

Assessing the Current Ecosystem of Financial Products for Women in Bangladesh



Acknowledgments

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List of Abbreviations and Acronyms

Acronym	Full Form
a2i	Aspire to Innovate
BOP	Bottom of the Pyramid
BWCCI	Bangladesh Women Chamber of Commerce and Industry
CIB	Credit Information Bureau
CMSME	Cottage Micro Small & Medium Enterprises
CWCCI	Chittagong Women Chamber of Commerce & Industry
CWS	Credit Wholesale Program
DCCI	Dhaka Chamber of Commerce & Industry
DFS	Digital Financial Services
DPS	Deposit Plus Schemes
EMI	Equal Monthly Instalments
EQI	Equal Quarterly Instalments
FCB	Foreign Commercial Bank
FI	Financial Institution
FMCG	Fast Moving Consumer Goods
G2P	Government to Person
GRB	Gender Responsive Budgeting
ICT	Information & Communications Technology
IFC	International Finance Corporation
KII	Key Informant Interview
KYC	Know Your Customer
LCP	LightCastle Partners
MFI	Micro-Finance Institution
MFS	Mobile Financial Services
MRA	Micro-Credit Regulatory Authority
MSME	Micro Small & Medium Enterprises
NBFI	Non-Banking Financial Institution
NGO	Non-Government Organization
NID	National Identification
PCB	Private Commercial Bank
RMG	Ready-Made Garments
SB	Specialized Banks
SDG	Sustainable Development Goals
SME	Small & Medium Enterprises
SMEF	Small and Medium Enterprise Foundation
SOB	State Owned Bank
TIN	Tax Identification Number
UNDP	United Nations Development Program
USD	United States Dollar
USSD	Unstructured Supplementary Service Data
WEAB	Women Entrepreneurs Association of Bangladesh
WEDU	Women Entrepreneurship Development Unit
WID	Women in Development

Executive Summary

Despite commendable progress on the social and economic inclusion of women in Bangladesh, there remain significant gaps in women labour force participation, women entrepreneurship, and women's economic autonomy. Eliminating the female financial inclusion gap is widely expected to have cross-cutting impacts, which will contribute to gender equity across all domains. Accessible, affordable, and appropriately designed financial products are key to creating opportunities for women and empowering them to succeed.

The Aspire to Innovate (a2i) program of the ICT Division, supported by the UNDP, promotes women inclusion in the financial ecosystem, to support the Government of Bangladesh's agenda to ensure inclusive, accessible, and affordable services for all citizens.

This study, commissioned by a2i, identifies gender-focused services currently offered by financial institutions in Bangladesh, recognizes the shortcomings of these existing products from a gender lens, and suggests financial solutions to overcome these shortcomings, with the high-level goal of bridging the gender financial inclusion gap.

A market systems approach was taken to gather qualitative insights from multiple stakeholders, including different women groups in the formal and informal sectors, financial institutions, and regulators. These insights were supplemented by a thorough review of existing literature on financial inclusion.

Summary of findings

Based on an analysis of key trends in gender-based financial products and insights from female respondents, a framework has been developed outlining the processes that the financial service providers and women must follow to ensure financial inclusion. The framework incorporates needs assessment, application process, and repayment capacity for women. While for financial institutions, it outlines a pre-inclusion, inclusion, and post-inclusion structure.

Gender-focused products were typically found to have concessionary interest rates in comparison to gender-neutral products. Financial institutions are also organizing development programs for entrepreneurs, and some are offering supplementary benefits such as health insurance, fee waivers on credit cards, and locker facilities to engage more women. Social media and SMS are the preferred channels to promote financial products to women. Nevertheless, the size limit for collateral free loans at many institutions remains below Bangladesh Bank's benchmark.

Small-scale female entrepreneurs (typically ineligible for formal financing) tend to avoid formal institutions due to lack of adequate business documentation, while medium-scale female entrepreneurs do the same due to lengthy loan processing times, despite usually being qualified for these loans. Small-scale female entrepreneurs instead seek financing from alternative sources such as MFIs and associations due to greater accessibility. Around half of all loan applications dropped by female entrepreneurs are rejected due to improper business financials and/or lack of trade licenses.

Additionally, Rural beneficiaries do not prefer travelling to agent banking points and would rather take loans from or save with MFIs, since payments are collected from their residence. Banks and NBFIs cannot afford door to door service delivery in rural areas like MFIs due to the interest rate cap and high operating costs. RMG workers however have greater adoption of financial products owing to MFS-based digitization of their wages and optional integration of MFS wallets with savings accounts.

Respondents were also assessed on their financial services needs and familiarity with the financial system. Small entrepreneurs were found to have low awareness of the benefits of formal financing and the application process, while medium level entrepreneurs are well-informed of the benefits and document requirements. For savings product, women in rural areas prefer saving with MFI, in cash or in MFS accounts due to ease of access, while salaried workers in urban areas are actively using saving accounts due to the application process for savings products being simpler than the process for loan products. However, beneficiaries are required to submit a salary statement for opening deposit pension schemes in certain institutions.

Beneficiaries eligible for the loans generally repay on time, however, beneficiaries with highly seasonal businesses may find it difficult to repay the loans and may on occasion fall afoul of their grace period. For savings products, women usually maintain the minimum payment balance, but monthly DPS payments may sometimes be missed if women have variable incomes.

In the inclusion stage, it was observed that over 95% of salaried workers receive loans while only 50% of the entrepreneurs do. This was primarily due to the formalized salary statement provided by workers while entrepreneurs sometimes fail to provide formal business financials. Loans are provided based on the cash cycle of a business, for which, women generally tend to have a better repayment rate than men. Apart from that, certain banks provide additional services such as entrepreneurship development programs in partnership with implementing organizations for their beneficiaries.

Ecosystem builders have expressed those loans provided to female entrepreneurs are often misused. Male household head for instance tend to divert funds made available to women for business purposes. Ecosystem builders also suggested the incorporation of MFIs' client records into the CIB system, which will enable banks to lend to more businesses by giving them access to micro-merchants' credit history. Additionally, impact assessment of the budget allocations specific to the development of women financing should be analysed for future decision-making. Lastly, the current mandate of providing training to prospective female entrepreneurs in need of it should be implemented on a national scale to mitigate fundamental challenges to women in accessing finance.

Summary of recommendations

Based on the findings outlined above, specific recommendations are presented in the report to address the root causes of low application rates and high rejection rates in the context of women accessing formal financial services. The recommendations have been categorized by stakeholder type and may be summarized as follows:

- **Financial institutions** are suggested to provide capacity development training in a hybrid mechanism through entrepreneurship fairs and online platforms. Additionally, marketing activities should be done in collaboration with women entrepreneurs' association. This will allow the financial institutions to analyze the different types of entrepreneurs and use the best platforms to reach them. Lastly, FIs should make medium scale entrepreneurs aware of the benefits of using digital accounting as it is an efficient cost saving process. These solutions can mitigate the reluctance in visiting FIs, awareness about products and problems related to documents and transaction history.

- **MFIs** are recommended to provide interest benefits if borrowers can prove their involvement in the business they owned. This will reduce the misuse of funds among family members in the rural areas and motivate female entrepreneurs to actively participate in business activities.

- **MFS** providers are suggested to train women to use the additional products available in the platform including savings and loan. Along with it, it is also important to deploy female agents as it will allow women in rural areas to make transactions freely. Lastly, more partnerships with banks and NBFIs should be explored to provide savings and loan products. Since the first step in financial inclusion of an unbanked individual is opening a MFS account, this platform could be widely used to enhance the financial inclusion of women.

- **Regulatory bodies** should start collecting in-depth levels of gender disintegrated data that will help them assess any future trends and make action-oriented decisions based on it. Additionally, a policy should be implemented to identify the difference between a female owned business and a female owned & led business. To deliver the impact on women entrepreneurs, FIs and MFIs should incorporate female owned & led businesses to reduce the misuse of funds. Along with it, the central bank should incentivize the disbursement target for women based CMSME loans as this will mitigate the aversion of banks to provide funding to women. Along with it, setting up dedicated women-led branches by FIs and MFIs should also be advised as it will alleviate the discomfort faced by women in visiting these institutions. Lastly, the CIB system for MFIs currently in plan should also be used by FIs to assess the credit history of micro-merchants who have taken micro loans before.

Since a persistent demand-supply gap exists, a collaborative approach from the different stakeholders including the regulators will improve the financial inclusion status of women. Some of the suggestions provided are currently taking place in a limited state due to the lack of strict mandates. Hence, a multi-pronged approach considering the incentives and risks of each involved players in the system will create an impact on a systemic level that will improve the overall financial inclusion of women in the country.



Chapter 1: Introduction

1.1 Background of the study

To understand the importance of financial inclusion, it is imperative to realize that it is a pre-condition for economic empowerment of women since it enables women to increase spending on consumption and production, thereby giving them access to economic opportunities. Financial inclusion is defined (“Financial Inclusion”, 2022) as the ‘access to useful and affordable financial products and services—transactions, payments, savings, credit, and insurance—that are delivered in a responsible and sustainable way to meet the needs of individuals and businesses.’¹ When women (“Women’s Financial Inclusion”, 2016) are brought within the scope of financial inclusion, they can realize their economic rights which will create a snowball effect on their development and aid in poverty reduction.² Financial inclusion is incorporated in SDG 1 which states that countries will ensure that all men and women, the poor and the vulnerable, have access to financial services, including microfinance.

In Bangladesh, women’s participation (Labor force participation, 2021) in the labor force is 35 percent compared to that of males at 79 percent.³ Despite women’s employment rate increasing by 35 percent (World Employment, 2018)⁴ between the years 2008-2017, particularly in services and apparel sector, the gender gap exists. In terms of employment categories in manufacturing sector (Survey of Manufacturing Industry, 2019), it was seen that male domination persisted in ownership and managerial posts in over 90% of the cases. On the other hand, females had a strong ground as family helpers and as production related workers with proportions of 42% and 48%, respectively.⁵ Similarly, gender gap persists in MSME ownership where only 7.2 percent (Supporting the Recovery of Women, 2020) are owned by women in Bangladesh.⁶ This low rate of women’s participation in ownership and operation of MSMEs is stunting the potential of the entrepreneurial sector to create new jobs and cater to a growing middle class of affluent consumers. Women-led enterprises/MSMEs are defined in the National Industrial Policy 2016 based on the firm’s ownership structure: ‘where at least 51 percent of the ownership of partnerships and private limited companies (limited liability company) belong to women shareholder(s) or a woman owns a sole proprietorship enterprise’. However, Bangladesh Bank classifies women entrepreneurs as a woman ‘who owns/possesses more than 50 percent (SME & Special Programs Department) of the shares of a business.’⁷ Robust growth of female entrepreneurs in Bangladesh is hindered by lack of gender equality in property rights, educational attainment, ability to work outside the home, and independent source of income. Similarly, access to credit and finance remains a major obstacle for women in Bangladesh to start and scale up their business.

A comparison of the female labor force participation of Bangladesh with neighbouring countries showcase that Bangladesh is in a better position than wealthier nations such as India. On the other hand, nearly 33% (Financial Inclusion for Women)⁸, of the new entrepreneurs are women which is

1. Financial Inclusion at a Glance (2022, March 29). World Bank.

2. Women’s Financial Inclusion: A Driver for Global Growth (2016, September). Women’s World Banking.

3. Labor Force Participation (2021). World Bank.

4. World Employment and Social Outlook: Trends (2018). ILO.

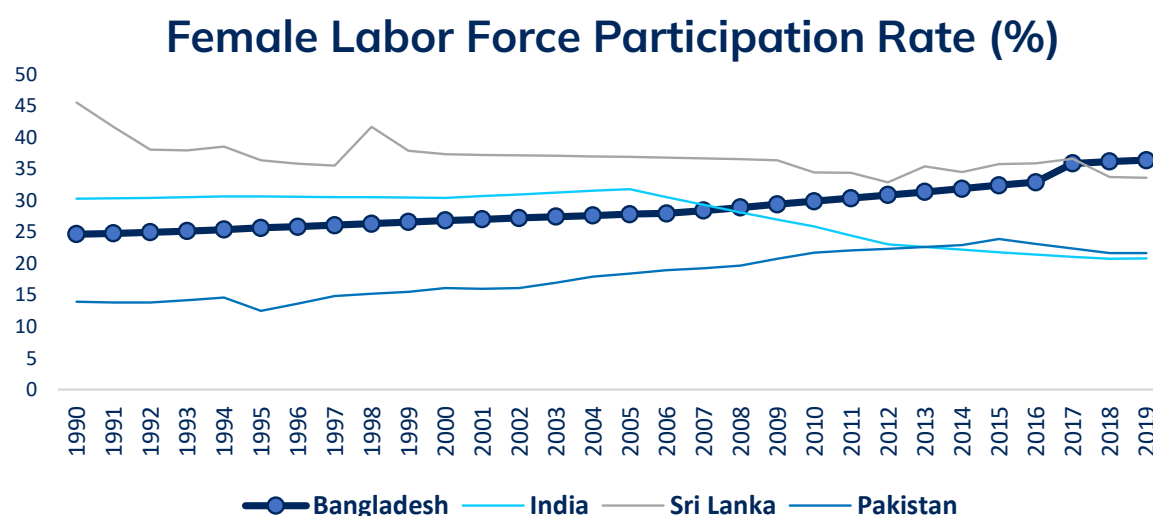
5. Survey of Manufacturing Industries (2019). BBS.

6. Supporting the Recovery of Women Entrepreneurs and Women’s MSMEs from the Impact of COVID-19 in Bangladesh (2020, November). UN Women.

7. SME & Special Programmes Department FAQ. Bangladesh Bank.

8. Financial Inclusion for Women-owned MSMEs in India. IFC.

around 4 times that of Bangladesh. Hence, the higher participation rate of women indicates that a significant portion of the women are not entrepreneurs and a substantial fragment of the labor force do not have proper access to finance.



Source: Modeled ILO estimate, The World Bank Data

Figure 1: Female labor force participation

The lack of access to finance for women can be attributed to various reasons. In Bangladesh, five times more men than women (Inequality of opportunity, 2020) own bank accounts.⁹ Various longstanding gender norms, strict laws on women's work and management of households are mostly responsible for the gender gaps. Moreover, women's access to property and material assets is less than that of men which undermines their ability to seek credit from formal financial institutions.

1.2 Project background

The Aspire to Innovate (a2i) program of the ICT Division, supported by UNDP, is currently promoting the inclusion of female citizens in the financial ecosystem, as part of its ongoing efforts to support the Government of Bangladesh's efforts to ensure more inclusive, accessible, and affordable services for citizens. The objective of this project is to support the development of an inclusive financial ecosystem for the female citizens by identifying the gaps and bottlenecks that exist in the current financial system and provide recommendations to bridge the gender gap. To this end, LCP conducted a broad landscape study to assess the status of gender inclusion in the financial landscape for different women groups in formal and informal sectors (MSME entrepreneurs, RMG, Agriculture, Rural and Urban Households).

1.3 Broad objective of the study

The findings from the study discussed the adoption of the current financial products dedicated to women and their financial needs, the constraints they face in meeting these needs, and the actions that

key institutions like financial service providers and regulatory bodies to resolve the constraints, and through this, improve the provision of finance to women.

Therefore, the specific objectives include:

- To identify gender-focused products and services provided by the financial service providers
- To identify the gaps in the existing products that lead to the challenges such as low adoption, access, and usage among the target women groups
- To provide recommendations that will help close the gender gap by exploring scope of low-cost innovative financial products targeted towards women

1.4 Methodology

Approach of research design

The broad approach to the project is a market systems approach where the interactions of the demand side actors (women in different formal and informal sectors) and the suppliers in the financial sector were evaluated. In addition, the role of ecosystem builders in bridging the gap is explored to identify innovative/feasible financing options.

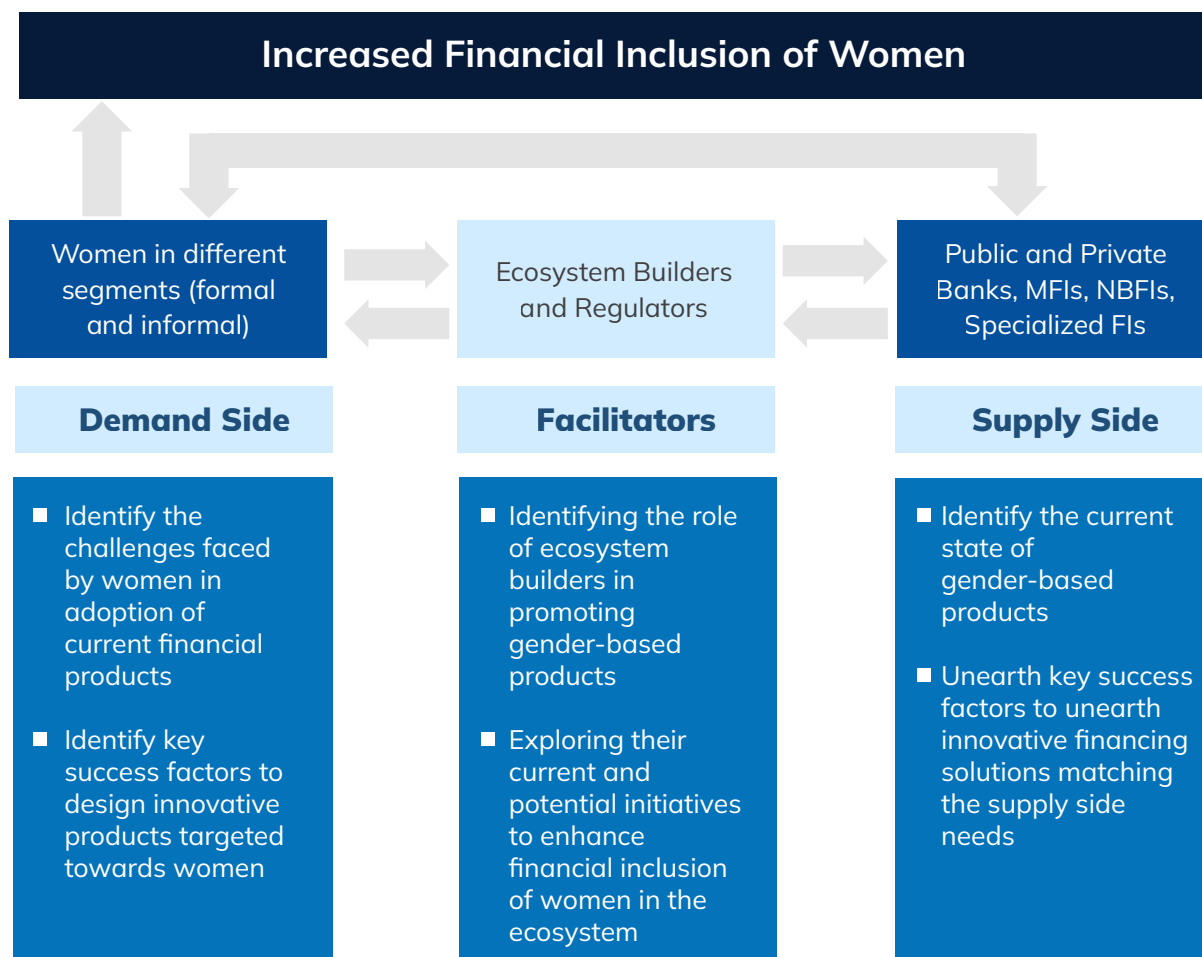


Figure 2: Approach of research design

Objective mapping according to stakeholder type

Based on the above approach, the specific objectives are matched with the relevant sources:

Specific Objectives	Objectives Breakdown	Stakeholder/Source
To identify gender - focused products and services provided by the financial service providers	<ul style="list-style-type: none"> List of financial products (savings, loan) offered by banks, NBFIs, MFS, MFIs targeted towards women Key bottlenecks of the products Customer insights on the products 	<ul style="list-style-type: none"> Literature Review Banks, NBFI, MFI, MFS Women in different formal and informal sectors (MSME entrepreneurs, RMG, Agriculture, Rural and Urban Households)
To identify the gaps in the existing products that lead to the challenges such as low adoption, access, and usage among the target women groups	<ul style="list-style-type: none"> Identify challenges faced by customers Identify challenges faced by ecosystem builders Analyze the process of service design, and delivery 	<ul style="list-style-type: none"> Banks, NBFI, MFI, MFS Women in different formal and informal sectors (MSME entrepreneurs, RMG, Agriculture, Rural and Urban Households) Regulators Association
To provide recommendations that will help close the gender gap by exploring scope of low - financial products targeted toward women	<ul style="list-style-type: none"> Exploring digital financial products and channels for women Innovative solutions designed around products related to savings, credit, payment, investment, and insurance Recommend ways to customize current financial products to make them more women friendly 	<ul style="list-style-type: none"> LCP analysis based on the findings of the study

Figure 3: Objective mapping according to stakeholder

Research Methodology

The study followed a 4-step methodology, that includes key deliverables at each step, as shown below

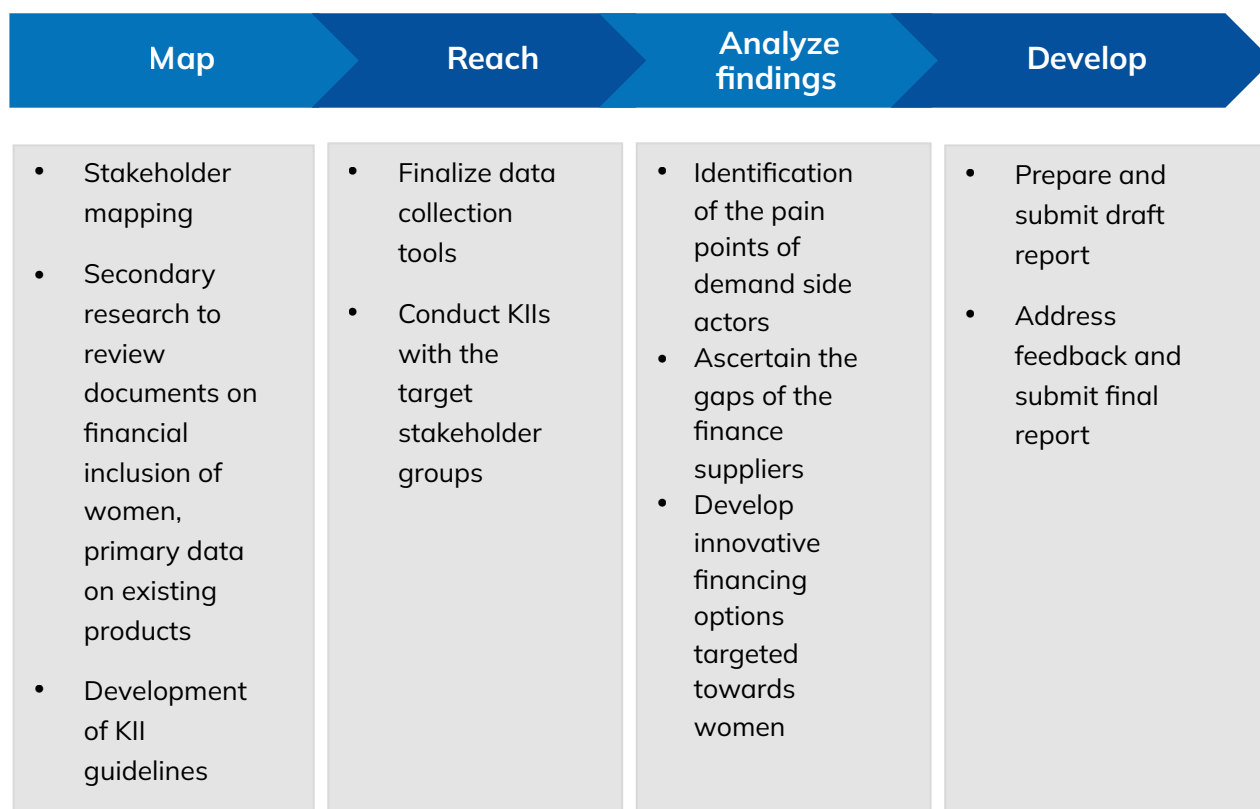


Figure 4: Research methodology

The LCP team has taken a fully qualitative approach to this study, relying initially on secondary data and then collecting primary data through key informant interviews. The list of stakeholders includes different women groups in formal and informal sectors (MSME entrepreneurs, RMG, Agriculture, Rural and Urban Households who have earning source and not part of the BOP population), financial institutions, and regulators. The insights collated from these groups are utilized to validate the development needs, assess the bottlenecks and propose ways to overcome them in the current system. Financing counterparts include Banks (PCB and SOB), NBF, MFI, DFS. Among the ecosystem builders are Bangladesh Bank, MRA (Microcredit regulatory authority), SME Foundation. In addition, the LCP team created a product mapping of all the scheduled banks by deploying a field team to gauge whether the products are effectively in practice. All qualitative insights were then combined with additional primary data and then analyzed from various lenses to derive recommendations to promote the financial inclusion of women.

The project required a comprehensive approach that considered how to bridge the gender gap in the financial landscape. As such the LCP team ensured the following:

► Participatory and collaborative approach:

The involvement of key stakeholders at all stages of the data collection and designing recommendations stages is critical. The methodology ensured inputs and representation from wide a range of stakeholders. A participatory approach means not only ensuring involvement from different

in the final output, but also involving their perspectives in the design of the way forward for bridging the gender gap.

► Developing a gender-inclusive financial landscape:

The recommendations included ways to help close the gender gap by exploring the scope of low-cost innovative financial products, digital financial products and channels, and ways to customize current financial products to make them more women friendly.

Stakeholder list for data collection

For the financial product mapping, the LCP team started with secondary research and deployed a field team to branches of all scheduled banks on a best effort basis. Additionally, KIIs played a vital role in finding information that can be used to understand the gaps in the current financial ecosystem for women and subsequently provide recommendations to bridge the gender gap. KII guides were semi-structured and aimed to allow both the interviewer and interviewee substantial flexibility to discover new topics directly related to key research themes. All qualitative data have been transcribed, where necessary. At times, recording devices were used to record the KIIs. In-house resources were used to clean and transcribe all data in English.

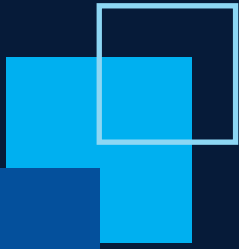
The LCP team conducted interviews of the following stakeholders:

Stakeholders	Medium of Data Collection
Banks (PCB and SOB including agent banks)	3 KIIs
NBFI, MFS, MFI	3 KIIs
Women in rural households (self-employed in agriculture sector)	8 KIIs
Women in urban households (RMG, MSME entrepreneurs, Informal Sector)	12* KIIs
Total	26 KIIs

Table 1: Stakeholder KII list

Limitations

In terms of the KIIs, difficulties were faced in reaching out to the respondents. However, since most respondents from each stakeholder type were covered, the findings are reliable. In terms of survey data collections, the women owned SMEs and MSMEs did not have proper record keeping of earnings and costs and hence were facing difficulties in recalling financial information related to their business.



Chapter 2:

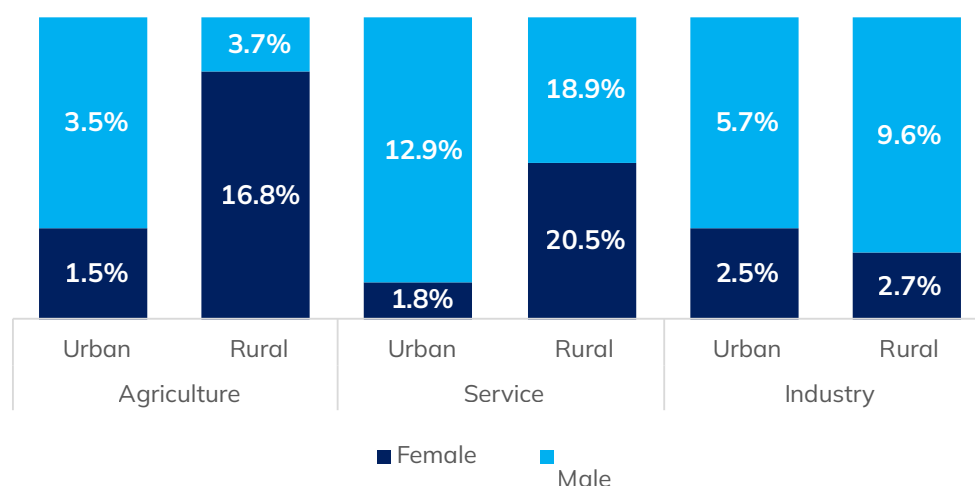
Status Quo of Female Financing Landscape

In Bangladesh, most of the female entrepreneurs are involved in personal service activities, manufacturing and trading of textiles. However, it can be seen that majority of the women in the labor force are mostly informal workers and do not have adequate financial literacy, hence women hold less than 40 percent of the total number of bank account holders. It is estimated that less than 5 percent of the total SME loan disbursement by banks is done to women. Women receive the most benefit from microfinance institutions due to their social dictum and lenient paperwork policies. Nevertheless, lack of access to finance that will allow inclusive business and livelihood growth still persists.

2.1 Current female financing inclusion status

The current population of Bangladesh stands at 164 million (Population, 2020) with around 68% of it consisting of the working age (15+) population (Labour force survey, 2017).¹⁰ An important factor of the labor force of Bangladesh is that 85% of it is part of the informal sector, moreover, the participation rate of females in the informal sector is currently at 92%. In terms of sector wise participation, 60% of the female labor force is part of the agricultural sector, 17% in the industrial sector, and 23% in the service sector. As majority of the female labor force is part of the informal sector, access to finance through formal institutions becomes difficult for them due to lack of documents. Hence, they mostly rely on MFIs for financing purposes.^{10 11} According to Bangladesh Bank, the total number of entrepreneurs affiliated with banks and NBFIs as of December 2021 is 939,131 with only around 9% or 83,268 consisting of female entrepreneurs. In 2020, the total SME credit disbursed for all the major sectors was BDT 1,045 billion (Bangladesh economic review, 2021), out of which, only 3.4% were disbursed to women.¹²

Labour Force Participation by Sectors and Area as % of total labour force (%)



Source: Labour Force Survey, ILO

Figure 5: Labour Force Participation by Sectors and Area as % of total labour force (%)

10. Labor Force Survey (2017). ILO.

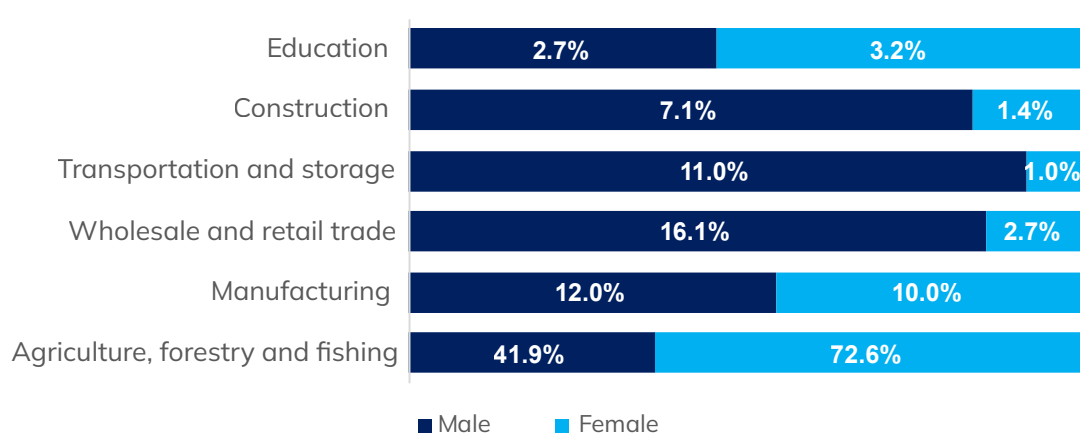
11. Population (2020). The World Bank.

12. Bangladesh Economic Review (2021). Ministry of Finance.

Employment status in Bangladesh

In Bangladesh, 40.6% of the total workforce is involved in agriculture, forestry and fishing, followed by 14.4% in manufacturing and 14.2% in wholesale and retail trade. On the other hand, only 5% of the total female workforce are doing household activities as employers while 4.8% are participating in the education sector. In the rural landscape, 72% of the total female employed are affiliated with agriculture, followed by only 10% in the manufacturing sector. Whereas, in the urban landscape, 32% of the total women employed are involved in the manufacturing sector while around 20% of them are doing agricultural work. This is due to the dominance of the RMG manufacturing factories in urban areas, where over 60% of the workforce is female. On the other hand, females in rural areas are involved in homestead vegetation, hence, over 70% of the workforce is participating in the agricultural sector.¹⁰

Employment by Sub - sectors in Rural Area (in %)



Employment by Sub - sectors in Urban Area (in %)

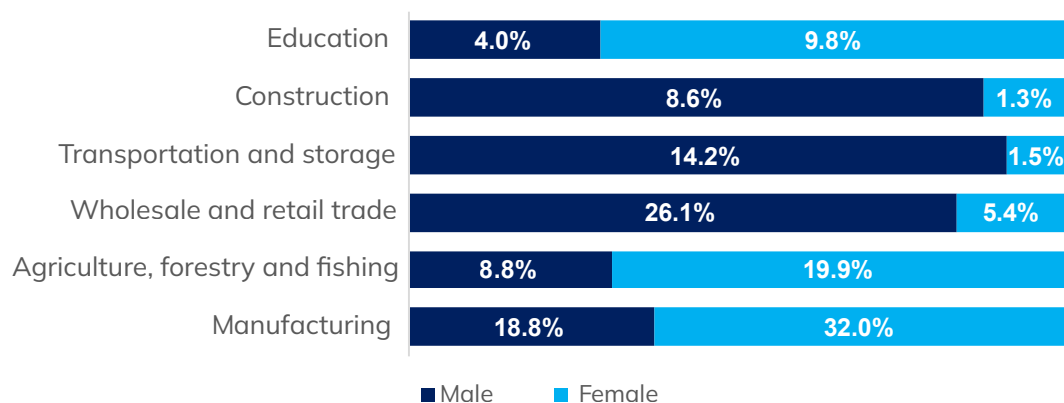


Figure 6 (a, b): Employment by subsector in rural and urban areas

In terms literacy of employed individual in rural and urban areas, it can be seen that females are more non-literate compared to males and the gap is more prominent in urban areas. Around 27.8% of the total employed females are non-literate compared to 19% of the total male employed.¹⁰ Dropout rates of females are lower in primary and lower secondary, 31% and 41%, respectively, compared to males, 69% and 59%. However, in upper secondary education, the dropout rate of females is 55% while that of males is 45% (Education fact sheet, 2020). This is primarily due females getting involved to

participate in family chores¹³. On the other hand, male dropout rates from primary education to get involved in child labor activities to support family income. Along with these factors, it was seen that females and males both dropped out due to lack of affordability. In general, it can be seen that around 80% of the total children (Education scenario, 2017) drop out from each education levels in rural areas¹⁴.

Female entrepreneurs in Bangladesh

According to DCCI, Cottage, Micro, Small and Medium Enterprises (CMSME) sector represents 13 million business entities in Bangladesh. Female entrepreneurs from both the urban and rural areas work in the service or trade industry. The following table offers an industry-wise overview of female entrepreneurship:

Name of Industry	% Of women entrepreneurs	Current Estimated No. of Women Entrepreneurs
Agro & Food Services	5.7%	742,300
Education & Others	5.7%	742,300
Healthcare & Pharma	10.6%	1,381,900
Manufacture of Wearing Apparel	17.1%	2,226,900
Personal Service Activities	17.5%	2,277,600
Wholesale & Retail Trade (Excluding Textiles)	19.5%	2,533,700
Wholesale & Retail Trade (Textiles)	23.8%	3,096,600

Table 2: Estimated number of entrepreneurs by industry in Bangladesh

Source: IFC – Gender Finance Survey (2016)

Note: Figures are estimated considering the proportion to be constant

Over 43% of women entrepreneurs work in wholesale & retail trade. Industry concentration figures of women entrepreneurs must be considered by FIs while designing financial products for women. For instance, cash flow cycle of wholesale and retail textile businesses should be factored in and reflected in women-specific financial products, since a large portion of women entrepreneurs operate in the industry.

Despite being spread out across different industries, women in Bangladesh face some general challenges when it comes to entrepreneurship. Inadequate capital, financial illiteracy, lack of business knowledge among women, unavailability of training programs and technical support, lack of managerial experience are some of the key issues faced by women entrepreneurs. Additionally, existing

13. Bangladesh education fact sheet (2020). UNICEF.

14. Education scenario in Bangladesh: Gender Perspective (2017). BBS.

cultural norms and discriminatory practices leads to issues with sales promotion, getting familial approval for starting and conducting a business, gender discrimination within respective industries, balancing business and family responsibilities, etc.

Current financing scope

In the formal financing landscape of Bangladesh, there are 61 scheduled banks, 34 NBFIs, 5 non-scheduled banks and 700+ MFIs. There are several categories of scheduled banks: 6 state-owned (SOB), 10 Islamic Shariah-based banks (IB), 9 foreign commercial banks (FCB), 33 private commercial banks (PCB) and 3 specialized banks (SB). Even after the existence of numerous financial institutions (Accelerating Women's Financial, 2020), **a significant gender gap in financial inclusion persists with only 36% of women having a bank account compared to 65% of men.**¹⁵ This is majorly due to **low financial literacy rates** and **access to the formal labor market** and the **formal economy**. Women participating in the informal sector are generally not aware of the extensive documentation required (Innovative financial products, 2020) to get affiliated with formal financial services.¹⁶ Since around 72% of the employed population reside in rural areas, proper penetration of financial services is crucial to enhance the financial inclusion of women.¹⁰ However, as commercial banks require cost heavy investments to set up, rural areas remain underbanked. Even though banking services are now being provided through agent banks, **deposits from rural areas are only 18% of the total deposits** (Financial Inclusion, 2018) due to a lack of awareness of financial products in rural communities.¹⁷

Despite the considerable number of financial institutions, women-led MSMEs received low amounts of loans. From the years 2010-2019, **women-led MSMEs received just 3 to 4 percent of the total loan disbursement from banks** (SME Loan, 2021).¹⁸ **61 percent** of Bangladesh women-led SMEs ('MSME' Access to Finance, 2021) are either partly or fully constrained by lack of access to finance, compared to **49 percent** for SMEs owned by men.¹⁹ In the years 2018, a study (SME Finance Forum, 2018) estimated that women-led MSMEs in Bangladesh had a **financing gap of USD 2.5 billion.**²⁰ It, therefore, seems that women entrepreneurs face more challenges in accessing credit than their male counterparts. However, most women-led enterprises are informal which means they do not have trade licenses which forces them to take personal loans, since they are unable to access credit from formal institutions. Nevertheless, while women entrepreneurs' relative share of loan disbursement is still small, the amount of credit for them has grown steadily (SME & Special Programmes Department, 2021) over the past decade, **increasing three-fold**, from BDT 18 billion (USD 210 million) in 2010 to BDT 68 billion (USD 800 million) in 2021.²¹ According to a study conducted by UNCDF, **there are 94,800 women involved in micro- enterprises in Bangladesh.** While the retail businesses of micro-entrepreneurs in Bangladesh may be small at the individual level, collectively this group represents an enormous market

15. Accelerating Women's Financial Inclusion in Bangladesh's Garment Sector (2020). World Bank.

16. Innovative Financial Products and Services for Women in Asia and The Pacific (2020). ADB.

17. Financial Inclusion in Bangladesh A Concept Note (2018). UNDESA and a2i.

18. SME Loan Statement (2021). Bangladesh Bank.

19. Micro, Small and Medium-sized Enterprises' Access to Finance in Bangladesh (2021). UNESCAP.

20. SME Finance Forum (2018). IFC.

21. SME & Special Programmes Department (2021). Bangladesh Bank.

(Landscape Assessment, 2018), with estimated **annual sales turnover of \$18.42 billion in 2018 and a credit market of \$778 million**. Millions of jobs could be created from the growth of these micro-enterprises. Female entrepreneurs require access to financial services for growth. This represents a strong demand for financial services and an opportunity for financial service providers to increase digital finance and mobile banking offerings for women.²²

Similarly, women in the **RMG sector** seemed to have low financial inclusion due to insufficient financial literacy and access to information. Bangladesh is the world's second-largest apparel exporter. 64% of the RMG sector's workforce (ERMG, 2020) is comprised of women. This figure has declined by nearly 20% over the last decade due to increases in duty hours, lack of support for pregnant workers, and limited opportunity to grow into leadership positions. The current workforce faces the challenge of 70% (Understanding the Gender Composition, 2020) of the women in the sector remaining unbanked.^{23 24} However, wage digitization of the RMG sector has led to a positive impact on women's financial inclusion. From 2016 to 2018, around **70,000 female workers opened accounts on MFS platforms** (Accelerating Women's Financials, 2020). This has not only given them a secure platform to receive salary, but also an opportunity to make savings and secure payments. This has also reduced the risk associated with carrying cash and increase women's financial decision-making authority in the household. Even though MFS platforms do not offer credit facilities, a toolkit that prioritizes developing women-based products is being planned by the World Bank's Finance, Competitiveness, and Innovation Global Practice.¹⁵ Additionally, as RMG workers are part of the formal labor force and have a steady stream of income, they have been participating in health insurance programs offered by development institutions. For instance, SNV (Health Insurance, 2021) offered health insurance schemes to 20,000 RMG workers in the last 5 years at an affordable premium of BDT 600 per annum. Under the scheme, beneficiaries were allowed to avail health care facilities of up to BDT 25,000.²⁵

Beyond banks, NBFIs provide diversified financing products that include syndicated financing, lease financing, securitization instruments, and private equity. Over the years of 2010-2019, NBFIs have disbursed a greater proportion ('MSME' Access to Finance, 2021) of their loan to women-led businesses **from only 3.1 percent in 2010 to 8.7 percent in 2019**. Therefore, the loan disbursement by NBFIs **is in a better shape than banks**. However, there is a deficit in loan disbursement against the specified target of a minimum of 15 percent of loans apportioned for women-led businesses.¹⁹ Greater efforts will have to be made by banks to increase this loan disbursement by 11 to 12 percentage points.

Along with banks and NBFIs, MFIs have played a huge role in enabling greater access to finance for women entrepreneurs operating at the micro-enterprise level. In 2020-21, the total microcredit and microenterprise loans (Annual Report, 2021) disbursed was 1,765.72 billion BDT (USD 14.2 billion). Moreover, **of the 35.9 million microcredit and microenterprise loan borrowers, over 90 percent were women**.²⁶

22. Landscape Assessment of Retail Micro-Merchants in Bangladesh (2018). UNCDF-SHIFT

23. Understanding the Gender Composition and Experience of Ready-Made Garment (RMG) Workers in Bangladesh (2020). ILO.

24. ERMG project factsheet (2020). BRAC.

25. Health insurance for RMG workers (2021). SNV.

26. Annual Report (2021). MRA.

The unbanked population primarily gets introduced to the financing system by opening an MFS account. In Bangladesh, MFS providers have seen significant growth (MFS Data, 2022) since its inception. As of March 2022, **the current MFS system had 109 million users out of which only 44.8 million were active.** The number of active users grew 5.4% from its previous month due to the 75% increase in G2P payments in the same time period. As nearly 60% of the accounts are inactive, it is a clear indication that account holders opened the accounts for specific purposes and never continued using it.²⁷

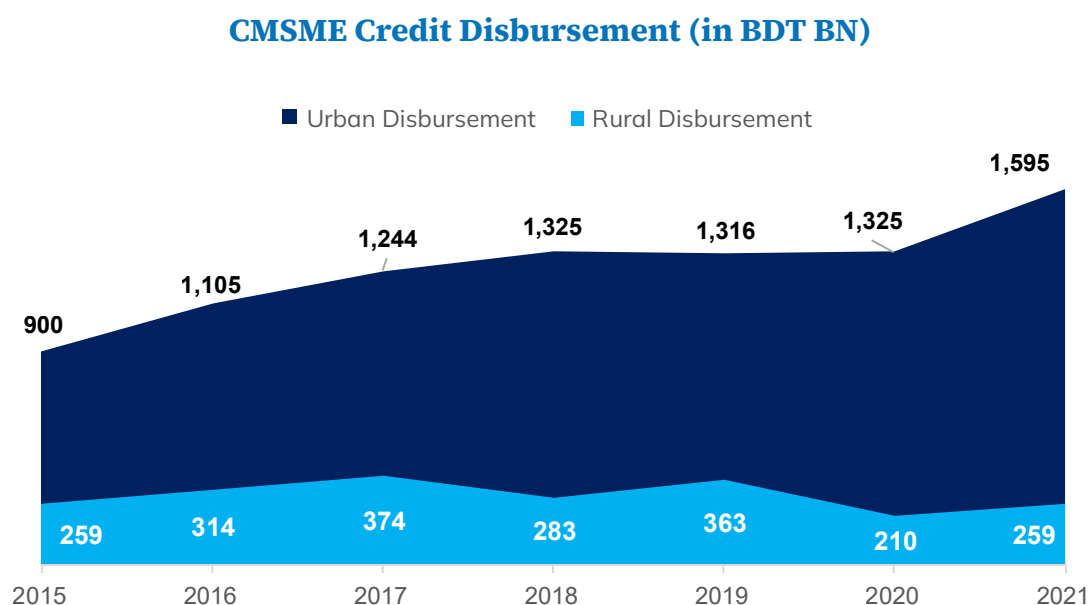
27. MFS data (2022). Bangladesh Bank.



Chapter 3: **Financial Product** **Portfolio**

On November 2014, Bangladesh Bank including the SME & Special Programmes Department inaugurated the Women Entrepreneur Development Unit (WEDU) to monitor and develop initiatives taken by Banks and NBFIs to promote the development of women entrepreneurs. To encourage women entrepreneurs, SME refinancing schemes were being offered at concessionary rates. Later, in 2015, Banks and NBFIs were mandated to set up WEDUs at head offices and regional offices to ensure prompt services for women entrepreneurs. According to the Bangladesh Bank if a woman fully or partially (51%) owns a private enterprise or proprietary then the business is deemed to be run a female entrepreneur. However, according to insights gathered from NBFIs, products that are catered to women are also offered to businesses that are heavily managed by female employees or have a considerable number of the female workforce compared to males.

Since then, the total credit disbursement for CMSME enterprises has grown steadily along with total rural disbursement. However, rural disbursement has taken a hit since Covid-19, down from 22% to 14%. On the other hand, the total disbursement of loans for women entrepreneurs from 2015-2020 represented only an average of 3.6% of the total disbursement of the loans for CMSME. A figure that is around 12% less than the target Bangladesh Bank has set for Banks and NBFIs to achieve.



Source: CMSME, Bangladesh Bank

Figure 7: CMSME credit disbursement

According to our primary findings, it was seen that 48 out of 61 Banks and 21 out of 35 NBFIs have savings and/or loan products specifically made for women, with most of the institutions focusing on women CMSME entrepreneurs. Banks such as BRAC, City and Mutual Trust have dedicated wings like Tara, Alo and Angona, respectively, for female beneficiaries. Additionally, institutions with strong agent banking networks offer their female based financial products in the rural landscape through the channel. Therefore, it was seen that the popularity of financial products persists for banks that prioritizes the segment in a grander scale and delivers to the rural people. Even though the average disbursement of SME loans for women is around 3-4%, some of these banks have achieved double figures.

The financial products catered towards women by Banks and NBFIs are as follows.

List of financial products for women provided by Banks

SL	Name of Bank	Generation	Name of Product	Product Type	Size of Product	Interest Rates	Deposit/ Repayment frequency	Product Tenure	Additional Features
1	AB Bank Limited	1 st generation	Awparajita	Loan	Maximum: BDT 20 million	9%	EMI or One-time	3 years	Up to BDT 2.5 million, no collateral is required
			Shampurna	Deposit	Minimum deposit: BDT 25,000	3.75%			Insurance Benefit up to BDT 0.185 million
2	Agrani Bank Limited	1 st generation	Nari Amanot Scheme	Deposit					
			Nari Agrani	Loan	Maximum: BDT 10 million	9%			Up to BDT 1 million, no collateral is required
			Small Credit Program for the Women (SCPW)	Loan	Maximum: BDT 0.1 million	9%			Up to BDT 50,000, no collateral is required
3	Al-Arafah Islami Bank Limited	2 nd generation	Housewife savings account	Deposit	Minimum: BDT 500	2.25%			Profit margin higher than savings account
4	Bangladesh Commerce Bank Limited	2 nd generation	BCB Srijoni	Deposit	Minimum: BDT 100	3.50%			
			BCB Nondita	Deposit	Minimum: BDT 500	3.50%			
5	Bangladesh Krishi Bank	1 st generation	Grameen doridro bimochon	Loan	Range: BDT 20,000-750 million	5%	Quarterly	1-3 years	Up to BDT 1 million, no security is required (2.5

SL	Name of Bank	Generation	Name of Product	Product Type	Size of Product	Interest Rates	Deposit/ Repayment frequency	Product Tenure	Additional Features
									million for group loans)
			Grameen ghore fera kormoshuchi	Loan	Range: BDT 20,000-750 million	5%	Quarterly	1-3 years	Up to BDT 1 million, no security is required (2.5 million for group loans)
			Grameen prantic jonogosti ghore fera kormoshuchi	Loan	Range: BDT 20,000-750 million	5%	Quarterly	1-3 years	Up to BDT 1 million, no security is required (2.5 million for group loans)
			Hash murgi palon kormoshuchi	Loan	Range: BDT 20,000-750 million	5%	Quarterly	1-3 years	Up to BDT 1 million, no security is required (2.5 million for group loans)
			Grameen motsho chash kormoshuchi	Loan	Range: BDT 20,000-750 million	5%	Quarterly	1-3 years	Up to BDT 1 million, no security is required (2.5 million for group loans)
			Grameen prani shompod kormoshuchi	Loan	Range: BDT 20,000-750 million	5%	Quarterly	1-3 years	Up to BDT 1 million, no security is required (2.5 million for group loans)
			Nari uddokta	Loan	Range: BDT 20,000-750 million	5%	Quarterly	1-3 years	Up to BDT 1 million, no security is required (2.5

SL	Name of Bank	Generation	Name of Product	Product Type	Size of Product	Interest Rates	Deposit/ Repayment frequency	Product Tenure	Additional Features
									million for group loans)
			Millennium DPS	Deposit	Minimum: BDT 5,000	8.25%	Monthly	5,7,10 years	
			DPS	Deposit	Minimum: BDT 5,000	8.25%	Monthly	5 years	
6	Bank Al-Falah Limited	2 nd generation	Pehchaan	Deposit					
7	Bank Asia Limited	2 nd generation	Achol	Deposit	Minimum: BDT 1,000			3, 5, 7, 10 and 12 years	
			Subarno (SME)	Loan	Maximum: BDT 5 million				Up to BDT 0.8 million, no collateral is required
8	BASIC Bank Limited	1 st generation	BASIC Nari	Deposit	Monthly Deposit: BDT 500-20,000	6.75%-7.75%	Monthly	1-5 years	80% of deposit amount can be taken as loan
			BASIC Kalyani (SME)	Loan	Maximum: BDT 2.5 million				
9	Bengal Commercial Bank Limited	4 th generation	Prothoma	Deposit	Minimum deposit: BDT 2000				
			Prothoma DPS	Deposit	Monthly Deposit: BDT 500 or its multiples	7%-7.5%		3-10 years	

SL	Name of Bank	Generation	Name of Product	Product Type	Size of Product	Interest Rates	Deposit/ Repayment frequency	Product Tenure	Additional Features
			Female Entrepreneur	Loan	Maximum: BDT 2 million	4%	Monthly	Variable	
10	BRAC Bank Limited	3 rd generation	TARA Uddokta(SME)	Loan	Range: BDT 0.4 million-150 million (Unsecured loan)	7% (up to BDT 5 million)			
			TARA GOLDEN BENEFITS	Deposit	Minimum: BDT 500	6%			
			TARA TRIPLE BENEFIT	Deposit	Minimum: BDT 500	6%			
			TARA Term Loan	Loan	Ranges: BDT 0.2 million – 2.5 million (Unsecured) BDT 0.5 million– 5 million (Partially Secured) BDT 1 million - 50 million (Secured)	7% (up to BDT 5 million)	12- 18 months (unsecured) 12- 60 months (Partially Secured & Secured)	1-5 years	
			TARA Overdraft	Loan	Range: BDT 1 million – 50 million	7% (up to BDT 5 million)	12 months with quarterly interest payment		
			Dishari loan	Loan	Range: BDT 0.1-1 million	8%	Monthly	5 years	
11	Commercial Bank of Ceylon Limited	3 rd generation	Sukannya	Loan	Maximum: BDT 10 million		Monthly	1-5 years	

SL	Name of Bank	Generation	Name of Product	Product Type	Size of Product	Interest Rates	Deposit/ Repayment frequency	Product Tenure	Additional Features
12	Community Bank Bangladesh Limited	4 th generation	Savings account for women	Deposit		1.50%			
13	Dhaka Bank Limited	2 nd generation	Oditiya	Loan	Range: BDT 50,000-10 million (750 million for manufacturing business)	5%	Monthly	renewable	
			Oroni	Deposit	Minimum: BDT 500	2.5%-3.25%	Quarterly	1 year	
14	Dutch-Bangla Bank Limited	3 rd generation	Women Entrepreneurs Financing (Term loan) "Uthsaho"	Loan	Maximum: BDT 5 million	9%	Monthly	1-5 years	
			Women Financing (Cash Credit) "Shofolota"	Loan	Maximum: BDT 5 million	9%	Monthly	renewable	
15	Eastern Bank Limited	2 nd generation	EBL Millionaire Women DPS	Deposit	BDT 1 million upon maturity	5% - 5.6%		4, 6, 8, 10, 12 & 14 years	
			EBL Women's Loan	Loan	Range: BDT 0.1- 2 million		Equal monthly installment	1-5 years	
			Mukti Loan	Loan	Range: BDT 0.5- 5 million	9%		0.5-5 years	
			EBL OVILASHI	Deposit	Minimum: BDT 1,000				

SL	Name of Bank	Generation	Name of Product	Product Type	Size of Product	Interest Rates	Deposit/ Repayment frequency	Product Tenure	Additional Features
16	EXIM Bank Limited	2 nd generation	EXIM Durodorshini	Loan	Maximum: BDT 5 million	9%	Monthly	1-5 years	
			Mudaraba Femina Monthly Savings Scheme	Deposit	Minimum: BDT 200 and multiples of BDT 500			3, 5, 8, 10 & 12 years	
17	First Security Islami Bank Limited	2 nd generation	Uddomi	Loan		9% Interest	Monthly	1 year	
			Gharoni	Deposit	Minimum: BDT 500	6% profit rate		3, 5, 8 & 10 years	
18	Global Islami Bank Limited	4 th generation	Mudaraba Queen Savings Account (MQSA)	Deposit	Minimum: BDT 1,000	5% profit rate			
19	ICB Islamic Bank Ltd.	1 st generation	Woman Entrepreneur	Loan	Range: BDT 1 million - 30 million	9%	Monthly	5-10 years (depending on the age of entrepreneur)	grace period 10 days a month
20	IFIC Bank Limited	1 st generation	Prantonari	Loan	BDT 0.1 million - 2 million	9%	Monthly	24 months - 60 months	Up to BDT 0.5 million, no collateral is required
			Protyasha	Loan	BDT 0.1 million - 5 million	9%	Monthly	Maximum 60 months	Up to BDT 2.5 million, no collateral is required
21	Islami Bank Bangladesh Ltd	1 st generation	Women Entrepreneurs Investment Scheme (WEIS)	Loan	Up to BDT 3 million	12%		12 months - 60 months	Up to BDT 0.5 million, no collateral is required

SL	Name of Bank	Generation	Name of Product	Product Type	Size of Product	Interest Rates	Deposit/ Repayment frequency	Product Tenure	Additional Features
22	Jamuna Bank Ltd	2 nd generation	Nari Uddogh	Loan	BDT 0.3 million to BDT 5 million	9%	Monthly	36 months	
23	Janata Bank Limited	1 st generation	Nari Kollan Shonchoi Prokolpo	Deposit/Savings		6%	5 years		
24	Meghna Bank Limited	3 rd generation	Sreyoshi Savings a/c	Deposit/Savings	minimum BDT 25,000	3%	Monthly	3 or 5 years	
25	Mercantile Bank Limited	2 nd generation	Oporajita Masik Munafa Prokolpo	Deposit/Savings	BDT 50,000	6%	Monthly	3,5 years	
			Anannya	Loan	Maximum BDT 5 million	9%	Monthly	1-5 years	
26	Midland Bank Limited	4 th generation	MDB Nari Uddog	Loan	Up to BDT 5 crore	9%	Monthly	Customizable	
27	Modhumoti Bank Limited	4 th generation	Modhumoti Labonnyo	Loan	BDT 0.1 million to BDT 5 million	9%	Customizable	1 year	
28	Mutual Trust Bank Limited	2 nd generation	Gunabati	Loan	BDT 50,000 to BDT 1 million	9%	Monthly	up to 3 years	
			Bhagyobati	Loan	BDT 0.1 million to BDT 2.5 million	9%	Monthly	Up to 3 years	
			Angona	Deposit/Savings	Minimum BDT 50 thousand	7.50%		multiple tenors	
29	NRB Bank Limited	4 th generation	Pearl DPS	Deposit/Savings	Minimum BDT 500	5.50%	Monthly	3, 5, 7, 10 years	
			Prerona	Loan	Maximum BDT 1 million	6%	Monthly	3 to 5 years	

SL	Name of Bank	Generation	Name of Product	Product Type	Size of Product	Interest Rates	Deposit/ Repayment frequency	Product Tenure	Additional Features
			Pearl a/c	Deposit/Savings	Unlimited	2% per month if a particular balance is maintained			
30	One Bank Limited	2 nd generation	OBL Romoni	Loan	BDT 50,000 to BDT 2.5 million	9%	Monthly	1 year to 5 years	Grace period for 3 to 6 months
			OBL Women's savings	Deposit/Savings	Up to BDT 0.5 million; above BDT 0.5 million: above BDT 1 million	3.30%; 3.50%; 4%	Monthly		
31	Padma Bank Limited	4 th generation	Padmabati	Deposit/Savings	1,000 to 0.1 million	0-5.5%	Monthly		
32	Premier Bank Limited	2 nd generation	Woman Entrepreneurship Loan	Loan	starting from BDT 0.1 million	10%	Monthly	1 year	
33	Prime Bank Ltd	2 nd generation	Neera	Loan		below 1.5 million - monthly 1.25 %	Quarterly	12 months	after 6 months they can get loan again if half repaid (up to 0.5 million)
34	Pubali Bank Limited	1 st generation	Karmo Uddog	Loan	BDT 0.2 million to 1 million	9%		1-3 Years	
35	Rupali Bank Limited	1 st generation	Nari Uddogta	Loan	50,000 to 0.7 million	9%	Monthly	3-5 years	The loan is provided without collateral
36	Shahjalal Islami Bank Limited	3 rd generation	Prottasha for Women Entrepreneur	Loan	BDT 0.2 million to 1.5 million	6-9%		1-3 Years	

SL	Name of Bank	Generation	Name of Product	Product Type	Size of Product	Interest Rates	Deposit/ Repayment frequency	Product Tenure	Additional Features
37	Shimanto Bank Limited	4 th generation	SMBL Nari Shakti	Loan	BDT 10,000 to 0.1 million	9%	Monthly	3 years and 5 years	
38	Social Islami Bank Ltd.	2 nd generation	Subarno Rekha	Deposit	No minimum limit	3%		3, 5, 10 years	Charge free lockers, free debit card, free credit card and under an insurance service facility to for any accidents
			Subornolota	Deposit	BDT 10,000 and its multiple	3%		Up to 3 years	Charge free lockers, free debit card, free credit card and under an insurance service facility to for any accidents
39	Sonali Bank Limited	1 st generation	Nari Uddogta	Loan	BDT 50,000 to 0.1 million	9%	Monthly	1 year	
40	South Bangla Agriculture & Commerce Bank Limited	4 th generation	Women Entrepreneur's Loan	Loan	BDT 0.1 million to 1 million	9%	Monthly	3 to 5 years	
41	Southeast Bank Limited	2 nd generation	Ananna	Deposit/Savings	Starting from BDT 1.000	3% monthly	Monthly	No limit	
42	Standard Bank Limited	2 nd generation	Nari Anuprerona	Loan	BDT 50,000 to 5 million	10%		1 to 5 years	No collateral required up to BDT 2.5 million

SL	Name of Bank	Generation	Name of Product	Product Type	Size of Product	Interest Rates	Deposit/ Repayment frequency	Product Tenure	Additional Features
43	Standard Chartered Bank	1 st generation	Orjon-BIL for Women	Loan	Up to BDT 10 million	9%		1 to 2 years	No collateral required for approval
44	The City Bank Ltd.	1 st generation	Alo general savings, high value savings, savings delight	Deposit	Minimum BDT 0.1 million for interest	1 to 1.75%			Free insurance facility and health card
			Personal loan, Auto loan, Home loan, Bike loan, SME loan	Loan	BDT 0.1 - 2 million, 0.3 - 4 million, 0.5 - 12 million, 0.07 - 1 million, 0.3-2.5 million (unsecured), 1 million -20 million (secured)	8%		1-5 years, 1-6 years, 1-25 years, 0.5-2 years, 1-5 years	
45	Trust Bank Limited	2 nd generation	Trust Sristi	Deposit	BDT 500 and above	4%			
			Ekota, Nondini, Sukannya	Loan	BDT 0.1-0.5 million, 0.1-5 million, 0.1-1 million	9%		2.5 years, 4 years	Grace period of 4 months
46	Union Bank Limited	4 th generation	Mudaraba Femina Deposit Scheme (Nisa)	Deposit	BDT 500 - 50,000	7.5% profit		3 and 5 years	
			Mudaraba Waleda Monthly Profit	Deposit	BDT 25,000 to 5 million	7%		1, 2 and 3 years	
			Sukonna, Nari Uddokta	Loan					

SL	Name of Bank	Generation	Name of Product	Product Type	Size of Product	Interest Rates	Deposit/ Repayment frequency	Product Tenure	Additional Features
47	United Commercial Bank Limited	1 st generation	Jyoti, Dipti	Loan	Up to BDT 0.5 million	9%		1 year (renewable), 1-5 years	
48	Uttara Bank Limited	1 st generation	Nari Swanirbor Rin Prokalpo (NSRP)	Loan		9%		1-3 years	

Table 3: List of financial products for women provided by Banks

List of financial products for women provided by NBFIs

SL	Name of Bank	Name of Product	Type of Product	Size of Product	Interest Rates	Repayment/Deposit Duration	Product Tenure	Additional Features
1	Agrani SME Financing Company Limited	Women Entrepreneur Loan	Loan	Minimum: BDT 50,000 Maximum: BDT 2 million	14%	Monthly Repayment	1-5 years	Collateral free up to BDT 0.2 million
2	Bangladesh Finance Limited	Bijoy	Loan		4% up to 5 million			Collateral free up to BDT 2.5 million, (+.25%) rate in any deposit products, Life Insurance subscription
3	Bangladesh Industrial Finance Company Limited (BIFC)	Women's Enterprise Loan	Loan					
4	CVC Finance Limited	WOMEN ENTREPRENEUR LOAN (JOYETA)	Loan	Minimum: BDT 0.5 million Maximum: BDT 5 million	9%		1-3 Years	
5	Fareast Finance & Investment Limited	Women's Enterprise Loan	Loan					
6	FAS Finance & Investment Limited	Entrepreneur Loan	Loan	Minimum: BDT 0.5 million Maximum: BDT 5 million	10%			Collateral free up to BDT 1.5 million
7	First Finance Limited	Women Entrepreneur	Loan	Minimum: BDT 0.1 million Maximum: BDT 5 million	10%			Collateral free up to BDT 0.5 million
8	GSP Finance Company (Bangladesh) Limited (GSPB)	Women Entrepreneurs Loan	Loan					
9	IDLC Finance Limited	PURNOTA	Loan	Minimum: BDT 0.2 million	9%	Flexible repayment based on the cash flow of business	1-5 years	Business Facilitation Service, Purnota Trainings, Purnota Digital Marketing, Purnota Club,

SL	Name of Bank	Name of Product	Type of Product	Size of Product	Interest Rates	Repayment/Deposit Duration	Product Tenure	Additional Features
								refinancing scope at 5%
10	Industrial and Infrastructure Development Finance Company (IIDFC) Limited	Women Entrepreneur Loan	Loan	Loan limit are set based on business requirement		Flexible monthly/quarterly repayment facility	1-5 years	
11	IPDC Finance Ltd	IPDC Joyee	Loan	Minimum: BDT 0.35 million	7% (Special Rate)	EMI or Cashflow based payment	1-5 years	Collateral free up to BDT 2.5 million
		IPDC Priti	For all loans and deposit schemes					BDT 0.25 million health insurance coverage, 50% off on exclusive health check up
12	Islamic Finance and Investment Limited	SME Finance	Loan	Loan limit are set based on business requirement	9% (Special Rate)		Up to 4 years	interest rate advantage
13	LankaBangla Finance Ltd.	Shikha Deposit Scheme	Deposit	Minimum: BDT 500 for DPS, BDT 50,000 for term deposits	5.85% to 6.8%		DPS: 2-10 years TD: 3 months to 3 years	0.01% more interest than regular products
		Anonnya	Loan	Maximum: BDT 5 million	7%		Up to 5 years	Lower interest rate
14	Lankan Alliance Finance Limited	Women Entrepreneur Loan	Loan					
15	Meridian Finance and Investment Ltd.	Suchana	Loan	Maximum: BDT 5 million	10%		Up to 5 years	Collateral free up to BDT 2.5 million
16	National Finance Ltd	Women Entrepreneur	Loan	Minimum: BDT 0.5 million Maximum: BDT 5 million	10%		Up to 5 years	Collateral free up to BDT 2.5 million
17	National Housing Finance and Investments Limited	Mohila Savings Scheme	Deposit	Minimum: BDT 2,000 and its multiple			3, 5, 8, 10 & 12 years	
		SONIRVOR NARI	Loan	Minimum: BDT 0.5 million Maximum: BDT 5 million			2 to 5 years	

SL	Name of Bank	Name of Product	Type of Product	Size of Product	Interest Rates	Repayment/Deposit Duration	Product Tenure	Additional Features
18	Premier Leasing & Finance Limited	Women Entrepreneur	Loan		9%			
19	Strategic Finance & Investments Limited	Women Entrepreneur	Loan	Minimum: BDT 0.3 million		Cashflow based payment	1 to 5 years	Unsecured loan up to BDT 3.5 million
20	Union Capital Limited	SHAKTI	Loan	Maximum: BDT 5 million			Up to 5 years	Collateral free up to BDT 2.5 million
21	United Finance Limited	Abha	Deposit					


Table 4: List of financial products for women provided by NBFIs

From our primary findings and secondary research, 5 out of 6 state-owned banks have deposit or loan products for women while 3 out of 9 foreign commercial banks have it. In both the cases, there are no preferential rates offered to the beneficiaries. On the other hand, Bangladesh Krishi Bank is the only specialized bank offering loan and deposit products. Moreover, their loan products are being offered at a significantly lower rate of 5% than the industry average. Currently only 2 banks from 1st generation and 1 from each of the following generations are offering loans at a reduced rate for women. However, it was seen that all the 4th generation banks are offering deposit and/or loan products for women while less than 50% of the total 1st generation banks are doing so.

Key Takeaways

- Most of the banks offer loan products at 9% while BRAC Bank, Bangladesh Krishi Bank, The City Bank, NRB and Dhaka Bank offer loan products to women at an interest rate between 7-9%. These banks either have dedicated wings for female banking or have revised the lending rate based on the mandated 9% cap set by Bangladesh Bank. Earlier, when interest rate was free, most banks had an interest rate benefit for female entrepreneurs. However, after the new cap of 9%, most of the banks have not revised the interest cap.
- Similarly, most of the NBFIs offer loan products at 10% interest rate while institutions like LankaBangla and IPDC offer at a special lower rate of 7%. It was seen that NBFIs are less stringent in the KYC process compared to banks and have also delivered loans in a shorter period compared to banks. Since an average of 50% of the loan applications of women entrepreneurs received by banks get rejected in the KYC process, borrowers prefer accessing loans at 1% premium from NBFIs as it ensures them receiving the fund. Hence it has been reported that the portion of female entrepreneurs served compared to the total is higher for NBFIs compared to banks.

- Around 11 banks and 3 NBFIs have set the limit of collateral free loans lower than the mandated 2.5 million set by Bangladesh Bank. The list includes Islamic banks and state-owned banks that are providing collateral free women entrepreneur loans up to 0.5 million and 1 million, respectively. NBFIs with higher risk profiles offer collateral free women entrepreneur loans up to 1.5 million.
- In terms of deposit products, banks offer a range of 1% to 8.5% interest on their products while NBFIs offer around 6%-7%. In general, higher rates (up to 0.5% higher) are provided for female-based savings products compared to general ones. This is done to reduce the interest spread in female-based products.
- Additionally, a considerable number of banks include health insurance services along with free/discounted ancillary services such as locker and card fee waivers with female-based deposit products. It was found that the additional provisions boosted the usage of services and the number of deposit account holders. Additionally, the increased usage of debit cards has also led to customers doing app-based transactions. Even though usage is still low, there is potential to provide additional services through digital means.
- For loan products, it was seen that certain banks set repayment periods based on the cash cycle of the business and additionally provide 3-6 months of grace period as ruled by the central bank.



Chapter 4: Demand Side Analysis

Women's involvement in economic activities have risen over the years. From entrepreneurship to the service sector and the informal sector, women have made key contributions. A woman's earning is likely to impact economic growth more than men's as they generally invest a higher portion of their income on their families and communities. Additionally, women's involvement in businesses have also highlighted their social contributions. However, a typical female micro-merchant in Bangladesh operates her business informally without a trade license and proper education. Hence, she is dependent on microloans from MFIs as her main source of finance, which is enough to operate her business, but not to grow it.

Therefore, to understand the financial inclusion status of women in the urban and rural landscape of Bangladesh, interviews of demand side actors were conducted. They were:

► **Small Entrepreneurs:**

Female shop owners who are selling clothes, FMCG products or providing tailoring services.

► **Salaried Workers:**

Women working in the RMG sector as operators and helpers.

► **Medium Entrepreneurs:**

Female owners of organizations involved in the production of leather, jute, handcrafting based products and food service.

4.1 Project background

Type of demand side actors and their ownership status

- Half of respondents in urban areas were small female entrepreneurs while the rest were RMG workers. Most of the small entrepreneurs interviewed did not have any trade license and operated a cash-based business, while only a few of them had formal documentation of their business. Majority of the businesses interviewed had complete female ownership, but their business scale was small and was not the primary source of income for the household. Although female entrepreneurs and RMG workers respondents provided an average of 50% of the total household income, yet the head of the household were either their husband or father.
- The medium-scaled women entrepreneurs interviewed were owners of production facilities that made jute, leather, and handcrafted products. All their businesses had a formal legal status and were partial owners (an average of 60% share) of it with the other partners being male.
- Majority of the interviewees in rural areas were of small entrepreneurs. Only few of the small entrepreneurs interviewed had a trade license for their business while majority of them did not have any formal documentation. All of the respondents stated that they completely owned the business. In

most cases, the women owned businesses did not act as the primary source of household income. Data collected from the rural area showed that an average of less than 30% of total household earning was contributed by women. The businesses of small entrepreneurs in rural areas comprised of retail shops, tailoring services, and pharmacies.

4.2 Current financial status of women

Bank and MFS account adoption among beneficiaries

- ▶ All of the RMG workers interviewed had either an MFS and/or a bank account while half of the small women entrepreneurs did not have an account on any platform. This indicates that bank and MFS account adoption was higher among RMG workers than small entrepreneurs. This was because salaries were disbursed in RMG factories through MFS accounts. Additionally, women in the RMG sector were aware of the savings products they can avail through MFS platforms that are in partnership with banks and NBFIs.
- ▶ All the medium-scaled female entrepreneurs had bank accounts to maintain transactions with clients and suppliers, however, their workers' received salaries in cash. Entrepreneurs were eligible to open business accounts with banks as they had trade licenses.
- ▶ Half of the small women entrepreneur respondents in the rural areas had a registered MFS account. However, majority of interviewees had personal bank accounts. These small businesses operated in cash. There was hardly any pressure from customers to incorporate digital transactions, hence, these entrepreneurs did not feel the need to open an MFS account.

Loans taken and their sources

- ▶ In the urban areas, nearly all the respondents took loans for business purposes. However, more than half of the loanees sourced funds from family members while the rest approached banks. Since banks require proper business documentations such as trade license and financials, only small-scale entrepreneurs with formal legal status were able to get access to the loans.
- ▶ All medium-scaled women entrepreneurs took loans from banks to expand their businesses and maintain their working capital. However, they had not taken any loans recently due to low repayment capacity during the Covid-19 period. It was seen that they needed the loans to pay their employees, however, continuous lockdowns and business disruptions did not allow them to operate and generate revenue to pay back the fund.
- ▶ In the rural areas, more than half of the women entrepreneur respondents took loans at least once for their business or their personal needs. Most of them availed loans from NGOs, while some individuals took bank loans. In the rural areas, there are co-operative societies which provides loans to its members and a few woman availed loans from such co-operatives.

Source of information about financial products

- ▶ Less than half of the women interviewed in urban areas became aware of financial products via family members. The rest of the respondents received information about financial products from friends, neighbours, TV and the Internet. Alternatively, all RMG workers claimed that they became aware of financial products from the promotional activities done in the factories.
- ▶ In the rural areas, none of them were aware of the financial products offered by agent banks except for one respondent. The only loans they were aware of are the ones provided by microfinance institutions. This was due to the lack of marketing of products available at agent banks. Moreover, agent banks were located in the centre of the towns while most of these entrepreneurs resided a considerable distance away.
- ▶ Medium-scaled women entrepreneurs claimed that their main sources of awareness were social media, family members, and friends working in the banking sector. They gain easier access to loans as banks target medium scale entrepreneurs to offer loans.

4.3 Current pain points

Challenges in acquiring loans from Banks

- ▶ Half of the small-scale female entrepreneurs interviewed in urban areas stated that they faced problems in meeting the paperwork requirements for bank loans. While a few of the respondents claimed that they were asked to provide bribes for easing the verification process, and that the loan disbursement process is time consuming. Additionally, women did not receive enough support when they visited financial institutions and were often neglected by officers. Even though majority of the respondents were aware of the policies and benefits for women entrepreneurs, none of them have benefitted from it.
- ▶ In rural areas, since most of the borrowers took loans from NGOs, respondents did not face any problem in availing them as the process is relatively straight forward compared to banks. The only person who took a loan from a bank had a relative working in that bank, hence she did not have to face any barriers in acquiring the loan.
- ▶ Medium-scaled entrepreneurs interviewed never had their loans rejected as they generally met all the documents required to get a loan. However, they often did not receive the loans on time, and this affected their business operation as they have a business cycle that is sensitive to seasonal preferences. One of the respondents submitted the required documents 3 months before the time she needed the fund, but the bank delayed the process and tried delivering the loan later, to which she rejected it as her business cycle was over. Similarly in another case, the bank requested updated documents from the entrepreneur due to an internal delay. Hence, beneficiaries faced delays in loan disbursement even when all document requirements were met.

Covid stimulus fund availed

- ▶ Only one small-scaled women entrepreneur from each area received the stimulus fund since they had relatives working in the banking sector, while the rest could not access it due to lack of documents and enough cash on hand to repay the assistance.
- ▶ Only one medium-scale entrepreneur took the covid stimulus fund while the rest did not due to insufficient repayment capacity. As mentioned earlier, repetitive lockdowns and factory closures had dried the income stream of entrepreneurs during Covid-19. The one person who availed the loan stated that good repayment history helped her to gain access to the loan.

4.4 Ways to mitigate constraints

Prioritizing mentorship programs

- ▶ Small-scale women entrepreneurs generally lacked knowledge about the eligibility criteria for loans and the associated business formalization requirements. They also had low awareness of financial products tailored for women. Hence a mentorship program is a necessary intervention to diffuse practices such as maintaining business financials, tracking cost, and developing business projections.
- ▶ MFS accounts are widely used by rural women as a savings tool. However, these accounts are readily accessible to family members in many a times, which can reduce women's control and usage of their own savings. Hence, awareness campaigns ensuring proper user training should be provided to women in order for them to fully understand the mechanics of MFS accounts. This will improve the authority over their account.
- ▶ Awareness programming and strategic engagements, including bootcamps for female customers to reduce reluctance in visiting banks are necessary to improve the quality of service received by women customers and the willingness of these customers to save at and borrow from banks.

Accessibility of financial products through digital platforms

- ▶ Improvement in provision of savings and loan products through MFS providers was preferred due to the extensive number of users in urban and rural areas. This will allow easier access to financial products with limited to financial institutions.

Focus on business succession plan than financial performance

- ▶ Medium-scaled women entrepreneurs have discussed the potential of new businesses that are managed by the youth. Such firms with their unique business models fail to grow due to lack of monetary support from financial institutions. Even though they require heavy investment in the

beginning, they have the drive to make healthy profit in the long run. However, financial institutions check current business status to process loans, hence, such businesses often face loan rejections. Therefore, banks and NBFIs should also look at the future potential of the business and its succession plan. This will allow plethora of innovative business ideas to get implemented.

4.5 Summary of insights from demand-side actors

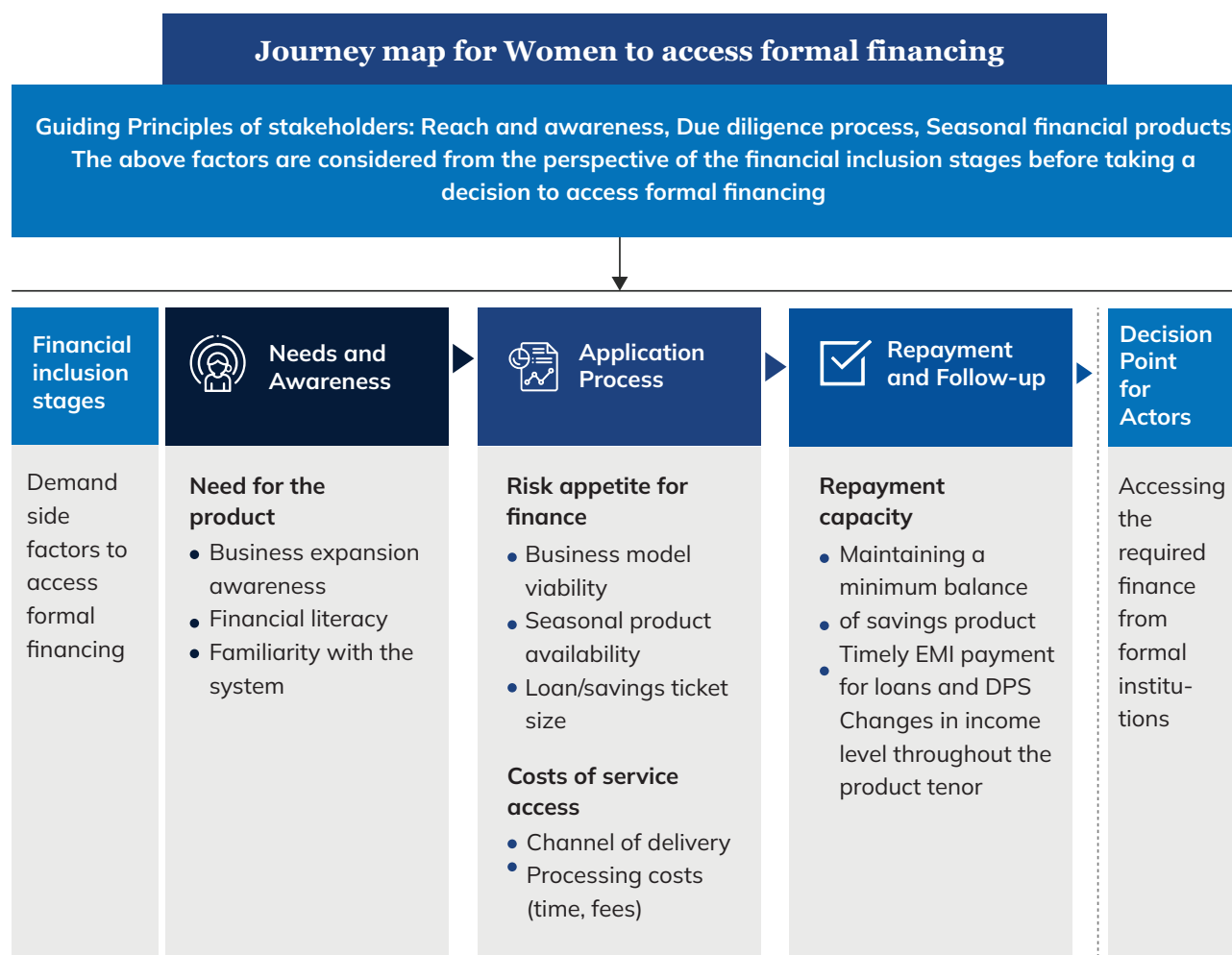


Figure 8: Flowchart of financial inclusion of demand side actors

The figure above highlights the different stages that women must overcome to meet the criteria set by FIs to access formal financial products.

In the needs and awareness stage, beneficiaries need to understand the amount of finance required to start or expand their business. They also need to be aware of the financial products that are catered for women and the functionality of the financial system. Secondly, in the application process stage, they must demonstrate their business model viability along with their income generating activities to get access to loans. For savings product, only the income statement is required to avail the service. Additionally, beneficiaries must also consider the delivery channel (banks or agent banks) and the cost of service (ancillary fees) they will incur during the process. Lastly, in the repayment and follow-up

stage, beneficiaries must check their capacity to repay for the loans and monthly payment of DPS products considering the seasonality of their income generating activities.

A detailed analysis of the journey map faced by women beneficiaries to access formal financing is discussed below.

Loan Products


Needs and Awareness	Application Process	Repayment and Follow-up
<p>Need for the product: Women entrepreneurs with smaller businesses often lack the business intelligence/literacy to expand their business. Since women owned businesses are not the primary source of income of the household, it is often put out of focus in terms of growth, expansion and risk-taking. Due to these factors, many women do not feel the need to access additional funding in the form of loans.</p> <p>Owing to the lack of need for financing, coupled with low financial literacy, many women also do not put in an active effort to keep themselves up to date with the current and upcoming financial products and services.</p>	<p>Risk appetite for finance: Small scaled women entrepreneurs generally do not qualify for the loans due to the lack of formal documentations which are required to be eligible for the loan. Additionally, many of the businesses fail to repay loans with fixed repayment terms due to their income stream being seasonal.</p> <p>On the other hand, medium-scaled entrepreneurs do meet the requirement to avail loans, however, due to their business nature being highly seasonal, they must make sure to make payments on time.</p> <p>Cost of service access: Small-scaled female beneficiaries find it tedious to visit far away financial institutions. While MFIs are providing similar services at their business location. Banks require extensive documents and time to provide the loan. There have been cases where entrepreneurs did not receive the fund on time after meeting the criteria and applying beforehand.</p>	<p>Repayment Capacity: Medium-scaled entrepreneurs do not incur default repayments; however, they often require longer grace periods due to fluctuations in income flow throughout the loan tenor.</p> <p>On the other hand, small-scale entrepreneurs opt for sourcing loans from family members or informal loan providers where the repayment structure is more flexible than formal institutions.</p>

Table 5: Aspects of loan products from demand side actors

Savings Products

Needs and Awareness	Application Process	Repayment and Follow-up
<p>Need for the product: Women with a regular source of income tend to prefer DPS products while those with stationary cash to their name go for fixed deposit products. However, there are some women who earn seasonally. Availability of savings products which accepts seasonal payments might open opportunities for more women to come under the financial landscape.</p>	<p>Risk appetite for finance: Women save in the form of cash, however, strong adoption of savings in MFS accounts can be currently seen among workers. Banks and NBFIs require an individual to submit a salary statement to open a DPS account. Women working on a cash-based salary do not possess it, making them restricted from enjoying formal savings product.</p> <p>Cost of service access: Beneficiaries in the rural landscape prefer saving in cash or in their MFS account for its ease of access. Even though agent banks are providing formal savings products, concerns about the liquidity of their savings shifts their interest towards MFS.</p>	<p>Repayment Capacity: DPS products require regular monthly payments while savings products require a minimum amount to be kept in the account. These criteria often make individuals with fluctuating income opt out. They fail to repay instalments and maintain the minimum balance requirement.</p>

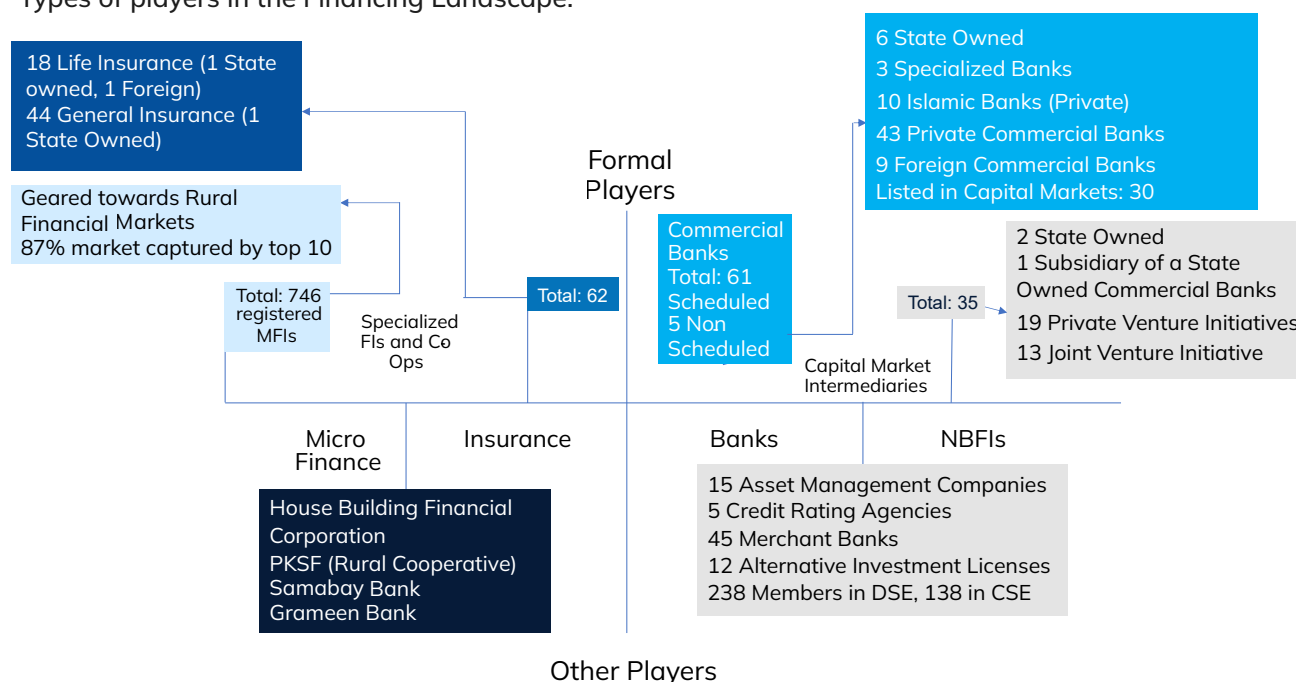
Table 6: Aspects of savings products from demand side actors



Chapter 5: Supply Side Analysis

5.1 Financing landscape

Types of players in the Financing Landscape:



Source: Bangladesh Bank

Figure 9: Type of players in the financing landscape

The diagram shows the actors in the supply side of the formal financial landscape. There are a total of 61 scheduled, 5 non-scheduled commercial banks and 35 NBFIs in Bangladesh, of which 2 are Government owned. The financing landscape above showcases the potential of the sector in terms of service delivery, however, not all institutions have dedicated financial products (discussed in Chapter 3) catered towards women. In the rural landscape women are getting access to finance easily from MFIs but at the cost of high interest rate. On the other hand, women opting for formal financing from banks and NBFIs do not get proper access due to lack of awareness of the product needs (such as trade license and business financials) and reluctance to visit FIs because of the perceived sophistication involved in the process.

The table below shows the percentage of CMSME loans disbursed to women in the year 2021 by the scheduled banks and NBFIs.

Financial Institution	Total CMSME Disbursement in 2021 (BDT Crores)	% Disbursed to women
Foreign Commercial Banks	3,026	18.7%
Private Commercial Banks	96,266	2.8%
Specialized banks/development banks	3,475	3.6%
State -owned commercial bank	14,445	4.5%
Non -bank financial institutions	6,667	10.4%

Table 7: Total CMSME credit disbursement by type of FIs

Source: CMSME Quarterly Disbursement Data, Bangladesh Bank

FCBs disburse the highest percentage of their loans to women, despite having the lowest total disbursement figure. This can be attributed to their relatively low presence in the country and the predominantly urban landscape they operate in. PCBs and SCBs have branches all over the country, including agent banks in the rural areas. The effect of a wider coverage is reflected in their high disbursement figures. However, in both cases <5% of the disbursement volume is being made out to women.

5.2 Current financing mechanisms and delivery channels

Banks and NBFIs have a similar risk appetite when it comes to specialized financial products for women. Bangladesh Bank have set a target for banks to disburse 15% of their total CMSME portfolio to women by the year 2024. From discussions with financial institutions and NBFIs, only a few institutions with strong agent banking network have managed to disburse above 10%. According to banks interviewed, FIs with a separate department for women banking disburse an average of 8% of their total CMSME portfolio to female borrowers. Currently, SME loans are being offered at 9% interest rate to women. They are also allowed to take collateral free loan of up to BDT 25 lacs. Refinancing schemes are being provided at 5% interest while revolving working capital loans can be acquired at 4% interest rate. The NBFI interviewed, on the other hand, provides SME loans at a higher interest rate of 10-12% with a less rigorous application process than that of banks and it is pertinent among other NBFIs.

According to insights from multiple banks interviewed, general savings account is well adopted among women with around 20% of the accounts belonging to them. However, for a DPS, women are required to demonstrate a regular income stream to ensure timely payment. Hence, women who get access to these services are mostly salaried women with bank statements.

From the insights gathered from banks and NBFIs, in the pre-inclusion stage, banks primarily re-design their existing products by adding features and benefits for women customers. These benefits include health insurance and discounts in hospitals & shopping stores. Simultaneously, marketing and social media boosting is conducted separately for general and premium accounts. These additional features and focus have generated a major impact on deposit products with growth rates hitting 20% after the introduction of these additional facilities over the years.

The inclusion stage analyses the eligibility of the beneficiaries for loan and savings products. For general loan products, banks claimed that salaried women have an average rate of 95% approval. Getting a general loan involves providing NID, TIN, CIB report (borrower's credit history), and income statement. In case of SME loans, additional documents such as trade license and statements of business financials are required. While large-scale entrepreneurs prioritize in bookkeeping and often receive the loan they apply for, the financial institutions claimed that small-scale entrepreneurs often get rejected due to not maintaining proper documents. This led to 40-50% disapproval of the total CMSME loan applications received by banks. These requirements represent the statutory obligations on FIs to conduct thorough due diligence and KYC (know your customer) procedures to ensure the creditworthiness of borrowers.

Financial products are offered through the bank's branches or agent banks. Beneficiaries must

physically visit the locations to access these services. However, banks with separate women banking wing are prioritizing service delivery through the introduction of women banking desks in their branches. The loan processing time of banks/NBFIs takes at least a week and can go over a month, as the processing is done through the centrally operated risk monitoring system of the FIs, regardless of the channel used for application.

Unlike banks and NBFIs, MFIs provide loans to small-scale entrepreneurs at a higher rate than formal financial institutions, however they have a female clientele base of over 90%. NID of the individual and a personal guarantor is required to process the loan, which is disbursed in 2-3 days. In the case of a bigger loan ticket size, trade license or business ownership documents are required to prove business viability. Currently, MFIs provide loans up to 2 lacs BDT against basic documents such as NID, photograph, and applicant's repayment history. For loans up to 15 lacs, additional documentation such as proof of business ownership is required. In either case, collateral is not taken from the borrowers. MFI loan officers visit the individual's marketplace/house for the KYC process. During repayment, they personally collect the money on a regular basis by visiting the borrowers at their home/business.

Opening of MFS accounts is a good starting point to financially include the unbanked population. However, cellular penetration rate stands at 54% with 41% of mobile phone users having smartphones. Since featured phones are more widely used in rural location, MFS services are mostly accessed using the USSD mechanism from merchant points. In several cases, it was found that husbands non-consensually take money from the wife's MFS account since passwords are frequently shared and reused across services for easy remembering. Currently, IDLC is providing interest schemes on savings from MFS accounts. Additionally, the government is currently partnering with Nagad and bKash to enable G2P payments in certain locations.

5.3 Summary of findings from financial institutions

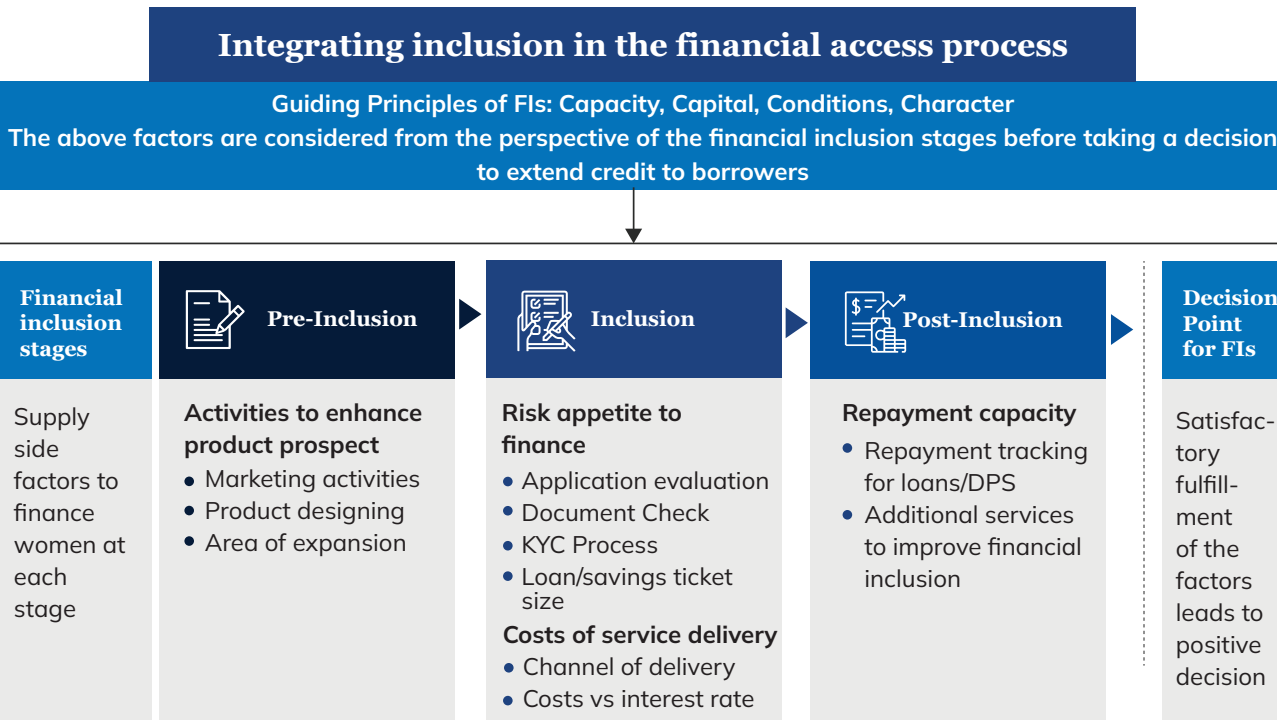


Figure 10: Flowchart of financial inclusion of supply side actors

The figure above is the framework used to assess the different factors that the financial institutions (FIs) consider at each stage for loan and savings products.

At pre-inclusion stage, FIs prioritize designing and marketing financial products for women through the addition of special benefits and features with its existing products. Additionally, they also expand in areas where female based financial products are not available. Secondly, they evaluate the applications of customers by analysing their repayment capacity, income generating activities and market prospects of the business. Based on the risk the FIs can take according to the interest rate, the loan is sanctioned. Similarly, for savings products, regular documents such as NID and TIN certificate are checked, while income stream of the individual is verified for DPS products. Moreover, the delivery channel costs (human resources, bank maintenance) are taken into consideration too during the evaluation process. Lastly, FIs check CIB reports of individuals to check their default history. Past defaults may affect the likelihood of future loan approvals. For DPS products, payments are tracked to check if the beneficiary can make timely deposits. Along with the services, FIs are currently providing additional trainings and organizing specialized programs for their beneficiaries to develop female financial inclusion.

The process of the inclusion of financial products from the perspective of FIs is discussed below.

Loan Products

Pre-Inclusion	Inclusion	Post-Inclusion
<p>Activities to enhance prospect: In terms of marketing activities, many FIs go for online marketing of their products via Facebook and Instagram. Additionally, in the rural areas, financial institutions hold community engagement sessions to build a positive presence in the area.</p> <p>Marketing activities are focused on the attractiveness of the products, reputation of the institution and building trust among its potential customers.</p>	<p>Risk appetite for finance: Applications are evaluated based on the type of loan. The KYC process involves checking income streams of the business, its market prospects and site visits. Salaried workers receive the general loan products they apply for in 95% of the cases. While for small-scaled entrepreneurs the figure reaches to only 40-50%. This is due to the lack of formal business financials. Medium scale entrepreneurs do not generally face problems as they prioritize keeping proper financials.</p> <p>MFIs have a less stringent process where they check basic documents such as NID and business ownership status to provide collateral free loans.</p>	<p>Recovery mechanism and additional services: Borrowers are followed up with if they default on an instalment. In most case of defaults, borrowers fail to adhere to the customized repayment structure they have activated based on their cash-flow. As per the central bank, the current grace period for women-based loans are 3-6 months, however, entrepreneurs at times fail to pay within this period due to the seasonality of their business. MFI</p>

<p>Existing customers often receive text updates on their phones regarding upcoming products, available services etc.</p> <p>To increase disbursement to women customers, many banks are expanding into new regions as a strategy through branches and agent banking.</p>	<p>Cost of service delivery: The loan products are delivered through the branches of banks, NBFIs and agent banks. FIs often do not have the affordability to expand their reach through. Entrepreneurs must visit the branches to get the product. Beneficiaries who are physically far away from bank branches take financing support from MFIs as they collect the payment by directly visiting the borrowers. However, MFIs incur more cost in the recovery phase.</p>	<p>officers visit the borrower's resident or business site to collect the payment on a weekly or bi-weekly basis.</p> <p>FIs that have a separate woman banking wing re seen to offer additional services such as health insurance, discounts on specific shops, sector-specific entrepreneurship training programs, and courses on developing entrepreneurship skills in partnership with universities.</p>
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Table 8: Aspects of loan products from supply side actors

Savings Products

Pre-Inclusion	Inclusion	Post-Inclusion
<p>Activities to enhance prospect: Marketing and promotional activities for savings products do not differ much from that of loans. The same channels are used to promote both savings and loan products. However, the target audience is different as FIs look for customers with the capacity to save.</p>	<p>Risk appetite for finance: FIs require basic documents such as NID and TIN for savings account, and income statement for DPS products. Since many women are unaware of what savings product will be best for them, FI officers recommend them products as per their discretion. Additional benefits such interest on daily day end value is crucial in decision making. Savers must maintain a certain balance to get interest. Additionally, as DPS products are</p>	<p>Recovery mechanism and additional services: Banks follow-up on female customers enrolled in DPS products. It can often be seen that, beneficiaries with a fluctuating income stream fail to pay instalments compared to salaried individuals.</p>

<p>From the perspective of product designing, FIs compete with their contemporaries in terms of interest rates, minimum account balance to generate interest, and additional services to make their product more attractive to the potential customers.</p>	<p>long-term, users who cannot keep up with regular payments do not receive its total benefit.</p> <p>Cost of service delivery: The products are delivered through bank branches and agent banks. In the rural landscape, beneficiaries find it difficult to travel to institutions and deposit their savings on a regular basis. Currently, MFS providers are offering savings products. However, due to low adoption of smartphones, beneficiaries require visiting agent points to take the services, contributing to lower subscription.</p>	<p>Like loan products, beneficiaries with savings products are eligible for health insurance, discounted/free ancillary services like lockers and debit cards, and taking loans against deposit.</p>
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Table 9: Aspects of savings products from supply side actors



Chapter 6: Regulatory Landscape

6.1 Ecosystem builders and their roles⁶.

Ecosystem builders are entities that contribute to the development, structuring, and regulation of a business landscape to promote the associated industry's growth. The tables below are split into two kinds of ecosystem builders in the financial service market: policy makers and associations.

Ecosystem Builders	Roles	Related Policies
Bangladesh Bank	The central bank and the regulatory body of all financial institutions . They are the implementing organization responsible for setting monetary policy of different sectors that drive the economy .	<p><i>Women Entrepreneur Development Unit (WEDU)</i></p> <ul style="list-style-type: none"> ■ 15% of total CMSME loan portfolio for women entrepreneurs by 2024 ■ 'Small Enterprise Refinancing Scheme' has been increased from BDT 850 Crore to BDT 1,500 Crore ■ Customer can avail refinancing at 7% ■ Covid -19 stimulus of BDT 20000 crore at 4% for entrepreneurs ■ BDT 10,000 Crore revolving refinancing scheme at 4% ■ Collateral free loans against personal guarantee up to BDT 25 lacs ■ 03-06 months grace period for 1-5 years term loans ■ 'Women Entrepreneur's Dedicated Desk' at all branch levels of Banks and NBFIs
Micro -credit Regulatory Authority	They are the regulatory body of NGO -MFIs with an aim to ensure transparency and accountability of micro -credit activities in the country .	<p>MRA Guidelines for MFIs</p> <ul style="list-style-type: none"> ■ A cap of 24% interest is set for micro-credit disbursement by MFIs ■ Floor for the deposit rate is set at 6% ■ Minimum gap of 15 days between loan disbursement and start of recovery
Government of Bangladesh	Implement fiscal policies and subsidies that will help foster the financial inclusion of women .	<p><i>National Financial Inclusion Strategy</i></p> <ul style="list-style-type: none"> ■ Dedicated focus on catering the need financial services (saving, credit, payment, investment and insurance) for women ■ Convenient service delivery channel for women ■ Separate focus for women in DFS ■ Banks to increase financial literacy of women entrepreneurs

Table 10: Ecosystem builders, roles and related policies

Ecosystem Builders	Roles	Related Policies
SMEFounda- tion	To promote, support, strengthen and encourage the growth and development of SMEs through public level interventions	Credit Wholesaling Program (CWS) ■ Collateral free single digit SME loans for targeted entrepreneurs in partnership with FIs

Table 11: Ecosystem builders, roles and related initiatives

Bangladesh adopted an SME policy in 2004. The primary policies tailored for the benefit of SMEs included refinancing scheme for SMEs, a general provision of 2%, 40% allocation of SME funds for small enterprises and an allocation of 40% fund of different refinancing schemes (accounted for 15% of total SME loans) for women SME entrepreneurs. Along with it FIs were also advised to open Women Entrepreneur's Dedicated Desks. Later, in 2012, the general provision for SME loans went down to 0.25% from 1% allowing banks to enjoy more redistributable profit from loans disbursed to SMEs. In 2014, Women Entrepreneur Development Unit (WEDU) was formed by Bangladesh Bank and later banks/NBFIs were advised to set up this unit at their regional and head offices. Since then, a new definition for CMSMEs has been introduced, total allocation of CMSME loans for women have been set at 10%, refinancing rate got reduced to 7%, collateral free loans up to BDT 25 lacs are being provided and FIs have been advised to provide capacity building training to women clients. Over the years, policies have been developed to enhance the financial inclusion of women, however, the existing ones have been strategically crafted to ensure an inclusive development of the sector.

6.2 Key insights of ecosystem builders

Misuse of credit offered to female entrepreneurs

The policy mandate Bangladesh Bank currently has ensured that female business owners who are sole proprietors or in partnership with a minimum of 51% ownership share are eligible for the women entrepreneur loans. It does not delve into the management perspective of the business. Hence, it is often seen that men are exploiting the benefits offered to women entrepreneurs by showing 51% of the business share being owned by a female family member. Even though lead banks perform a rigorous KYC process to ensure this problem gets mitigated, certain banks only follow the ownership guideline to provide the loan. Similarly, in the microcredit sector, although the current share of female entrepreneurs benefitted is over 90% the actual proportion is less than that. Therefore, the credit offered to women entrepreneurs are misused by their male family members and a strict mandate should be formulated to ensure that the credit is being provided to a female-owned and female-managed businesses.

Developing CIB report by incorporating MFI's intel

Current CIB reports show the credit history of individuals who are part of the formal financial system, which includes banks and NBFIs. However, micro-merchants prefer sourcing their credits from microfinance institutions due to the ease of the process. Whenever they apply for credit from financial

institutions, their application gets rejected due to the lack of credit history and business financials. Hence, if the credit history of small-scale businesses that have taken micro-credit is incorporated in the CIB system, FIs will be able to properly analyze and use it as a fundamental tool in the decision-making process. This will reduce the number of rejected applications that were present due to lack of credit history.

Impact measurement of specialized budget allocation

The Government of Bangladesh have allotted resources in enhancing specific sectors such as the development of financial inclusion of women. It includes convenient delivery channels of products and prioritizing the usage of DFS among women. However, the impact of these interventions has not been recorded yet. If a proper measurement tool is used to measure the impact of the programs, then further innovative plans can be implemented according to the results.

Training programs for prospective entrepreneurs

The current instruction provided by the central bank to the FIs is to conduct capacity building exercises for their existing and prospective clients. However, lead banks are seen to have been providing development programs to only their existing clientele. In this way, entrepreneurs who are in actual need of the training do not receive it. Therefore, these training programs offered by banks should be provided to prospective clients (including small-scale entrepreneurs) along with their existing clients.



Chapter 7: Global Interventions for Financial Inclusion of Women

Increasing the financial inclusion of women has been a recurring area of focus around the world. Some case studies from similar endeavours in other countries are mentioned here:

Case Study 1

Country Focus: Indonesia

Project: Gender Mainstreaming & Gender Responsive Budgeting to achieve gender equality²⁸

Organization: Government of Indonesia

Target group: Women of Indonesia

Objective: Optimizing financial and non-financial services for women led MSMEs

Gender mainstreaming is defined as an approach to policy-making that considers both women's and men's interests and concerns. This is a guiding principle to Gender Responsive Budgeting, which is defined as “a budget that works for everyone (women and men, girls and boys) by ensuring gender-equitable distribution of resources and by contributing to equal opportunities for all.” Plans for implementation started in 2003 at the local level. A decree published by the Ministry of Home Affairs required local governments to allocate 5% of their budgets for schemes that specifically addressed the needs of women. In 2009, decree 119 was issued by the Ministry of Finance to apply gender responsive budgeting in 7 ministries of the government: namely Health, Education, Agriculture, Public Works, Finance, Agriculture, Women Empowerment & Child Protection and the National Development Planning Board. A subsequent decree in the year 2010 instructed these ministries to produce gender budget statements comprising of a gender situation analysis, objectives, an action plan, activities, budgetary allocations, outputs, performance and anticipated impacts.

Results:

Stronger situation analyses, with the integration of a “gender lens”; conscious consideration of allocating resources to meet the differential needs of women and men; review of service provision, and activities to build the capacity of government staff

Takeaways from Case Study 1:

A similar model comprising of gender mainstreaming and gender responsive budgeting has been tried out in Bangladesh to improve the efficiency and effectiveness of public expenditure and to attain the goals set out in the national policy documents. The Government of Bangladesh introduced the

28. Fithriyah. (2017). Indonesia's Experience: Implementing Gender Responsive Planning and Budgeting. Jurnal Perencanaan Pembangunan: The Indonesian Journal of Development Planning.

Medium-Term Budget Framework (MTBF) to replace the traditional budget preparation system in financial year 2005/2006 in four lines of ministries. In financial year 2011/2012 all ministries and divisions were brought under this process. The post-evaluation of the execution revealed some key issues to be addressed which are discussed below:

First, activities completed under the program should be monitored and reviewed from a gender analytic perspective. Beneficiary assessment should be gender disaggregated to determine who is benefitting from the government expenditure. There are WID focal points in every ministry with the responsibility of co-ordinating between ministries on gender related issues²⁹. The second issue was regarding his/her involvement with the GRB process. Higher involvement with the budgeting process is necessary to fully utilize the role of this position to strengthen the initiative. Thirdly, there was a lack of evidence-based results which demonstrate the effectiveness of the program. Ministries often claim to have had a positive impact on women, but rarely can back it up by data. This is since sufficient post-program; gender disaggregated data is not being collected. Changes in this regard will not only help validate the effectiveness of the program but also help better plan the way forward. Lastly, reports generated with the analysis of the data collected should incorporate more analytical rigor to establish more cause-and-effect relationships, identify patterns and key issues to make the exercise more meaningful.

Case Study 2

Country Focus: India

Project: Her & Now - Empowering Women Entrepreneurs

Organization: Deutsche Gesellschaft für Internationale Zusammenarbeit

The programme is piloting incubation and acceleration support programmes for women to start new businesses and to scale up their existing businesses, focusing on smaller cities in five regions in India (Maharashtra, North Eastern Region, Rajasthan, Telangana and Uttar Pradesh). Based on that experience, it will support the Indian Ministry of Skill Development and Entrepreneurship in designing and implementing gender-sensitive government support schemes for entrepreneurs. The incubation and acceleration programmes last 7 and 6 months, respectively. During that time, every entrepreneur has a customised growth plan, a mentor as a designated point of contact, and can benefit from classroom sessions with invited experts. One objective of the programme is to enable women entrepreneurs to raise funding³⁰. This includes:

- ▶ Understanding of own funding needs
- ▶ Getting realistic numbers (e.g. many entrepreneurs did not count in a salary for themselves)

29. Bangladesh: Gender Equality Diagnostic of S elected Sectors (2018). ADB.

30. Women's Financial Inclusion Toolkit (2021). GIZ.

- ▶ Financial management: managing one's money, identifying necessary investments
 - ▶ Finding a balance between a sense of community welfare and business prudence
 - ▶ Reducing the fear of approaching financial institutions
 - ▶ Reducing the negative perception of using external finance for funding their business
-

Results:

14% of the participants established linkages to financial institutions or investors; 94% of the acceleration program participants successfully scaled up their businesses.

Takeaways from Case Study 2:

As per the discussions in the previous sections, financial institutions in Bangladesh have improved access to finance for women with the introduction of banking products that are specifically catered towards females, providing these products through agent banks in rural areas, and the intervention of mobile financial services in the country. These steps have improved the financial inclusion of women in the past decade, however, the loan disbursement target of 15% set by the central bank is still a far stretch with the current portfolio being 3-4% of the total amount disbursed. On the other hand, incubator and accelerator programs are being implemented for women entrepreneurs in smaller cities. The objective of the program was to help women understand their financing needs, establish a proper cost structure with real figures, mitigate their fear of visiting financial institutions and reduce their negative perception of using external finance. The program has allowed 94% of its participants to scale up their businesses. Since similar problems persist in Bangladesh as well, such actions can address the “need for funding” aspect of women’s access to finance and improve their ability to generate positive return from the funding. Pilot programs can be executed to understand the scalability of the approach.

Case Study 3

Country Focus: Nigeria

Project: The Reach HER project

Organization: Rich Oak, GIZ

Duration: 2018 - 2020

Target group: Unbanked female microbusiness owners

Objective: To enhance financial inclusion and economic empowerment of unbanked businesswomen

The Reach HER Project was implemented by Rich Oak, a partner organization of GIZ in Nigeria, with the goal of enhancing financial inclusion and economic empowerment of unbanked businesswomen. The project was piloted with 200 women in Kabusa village, a fast-growing community near Abuja with no banks at that time³⁰.

- ▶ They did a baseline survey and selected 150 women for training in financial literacy.
- ▶ Prior to the training, a needs assessment was conducted.
- ▶ Additional to the training, interest-free micro-loans were disbursed to 63 women who showed willingness and capacity to grow their businesses.
- ▶ To empower the women to build up their own capital for further growing their businesses, they became part of savings groups with daily contributions of N200 (approx. 43c) a day. After about 3 months they would thus have repaid their loan with the savings and could then use any further savings for future investments.
- ▶ All transactions are digitally tracked, thereby allowing women to build a credit history with Rich-Oak.
- ▶ In addition to loans and savings services, insurance and pension products are also offered through partner insurance and pension companies

Case Study 4

Country Focus: Kenya

Project: Creating better banking experiences for women-led enterprises in Kenya

Organization: Women's World Banking (WWB) and Kenya Commercial Bank

Duration: 2017 – 2019

Target group: Women-led MSMEs in Kenya

Objective: Optimizing financial and non-financial services for women led MSMEs

WWB partnered with KCB, the largest Kenyan bank with a strong commitment to serve the women's market, to reduce the financing gap between men- and women-led businesses. Together they looked at their administrative data, talked to bank staff at all levels, and held focus group discussions with customers and potential customers (both male and female) to identify concrete business challenges and customer needs. Based on these, a multipronged proposition was developed, consisting of 4 key components:

- ▶ Development of a relationship management model

- Implementation of a new cash flow-based credit assessment methodology
- Upgrading of non-financial business support services
- Cultivation of a strategic gender focus

Takeaways from Case Study 3 & 4:

In Nigeria, a program was implemented to ensure underbanked women in rural areas can get access to financial services. A crucial aspect of the program was the intervention of tracking transactions through digital means, allowing women to build a credit history that help them receive further funding in the future. In Kenya, banks are building new cash-flow based credit assessment along with providing non-financial business support services. From the perspective of Bangladesh, constraints regarding establishing business viability persist among small scale entrepreneurs, hence, digitization of their day-to-day transactions can be explored. On the other hand, credit repayment taking cash flow of the business into account is a relatively new intervention in Bangladesh, however, the prospects of its future depend on the scalability of its adoption.



Chapter 8: Strategic Recommendations

8.1 Summary of findings

Based on the analysis of pain points on both the supply side and demand side, it may be said that a systemic and multi-dimensional mismatch exists between the needs and capabilities of most prospective women customers and the services formal financial institutions are currently capable or willing to provide. The following table outlines this mismatch in four dimensions.

Demand and Supply Gap

- 1. High product necessity vs. Low product awareness:** Financial institutions have been building financial products catering to the needs of women and marketing them in specific areas that need female-focused financial products. However, the small-scale demand-side actors in rural and urban areas are still not aware of the different women's banking products. They are predominantly dependent on credit from MFIs to make sure their business survives. Such small-scale entrepreneurs are often also not aware of the process or path of business expansion.
- 2. High willingness to take credit vs Low risk appetite to finance:** For loan products, FIs require formal business financials and trade licenses that many micro and small-scale entrepreneurs do not possess, which leads to around 50% of the applications for loans being rejected. In most cases, unbanked entrepreneurs, even those with significant financing needs, feel reluctant to visit FIs as they are intimidated by the loan application process. FIs on the other hand are reluctant to finance clients, without collateral or strong supporting documents. MFIs however, are significantly more open to this form of risk and hence the only option available to many despite higher interest rates.
- 3. Demand for door-step services vs High cost of service delivery:** Access to formal finance in rural areas is difficult for small entrepreneurs since agent banks are generally located far away from their homes. They typically opt to take loans from MFIs since their officers frequently visit their communities. Hence, women in rural areas continue to save in cash or MFS accounts for greater liquidity. On the other hand, banks cannot explore expensive channels to reach customers due to the interest rate cap, while MFIs can afford to collect the repayment from their business point through charging a higher interest rate, which can be as high as 24%.
- 4. Seasonal business cashflow vs Uniform repayment scheme:** Medium-scaled entrepreneurs are generally assessed to have the capacity to repay while small-scaled entrepreneurs are rarely eligible to receive credit from FIs due to lack of documents. From the perspective of FIs, loans are provided based on the cash cycle of the business and grace period of 3-6 months is provided, however, due to some businesses being extremely seasonal this period is often not enough. Hence, small-scaled entrepreneurs prefer taking credit from MFIs or family members while medium-scaled entrepreneurs seek loans with longer grace period.

Figure 11: Demand and supply gap

Root causes of barriers

Upon discussions with demand-side players including woman-owned SMEs and salaried workers, and supply-side actors such as Banks, NBFIs, MFIs and MFS, affiliated causes of persisting low application rates and high rejection rates have been identified. Current financial products require business documentations and financials that many SMEs do not have. Financial institutions have been taking measures to enhance female financial inclusion; however, they are majorly addressing medium scaled entrepreneurs who have less risk affiliated to them. On the other hand, small-scaled entrepreneurs are not properly aware about formal financing due to reluctance in visiting FIs, high turnaround for loan sanctions and perceived aversion for banks to lend. It has been noticed that policy restrictions on interest rate cap and documentations have a reflection on the level of risk banks can take to finance small-scaled entrepreneurs.

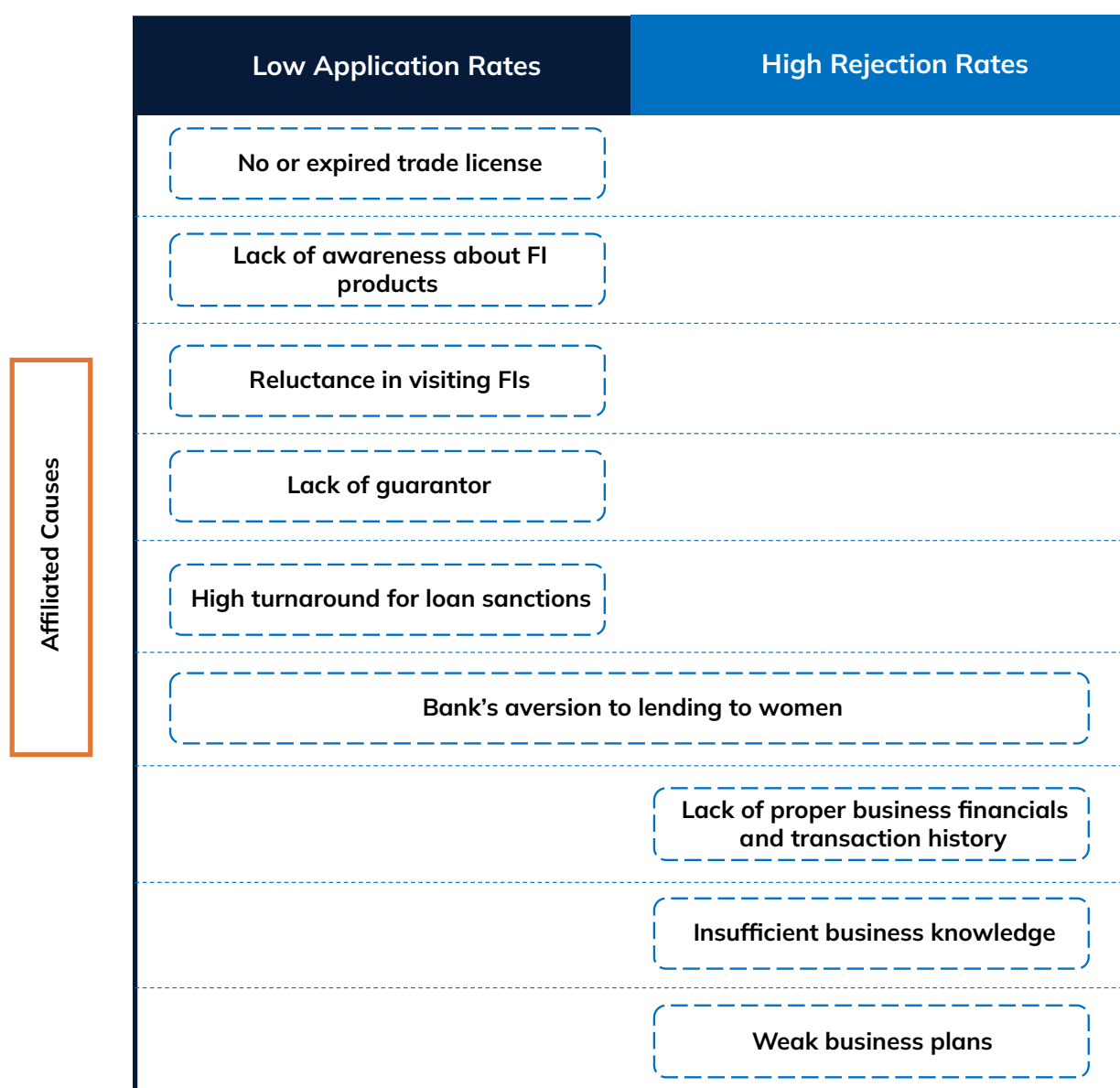


Figure 12: Root causes of financial exclusion of women

These root causes manifest as low application rates and high rejection rates and hence a deprivation of millions of women from essential financial services. To mitigate these barriers, several recommendations are offered in the next section.

8.2 Recommendations for regulators

A key issue concerning loan disbursement to women-run CMSMEs is the verification of women's authority in the business. Importance should be given to generating a database of verified women entrepreneurs and gender disaggregated data from relevant fields ought to be maintained. Keeping these in mind, the following actions are recommended:

Recommendation 1

Collect gender disaggregated data

Gender disaggregated data captures the effects of an intervention on men and women separately. The Central Bank should make necessary mandates to increase the collection of gender disaggregated data in project appraisals, scenario analyses, and evaluation reports to identify gender specific trends, patterns, issues, effectiveness, and use said data to generate affirmative action for women and enact better gender inclusive policies. This will also allow FIs to develop or improve their product development strategy to enhance financial inclusion of women.



Actions required

- Regulators can create a standard for rigorous data collection.
- Data will be collected keeping affordability, accessibility, customer experience quality and app reliability as pillars.



Issues solved

- ✓ Lack of proper business financials and transaction history

Recommendation 2

Distinguish between women-owned and woman-run businesses

As the current policy mandate only checks the ownership status of businesses, loans for female entrepreneurs often get misappropriated by male family members. This issue is relatively more persistent for MFI clientele compared to FIs. Therefore, the Central Bank and MRA should enforce a mandate concerning the verification process and enact a procedure for the validation of women's CMSME loans to identify whether the concerned business is truly owned and led by the woman. If the

criteria are met, then loans should be provided at a preferential rate to the entrepreneurs. The SMEF, along with the World Bank has created an online platform to support women entrepreneurs in marketing their products. The platform's database can be utilized by the FIs during the KYC process.



Actions required

- Enact a mandate that strengthens site visit activities to ensure that the business is run by a woman
- Use data of entrepreneurs from SMEF to cross-check for validation
- Perform additional inspection through local government for loan distribution.



Issues solved

- ✓ Lack of proper business financials and transaction history
- ✓ High turnaround for loan sanctions

Recommendation 3

Incentivize disbursement to female entrepreneurs

At present, there is a directive for banks to disburse 10% of their SME loan portfolio to women entrepreneurs and it is subjected to increase to 15% by 2024. The regulatory authorities should match the directive with an incentive on achievement for more effectiveness. Tax rebates, partial deposit insurance or other benefits may be considered. Prospects of a penalty on failure of achievement of target should also be explored.



Actions required

- Provide incentives such as tax rebates or partial deposit insurance to the banks for meeting the target.
- Plan to penalize banks for failing to meet the target in the near future



Issues solved

- ✓ Perceived aversion of Banks to lending to women

Recommendation 4

Incorporating micro-merchants in the CIB system

Recently, Bangladesh Bank has signed an MOU with MRA to develop a CIB system for Micro Finance Institutions (MF-CIB). This will allow MFIs to maintain a risk-free lending procedure. However, it is suggested that data of the newly built system should also be available to FIs as well. In this way, micro-merchants who are new to the formal financing system will have a credit history recorded in their CIB report. This will create transparency between the lender and the borrower which is expected to increase disbursement and decrease the volume of bad loans.



Actions required

- Incorporate MF-CIB data into the formal financing system
- Allow financial institutions to use the data for providing loan



Issues solved

- ✓ Perceived aversion of banks to lending to women
- ✓ Lack of proper business financials and transaction history

Recommendation 5

Encourage setting up more female friendly branches

Many women face discomfort or discouragement from their families to visit branches of FIs and MFIs, especially in rural areas. However, women feel more comfortable at bank branches with dedicated female desks. Hence, the mandate of having a dedicated female desk at all branches should be enforced actively. The MRA should encourage MFIs to build female led branches (already underway in some cases). Bangladesh Bank should explore mandates through which more female workers are recruited and placed in the branch offices of banks.



Actions required

- Encourage MFIs to build female led branches
- Enact a policy that ensures a certain level of female employees per branch or encourage FIs to set up a female-led branch



Issues solved

- ✓ Perceived aversion of banks to lending to women
- ✓ Lack of proper business financials and transaction history

Relevant case studies

City Bank women banking wing Alo have introduced a special “Coffee-shop branch” with the aim for continuous discussion and discourse for the established and upcoming entrepreneurs. The branch is open to any women customer and it allows them to take services in comfortable environment.

8.3 Recommendations for financial institutions

The number of banks partnering with associations to organize trainings for the wider community of SME entrepreneurs is quite low. Financial institutions are directing their efforts in this regard mainly towards their existing clientele. A significant portion of the population is not on social media and cannot read text messages on phones, hence solely relying on SMS and social media will not be able to achieve full financial inclusion.

Therefore, the following recommendations are provided for financial institutions, so that they can provide training for the beneficiaries who most need it most, reach out to a broader audience, and cultivate a nascent client base.

Recommendation 1

Facilitate capacity development programs for female entrepreneurs in urban areas

Based on our discussions with beneficiaries as well as financial institutions, we noticed that female entrepreneurs lack knowledge on business management and maintaining business financial records. Therefore, financial institutions should invest in developing the capacity of female borrowers. The training can be delivered in a hybrid model through the organization of quarterly fairs or boot camps and through digital platforms such as a separate app/website or YouTube. The content of the program should incorporate basic bookkeeping, access to finance and financial management, getting financing from banks, and business regulations.

The current policy by Bangladesh Bank mandates FIs to organize capacity programs for prospective entrepreneurs. Hence, partnerships with organizations such as SME Foundation will allow FIs to provide trainings to a range of different entrepreneurs in need of the training.



Actions required

- Organize training programs and bootcamps on basics of bookkeeping, access to finance and financial management.
- Provide the service in a hybrid mechanism ensuring usage of digital platforms for maximum reach.
- Partner with foundations and associations of entrepreneurs to enhance the reach of different kinds of stakeholders.



Issues solved

- ✓ Lack of documentation and business financials required to avail loans
- ✓ Reluctance to visit financial institutions
- ✓ High turnaround for loan sanctions
- ✓ Lack of business financials and transaction history
- ✓ Weak knowledge in business planning

Relevant case studies

BRAC Bank women banking segment TARA organized workshops for f-commerce entrepreneurs that aimed in developing managerial and entrepreneurial skills that will help them sustain and expand their businesses.

City Bank women banking wing Alo have partnered with NSU to deliver an entrepreneur certification program with the objective to boost business confidence.

City Bank customers are also being offered skill development opportunities in partnership with Ujjwala and Shikhbe Shobai.

Recommendation 2

Marketing activities according to type of beneficiaries

Most respondents are not aware of financial products on offer since these products are not being advertised in their surroundings. Financial institutions are nevertheless actively promoting on social platforms, which may be effective at reaching certain audiences, but excludes others.

FIs can partner with different business chambers and associations of women entrepreneur such as BWCCI, BWFE, WEAB, CWCCI, SMEF etc. to identify the type of borrowers available in different regions and develop a wider and more inclusive range of client profiles. This will help the financial institutions to assess their behavioural change campaigns and adopt more inclusive marketing channels such as TV, theatre ads, and billboards, etc. This way, FIs can connect to a broad range of female entrepreneurs.



Actions required

- FIs have to partner to chambers, association and foundations to understand the source of entertainment of different women entrepreneurs.
 - Adopt different marketing strategies according to the behavioural assessment of potential customers.
-



Issues solved

- ✓ Lack of awareness about FI products

Recommendation 3

Introducing digital accounting to small and medium-scale entrepreneurs

The majority of the loans get rejected due to improper bookkeeping practices and incorrect financial data. Hence, along with the capacity building training suggested earlier, financial institutions can provide training programs on improving the accounting and cash management of the business. The training can introduce Microsoft Excel to micro and small entrepreneurs, while medium scaled entrepreneurs with higher turnovers can receive training on dedicated digital accounting software. This will allow borrowers to showcase a structured financial history while applying for loans, additionally, it will improve the entrepreneurs' ability to monitor business performance and make more informed business decisions.



Actions required

- Provide training on digital accounting to clientele
 - Training on Microsoft Excel for small entrepreneurs and dedicated digital accounting software for medium entrepreneurs should be provided
-



Issues solved

- ✓ Lack of proper business financials and transaction history

8.4 Recommendations for microfinance institutions (MFI)

The current CMSME portfolio of MFIs consists of over 90% female entrepreneurs, however, the real

number of female entrepreneurs benefitted is lower than the actual portion. It is often seen that male members of the family are benefitting from business loans, originally issued to a woman. To reduce this practice, the following recommendation is provided.

Recommendation 1

Preferential rate from MFIs to women led businesses

Following the suggestion provided for MRA regarding enacting a policy to identify women led businesses, MFIs should dutifully follow the procedure and provide a preferential rate for lending to businesses, which meet the verification criteria of women owned and led businesses. Since over 90% of the microloans provided in rural areas are to females such a step is expected to incentivize women to be more directly involved in the operations of their enterprise.



Actions required

- MFIs have to strengthen their identification procedure to recognize real women borrowers.
- Incorporate a strict way that encompasses the level of business involvement of a woman.
- Provide incentive on interest rate to women-led businesses. This will in-return increase their business involvement.



Issues solved

- ✓ Reluctance to visit MFIs

8.5 Recommendations for Mobile Financial Services (MFS)

Mobile financial services are accessible channels for women to integrate themselves in the formal financial landscape. However, lack of information on the usage of such services among women leads to lower utilization of the service than possible.

Recommendation 1

Train women to use MFS

Most women MFS users can perform basic transactions (send money, cash in, cash out), but only a few know about more advanced features e.g., making payments, operating a merchant account, loans, and savings products, etc. Training sessions should be conducted for females on the comprehensive usage

of MFS, including setting up and operating merchant accounts, conducting business transactions through the service, etc. MFS providers can look into a collaborative approach with non-profits or NGOs and utilize the on-field presence of these companies to reach target beneficiaries. The option of incorporating a digital channel to disseminate these trainings at a lower cost should also be explored.



Actions required

- Conduct training sessions on services that are newly being developed including savings and loan products
 - Collaborate with NGOs to disseminate the sessions as this will allow a broader beneficiary reach
-



Issues solved

- ✓ Reluctance to visit MFS agents
- ✓ Lack of proper business financials and transaction history

Recommendation 2

Recruit more female agents

Rural female borrowers mentioned certain challenges going to male agents, which leads to their dependence on male family members to execute MFS transactions. MFS providers should increasingly recruit female agents. This will facilitate female customer-agent transactions, helps women exercise the rights to their own accounts, and contribute further to the normalization of female MFS users.



Actions required

- Hire female agents to reduce reluctance in visiting shops/MFS agents
-



Issues solved

- ✓ Reluctance to visit MFS agents

Recommendation 3

Integrate with more FIs and MFIs to offer loan & savings products

From our primary findings, we have come to know that the prospect of regular visits to bank branches to perform transactions like paying instalments & making deposits often acts as a deterrent to women setting up bank accounts. Keeping this in mind, MFS providers should work on integration with FIs and NBFIs to make MFS-based savings and nano-loan products more widely available; a preferential rate of interest should be allowed specifically for women



Actions required

- Partner with FIs and NBFIs to provide their financial products dedicated for women through the MFS system
- Allow MFS transaction history to be used in the eligibility process



Issues solved

- ✓ Reluctance to visit MFS
- ✓ High turnaround for loan sanctions

Relevant case studies

In September 2021, IDLC finance, in collaboration with bKash, launched an MFS-based savings product through the bKash app. Users can choose between monthly instalment sizes starting from BDT500 which is automatically deducted from their account at a certain time every month. Upon maturity, users can withdraw the full amount, along with interest from any agent point without incurring any cash out charges. Close to 90,000 people availed the savings scheme within 6 months of its inception.

City Bank has also collaborated with bKash to introduce collateral free, digital nano-loans of up to BDT 20,000 for pre-assessed bKash users. Loans are provided at a 9% per annum interest with an EMI-based repayment period of 3 months. Users are approved for loans based on their digital transaction history, specifically through the bKash app, meaning that they do not have to go through the traditional lengthy borrowing process.

Conclusion

The study findings reinforce the fact that women, due to social structures and norms, face systemic challenges in accessing financial products. Small entrepreneurs are being left behind due to a lack of entrepreneurship training or incubation. Therefore, there is a necessity for policy level interventions to encourage financial institutions to play a more active role in the financial inclusion of women entrepreneurs and women in general. Most women entrepreneurs are excluded from formal finance since many operate informally.

Consequently, financial institutions and their partners can make tactical interventions that nurture and grow this latent base of prospective clients through a combination of capacity development, human centred design, and demand generation, which can mitigate the significant demand-supply gap that exists in the market. A collaborative approach that also includes regulators is also key since it can create strategic incentives for progressive financial institutions. Some of the recommendation provided are currently taking place in a limited state due to the lack of strict mandates. Hence, a multi-pronged approach considering the incentives and risks of each involved players including regulators, lenders and associations is required to act in tandem and create systemic impact that drives financial inclusion of women in the country.

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