBR) and the Customs Bond Commissionerate (CBC), are mainly responsible for the enforcement of fiscal policies, tax collection, and customs duties. They play a crucial role in shaping the country's fiscal environment, influencing trade dynamics, and ensuring a steady revenue stream for economic development. These institutions manage the delicate balance of facilitating trade and investment while safeguarding national economic interests.

Financial Regulatory Institutions, including the Bangladesh Bank, the Bangladesh Securities and Exchange Commission (BSEC), the Microcredit Regulatory Authority (MRA), and the Bangladesh Investment Development Authority (BIDA), regulate the banking sector, securities market, microfinance operations, and investment in the country. They ensure financial stability, promote fair practices in the investment and securities markets, and foster an environment conducive to economic growth and investor confidence.

Certification Regulatory Agencies such as the Office of the Registrar of Joint Stock Companies and Firms (RJSC), Fire Service and Civil Defence (FSCD), Department of Environment (DoE), and Dhaka North City Corporation (DNCC) are tasked with issuing necessary certifications and licences for business operations. These certifications ensure that businesses comply with local and international standards for safety, environmental protection, and corporate governance, thereby enhancing the credibility and operational integrity of businesses within and outside Bangladesh.

Monitoring/Regulatory Institutions, including the Bangladesh Telecommunication Regulatory Commission (BTRC), Financial Reporting Council (FRC), Department of Inspection for Factories and Establishments (DIFE), and others, oversee standards and regulations across various sectors. They monitor compliance, enforce regulations, and ensure the quality and safety of services and products, playing a critical role in protecting public interests and promoting sustainable business practices. Table 2 lists the relevant permits and documents issued by various regulatory agencies.

Table 2: List of permits and certificates provided by different regulatory oversight bodies

Regulatory Oversight Bodies	Name of Licences	Regulatory Oversight Bodies	Name of Licences
Bangladesh Bank	1. Establishment of new banks in the private sector	Dhaka North City Corporation (DNCC) and Dhaka South City Corporation (DSCC)	1. Trade Licence (for Commercial and Manufacturing firms)
Bangladesh Securities and Exchange Commission (BSEC)	1. Alternative Investment Fund 2. Fund Manager Registration 3. Venture Capital Firm	Department of Agricultural Extension (DAE)	1. Registration of Fertiliser Import and Production 2. Health Clearance Certificate for Plant and Plant Products 3. Pesticide Wholesale and Retail Licence 4. Phytosanitary Licence
Export Promotion Bureau (EPB)	1. Certificate of Origin 2. APTA Certification 3. EPB Enrollment Certificate 4. TPS-OIC Certification 5. GSP Certificate of Origin 6. SAFTA, SAPTA Certificate	Bangladesh Economic Zones Authority (BEZA)	1. Project Clearance 2. Work Permit & Visa Recommendation 3. Import and Export Permit 4. Local Sale and Purchase Permit 5. NoC for Bank Loan
Fire Service and Civil Defence (FSCD)	1. Fire Licence	Customs Bond Commissionerate (CBC)	1. Bonded Warehouse Licence 2. Licence for Customs Agent 3. Utilisation Permit

(Table 2 contd.)

(Table 2 contd.)

Regulatory Oversight Bodies	Name of Licences	Regulatory Oversight Bodies	Name of Licences
National Board of Revenue (NBR)	1. TIN Certificate 2. VAT Registration 3. Tax Holiday Certificate 4. Customs Clearance for Import and Export	Department of Environment (DoE)	1. Environment Clearance Certificate 2. Captive Power Plant 3. Environmental Clearance Certificate for Installation of Generator
Bangladesh Telecommunication Regulatory Commission (BTRC)	1. Licence for IGW, IIG and ICX Services 2. Licence for Voice over Internet Protocol Service Provider (VSP) 3. Licence for Internet Services Provider 4. Licence for Call Center and Cyber café	Department of Inspection for Factories and Establishments (DIFE)	1. Approval of Factory Plan 2. Certificate of Registration of Factories and Establishment
Office of the Registrar of Joint Stock Companies and Firms (RJSC)	1. Name Clearance Certificate 2. Registration of Private and Public Companies	Directorate General of Drug Administration (DGDA)	1. Licence for Drugs Export 2. Registration of foreign medicine 3. Project Approval for Pharmaceutical Business 4. Product Inclusion with Trade Name Check
Bangladesh Investment Development Authority (BIDA)	1. Recommendation Letter for import Registration 2. Registration of Local and Foreign Investments 3. License for Approval of Foreign Loan 4. Approval of Remittance 5. Approval/Extension of Work Permit for Expatriate	–	–

Source: Compiled from 'Business Start-up Licenses: A Regulatory Guide' published by BUILD and BIDA and websites of various government bodies.

The current structure, comprising numerous institutions each with its specific mandates and jurisdictions, presents a complex regulatory landscape for businesses operating in Bangladesh. This complexity often results in overlapping regulations, bureaucratic delays, and increased costs for businesses seeking to comply with the myriad of licencing and regulatory requirements. The challenge is further compounded for new entrants and foreign investors unfamiliar with the local regulatory environment.

To address these issues and enhance the ease of doing business, there is a compelling case for streamlining the regulatory process. The creation of an overarching body or a unified hub, or even bringing these myriad institutions under one or a few different umbrellas, could significantly simplify the process. A unified regulatory hub could drastically reduce the time and effort required to navigate through various regulatory processes (Allioui and Mourdi, 2023). By serving as a one-stop-shop for businesses seeking licences and compliance information, it would simplify operations and lower the administrative burden on businesses. Centralising regulatory processes can significantly improve transparency by making information about requirements, processes, and statuses accessible from a single point. This hub would serve as a single point of contact for businesses, markedly simplifying administrative procedures and reducing the time and effort required for regulatory navigation. This centralisation will not only lower the administrative burden on businesses but also improve transparency and accountability by consolidating information access (Allioui and Mourdi, 2023).

A unified system would address the issue of redundant regulations that emerge from the coexistence of multiple regulatory bodies, thereby clarifying compliance requirements and attracting more investment. However, the consolidation of numerous institutions under a single umbrella involves significant bureaucratic challenges and reconfiguring existing processes. There is a risk of creating an inflexible structure that may not cater adequately to the diverse needs of different sectors. It is, therefore, essential to balance centralisation benefits with industry-specific requirements.

Adopting technology to develop an integrated digital platform co evolutionizesise regulatory compliance. This platform could offer online applications, tracking, payments, and information dissemination, making regulatory compliance smoother and more accessible. While operating under a unified framework, the platform could have sector-specific windows managed by experts from those industries. This approach combines the benefits of centralisation with the expertise and focus of specialised regulatory bodies (ADB, 2022).

Implementing the unified system in phases, starting with sectors that face the highest regulatory burdens, can help in managing the transition effectively. Moving towards a unified regulatory framework in Bangladesh is a promising avenue for fostering a more business-friendly environment, conducive to economic growth. Despite the challenges, with appropriate planning and stakeholder engagement, this transformation can significantly streamline business processes.

4. IDENTIFYING THE OPERATIONAL AND INSTITUTIONAL BARRIERS

4.1 Redundancy of documentation process

In addressing the key constraints within the business processes of Bangladesh, a prominent issue emerges the extensive redundancy of documentation. This prevalent problem significantly impedes operational efficiency and places an unnecessary burden on business proprietors. Stakeholder interviews have highlighted that entrepreneurs frequently encounter a scenario where they are required to submit identical sets of documents multiple times, despite regulatory and standard guidelines suggesting a more streamlined approach.

For instance, to secure a release order for importing and exporting plant-based products, agro and agro-processing firms must provide a Phytosanitary Certificate for the export of such products. This is in addition to a trade licence and various documents related to the commercial invoice, packing list, and prescribed forms, among others. However, the process of obtaining the Phytosanitary Certificate itself necessitates the submission of these very documents (as shown in Table 3). Similarly, any manufacturing enterprise seeking a trade licence from the City Corporation is mandated to present a copy of its fire licence. This requirement is paradoxical, as the process to acquire the trade licence itself includes obtaining a fire licence.

This repetitive documentation not only escalates administrative costs but also fosters systemic inefficiencies. A significant underlying cause is disjointed coordination among governmental authorities, coupled with the absence of a unified document management strategy. The

Table 3: List of documents required to obtain permits in the agro-processing sector

	List of Licences to be obtained			
	Release Order for Import & Export of Plant & Plant-related Products	**Phytosanitary Certificate for Export of Plant & Plant-related Products**	**Wholesale Licence of Pesticide**	**Registration of Pesticide**
Required Documents	Phytosanitary Certificate for Export of Plant & Plant-related Products		Registration of Pesticide	
	Trade Licence	Trade Licence	Trade Licence	Trade Licence
	Packing List	Packing List	VAT Registration Certificate	VAT Registration Certificate
	Commercial Invoice	Commercial Invoice	Bank Solvency Certificate	Bank Solvency Certificate

Source: Complied from 'Business Start-up Licenses: A Regulatory Guide' published by BUILD and BIDA.

obligation to secure multiple licences and approvals from different agencies further compounds this issue, resulting in considerable delays and increased frustration for business owners. The cost of doing business is particularly high for startups due to the initial requirement to register and acquire numerous licences and certificates. It is suggested that certification can be implemented step by step with the business size or investment level. A specific time frame for each certificate could also be introduced to streamline the process.

4.2 Frequency in the renewal

The persistent need for frequent renewals of licenses and documents represents a notable impediment in the business environment of Bangladesh. Business owners and city corporation authorities, through a series of interviews, have shed light on the manifold challenges stemming from these recurring renewal requirements. A wide array of licences and permits, encompassing trade licences, fire licences, drug licences, and environmental clearances, necessitate annual renewals. This consistent necessity places a heavy administrative load on businesses, compelling them to allocate significant time and resources to this process, which detracts from their primary business activities.

A case in point is the annual renewal mandate for trade licenses. The Dhaka City Corporation categorises trade licences into 296 different types, with licence fees ranging from BDT 500 to BDT 50,000 Many countries, including India, issue trade licences in a streamlined manner. In Bangladesh, however, the process still involves seven to eight steps. Typically, trade licences are initially granted for a duration of one year, with the option for renewal extending up to five years concurrently. Despite the transition of the renewal process to a fully online system, businesses still require additional payment ranging between BDT 5,000 and 9,000 or even higher.

4.3 Addressing this redundancy

Addressing the redundancy in the documentation process and enhancing the application and renewal procedures is critical for improving the business landscape in Bangladesh. Such reforms would contribute to a more conducive business environment and are in line with the objectives of the Smart Bangladesh Vision 2041. This vision emphasises the need for efficient digital governance and streamlined administrative processes as pivotal to stimulating economic growth and development.

4.4 Frequent renewals

Furthermore, the requirement for frequent renewals disrupts the seamless flow of business operations. Entrepreneurs find themselves having to divert attention from essential strategic and productive endeavours to address the complexities of the renewal process. This shift not only leads to inefficiencies and a drop in productivity but also aggravates the complexities of an already convoluted bureaucratic system. Such circumstances may inadvertently give rise to delays and the potential for rent-seeking behaviours, further entangling the process of renewing these essential business document

4.4 Unaccounted fees and extended processing times in licencing

A critical and widespread issue in the sphere of business licensing in Bangladesh is the existence of unofficial and unregulated fees. These unaccounted charges place a significant financial strain on businesses operating within the country. Entrepreneurs frequently encounter situations where they are compelled to make these covert payments, leading to an atmosphere of unpredictability and escalating operational expenses (Figure 3). The necessity to pay these undocumented fees not only financially burdens businesses but also fosters a culture of non-transparency and informal dealings. Often perceived as the sole means to hasten the licencing process, these payments give rise to serious ethical and compliance dilemmas, highlighting the imperative need for a licencing system that is both transparent and fair, adhering to high ethical standards and offering equal opportunities to all business entities.

According to the Bangladesh Business Environment review (2023) by the Centre for Policy Dialogue, corruption has been identified as the foremost problematic aspect for businesses in Bangladesh. An alarming 67.6 per cent of businesses reported high levels of corruption as a major concern, citing a lack of transparency and accountability in business processes. This issue of corruption and the prevalence of undocumented fees and bribes profoundly impacts all business sectors, with 100 per cent of large companies, 66.67 per cent of medium-sized enterprises, and 61.9 per cent of small and micro enterprises identifying it as a major concern. Around 58.57 per cent of the businesses responded that bribes are largely common in the awarding of public contracts and licences (Moazzem and Anika, 2024).

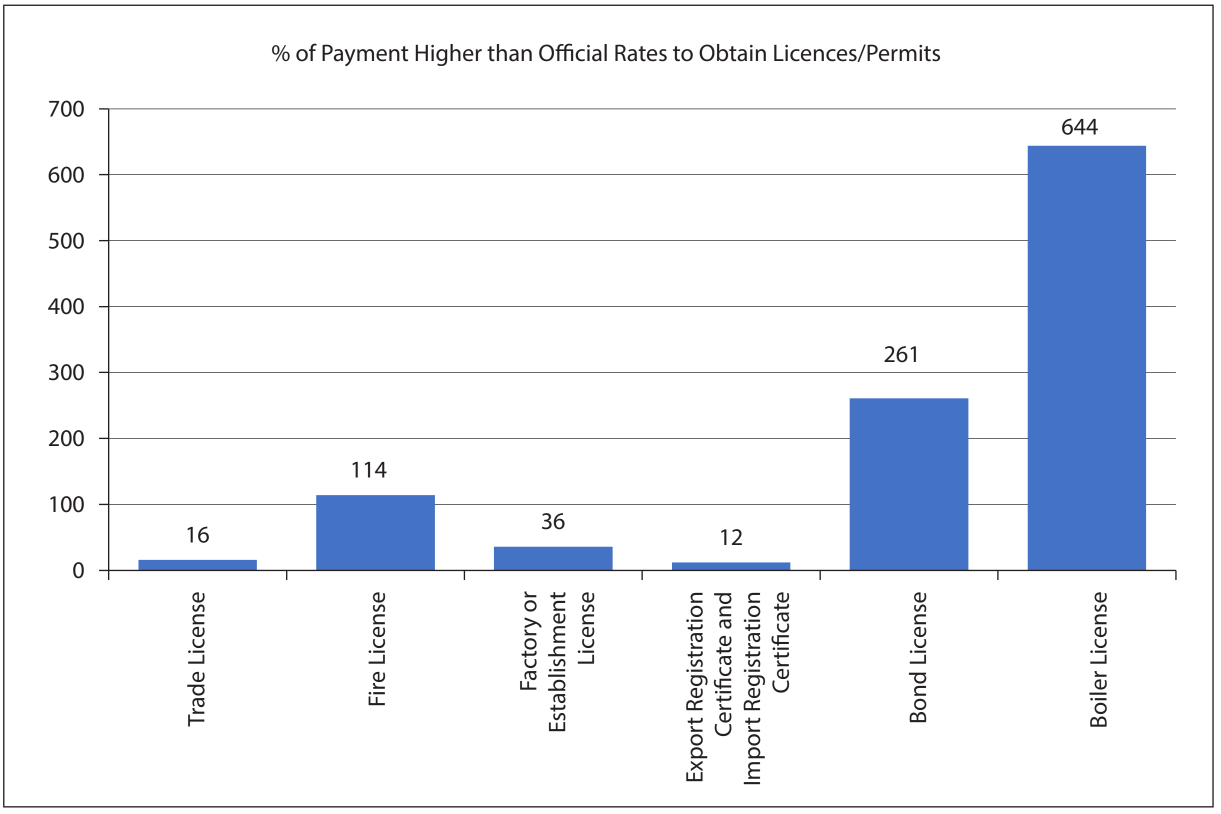
In Bangladesh, the process for obtaining and renewing business licences often involves expenditures that exceed the official quotations. According to a spokesperson from an organisation representing Small and Medium Enterprises (SMEs), the additional costs for securing essential permits, such as fire licenses and environment clearance licences, can range from 50,000 to 100,000 Bangladeshi Taka (BDT) over the official fees. The renewal of these licenses typically incurs a lesser expense, varying from BDT 500 to several thousand. Table 4 documents the breakdown of official enlisted fees and actual fees paid for the renewal of relevant licenses.

Furthermore, the timeline for the business licencing procedure frequently extends beyond the officially designated periods, leading to significant delays in acquiring the necessary licences and permits. For example, the renewal of a trade licence, which is stipulated to take no longer than seven business days, can realistically span 10 to 15 days. This processing duration is often influenced by factors such as the efficiency of the agents employed by businesses or additional fees paid to expedite the process.

These delays can have detrimental effects on business operations, including disruptions in ongoing activities, hindrances to expansion plans, and a reduction in investor confidence. Business owners are commonly compelled to navigate bureaucratic hurdles, which further prolong the already extensive licencing process.

Figure 3: The discrepancies between the actual cost and the additional costs incurred for license renewal for an RMG business

(In per cent)



Source: Collected from an anonymous business corporation.

As a coping mechanism, many opt to engage third-party agents to assist with the application and renewal procedures. A case in point is the approximately 220 tanneries in the Savar cluster, which rely on three to four agents to manage the burdensome paperwork and bureaucratic challenges.

4.5 Inefficiency of digital services

In Bangladesh, the integration of digital services into business operations, particularly regarding government-related processes, faces substantial challenges that significantly impact business efficiency. Key among these are inconsistent internet connectivity and the disproportionately high costs of digital services relative to average incomes, especially for smaller enterprises. Moreover, a prevalent lack of digital literacy and awareness further exacerbates these issues.

A critical area of concern is the online processing of essential business-related government services, such as licencing and registration. Despite initiatives towards digitalisation, many of these services are not fully automated. For instance, the Dhaka North City Corporation's claims of a completely digitised trade licence renewal and application process are contradicted by reports from business operators. They highlight the necessity of personal interactions with authorities, occasionally involving unofficial payments, to ensure smooth processing. This inconsistency primarily arises because, although documentation is submitted digitally, it undergoes manual verification to prevent fraudulent submissions. The sheer volume of applications makes this monitoring process challenging. Similar issues are observed in the registration processes for import and export businesses. For many licencing agencies, the one-stop service system is not fully operational; while online applications are possible, businesses often need to physically visit offices to expedite processes, leading to increased time and cost.

These inefficiencies in digital services not only lead to procedural delays and increased operational costs for businesses but also place them at a competitive disadvantage in the global market, which increasingly relies on robust digital infrastructures. The necessity for business reengineering in Bangladesh, therefore, becomes evident, requiring a more cohesive and effective approach to digitalisation in government services to bolster the business environment.

4.6 Disruption in the supply of power and other utilities

The power and utilities supply issues in Bangladesh have significant implications for the business environment. The core of these problems lies in erratic weather conditions and financial constraints impacting the country's ability to pay for fuel imports. This has led to an acute electricity crisis, characterised by frequent and prolonged power outages. Businesses face substantial operational challenges due to unpredictable and extended power cuts. In some regions, power outages last up to 10-12 hours, leading to significant disruptions in manufacturing, service delivery, and other business operations. Frequent fluctuations in power prices pose significant challenges for operational businesses, with power price increases potentially having a three or fourfold effect on business costs.

This unpredictability makes it difficult for businesses to plan and execute their operations efficiently. To cope with power shortages, businesses often have to resort to alternative power sources like diesel generators, which are costlier than grid electricity. This increases operational costs, directly impacting their profitability.

The power crisis affects both the production and service sectors. Manufacturing units struggle to maintain production schedules, leading to delayed order fulfilment and potential breaches of contract. Service-oriented businesses, like IT and BPO sectors, which rely heavily on uninterrupted power supply, face challenges in meeting their service level agreements. Furthermore, frequent power outages can disrupt the supply chain, affecting the timely delivery of goods and raw materials. This can lead to a ripple effect, impacting various businesses and industries dependent on these supply chains.

4.7 High rate of interest and lengthy procedure for getting loans

Bangladesh's business landscape presents a multitude of challenges that can impede entrepreneurial growth and economic development. One significant limitation pertains to the high-interest rates imposed on loans, particularly for firms seeking financial support (Table 4).

The central challenge lies in the high-interest rates for business loans, often reaching 10 per cent. This rate is notably higher compared to neighbouring countries such as India (9 per cent), Vietnam (6 per cent), Cambodia (1 per cent), and China (3.45 per cent). Such a disparity places a heavy financial burden on businesses, especially SMEs, which form the backbone of the economy. The Bangladesh Bank sets the benchmark interest rate, generally a percentage above the treasury bill rate. However, the current rates significantly increase the cost of capital, thereby discouraging entrepreneurship, hindering expansion, and limiting available resources for critical business operations.

Table 4: Dimensions and consequences of high-interest rates for businesses

Dimensions	Consequences
High-interest rates on business loans	Increased cost of capital, discouraging entrepreneurship and hindering business expansion.
Non-interest charges on loans	Additional financial strain due to supervision fees and processing fees, exacerbating financial burdens.
Cumbersome loan application and approval process	Delays in accessing funds, adding administrative complexities and documentation requirements.

Source: Author's analysis.

Beyond interest rates, businesses also face non-interest charges. The SME and retail sectors are subject to a 1 per cent supervision fee (Bangladesh Bank, 2022). The SME sector, in particular, encounters processing fees with a ceiling of BDT 20,000, which varies according to the loan amount. These added expenses further exacerbate the financial strain on businesses.

The cumbersome and time-consuming loan application and approval process adds another layer of challenge. Despite efforts to streamline, the process can extend to several days or more, contingent on the submission of all required documentation. This delay in accessing vital funds adds to the administrative complexities faced by business owners. Essential documents often include a trade licence, fire licence, drug licence, and environmental clearance. Additionally, for loans exceeding BDT 5 lakh, a tax clearance certificate from the National Board of Revenue (NBR) is mandatory, alongside a licence from the Department of Environment (DoE) to ensure loan repayment. As these requirements stem from regulatory bodies, banks have limited scope to reduce the documentation burden.

These limitations in securing loans have a domino effect on the growth and development of businesses, particularly SMEs, which are the lifeblood of the economy. A higher cost of capital and a prolonged loan approval process creates a less conducive environment for innovation, job creation, and overall economic progress. Therefore, addressing these challenges through policy reforms and improved banking practices is essential to foster a more favourable business ecosystem in Bangladesh.

4.8 Inadequate access to credit facilities

The availability of credit facilities is a crucial factor for the growth and sustainability of businesses, particularly for start-ups and SMEs. The Business Environment Report 2023 by the CPD highlights a significant issue: 38.03 per cent of businesses identified limited access to financing as a problem, a notable decrease from 54.87 per cent

Table 5: Dimensions and consequences of low credit availability for businesses

Dimensions	Consequences
Limited access to financing for start-ups and SMEs	Constrains growth, innovation, and daily operations due to lack of capital.
High collateral requirements and bureaucratic hurdles	Disproportionate impact on new/small businesses, leading to credit denial and stifling growth.
Restrictive credit terms and challenging credibility assessments	Financial strain and reduced operational efficiency due to misaligned repayment schedules and rigorous assessments.

Source: Author's analysis.

in 2021. However, challenges persist, especially for new entrepreneurs and SMEs (Moazzem & Anika, 2024).

Start-ups and SMEs often find themselves constrained by the lack of collateral required for traditional loans (Table 5). This limitation hampers their ability to scale, innovate, or even maintain daily operations. The process of securing credit is marred by a complex array of bureaucratic hurdles, including exhaustive paperwork, adherence to various regulations, and sometimes the acquisition of multiple licences and clearances. Such complexities not only consume time but also redirect resources from core business activities.

High collateral requirements disproportionately impact new and small businesses that may not possess sufficient assets to satisfy the demands of financial institutions, leading to credit denial. This stifles the growth potential of these businesses. Additionally, the costs associated with borrowing, like high-interest rates and processing fees, often deter businesses from seeking credit, thereby limiting their expansion and growth opportunities.

The credit terms, including repayment schedules and interest rates, can be restrictive and misaligned with a business's cash flow, leading to financial strain and reduced operational efficiency. In the case of new entrepreneurs, particularly those without a business background, credibility assessment is challenging. Factors like personal life, academic and family background, business plan, sector understanding, and potential recovery strategies in case of failure are scrutinised.

Coordination between various regulatory and financial institutions is ineffective, and government prioritisation seems limited to special economic zones, neglecting broader investment needs. The high cost of land or buildings for startups, coupled with the gradual reduction of government incentives without providing alternative support, further complicates the operational landscape.

For existing business owners seeking loans, banks typically assess the efficiency and credit repayment track record of their existing business, alongside the skillset required for the new venture. However, the loan amounts for SMEs are often so minimal that the cost of managing loan defaults outweighs the benefits.

The tannery sector faces a unique challenge. Many tanneries in the Savar cluster, which had to relocate from Hazaribagh, are yet to receive their land handover deeds. Coupled with low working capital and existing mortgages on their Hazaribagh properties, they struggle to meet the high collateral requirements for new loans.

Despite some improvement in access to finance, as indicated by the reduction in businesses reporting it as a problem from 2021 to 2023, significant challenges remain. Start-up entrepreneurs find it particularly difficult to obtain equity funding, with 50 per cent of respondents indicating this issue. Furthermore, 55.7 per cent of respondents, a 10 percentage point increase from 45.9 per cent in 2021, reported poor access to finance for SMEs, underscoring the need for more inclusive and accessible financial services to support the growth and sustainability of businesses in Bangladesh (Moazzem et al., 2022).

4.9 Challenges in the export and import support

Bangladesh's business environment faces significant challenges in both the export and import sectors, impacting its potential in the global market. A primary concern is the non-diversification of the country's export basket, heavily reliant on the readymade garment (RMG) sector. This overdependence on the RMG limits the growth and development of other promising sectors, such as leather products, plastics, jute products, agricultural goods, and home textiles, which possess considerable untapped potential.

Complicating this issue further are bureaucratic inefficiencies and regulatory barriers. High tariff rates, supplementary duties, and complex registration procedures create formidable obstacles for exporters. The lack of transparency in the regulatory and administrative systems further discourages both domestic and foreign investment, hampering the development of new projects in Bangladesh. Additionally, the challenges associated with profit repatriation and outbound financial transfers present significant hurdles for foreign investors and companies.

Quality standards and certifications also play a pivotal role in the export sector's competitiveness. For instance, the lack of Leather Working Group (LWG) certification for the Savar leather industrial park illustrates the difficulty in meeting international quality benchmarks. This gap hinders the global marketability of Bangladeshi products. Moreover, the absence of targeted government policies and initiatives to capture potential markets, such as China, restricts the country's ability to fully exploit available duty-free access to various markets.

In terms of imports, the situation is equally challenging. The approval rate for Letter of Credit (LC) applications was critically low last year, with only about 25 per cent being sanctioned (Bangladesh Bank, 2023). This limitation severely impacted sectors like agriculture, decelerating production. The ongoing dollar crisis exacerbates the situation, leading to higher import costs. Particularly affected are SMEs, which encounter an almost zero approval rate for LC applications, constraining their operational capabilities (According to a respondent from KII). Furthermore, the perception of widespread bribery in export and import transactions, as indicated by 55.7 per cent of businesses, reflects a broader issue of corruption and inefficiency within the system (Moazzem & Anika, 2024).

The leather sector faces unique challenges due to policy shifts by the National Board of Revenue (NBR), such as the cancellation of supervised bonds in favour of general bonds, affecting the sector's operational efficiency. These collective challenges create a constrained export and import environment in Bangladesh. They not only limit the country's ability to diversify and grow its economic presence in the global marketplace but also highlight the need for systemic reforms to improve efficiency, transparency, and competitiveness in the international trade arena.

5. IDENTIFYING THE REGULATORY AND LEGAL BARRIERS

5.1 Bureaucratic administration of taxes and customs

The taxation system in Bangladesh, as analysed in various studies, exhibits considerable limitations that impede efficient business operations. This system is often described as primitive and inefficient, particularly when compared to global standards. A significant reliance on trade taxes characterises the country's tax structure, which can lead to distorted resource allocation, especially affecting export industries. This issue is further magnified by a low tax-to-GDP ratio, one of the lowest globally, highlighting the inefficiencies in both tax collection and policy implementation (Table 6).

The NBR of Bangladesh confronts several challenges, including management, organisational, and capacity constraints. These limitations contribute to prevalent issues of tax fraud and tax avoidance. The current VAT management procedures and core business processes are predominantly manual and administratively intensive. This situation underscores the urgent need for modernisation to enhance compliance, transparency, and efficiency in the tax system.

Table 6: Dimensions and consequences of bureaucratic limitations of tax and customs system for businesses

Dimensions	Consequences
Primitive and inefficient taxation system	Distorted resource allocation and low tax-to-GDP ratio, affecting export industries.
Management, organisational, and capacity constraints at NBR	Prevalence of tax fraud and avoidance, highlighting inefficiencies in tax collection.
Manual VAT management procedures and harassment issues	Administrative burden and perceptions of harassment, undermining compliance and transparency.

Source: Author's analysis.

In practice, businesses frequently encounter difficulties when interacting with the VAT/Tax administration. Instances of harassment have been reported even after VAT/Tax payments have been cleared. Tax payments are typically assessed through a third party, with non-compliance leading to potential disqualification. Moreover, the requirement for businesses to maintain tax records dating back as far as five years imposes a significant administrative burden. There are reports of these previously assessed files being randomly selected for reassessment, a practice perceived by businesses as a means of harassment or extortion.

The VAT filing system, despite its digitalisation, has not fully mitigated these challenges. Officials from the VAT or NBR office reportedly continue to solicit bribes, with 57.1 per cent of businesses believing that bribery is common in tax-related interactions, an increase from 47.8 per cent in 2021. Furthermore, the tax system is perceived as complex and burdensome, with 59.4 per cent of businesses indicating difficulties in compliance (Moazzem & Anika, 2024).

5.2 Limitations within the legal framework

In the recent review of Bangladesh's legal and regulatory frameworks, several significant provisions have been identified that may create complexities and challenges for the business community. This section thoroughly examines these provisions and the resultant problems, providing a comprehensive analysis structured around the key legislative changes and their impacts on the business environment in Bangladesh.

Income Tax Act 2023

The Income Tax Act 2023 introduces provisions that have profound implications for the business sector. A notable change is the requirement for taxpayers to collect proof of submission of tax return (PSR) to deduct business expenses. This poses a significant challenge in an economy with a substantial informal sector, where obtaining PSRs can be difficult, leading to potential disallowances of legitimate expenses and escalating business costs. Moreover, the act has abolished the provision that allowed businesses to pay salaries up to BDT 20,000 in cash. This necessitates the use of mobile financial services (MFS), which could impose additional transaction fees, disproportionately affecting marginal income earners and potentially reducing their net earnings. Furthermore, the act grants tax officials extensive rights to search buildings and vehicles for income records, raising concerns over privacy, potential abuse of power, and disruptions to business operations. The mandate for financial statement audits by a chartered accountant for all companies, regardless of size, imposes a financial burden on small businesses, potentially stifling entrepreneurship and growth during their critical early stages.

VAT and Supplementary Duty Act of 2012

The VAT and Supplementary Duty Act of 2012 has been amended to address the treatment of damaged or destroyed goods, aiming to provide relief to businesses. However, this introduces complexities in VAT accounting, complicating tax filings and record-keeping. The provisions for increasing and decreasing adjustments in VAT calculations add another layer of complexity, potentially exacerbating the administrative burden on businesses. Additionally, the act's broad definition of 'supply' could lead to uncertainties in VAT liabilities, especially for services such as entertainment and catering. The handling of VAT exemptions and the responsibility of withholding VAT at source could lead to scenarios of double taxation, especially if exemptions granted conflict with the VAT charged by suppliers.

Bangladesh Companies Act of 1994 and 2020

The Companies Act has seen significant revisions, including an increase in the paid-up capital requirement for One-Person Companies (OPCs) to BDT 25 lakhs. This discourages sole entrepreneurs from utilising the OPC structure, potentially constraining the growth of small businesses due to complex registration and operational obligations. The abolition of the common seal requirement simplifies some processes but raises concerns regarding document authentication. New sections allow companies to appoint individuals as attorneys for document execution, which could be misused if not carefully regulated. The absence of clear provisions for mergers and acquisitions, as well as for alternative dispute resolution (ADR) and transparency, indicates significant gaps in the law that could impact corporate governance and the ease of doing business. Additionally, the lack of alignment with modern financial systems underscores the need for legal updates to support business innovation and investment. Operational procedures governed by the RJSC and the jurisdiction of Company Courts are areas of concern. The lack of modern ICT resources and reliance on outdated processes at the RJSC lead to inefficiencies and delays in company registrations, affecting transparency and investor confidence. With only a limited number of Company Courts handling numerous cases, there is a notable delay in the resolution of corporate disputes, underscoring the need for expansion to expedite dispute resolutions. The sections related to corporate governance, such as the appointment of independent directors and auditors, highlight deficiencies in ensuring transparency and accountability. Conflicts between company law and stock market laws create legal ambiguities, impacting businesses listed on the stock exchange and complicating compliance.

6. NEW BUSINESS PROCESS MAPPING PHASE

6.1 Mapping the requirements for operational limitations

Table 7 addresses operational hurdles faced by businesses in Bangladesh and proposes strategic recommendations aimed at fostering a more agile and responsive business environment. The table outlines systematic solutions for reducing documentation overlap, simplifying licencing renewals, and enhancing financial processes, which are pivotal for improving the overall efficiency of business operations.

Table 7: Limitations for businesses within the legal framework

Law	Dimensions	Consequences
Income Tax Act	Disallowance of expenses without Proof of Submission of Tax Return (PSR)	Businesses face challenges due to the informal economy's reluctance to issue PSR, risking the disallowance of legitimate expenses and increasing operational costs.
	Abolition of cash payments over BDT 20,000 for salaries	This change forces businesses to adopt digital payment methods, potentially reducing net earnings for low-income workers due to transaction fees.
	Tax officials' search and seizure rights	Grants tax authorities extensive powers, raising privacy concerns, the potential for misuse, and disruption to legitimate business operations.
	Mandatory audits by chartered accountants for all companies	Imposes financial burdens on small businesses, which may struggle with the costs of compulsory professional audits.
	Prohibition on offsetting losses from one business against another	Impacts conglomerates and diversified businesses by removing the ability to mitigate financial risks through loss offsetting, potentially discouraging expansion.
	Tax on income generated by employee welfare funds	This new tax undermines private sector employees' retirement benefits and contradicts social security efforts, creating a disparity with tax-exempt government funds.
	Capital Gain Tax (CGT) regime inconsistencies	The varying CGT rates introduce investment uncertainty and administrative burdens, complicating compliance and deterring potential investors.
VAT and Supplementary Duty Act	Treatment of damaged or destroyed goods in VAT filings	Introduces complexities in accounting and tax filings for businesses, making it challenging to accurately account for VAT on damaged goods.
	Complexities in VAT adjustments	The detailed rules for increasing and decreasing VAT adjustments add to the complexity of VAT filings, increasing the administrative burden on businesses.
	Broad 'Supply' definition under VAT law	The expansive definition of 'supply' can lead to uncertainties in VAT liabilities, especially for services like entertainment, catering, and interior design.
	VAT exemptions and Withholding VAT at Source	Conflicts in VAT exemptions and withholding responsibilities can result in double taxation, particularly when exemptions and charged VAT do not align.
Bangladesh Companies Act	High Paid-up Capital Requirement for One-Person Companies (OPCs)	Discourages entrepreneurs from forming OPCs due to high capital requirements and burdensome operational obligations, hindering small business growth.
	Abolition of the common seal requirement	Simplifies some procedural aspects but raises concerns about document authentication and formalities in business transactions.
	Appointment of individuals as company attorneys	Allows companies more flexibility in document execution but poses risks regarding the extent of authority granted and its potential misuse.
	Absence of clear merger and acquisition (M&A) provisions	The lack of detailed M&A guidelines presents challenges in navigating legal and competitive landscapes for businesses seeking to restructure.

(Table 7 contd.)

(Table 7 contd.)

Law	Dimensions	Consequences
	Need for Alternative Dispute Resolution (ADR) and transparency measures	The absence of ADR provisions and mandates for independent directors in the law highlights gaps in resolving disputes and ensuring corporate governance transparency.
	Misalignment with modern financial systems	The current law does not adequately address the needs of modern financial transactions and systems, necessitating updates to support business growth and investment.
	Inefficiencies in the Registrar of Joint Stock Companies and Firms (RJSC) operations	Outdated processes and a lack of modern ICT resources at the RJSC lead to registration delays and transparency issues, affecting business confidence.
	Limited jurisdiction and capacity of Company Courts	The small number of Company Courts and their limited jurisdiction result in slow dispute resolutions, impacting corporate operations.
	Restrictions on AGM locations and shareholder participation	Requirements for physical AGM locations limit shareholder participation, while inconsistencies with stock market laws pose compliance challenges.
	Gaps in corporate governance and accountability	The absence of mandatory independent directors and auditors in the law may lead to governance issues, lack of transparency and accountability in corporate practices.

Source: Complied from review of legal documents, articles, blogs and opinion pieces [(Income Tax Act 2023, 2023) (Bangladesh VAT and Supplementary Duty Act 2012, 2012) (Bangladesh Company Law 2020, 2020) (Bangladesh Company Act 1994, 1994)].

6.2 Mapping the requirements for legal limitations

Table 8 and 9 presents a critical analysis of the current legal frameworks impacting Bangladeshi businesses, particularly the Income Tax Act 2023 and the Bangladesh Companies Act. It offers targeted recommendations to refine these legal structures, including tax reforms and corporate governance improvements, to align with international standards and support economic growth.

Table 8: Solutions for overcoming operational limitations

Limitation	Recommendations	Target Regulatory Bodies
Duplication of required documents for licences	Unified document management to minimise duplication. Accelerate service digitalisation, aiming for a consolidated digital platform for business-related governmental services, registrations, and licencing thus reducing redundancy and enhancing efficiency.	National Board of Revenue (NBR), Directorate of Factories and Establishments (DIFE), Fire Service and Civil Defence (FSCD), Bangladesh Standards and Testing Institution (BSTI), Department of Environment (DoE), Directorate General of Drug Administration (DGDA), Registrar of Joint Stock Companies and Firms (RJSC), Bangladesh Investment Development Authority (BIDA), Dhaka North City Corporation, Dhaka South City Corporation, Customs Bond
Time-consuming renewal process	Simplify renewal procedures, prolong license validity reduce the frequency of renewals, and customise renewal schedules to business needs, easing administrative burdens and aligning with sector-specific demands.	
Undocumented fees and extended processing times	Establish a transparent, fair licensing system with clear documentation of all fees and accountable fee collection. Strengthen oversight and accountability to combat corruption. Align licencing practices with international governance standards	

(Table 8 contd.)

(Table 8 contd.)

Limitation	Recommendations	Target Regulatory Bodies
		Commissionerate (CBC), Export Promotion Bureau(EPB)
High interest rates and lengthy approval process	Reassess interest rates for competitiveness and streamline the loan application and approval process with more flexible lending criteria. Innovate credit assessment models to boost credit access to SMEs and startups	Bangladesh Bank, SME Foundation, Commercial Banks, Financial Institutions, Bangladesh Investment Development Authority (BIDA)
Limited access to financing, especially for SMEs	Develop broader and inclusive financing options for SMEs with lower collateral demands and provide targeted support, including financial aid and mentorship, to nurture small and emerging businesses.	
Primitive and inefficient tax system	Modernise the tax system to enhance efficiency and transparency, enhance compliance mechanisms and align with international best practices, and provide ongoing training for officials to improve digital system proficiency.	National Board of Revenue (NBR), Ministry of Finance
Inconsistent internet connectivity and high costs	Strengthen digital infrastructure and accessibility. Automate and streamline government procedures to reduce delays and costs, leveraging public-private partnerships to enhance digital connectivity.	Ministry of Posts, Telecommunications and Information Technology (MoPTIT), Bangladesh Telecommunication Regulatory Commission (BTRC)
Unpredictable power supply and extended outages	Invest in robust infrastructure for a consistent power supply, offer incentives for alternative energy, and ensure infrastructure policies are periodically reviewed to maintain relevance and efficiency.	Ministry of Power, Energy and Mineral Resources (MoPEMR), Bangladesh Power Development Board (BPDB)
Bureaucratic inefficiencies and regulatory barriers	Refine trade regulations and procedures, create targeted market access policies ensuring compliance with global standards, and engage in public-private partnerships to reduce regulatory barriers.	Ministry of Commerce, Bangladesh Investment Development Authority (BIDA), Ministry of Industries
Adherence to International Standards	Ensure that licencing, regulation, and business operations adhere to international governance and ethics standards, with regular policy reviews to stay aligned with global benchmarks.	Ministry of Commerce, Bangladesh Investment Development Authority (BIDA), Ministry of Industries
Support Mechanisms for New and Small Businesses	Provide targeted support for small and emerging enterprises, including financial aid, mentorship, and streamlined bureaucracy. Formulate policies to address the unique challenges of start-ups and SMEs.	SME Foundation, Bangladesh Bank, Bangladesh Investment Development Authority (BIDA)
Public Private Partnerships	Foster public-private partnerships to utilise private sector expertise in streamlining governmental functions and improving service delivery, and collaborate on infrastructure, digitalisation, and innovation efforts.	Ministry of Finance, Bangladesh Investment Development Authority (BIDA), Ministry of Commerce
Regular Review and Continuous Improvement	Establish a system for regular review of business processes. Encourage stakeholder feedback and incorporate continuous improvement practices in governmental operations.	Ministry of Commerce, Ministry of Industries, Bangladesh Investment Development Authority (BIDA)

Source: Author's analysis.

Table 9: Solutions for Overcoming Legal Limitations (Income Tax Act 2023) (Bangladesh VAT and Supplementary Duty Act 2012) (Bangladesh Company Law 2020) and (Bangladesh Company Act 1994)

Laws	Provisions	Recommendations	Target Regulatory Body
Income Tax Act 2023	Disallowance without PSR	Incentivise electronic transactions for PSR collection and provide alternatives for proof of expenditure.	Ministry of Commerce (MoC)
	Abolition of cash salary payments	Subsidise MFS fees or seek alternative, cost-effective salary payment methods.	
	Search and seizure by tax officials	Require warrants for searches and establish transparent procedures with legal recourse options.	
	Mandatory audits for all companies	Adopt a risk-based audit approach with exemptions or simplified procedures for small businesses.	
	Loss offsetting prohibition	Reintroduce loss offsetting to support business diversification and risk mitigation.	
	Tax on employee welfare fund incomes	Reassess welfare fund taxation to ensure parity with government funds and protect retirement benefits.	
	CGT regime	Standardise CGT rates and provide clear guidelines to ease investor compliance.	
VAT and Supplementary Duty Act of 2012	VAT on damaged goods	Simplify VAT accounting for damaged goods to ease tax filing processes.	Ministry of Finance (MoF)
	VAT adjustments complexity	Offer clear guidelines and support for navigating VAT adjustments.	
	'Supply' under the VAT act	Clarify the definition of 'supply' and streamline exemptions to prevent double taxation.	
	VAT exemptions and withholding	Align VAT exemptions with supplier charges and clarify withholding responsibilities.	
Bangladesh Companies Act	High OPC capital requirement	Reduce capital requirements to foster entrepreneurship and simplify OPC setup.	Ministry of Commerce (MoC)
	Abolition of the common seal	Establish alternative authentication mechanisms and streamline verification.	
	Power to appoint attorneys	Define attorney authority scope and establish accountability safeguards.	
	Lack of M&A provisions	Create clear M&A provisions to simplify processes and reduce costs.	
	No ADR and transparency provisions	Introduce ADR mechanisms and mandate independent directors for transparency.	
	Misalignment with modern financial systems	Update laws to reflect modern financial practices and incentivise formalising the informal sector.	

(Table 9 contd.)

(Table 9 contd.)

Laws	Provisions	Recommendations	Target Regulatory Body
	Company reconstruction challenges	Align with competition laws and simplify reconstruction and amalgamation processes.	
	RJSC operational inefficiencies	Invest in ICT for RJSC and streamline processes for better efficiency and transparency.	
	Limited Company Courts	Expand the number and jurisdiction of Company Courts to reduce corporate dispute delays.	
	AGM and shareholder participation	Enable virtual AGM participation and align with stock market regulations.	
	Corporate governance gaps	Require the appointment of independent directors and auditors for enhanced governance.	
	Stock market law conflicts	Resolve discrepancies between company and stock market laws for clearer compliance.	

Source: Complied from the review of legal documents, articles, blogs and opinion pieces [(Income Tax Act 2023, 2023) (Bangladesh VAT and Supplementary Duty Act 2012, 2012) (Bangladesh Company Law 2020, 2020) (Bangladesh Company Act 1994, 1994)].

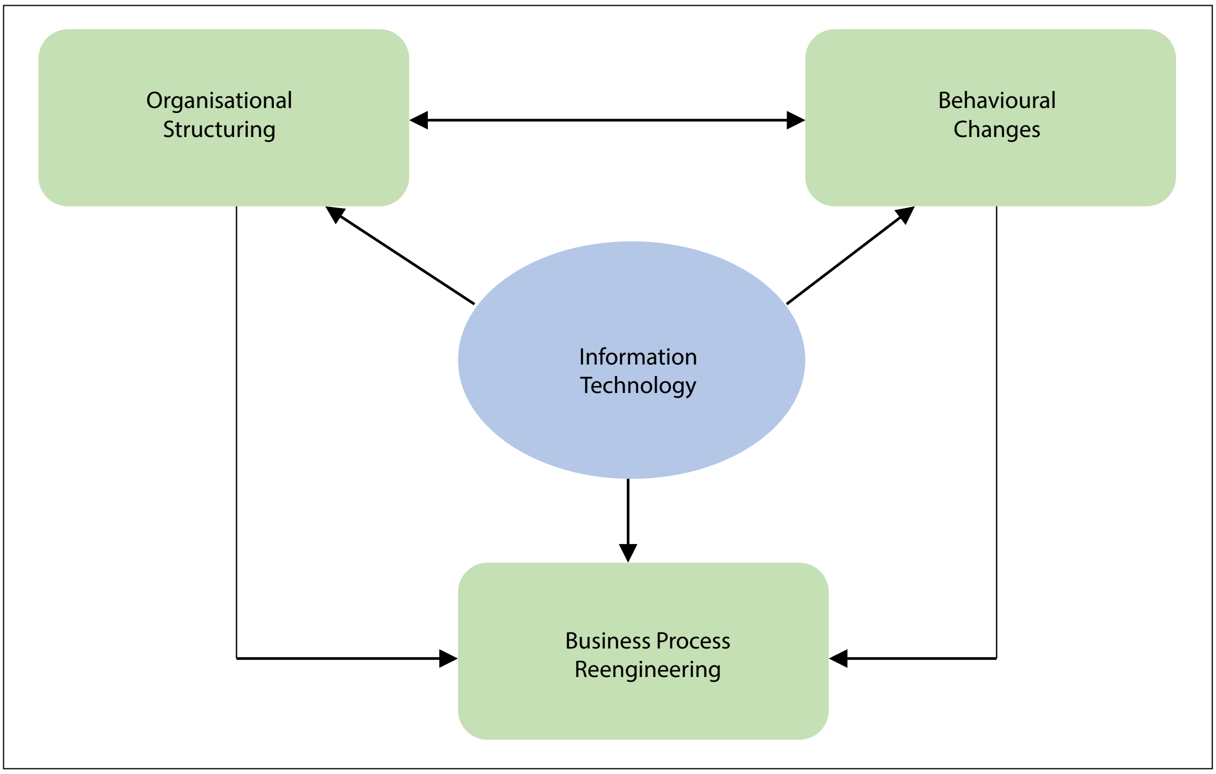
7. NEW BUSINESS PROCESS DESIGN PHASE

In Bangladesh, business activities are often obstructed by a challenging regulatory environment, extensive administrative processes, and insufficient infrastructural facilities. These obstacles are intensified by constrained access to financing, bureaucratic complexities, and opaque government operations. Despite improvements, the nation's digital infrastructure remains below international benchmarks, impacting the efficacy of business functionalities and service provision. Additionally, frequent electricity disruptions and substandard utility services present considerable challenges, especially for the manufacturing sector (Bian & Co, 2023).

To counter these impediments, a significant need for Business Process Reengineering (BPR) has emerged (Figure 4). BPR advocates for a fundamental re-evaluation and restructuring of business operations to realise substantial gains in essential performance metrics such as cost efficiency, quality, service, and speed. Its primary aim is to discard redundant activities and optimise processes, thereby elevating the country's competitive edge on a global scale (Bian & Co, 2023).

The endeavour to reengineer business processes in Bangladesh could benefit immensely from the successful BPR implementations observed in countries like China, India, and Vietnam. These nations have demonstrated considerable advancements in their business environments through regulatory reforms, digital transformation, and the promotion of innovation and entrepreneurship, providing a valuable framework for Bangladesh to emulate. Moreover, the role of advanced information technology (IT) in facilitating BPR cannot be overstated. By integrating IT solutions, businesses can automate operations, enhance communication, and leverage real-time data, which is instrumental in making informed decisions and improving operational efficiency (Gunasekaran & Ichimura, 1997).

Figure 4: Business process reengineering



Source: Author's illustration based on Gunasekaran, A., & Ichimura, T. (1997).

The envisioned New Business Process Mapping Phase for Bangladesh aims to establish a re-engineered business ecosystem that is not only more efficient but also more adaptable to market dynamics. This initiative seeks to foster a conducive environment for growth, innovation, and competitiveness, aligning with the nation's goal to position itself as a leading economy in the region (Bian and Co, 2023)

Figure 4 illustrates how Business Process Reengineering (BPR) can address the complex business processes in Bangladesh. BPR focuses on fundamentally rethinking and redesigning business processes to achieve significant improvements in performance metrics such as cost, quality, and speed. IT is positioned at the centre, highlighting its crucial role in enabling BPR. IT integrates various elements, facilitating streamlined processes, automation, and enhanced efficiency and supports the implementation of BPR by providing tools for process mapping, workflow automation, and data analytics. BPR leads to changes in organisational structure, aligning it with streamlined processes and enhanced IT capabilities. New structures are more flexible, allowing quicker adaptation to change and reducing bureaucratic inefficiencies. Successful BPR requires changes in organisational culture and employee behaviour, fostering a mindset of continuous improvement and adaptability. IT facilitates training programmes and knowledge sharing, helping employees adapt to new processes and technologies.

A. Streamlined Registration and Licencing

- ***Creation of an Integrated Online Platform:*** Develop a comprehensive digital platform designed to streamline all business registration and licencing procedures. This platform will serve as a central hub for entrepreneurs and business owners, facilitating the registration and licencing processes in a more efficient and user-friendly manner.

- ***Simplification of Registration Process with Business Identification Number (BIN):*** The platform will introduce the concept of a Business Identification Number (BIN). Upon submission of essential documents such as National Identification (NID), partner photographs, evidence of premises (rent receipt or ownership proof), and a certificate of incorporation, businesses will be assigned a unique BIN. This BIN will serve as a singular reference for all future transactions, submissions, and tracking of applications on the platform. The aim is to eliminate the need for repetitive paperwork and physical visits, thus saving time and resources for business operators.
- ***One-Stop-Shop Approach for Licences and Permits:*** To further enhance efficiency, the platform will adopt a one-stop-shop model (Figure 5). This approach will allow businesses to apply for and obtain multiple licences and permits through a single, integrated process. By doing so, we aim to minimise redundant documentation requirements and significantly expedite the overall licencing process.

B. Digital Transformation of Government Services:

- Digitise all government services related to businesses, including tax filings, customs clearances, and environmental approvals with complete automation. This should include the integration of AI and machine learning tools for efficient processing and decision-making.
- Provide e-governance solutions for real-time communication between businesses and government agencies, improving transparency and reducing corruption.
- Utilise AI and machine learning for real-time processing of tax filings, customs clearances, and environmental approvals to support manufacturing and service-based business companies.
- Implement digital solutions for land registration and agricultural subsidies management.
- Offer e-governance solutions for real-time communication between businesses and government agencies and improve transparency and reduce corruption through enhanced digital interaction.

Responsible Organisations: Ministry of Information and Communication Technology, Bangladesh Telecommunication Regulatory Commission (BTRC), Ministry of Commerce(MoC), Ministry of Finance (MoF), Ministry of Industries (MoI) and respective industry regulatory bodies such as the Bangladesh Investment Development Authority (BIDA).

C. Incentivisation and Support for SMEs and Startups

- Create special economic zones with tax incentives, infrastructural support, and simplified regulatory processes specifically

Figure 5: One-Stop-Shop Approach for Licences and Permits

Source: Author's illustration.

designed for small and medium enterprises (SMEs) and startups.
- Offer customised incentives tailored to different sectors, such as technology parks for IT startups and agro-processing zones for agricultural SMEs.
- Establish incubation centres that provide mentorship, funding, and networking opportunities for new entrepreneurs.
- Include sector-specific support programmes, such as tech incubators, light engineering incubators and creative industry hubs.

Responsible Organisations: SME Foundation, BIDA, Ministry of Industry, Ministry of Commerce

D. Enhanced Financial Access and Support

- Reform the banking and financial sector to offer lower interest rates and streamlined loan processes for businesses, especially SMEs.
- Introduce government-backed schemes to provide seed funding and grants for innovative business ideas and models.
- Introduce biometric verification for bank loan collateral and land registration to enhance the security and reliability of financial transactions while making the process easier for businesses.
- Separate targets should be set for startup financing for commercial financial institutions, with the government acting as a guarantor for a certain number of startups annually to facilitate entrepreneurship.

Responsible Organisations: Bangladesh Bank, Ministry of Finance, SME Foundation.

E. Capacity Building and Skill Development

- Collaborate with educational institutions and professional bodies to offer training programmes and workshops in business management, digital literacy, and entrepreneurship.
- Develop sector-specific training modules, such as advanced manufacturing techniques for the industrial sector and digital marketing for the service sector.
- Introduce regular training programmes for government officials and employees to update their skills in line with the latest digital governance practices and include specialised training on sector-specific regulations and compliance requirements.

Responsible Organisations: Ministry of Education, Bangladesh Public Administration Training Centre (BPATC), Ministry of Industries.

F. Robust Regulatory Framework

- Regularly update and simplify the regulatory framework to align with international best practices and the changing economic landscape.
- Ensure sector-specific regulatory updates, such as modernising ICT laws for the technology sector and streamlining health regulations for pharmaceuticals.
- Establish an independent regulatory body to oversee the effective implementation of these reforms and to ensure continuous improvement.
- Implement a Regulatory Impact Assessment (RIA) system to evaluate the economic impact of regulatory changes before they are implemented, particularly concerning input price adjustments. This would involve both hypothetical and numerical assessments of potential regulatory impacts.

Responsible Organisations: Ministry of Law, Independent Regulatory Agencies, Ministry of ICT.

G. The Establishment of Database and Investment Guidelines

- There is an absence of sector-specific data on local demand and production, which

hinders effective business planning. The establishment of a database on sector-specific producers would facilitate easier market entry for new businesses.
- Implement sector-specific investment guides that provide essential information and act as comprehensive guides for new entrants, summarising key sector data and regulatory requirements.

Responsible Organisations: Ministry of Commerce, Independent Regulatory Agencies, Ministry of Health, Ministry of ICT, BIDA

H. Monitoring and Feedback Mechanism

- Implement a robust monitoring system to regularly assess the performance of the new business processes.
- Use sector-specific performance indicators, such as compliance rates in manufacturing and turnaround times for service sector applications.
- Create a feedback loop involving businesses, government agencies, and other stakeholders for continuous improvement of the processes.
- Include sector-specific feedback channels, allowing businesses to provide targeted input on regulatory and operational issues.

Responsible Organisations: Ministry of Commerce, BIDA, Sectoral Business Associations.

I. Sustainability and Environmental Compliance

- Encourage businesses to adopt sustainable practices by providing incentives for green technology and compliance with environmental regulations.
- Offer sector-specific green incentives, such as subsidies for energy-efficient machinery in manufacturing and grants for sustainable agriculture practices.
- Integrate environmental impact assessments as a part of the business process for industries with significant environmental footprints.

Responsible Organisations: Department of Environment, Ministry of Environment, Forests and Climate Change, Ministry of Industries.

By implementing these strategies, Bangladesh can create a more efficient, transparent, and competitive business environment that is conducive to growth and innovation. The focus on digital transformation, regulatory reforms, and support for SMEs and startups will be crucial in driving the country's economic development.

8. CONCLUSION

This report has comprehensively examined the imperative of Business Process Reengineering (BPR) in Bangladesh, with a focus on identifying and overcoming the bottlenecks that hinder the efficiency and competitiveness of its businesses. It has laid out a detailed roadmap, drawing inspiration from global best practices and integrating technological advancements, to restructure and revitalise the business processes in the country. The proposed strategies, ranging from digital transformation and regulatory reforms to capacity building and enhancing financial access, are designed to align the business environment of Bangladesh with international standards of efficiency, transparency, and innovation.

The envisioned transformation through BPR is not merely operational; it aims to foster a paradigm shift in the business culture of Bangladesh. This shift is expected to create a more dynamic, entrepreneurial, and competitive economy, which is responsive to the demands of the global market and conducive to sustainable development. The success of these initiatives will depend on collaborative efforts from all stakeholders, including government bodies, the private sector, financial institutions, and international partners.

In conclusion, the path to a re-engineered business ecosystem in Bangladesh is paved with challenges but offers immense potential. Business Process Reengineering (BPR) is essential for reducing redundant business costs caused by operational, legal, and institutional barriers. This cost reduction is necessary to make the business sector more competitive by lowering the cost of doing business and increasing efficiency and competitiveness, especially in light of the forthcoming LDC graduation in 2026. The recommendations provided in this report are not just a blueprint for change but a call to action for all stakeholders to participate in crafting a robust, resilient, and prosperous business landscape in Bangladesh. The successful implementation of these reforms will significantly contribute to the nation's goal of achieving sustainable economic growth and becoming a leading economy in the region.

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This study examines the regulatory, institutional, and operational challenges that constrain the business environment in Bangladesh. It advocates for Business Process Reengineering (BPR) to streamline registration, minimise bureaucratic inefficiencies, and improve digital infrastructure. The report provides strategic recommendations to promote a more efficient, transparent, and dynamic business environment by addressing challenges such as redundant documentation, complex regulations, and limited credit availability. The proposed reforms seek to align Bangladesh with global standards, promote sustainable economic growth, and attract both domestic and foreign investment.

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