

# Assessing the Current Ecosystem of Financial Products for Women in Bangladesh



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1. Labor Force Participation (2021). World Bank.
2. The Global Findex Database (2021). World Bank.



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# Financial Inclusion Status of Women

6%

Average GDP Growth Rate of Bangladesh in the last 10 years

81%

Apparel export as a percentage of Total Export

35%

Female labor force participation <sup>1</sup>

43%

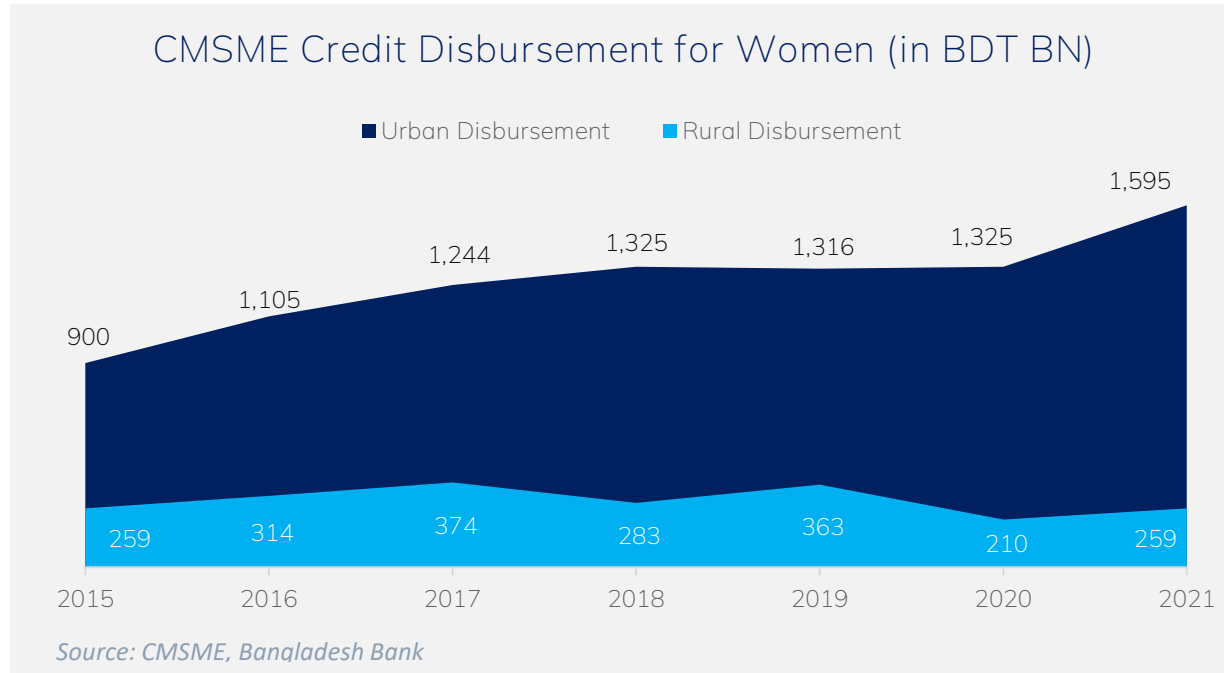
Women have a financial account <sup>2</sup>

## Why is Female Financial Inclusion a necessity?

- Improved gender equity
- Increased empowerment and ownership
- Better financial management
- Investment in social welfare activities

1. Labor Force Participation (2021). World Bank.  
2. The Global Findex Database (2021). World Bank.

# Is the Current Financial Inclusion Status Promising for Women?



61% of the Women-led SMEs are either partially or fully financially constrained<sup>3</sup>

Estimated financing gap of USD 2.5 billion among women-led MSMEs<sup>4</sup>

Over 90% of the microcredit borrowers are female

112 million MFS accounts with only 40% being active

3-4% of the total CMSME loans are attributable to women borrowers

Only NBFIs disbursed 10% of their total CMSME loans to women

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

4. SME Finance Forum (2018). IFC.

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# Persisting Gender Gap in the System

## Study Objectives

- ➔ Identify gender-focused financial products
- ➔ Gauge the gaps and challenges in existing products
- ➔ Provide recommendations to close the gender gap

A participatory and collaborative approach has been followed to conduct this quantitative study.

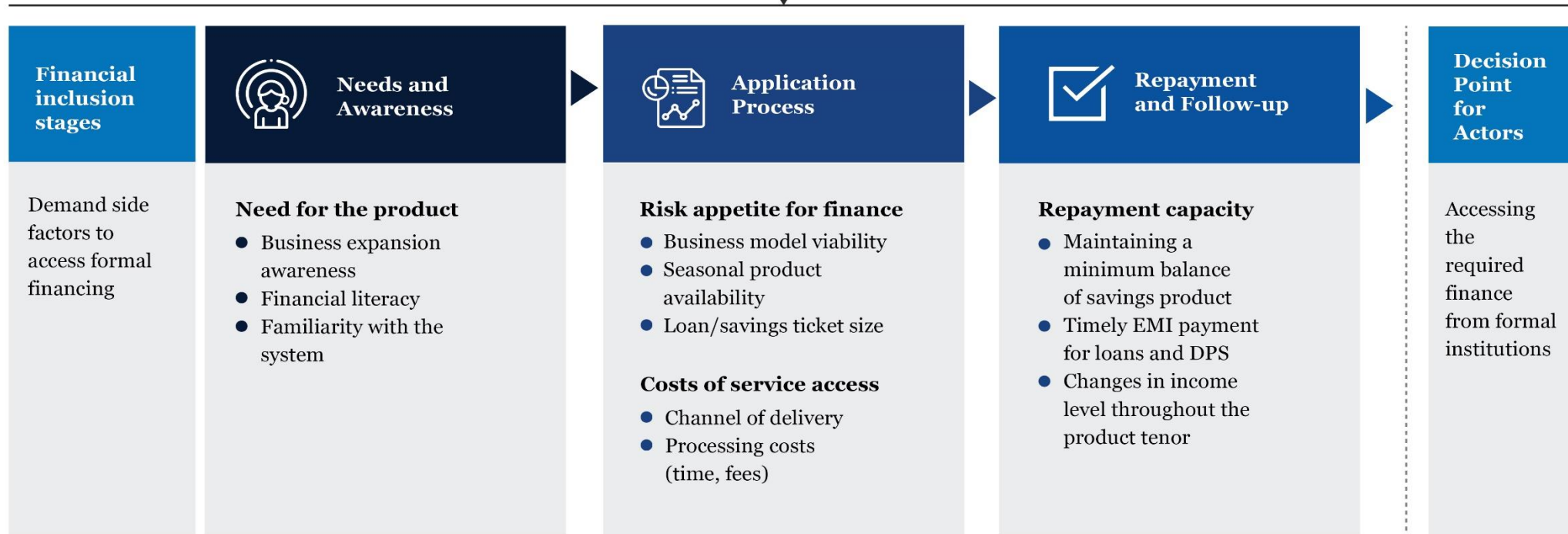
Interviews with borrowers, lenders, and other financial ecosystem players have been taken.



## Journey map for Women to access formal financing

Guiding Principles of stakeholders: Reach and awareness, Due diligence process, Seasonal financial products

The above factors are considered from the perspective of the financial inclusion stages before taking a decision to access formal financing

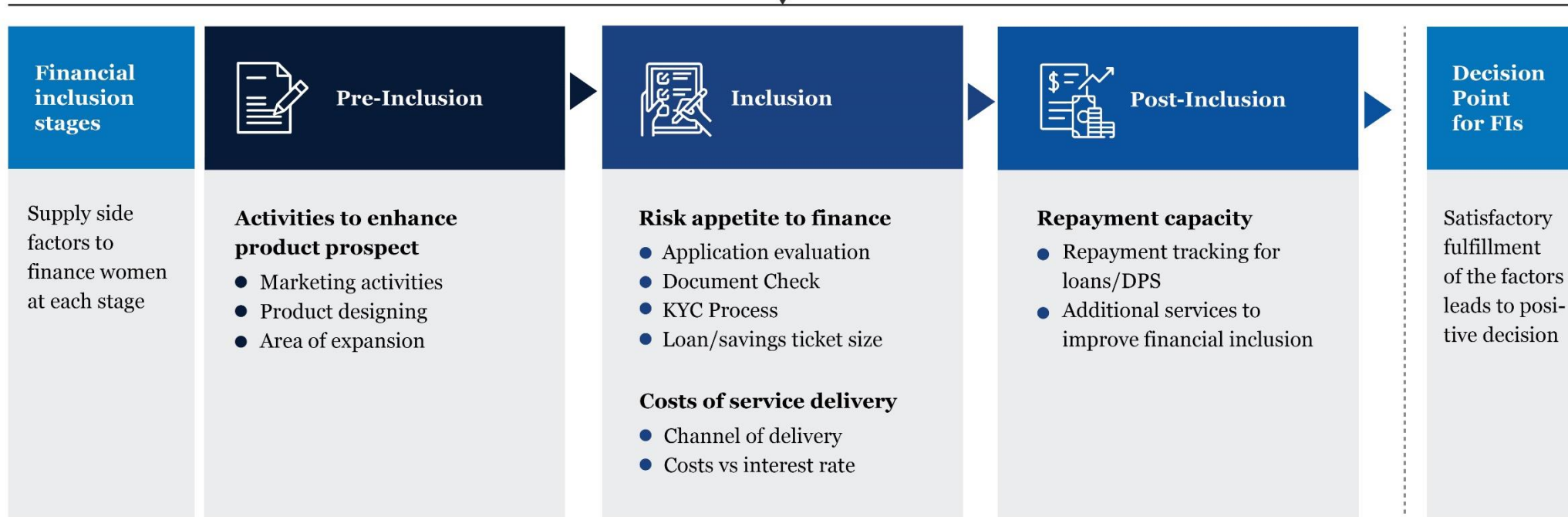




## Integrating inclusion in the financial access process

Guiding Principles of FIs: Capacity, Capital, Conditions, Character

The above factors are considered from the perspective of the financial inclusion stages before taking a decision to extend credit to borrowers



48 out of 61 Banks have women-specific products

21 out of 35 NBFIs have women-specific products

Banks with Savings or Loan Products

5 out of 6 state-owned banks

1 out of 3 specialized banks

3 out of 9 foreign commercial banks

39 out of 43 private commercial banks

7 out of 10 Islami Shariah-based banks



Banks are hesitant to lend to female entrepreneurs and requires a guarantor



Borrowers prefer a higher interest rate from NBFIs as it ensures them receiving the fund



Higher loan processing time make borrowers prefer MFIs over banks



Several FIs have set a lower limit than the mandated collateral-free loans of up to BDT 25 lacs



40-50% of the loan applications get rejected due to insufficient business financials



Additional benefits and discounted ancillary services boost the usage of female-based financial products

## FIs unable to reach small-scaled SMEs with specialized products

- FIs marketing financial products catered for women that do not reach small-scale demand-side actors in rural and urban areas.
- SMEs are dependent on credit from MFIs for business survival
- Small-scale entrepreneurs are often not aware of the benefits of business expansion.

## Lack of official documents leading to application rejections

- 50% of the applications for loans are rejected causing entrepreneurs feel reluctant to visit FIs
- High savings product usage in urban areas
- Beneficiaries in rural areas save cash or in MFS accounts where they do not have full authority over their savings.

## Interest rate cap limiting banks to explore expensive channels

- Agent banks are generally located far away from small entrepreneurs.
- They generally opt to take loans from MFIs due to fewer visitation requirements.
- Savings in cash or MFS accounts for better access to the fund.

## Business seasonality causes repayment issues even with time flexibility

- Current loan provisions are based on the cash cycle of the business
- Limitations in the grace period (3-6 months) causes repayment failures
- Small-scaled entrepreneurs prefer taking credit from MFIs or family members

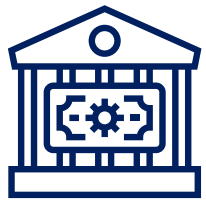
Affiliated Causes

Low Application Rates	High Rejection Rates
1. No or expired trade license	
2. Lack of awareness about FI products	
3. Reluctance in visiting FIs	
4. Lack of guarantor	
5. High turnaround for loan sanctions	
6. Bank's aversion to lending to women	
	7. Lack of business financials and transaction history
	8. Insufficient business knowledge
	9. Weak business plans

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# Strategic Recommendations

## Regulatory Bodies



Collect gender-disaggregated data to identify trends and issues

Strengthen activities to ensure a business is being run by women

Incentivize disbursement targets set for female entrepreneurs

Incorporate Micro lenders in the CIB system

Encourage setting up female friendly branches



## Financial Institutions



Facilitate capacity development programs for female entrepreneurs

Marketing of products according to beneficiary type

Introduce digital accounting to small and medium entrepreneurs



## Microfinance Institutions



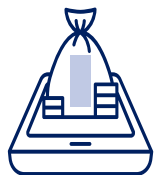
Strengthen the identification procedure to recognize real women borrowers

Incorporate a strict way that encompasses the level of business involvement of a woman.

Provide incentives on interest rate to women-led businesses. This will in-return increase their business involvement.



## Mobile Financial Services



Train women to properly use MFS by themselves

Recruit more female agents

Integrate with FIs and MFIs to offer products





# Thank You

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