



Insights to innovations

Designing financial services for
women entrepreneurs

September 2024

While banks' credit to women-owned MSMEs in Bangladesh has increased, the growth in credit access has not kept pace with the rising demand from women entrepreneurs

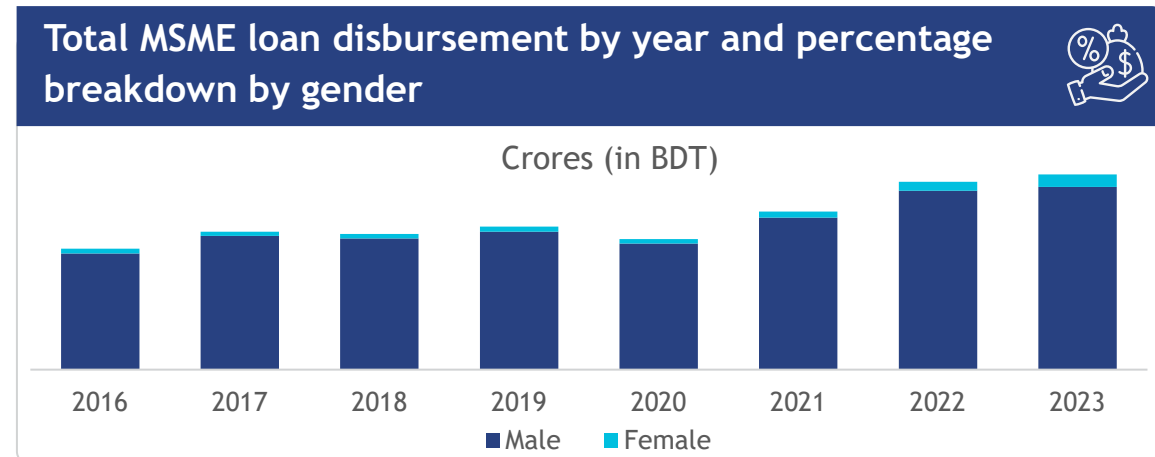
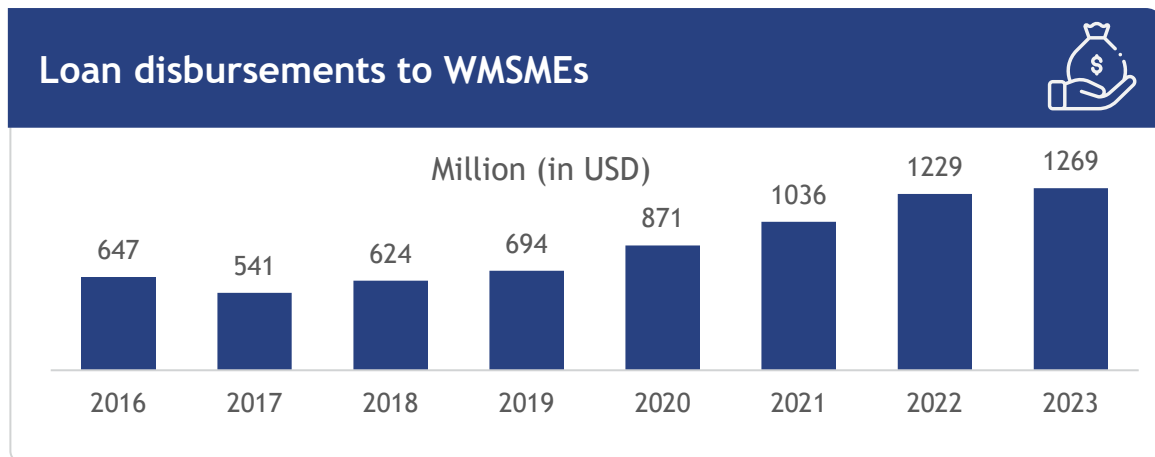
Data from Bangladesh's Women's Financial Inclusion Data (WFID) Dashboard



- As of Q4 2023, women own 36.9% of bank accounts and hold 33.9% of the total deposits in banks in Bangladesh.
- However, women's access to credit from banks is notably lower. As of Dec 2023, they own only 17.9% of total loan accounts and hold 6.5% of the total asset value, although they contribute 20% to Bangladesh's GDP.
- In 2022, 147,102 loans were issued to women-owned enterprises, representing 13% of total CSME loans. In 2023, this number increased to 236,172 loans, which accounted for 17.9% of total CSME loans.
- Women-owned businesses held only 17.9% of the total loan accounts by number but contributed just 6.48% by value, with their share in the outstanding credit portfolio as low as 6.45%.



Despite a steady increase in loan disbursements to WMSMEs, banks fall short of meeting Bangladesh Bank's target of allocating 15% of their total MSME credit to WMSMEs



Source: [Bangladesh Bank](#)

Target and achievement of outstanding loans to CMSMEs (up to December 2023)

Period	Net outstanding based on the target set by banks and NBFIs	Net outstanding amount (at the end of the year in billions (in BDT))				Women entrepreneurs	Achievements
		Manufacturing	Service	Trading	Total		
2022	2556	871	486	944	2300	4.54%	85.37%
2023	3462	1132	606	1212	2951	5.96%	85.23%

Source: SME and Special Programmes Department, Bangladesh Bank

Source: [Bangladesh Bank](#)

Women entrepreneurs' experience of accessing banks' credit has been unsatisfactory and often results in the loan's rejection: Parvin Begum's case

Two banks initially rejected Parvin's loan application due to concerns about her business type. The third partner bank has not yet confirmed or denied her application.

TAT: 82 days

Opportunity cost**: BDT 1,200 (USD 10) + loss of business for her husband and self

5th March 2024



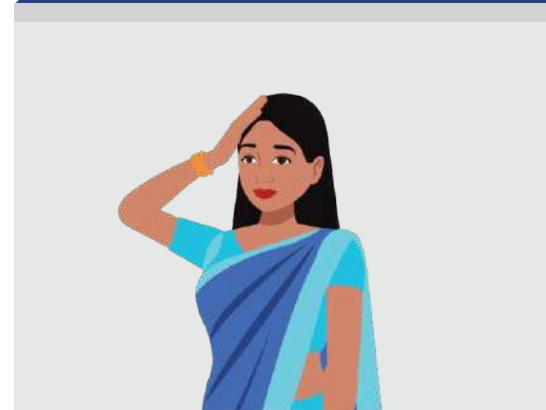
Parvin contacted three banks for a loan to inquire about the required documents.

13th March 2024



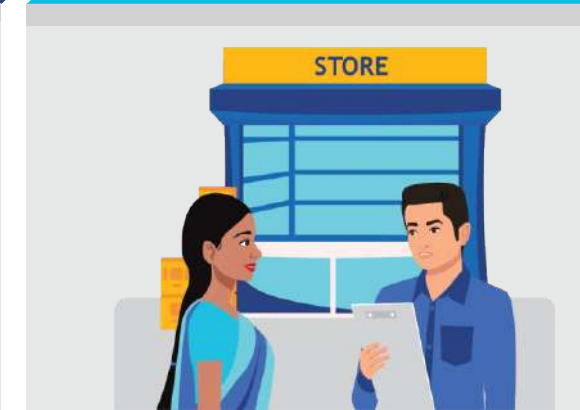
Two banks rejected her case due to the nature of her business.

5th April 2024



The third bank informed Parvin that they would consult with relevant authorities to determine whether she could apply for the loan.

25th May 2024



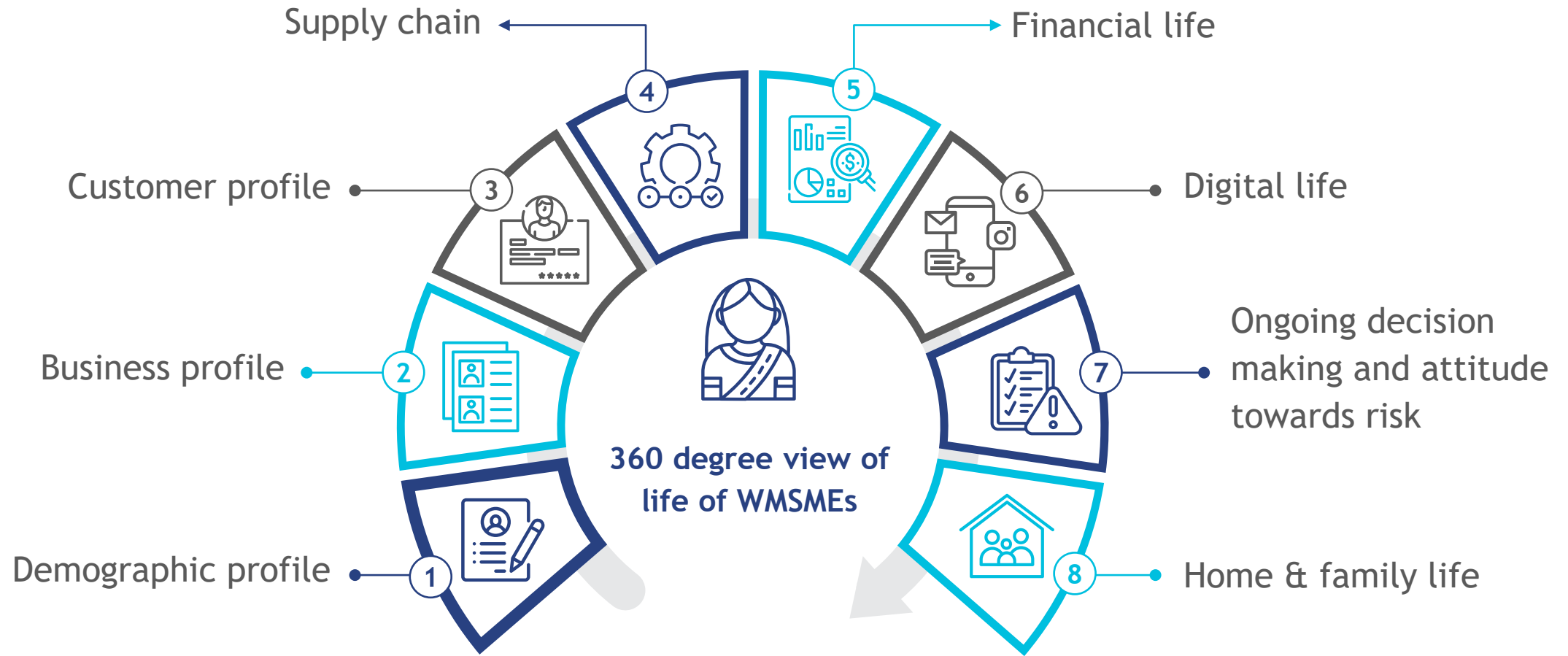
The third bank has not yet confirmed or denied Parvin's loan request. Her husband visited the Branch Manager twice. However, no discussion took place about the required documents.

*Parvin is a part of the Women Business Diaries project and runs a beauty parlor. Her monthly average revenue is ~ USD 450.

** Opportunity cost refers to the money she had to spend during her loan application process, which could have otherwise been allocated to productive activities or personal consumption

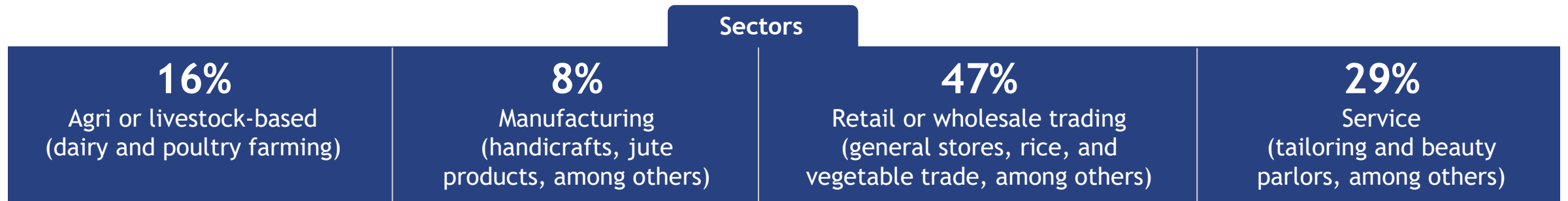
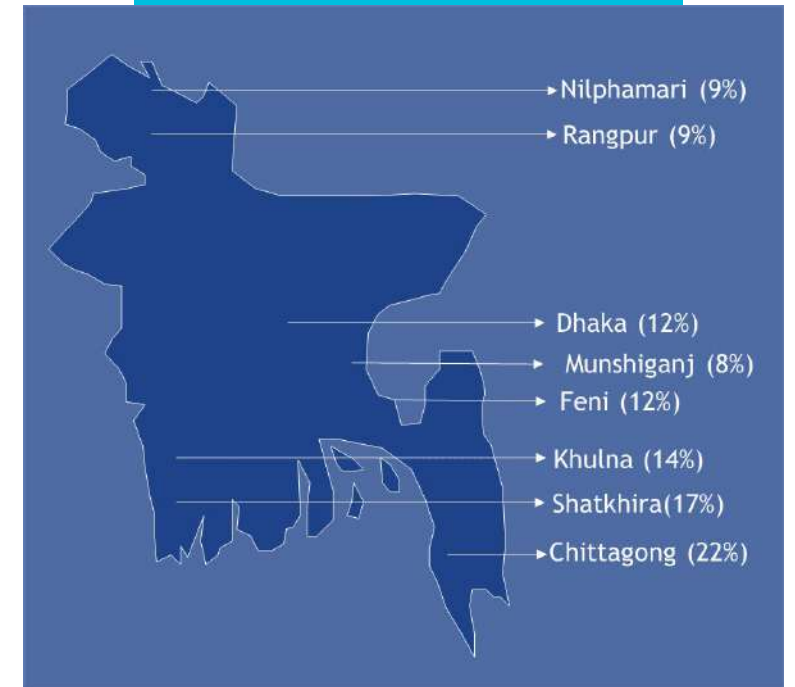
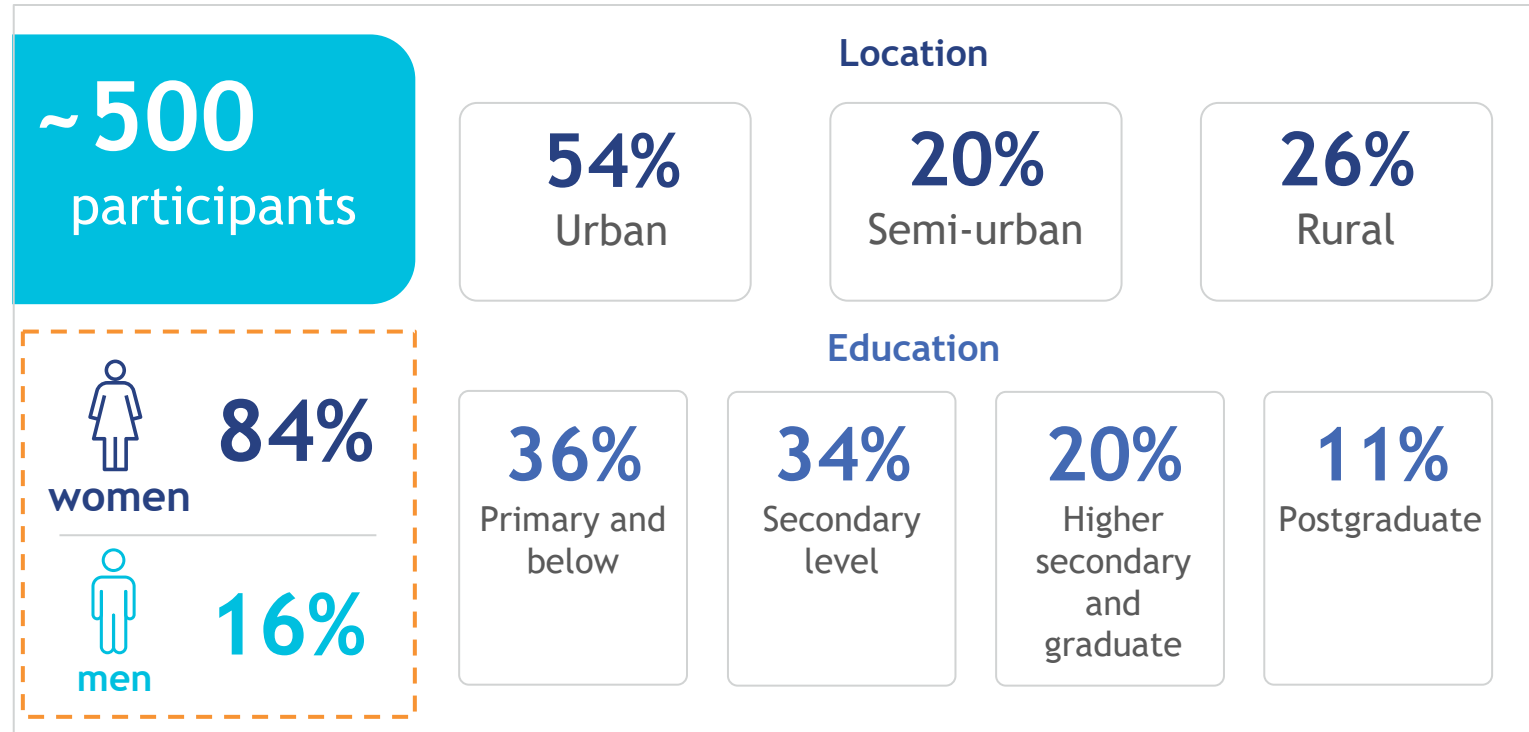
MSC gained insights into the financial and non-financial aspects of life among female business owners through the financial diaries methodology

Research framework



Aug 2022 - April 2024: The participants maintained their financial diaries from August 2022 to April 2024. Cross-sectional surveys and qualitative interviews were conducted periodically.

The study focused on female business owners across various demographics and industries in Bangladesh





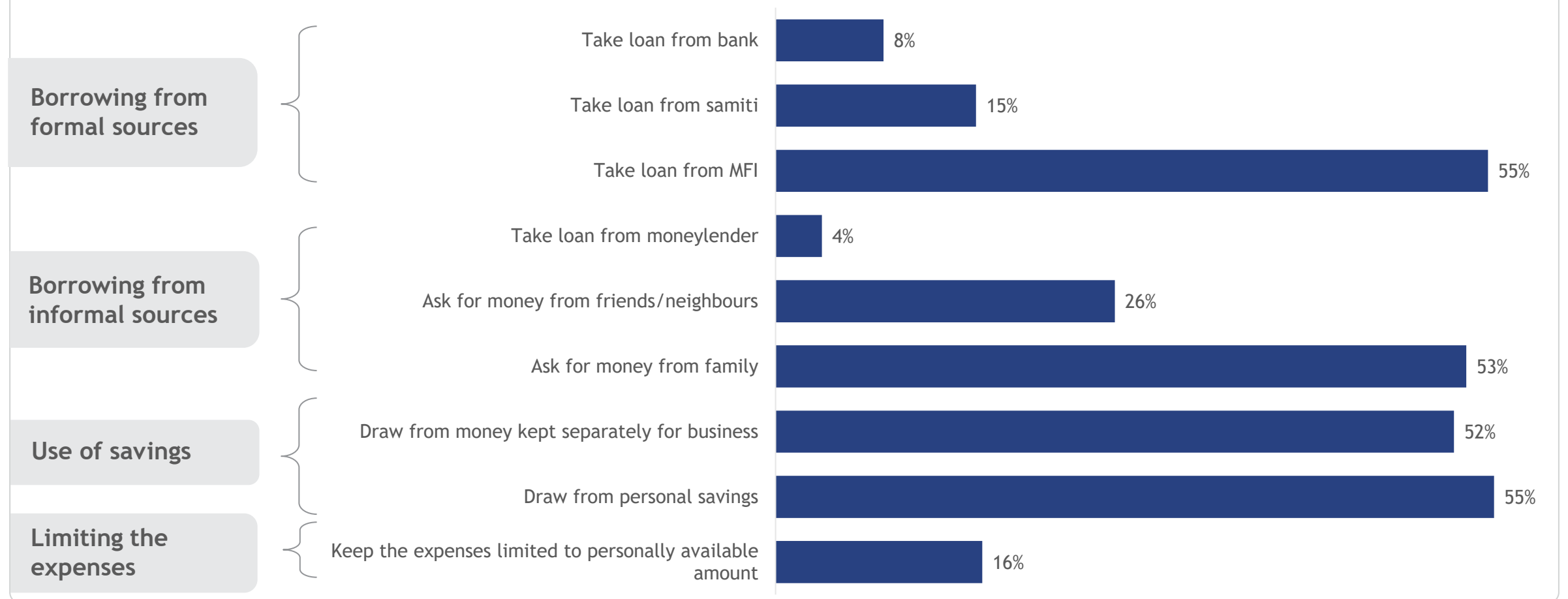
Insights on current savings behavior led to a saving product development

The use of insights to design saving products for women entrepreneurs

Female business owners have to rely on diverse business-funding strategies

Most business owners resort to both formal and informal sources to meet their financial needs.

How do business owners manage cash for a large business expense

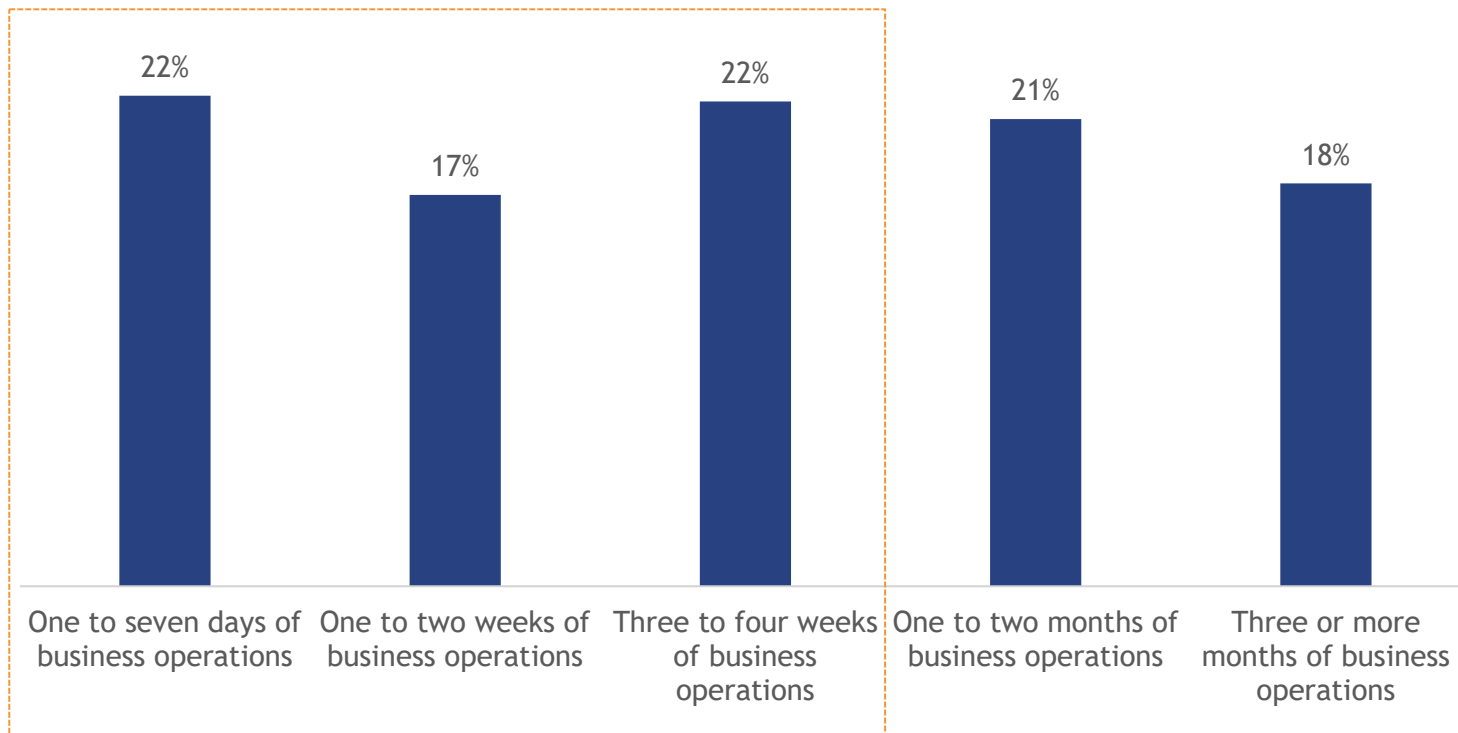


Source: MSC's Women Business Diaries 360-degree survey, Oct '23

Most women resort to personal savings to manage cash for large business expenses

This user segment has substantial savings that the banks can tap into

Number of days of business operations that the current availability of cash in hand can cover



Most women (61% of our diarists) maintain enough cash in hand to sustain their business operations for at least three to four weeks. Redirecting this cash into savings accounts could serve as a strong business case for banks to attract more female savers.



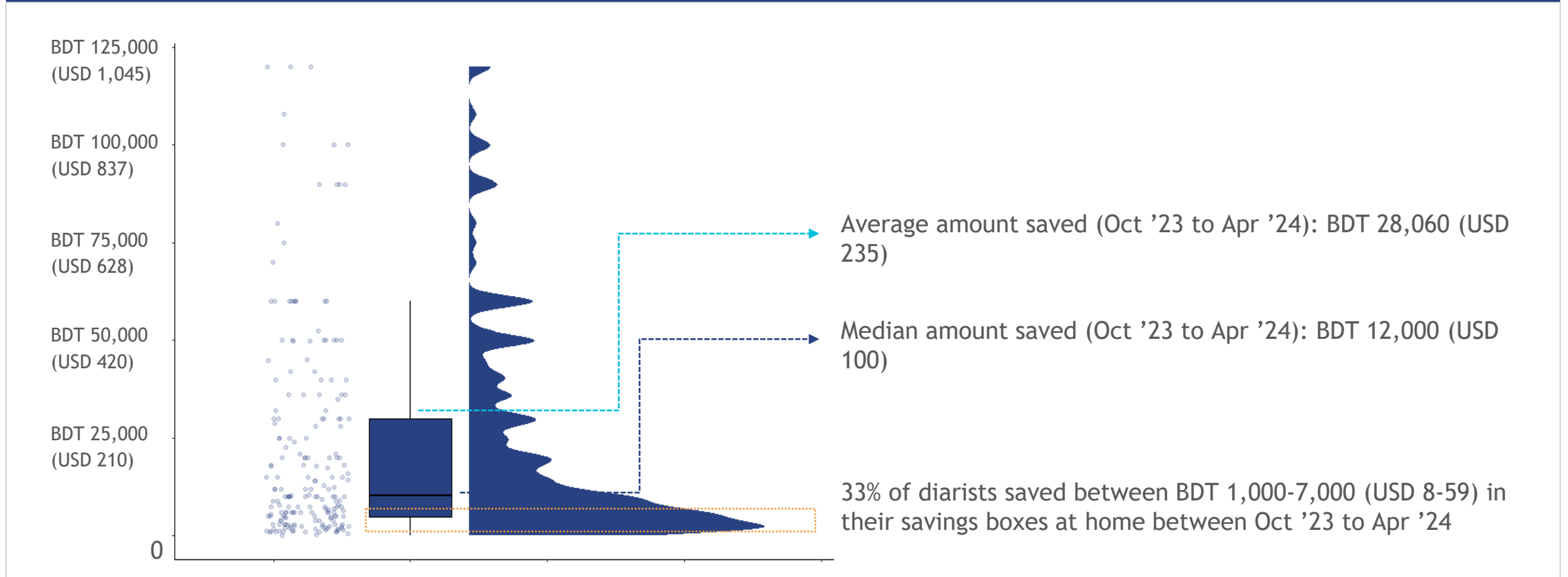
Women often turn to personal or informal sources or MFIs to borrow money once their savings are depleted. If banks could capture these savings, they would gain better insights into women's financial behaviors, which could help in more accurate financial profiling.



Source: MSC's Women Business Diaries 360-degree survey, Oct '23

Women business owners' savings boxes at home can reach USD 1,000 in six to seven months; banks can use this savings behavior to encourage them to use formal savings instruments

Total amount saved in savings box at home between Oct '23 - Apr '24



Source: MSC's Women Business Diaries Savings survey, Feb '24

Among those who save in a formal savings instrument, the median amount is highest for saving deposits in bank accounts, followed by DPS and MFI deposits

Name of saving instrument	Women	Men
	Median amount saved each time the tool is used	Median amount saved each time the tool is used
Storage box at home	BDT 100 (USD 0.83)	BDT 100 (USD 0.83)
Bank account	BDT 1,300 (USD 10)	BDT 1,250 (USD 10)
Compulsory savings along with loan	BDT 100 (USD 0.83)	BDT 1,000 (USD 83)
DPS	BDT 1,000 (USD 83)	BDT 1,000 (USD 83)
Samiti savings program with loans	BDT 300 (USD 2.49)	BDT 500 (USD 4)
MFI deposits	BDT 500 (USD 4)	BDT 500 (USD 4)

Then why do women save through informal practices, samitis, and MFIs?



MFIs and samitis allow women to save in small amounts, which is a feature banks currently do not offer.



MFIs and samitis offer flexibility in offering saving tenure, which enables women to save for short-term goals.



MFIs and samitis build community support and enhance social capital, trust, resource sharing, and financial empowerment.



Banks currently lack flexibility in saving product tenures and partial withdrawals. They focus on individual transactions rather than group transactions.

Source: MSC's Women Business Diaries Savings survey, May '23

Insights on WMSMEs' savings behavior have led to product innovation by a partner bank

A goal-based savings product has been proposed based on insights from the recent Women Business Diaries research. It will enable women to save in smaller amounts and access a secured overdraft facility against their savings for urgent, low-cost credit needs. Traditionally, banks in Bangladesh have set minimum deposit limits that range from BDT 10,000 to 50,000 (USD 84-418). This makes this new product a more flexible option for women entrepreneurs.

Indicative features of a goal based savings product for WMSMEs



Acceptance of recurring deposits (RD) for tenures above six months



Flexible RD of smaller denominations, as low as BDT 500 (USD 4)



The customer becomes eligible for a secured overdraft (SOD) after six months of regular deposit



SOD is to be given to the tune of 75%-90% of the amount held in the bank based on the tenure of the RD



A partial withdrawal facility is available



SOD is available for RD values of BDT 10,000 (USD 84) onward



A financial planning tool the embedded in the passbook or fixed deposit receipt to track progress



Bank to send reminders, updates, and prompts on the achievement of milestones and soft nudges to women to motivate them to achieve their goals



Women without trade licenses can open an account

Insights on WMSMEs' savings behavior have led to product innovation by a partner bank

Rationale for innovation



- ▶ Women can open a savings account with a minimal balance requirement and use a partial withdrawal facility to ensure their savings are consistently maintained.
- ▶ The Women Business Diaries research reveals that only 43% of women in the study hold a trade license. Therefore, allowing women without a trade license to participate will broaden the reach of the savings bank product within the target segment.
- ▶ Regular reminders and nudges from the bank will encourage savers to maintain discipline and stay committed to their savings goals.
- ▶ Women can access an SOD facility against their deposits. Hence, they will be motivated to save while also offering low-cost credit during emergencies.



A woman wearing a red hijab is seated at a desk, focused on writing in a notebook with a blue pen. In front of her is a laptop displaying a software interface with various data fields and tables. Several sheets of paper are scattered on the desk, some with printed text and others with handwritten notes. The background shows a blurred office environment with another person in a patterned headscarf.

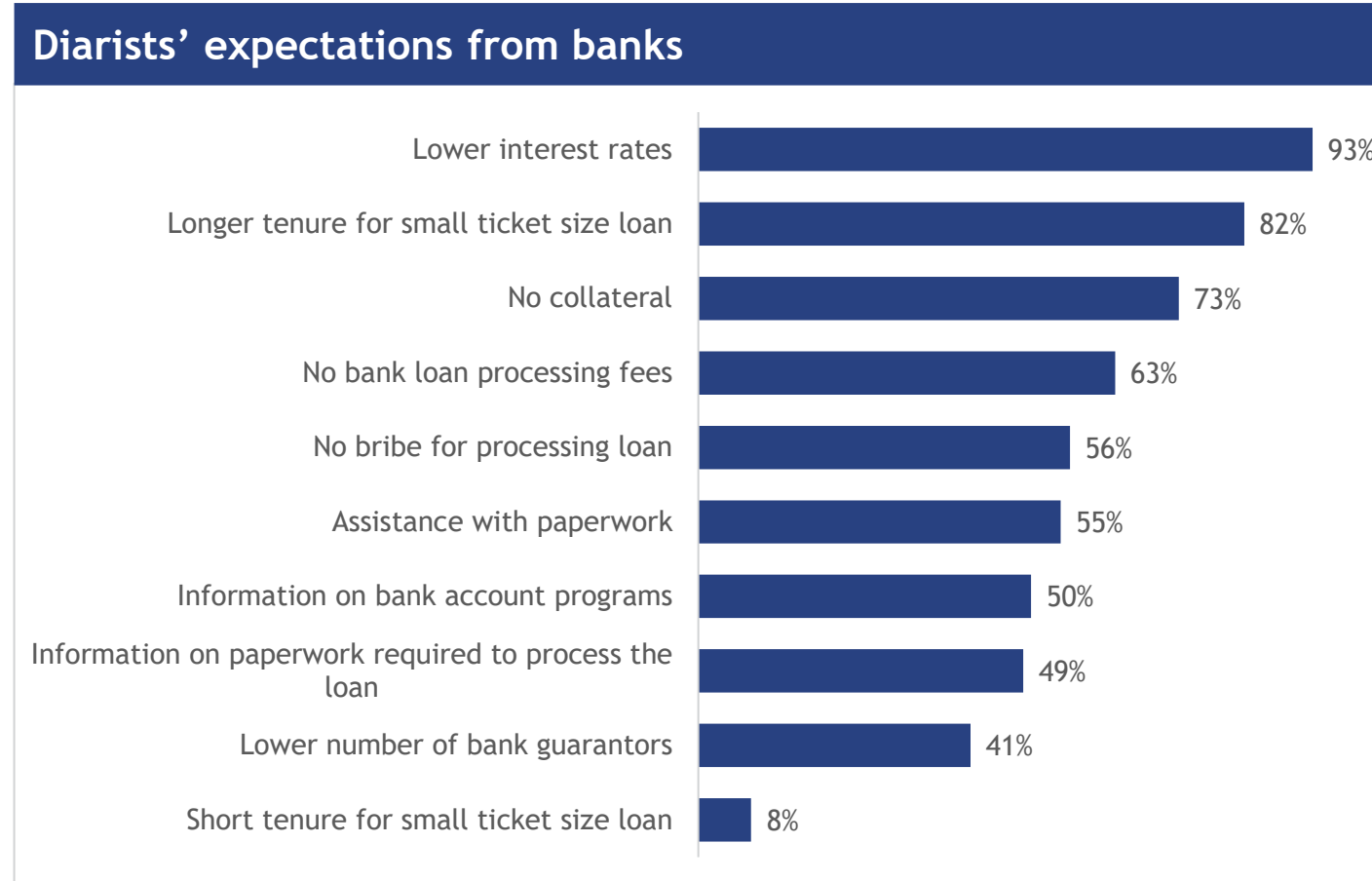
Insights on credit behavior and challenges led to a credit product development

The use of insights to design credit products
for women entrepreneurs



Female business owners have clear credit product design expectations from banks; however, most banks fail to achieve those expectations

Female business owners expect more from banks that lower interest rates and flexible tenures to choose them as their preferred source of formal credit.



How banks meet these expectations

Banks' interest rates are generally the lowest in the market.
Banks do offer flexible tenures to small ticket-size loans.
Most banks insist on collaterals from borrowers despite guidelines by the Bangladesh Bank to offer collateral-free loans.
Banks charge processing fees from customers.
Instances of bribery have been reported.
No bank offers assistance with paperwork.
Banks do not provide information on bank loan program.
Bank staff do not provide information on paperwork in a time-bound manner.
All bank loans require a guarantor.
Banks do not have products along similar lines.

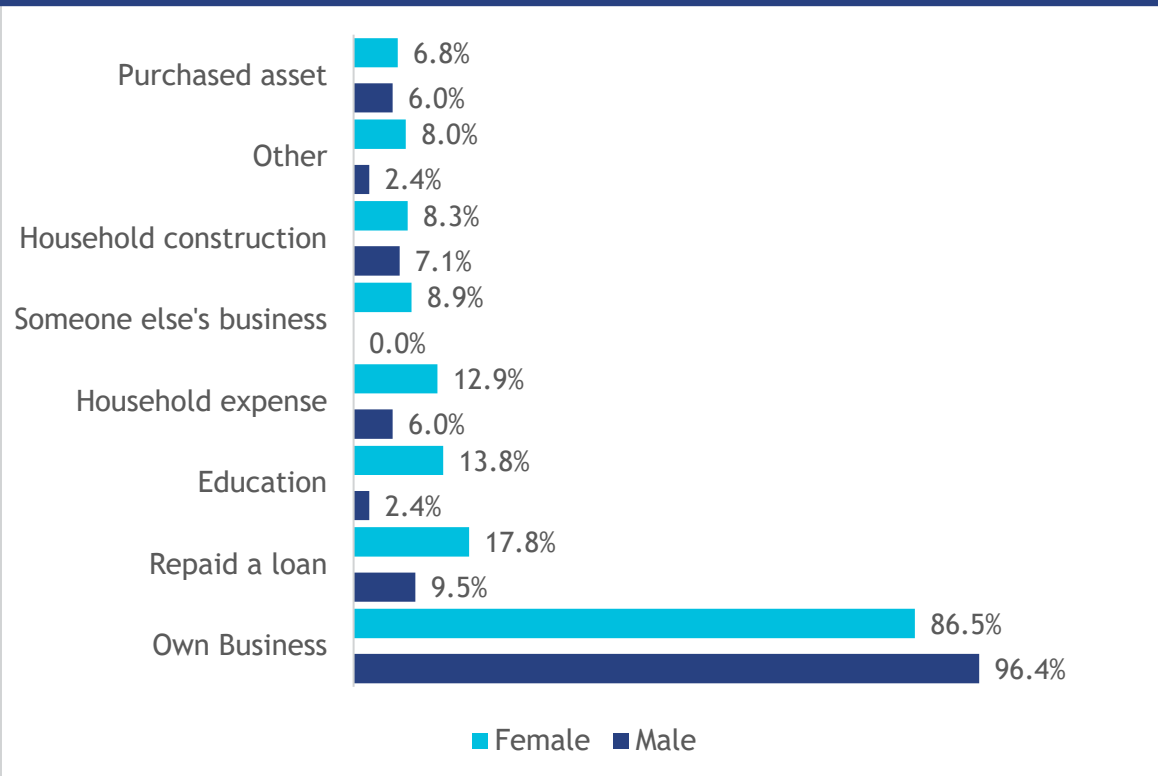
Source: MSC's Women Business Diaries Credit Survey, Feb '23

*Refer to annexes

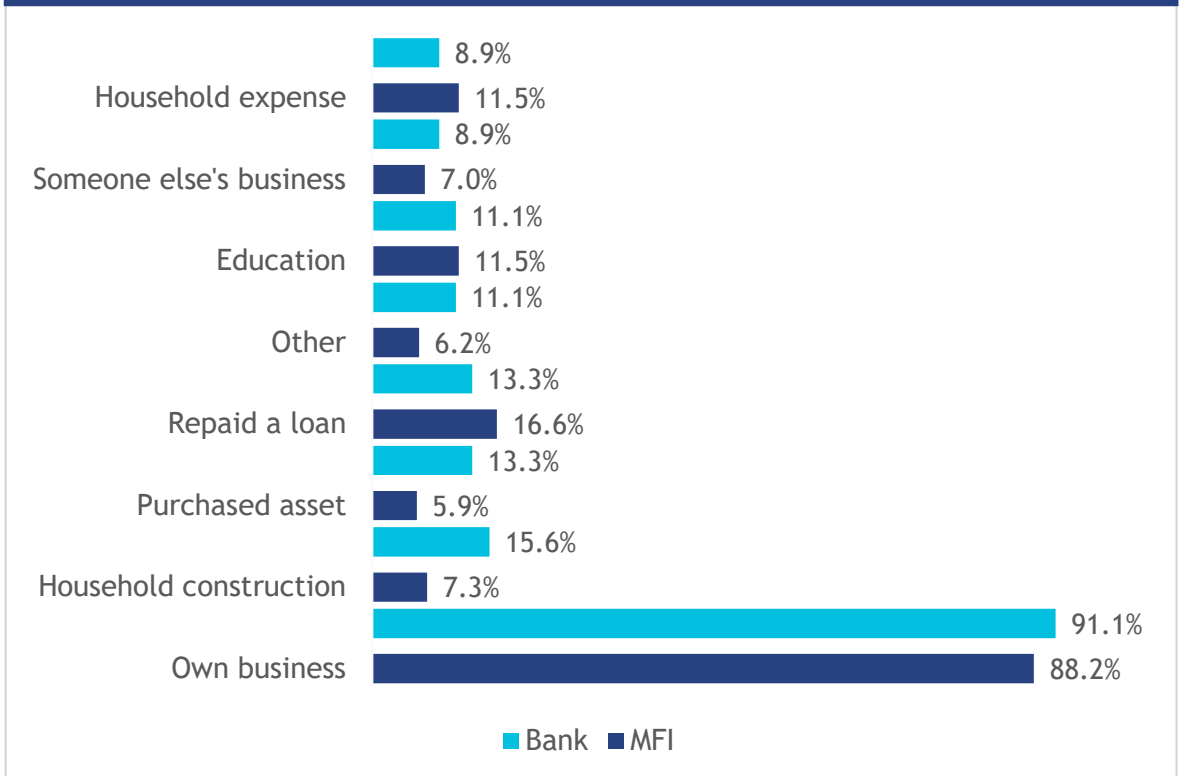
Female business owners need productive credit for business purposes and prefer banks for it

Banks have a viable business use case by offering women entrepreneurs flexible credit solutions for productive and consumption purposes.

Gender-wise proportion of borrowers who used their loans for various purposes



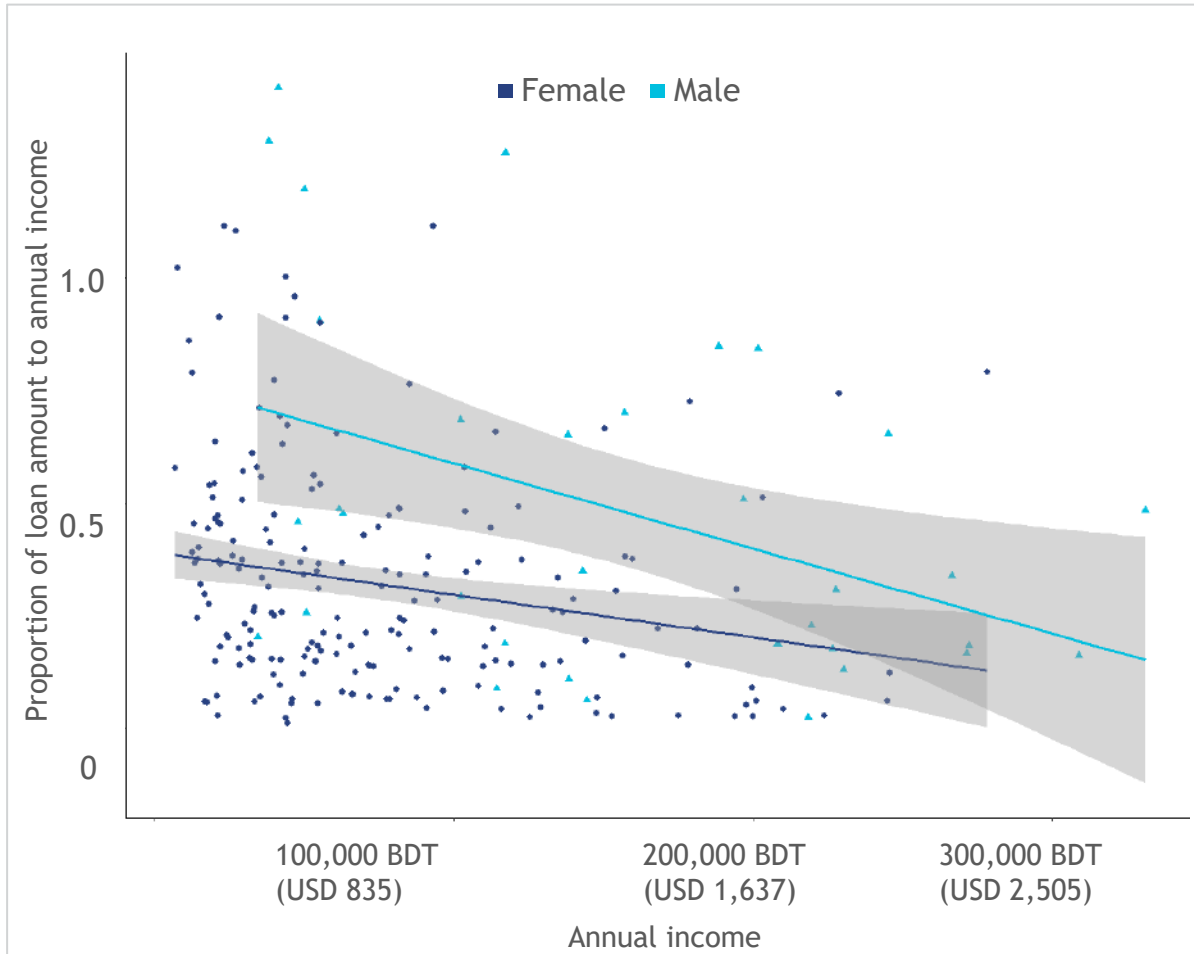
The proportion of borrowers who used their loans for various purposes based on the loan's source



Source: MSC's Women Business Diaries credit survey, February 2023

The availability of bank loans for female business owners is limited

The proportion of total loan amount availed to the total business revenue generated for the year is higher for male business owners than female business owners. This indicates that female business owners cannot use their businesses for credit.



Source: MSC's Women Business Diaries credit survey, February 2024

Women receive smaller loans despite having high business revenue, while men secure larger loans proportional to their earnings. This disparity is driven by several factors.

Gender bias:

Biases in financial institutions may cause women to be viewed as higher-risk borrowers than men, despite similar business performance.

Collateral requirements:

Women have less access to collateral or assets than men. Our research shows that 21% of female diarists lack collateral.

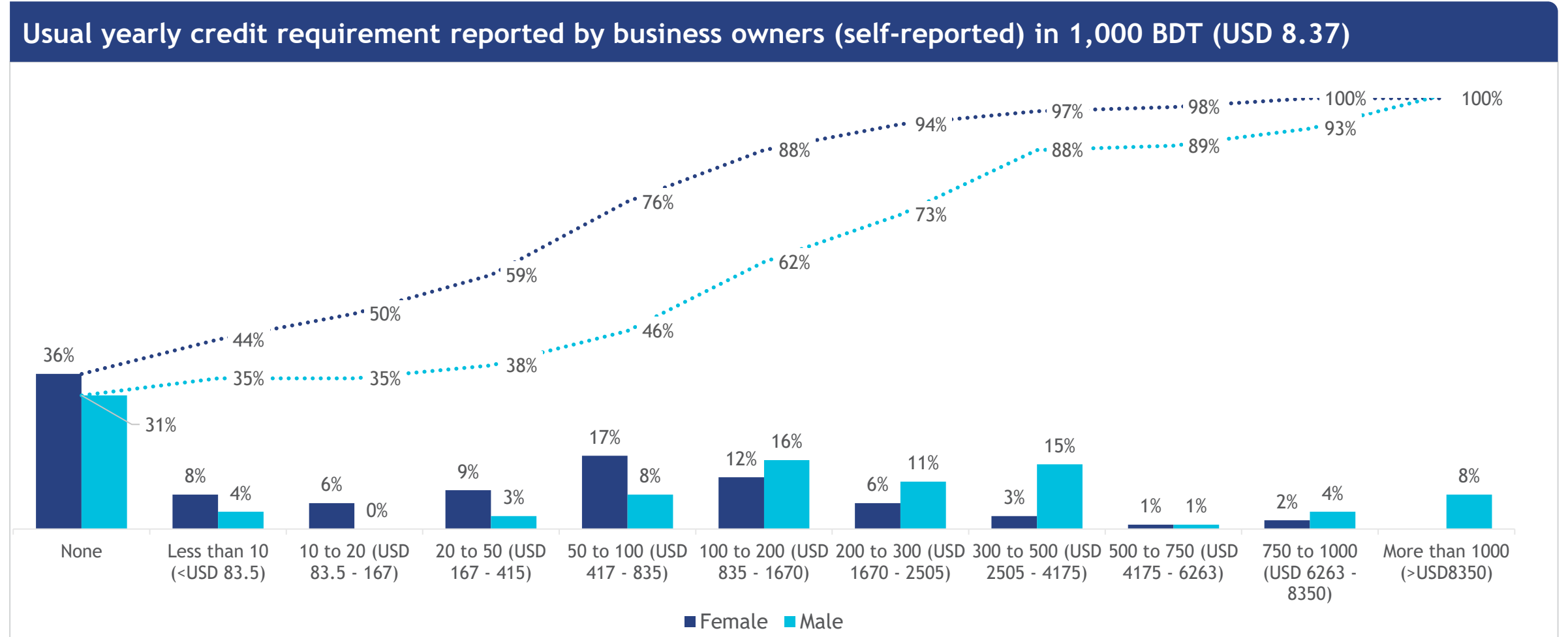
High rejection rates:

Banks face challenges in securing viable borrower leads due to information gaps and limited channels. High rejection rates persist due to lack of collateral, lengthy processes, complex paperwork, and higher opportunity costs.

Despite good intentions, a partner bank struggles to convert first-time female borrowers due to information gaps and complex paperwork, resulting in high rejection rates. Insights from the WBD project are helping the bank develop a gender-intentional lead generation and loan application system for its mobile app.

Close to two-thirds of female business owners have a yearly credit requirement of up to 100,000 BDT (USD 835) (1/2)

Male business owners exhibit a comparatively higher credit requirement than female business owners.



Source: MSC's Women Business Diaries credit survey, February 2024

Close to two-thirds of female business owners have a yearly credit requirement of up to 100,000 BDT (USD 835) (2/2)

Among female business owners



The proportion of business owners with no credit requirement is:

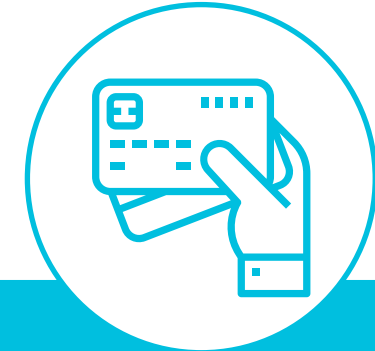
Higher in urban (46%) than semi-urban (22%) and rural areas (27%);

Slightly higher among young business owners (18 to 34 years old-40%) than older age categories (35 to 44 years old: 36%, 45 years and above:33%).



Higher among graduates and above (46%) than other educational levels (secondary level: 36%, primary level: 37%, no formal schooling:17%);

Higher in service (44%) than other industries (manufacturing: 38%, retail or wholesale trading: 33%, agri and allied: 28%);

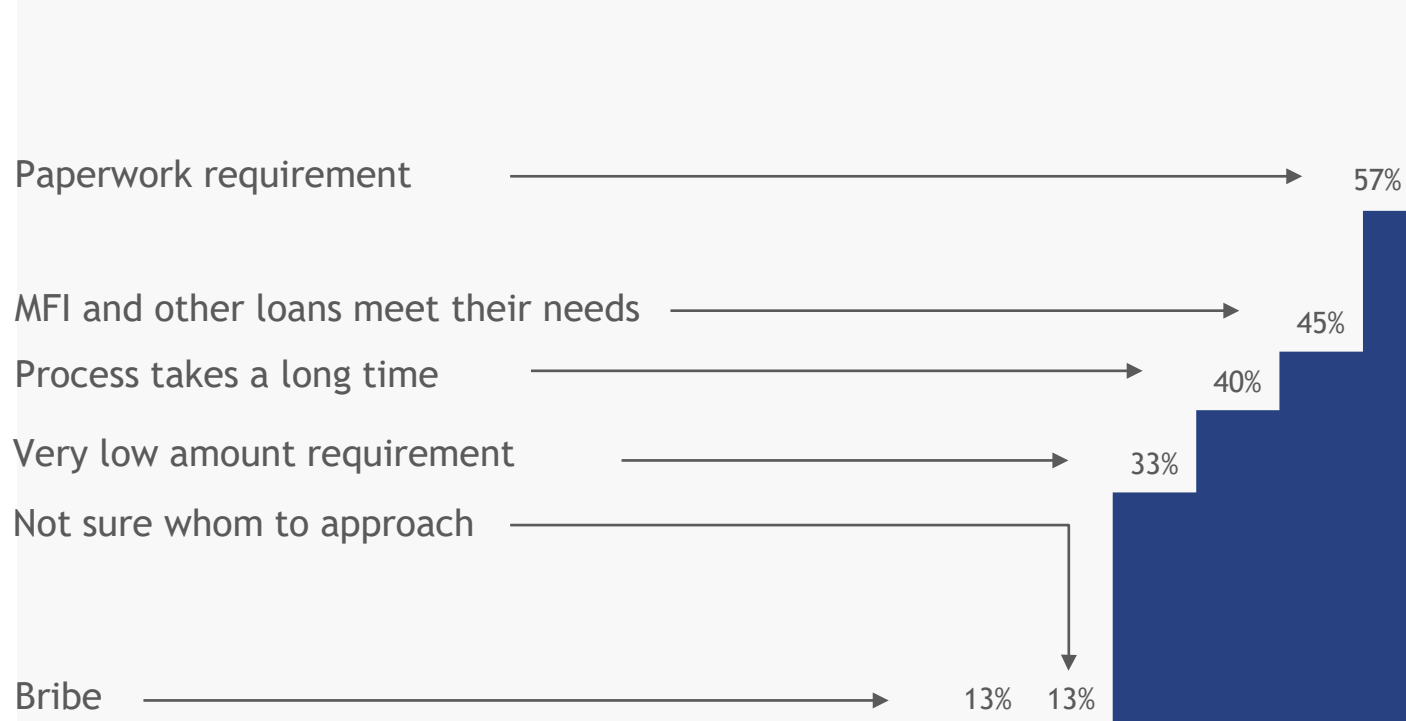


These figures represent the yearly credit requirements. Most female business owners need credit of up to 100,000 BDT (~USD 835) every year. This also implies that the business owners access repeat credit from lenders.

Nine in 10 female business owners never applied for a bank loan

Paperwork requirements are a major barrier that hinders bank loan applications.

Percentage of female business owners who mentioned the given reasons for never applying for a bank loan



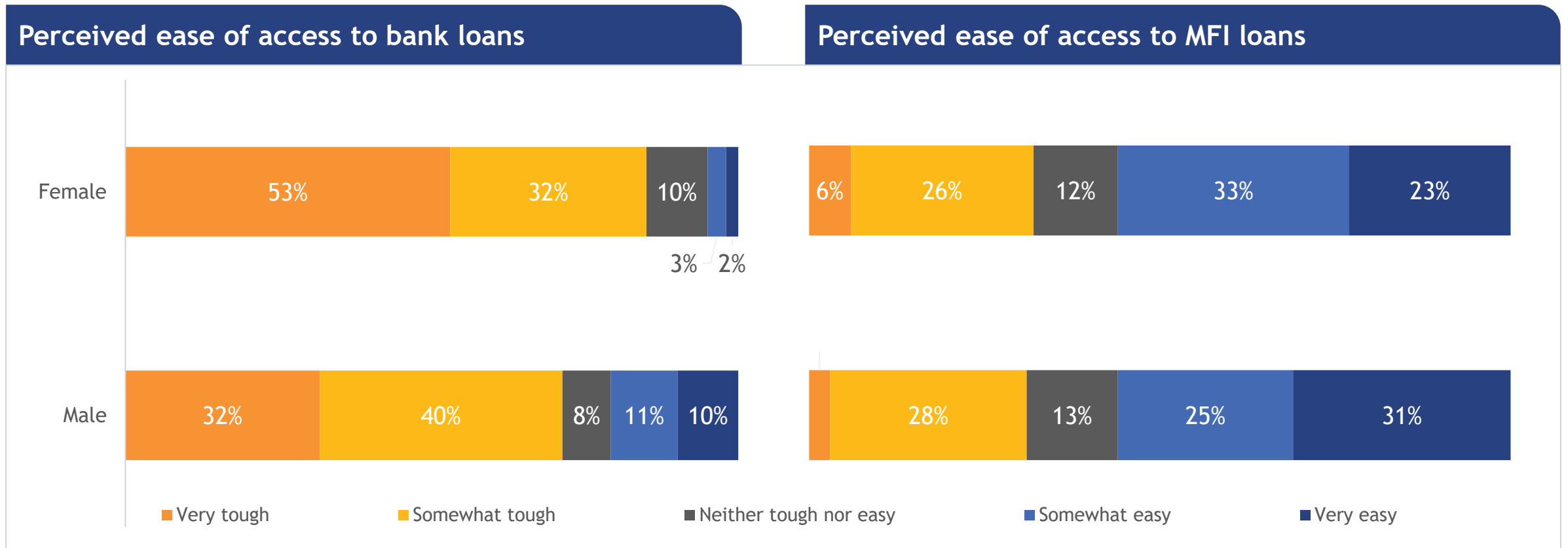
“ I have visited different banks to understand their loan granting process but it was difficult to get loans. I cannot provide collateral. Therefore, I often reach out to NGOs, which is easier because they require very little paperwork and have a short turnaround time. I plan to expand my business, buy shop furniture, and get more products. I intend to sell off some of the land to help me fund these expenses as I do not see myself getting a loan from the bank, and I do not want to pay high interest rates by taking a loan from an NGOs. ”

- Anuza,* runs a tailoring service and cosmetics business in Feni

Source: MSC's Women Business Diaries credit survey, February 2023

Most business owners think that they would struggle to obtain a bank loan; notably, more female business owners have this perception than male business owners

Access to MFI loans is considered easier than bank loans, but almost one in three business owners still find MFI loans difficult to obtain. The three caselets that follow this slide explore this issue.



Source: MSC's Women Business Diaries ecosystem needs survey, March 2024



Caselet: Lameesa Akter could not receive a loan because her husband had an existing loan

TAT: 75 days

Opportunity cost**: BDT 8,200+ (USD 67) loss of business

5th to 10th September 2023



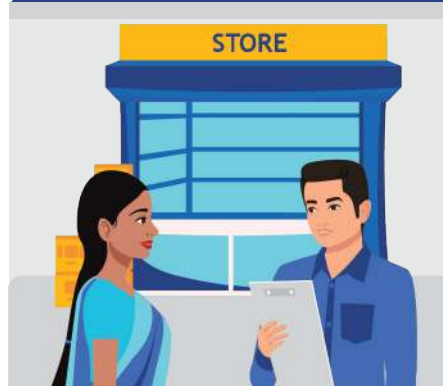
The profiles of diarists who wanted to avail of a loan were shared with a partner bank. After an initial screening, a representative from the partner bank connected with Lameesa.

19th September 2023



She visited the branch and opened a savings account

1st to 2nd October 2023



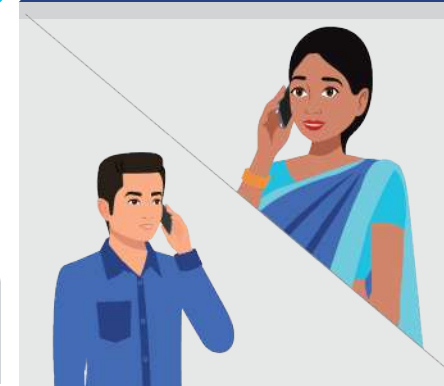
Lameesa received a loan checklist from the branch, and the CRM visited Lameesa's shop

2nd November 2023



Lameesa submitted her application with all the required documents.

19th November 2023



After multiple calls to the CRM, Lameesa was informed that her application was rejected because her husband had an existing loan.

*Lameesa (changed name to maintain confidentiality) is part of the Women Business Diaries project and runs a cosmetic shop. Her monthly average revenue is ~250 USD.

** Opportunity cost refers to the money she had to spend during her loan application process, which could have otherwise been allocated to productive activities or personal consumption



Caselet: Halima Khatun's loan amount was reduced from BDT 1,000,000 (USD 8,370) to BDT 300,000 (USD 2,510) because the bank does not consider beauty parlor businesses eligible for a large loan amount.

TAT: 14 days

Opportunity cost**: BDT 1,500+ (USD 13) loss of business

10th March 2023



Halima approached the bank for a loan to buy new equipment for her beauty parlor business and contacted them to inquire about the required documents.

18th March 2023



Halima submitted all the required documents to the bank. The bank asked her to reduce the loan application amount, but she refused.

20th March 2023



The bank called her to negotiate the loan amount and reduce her initial amount.

23rd March 2023



The bank offered her BDT 300,000, though her application was for BDT 1,000,000. Heartbroken, she rejected the offer as it was significantly lower than the amount she needed to buy the new equipment.

*Halima (changed name to maintain confidentiality) is part of the Women Business Diaries project and runs a beauty parlor. Her monthly average revenue is ~250 USD.

** Opportunity cost refers to the money she had to spend during her loan application process, which could have otherwise been allocated to productive activities or personal consumption



Caselet: Amena Zaman received the loan but was disappointed with the lengthy turnaround time (TAT) and the significant opportunity cost she had to bear during the application period.

TAT: 123 days

Opportunity cost**: BDT 1000 (USD 8) +loss of business (She got the loan)

15th September 2023



Amena contacted the bank for a loan and asked them about the required documents.

25th September 2023



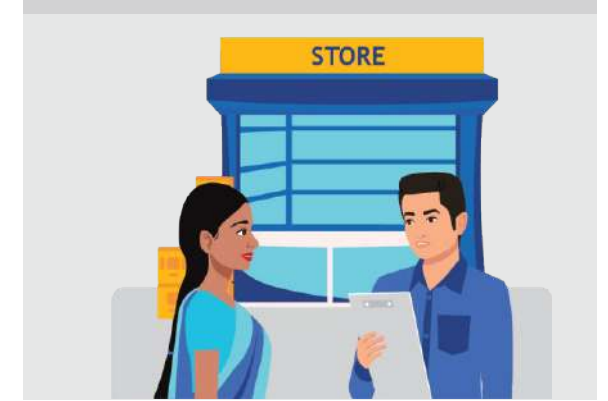
Amena submitted all the required documents to the bank. The bank asked for additional documents.

22nd October 2023



After she had submitted the additional documents and made continuous calls with the bank, she was asked to submit more documents.

16th January 2024

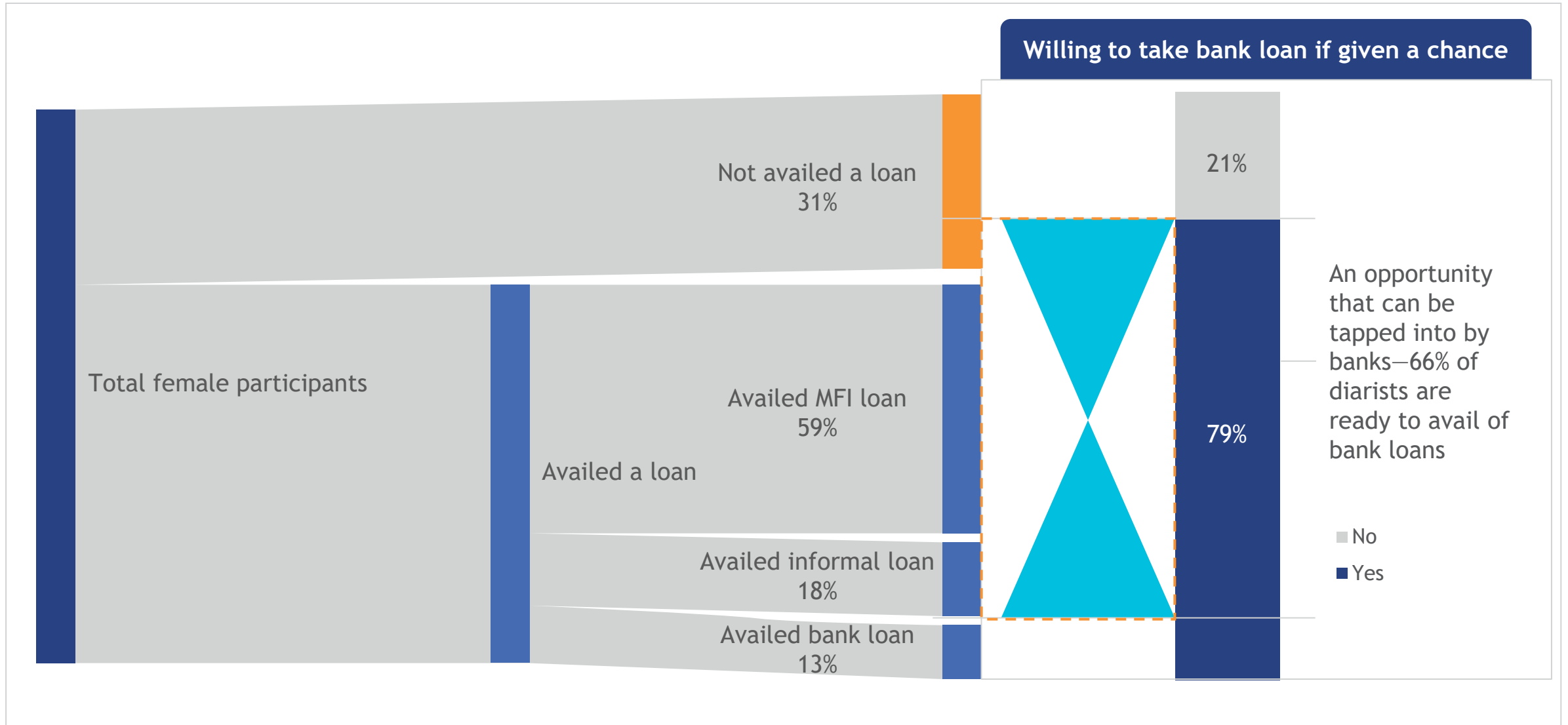


She was about to withdraw her application due to the bank's lack of progress and her low confidence, but she finally received the loan after four months.

*Amena (changed name to maintain confidentiality) is part of the Women Business Diaries project and runs a boutique and gift shop. Her monthly average revenue is ~1,250 USD.

** Opportunity cost refers to the money she had to spend during her loan application process, which could have otherwise been allocated to productive activities or personal consumption

Female business owners want to avail of loans from banks










Source: MSC's Women Business Diaries 360-degree survey, October 2023

Insights into the credit behavior of women MSMEs have led to product innovation by partner bank (1/2)

Through our collaboration with partner banks in the Women Business Diaries project, we learned that banks struggle to convert first-time female borrowers into successful loan applicants. Information asymmetries and complex paperwork often lead to high rejection rates. Additionally, outreach to women for loan products remains low due to ineffective product and channel design. Even when leads are generated, many are rejected due to a combination of supply-side and demand-side barriers. Our mapping of diarists' customer journeys when they apply for loans documents these barriers.

Indicative solution of a goal-based savings product for WMSMEs

 <p>The development of a simplified digital loan application process flow for our partner bank's mobile banking app</p>	 <p>A gender-centric UI and UX will be integrated into the digital loan application interface.</p>	 <p>The loan application portal will provide prompts and assistance to applicants.</p>
 <p>Applicants will get a list of application documents as soon as they access the application.</p>	 <p>The bank's administrative offices will closely monitor application leads to improve the turnaround time of loan decision-making at the branch level.</p>	 <p>The interface will also enable applicants to track their applications digitally.</p>
 <p>The bank will update customers via preferred customer channels to inform them about the status of their applications.</p>		

Insights into the credit behavior of women MSMEs have led to product innovation by partner bank (2/2)

The rationale for this innovation



- ▶ A digital loan application process will reduce the perceived complexities associated with the completion of paperwork right at the time of loan application.
- ▶ The process will also expedite the loan decision turnaround time.
- ▶ Customers will receive regular updates on their loan application status, which will improve trust and transparency.
- ▶ Access to mobile phones and the Internet and the usage of digital solutions are consistently increasing among women in Bangladesh.





Annex: Summary of challenges in access to credit

Banks can empower female business owners by addressing the leading challenges (1/3)

Leading challenges faced by female business owners in access to bank loans



Lack of information

Lack of information poses a significant barrier for female business owners throughout their loan application journey.

- These entrepreneurs often find themselves unaware of the loan products or the intricacies of the complete loan process offered by banks.
- They are often uncertain about whom to approach within the bank. Additionally, they question their level of understanding and capability to access bank loans, which further complicates the process of navigating through the loan application.
- Once the application is submitted, they again struggle to understand the next steps.
- Moreover, many applicants do not receive clear reasons for the rejection of their loan applications. This diminishes their confidence and reduces the likelihood of them reapplying.

Perceived complexities

Female business owners commonly perceive that the bank loan application process is complex, time-consuming, and may require external assistance. These prevailing beliefs impede their engagement in the loan application process.

Staff behavior

The branch visit experience is sometimes overwhelming for female business owners due to factors, such as insufficient attention from bank staff, rude behavior, and limited information provided by the staff.

Additionally, dissatisfaction arises when Customer Relationship Management (CRM) officers do not respond to applicants' calls, which further contributes to a lack of support and communication.

Banks can empower female business owners by addressing the leading challenges (2/3)

Leading challenges faced by female business owners in access to bank loans



Turnaround time (TAT)

- Oftentimes, a high turnaround time (TAT) in loan processing negatively impacts the borrower's cash flow and, thus, their business.
- A week to process a loan request means seven days of wait for the borrower. A faster TAT means borrowers can seize opportunities faster, such as securing a limited-time offer on a purchase, investing in a business idea, or addressing an urgent expense.
- First-time borrowers seldom have all the required documents for loan processing handy with them. A guided approach from the lender's end can go a long way to help women apply for loans successfully.
- Often, the proximity of the bank branch to the borrower's business premise or residence influences the TAT.
- Clear communication channels among bank officials and borrowers are important. This minimizes delays caused by miscommunication and ensures everyone is on the same page throughout the loan processing journey.

Guarantors

- Women entrepreneurs have less access to property and assets that could serve as collateral for loans or less formal documentation and records of their income and expenses.
- This makes them less attractive and trustworthy to lenders in general, who may demand stricter terms, such as multiple guarantors.

Per the Bangladesh Bank CMSME Master Circular, banks have been advised not to impose more than one guarantor on the borrower. However, banks have implemented this guideline minimally in practice.

Banks can empower female business owners by addressing the leading challenges (3/3)

Leading challenges faced by female business owners in access to bank loans



Unavailability of collateral

- Female business owners often encounter a significant challenge when asked to provide collateral for their bank loans. Even if borrowers have unblemished repayment records, they are asked to provide land as a mortgage.
- Although the regulator's guideline states that banks can finance up to BDT 2,500,000 (USD 20,956) without collateral to women entrepreneurs, banks insist on collaterals to reduce the borrower's default rate.

Documentation requirements

- The documentation required for the bank loan application can be burdensome for applicants, especially for first-time borrowers. Additional documentation requirements beyond the usual checklist—for example, the husband's details—only add to the inconvenience.
- Banks can provide a “mandatory document list” to the borrower to augment the application process.

“New to loans” vs “New to bank”

- Often, a female business owner's early borrowings are from a multipurpose lending institute or MFI. She approaches banks only when her business starts to generate healthy and steady profits.
- Regardless, since the repayments are not formally reported and published by relevant governing bodies, banks cannot assess their track records. Thus, the merely “New to bank” applicant gets appraised as “New to loans”.

Sectors we work in

Providing impact-oriented business consulting services



Banking, financial services, and insurance (BFSI)



Water, sanitation, and hygiene (WASH)



Government and regulators



Micro, small, and medium enterprise (MSME)



Social payments and refugees



Youth



Gender equality and social inclusion (GESI)



Education and skills



Digital and FinTech



Agriculture and food systems



Climate change and sustainability



Health and nutrition

Multi-faceted expertise

Advisory that helps you succeed in a rapidly evolving market



Policy and strategy



Products and channels



Research, evaluation, and analytics



Organizational transformation



Digital technology and channels



Catalytic finance



Design thinking and innovation



Marketing and communication



Training



Government regulations and policy



Data Insight



Customer protection and engagement for responsible finance

MSC is recognized as the world's local expert in economic, social and financial inclusion



International financial, social and economic inclusion consulting firm with **25+** years of experience



>300 staff in **10** offices around the world



Projects in **~68** developing countries

Our impact so far

>550
clients

>1,400
publications

Assisted development of digital G2P services used by **>875 million** people

Implemented **>950 DFS** projects

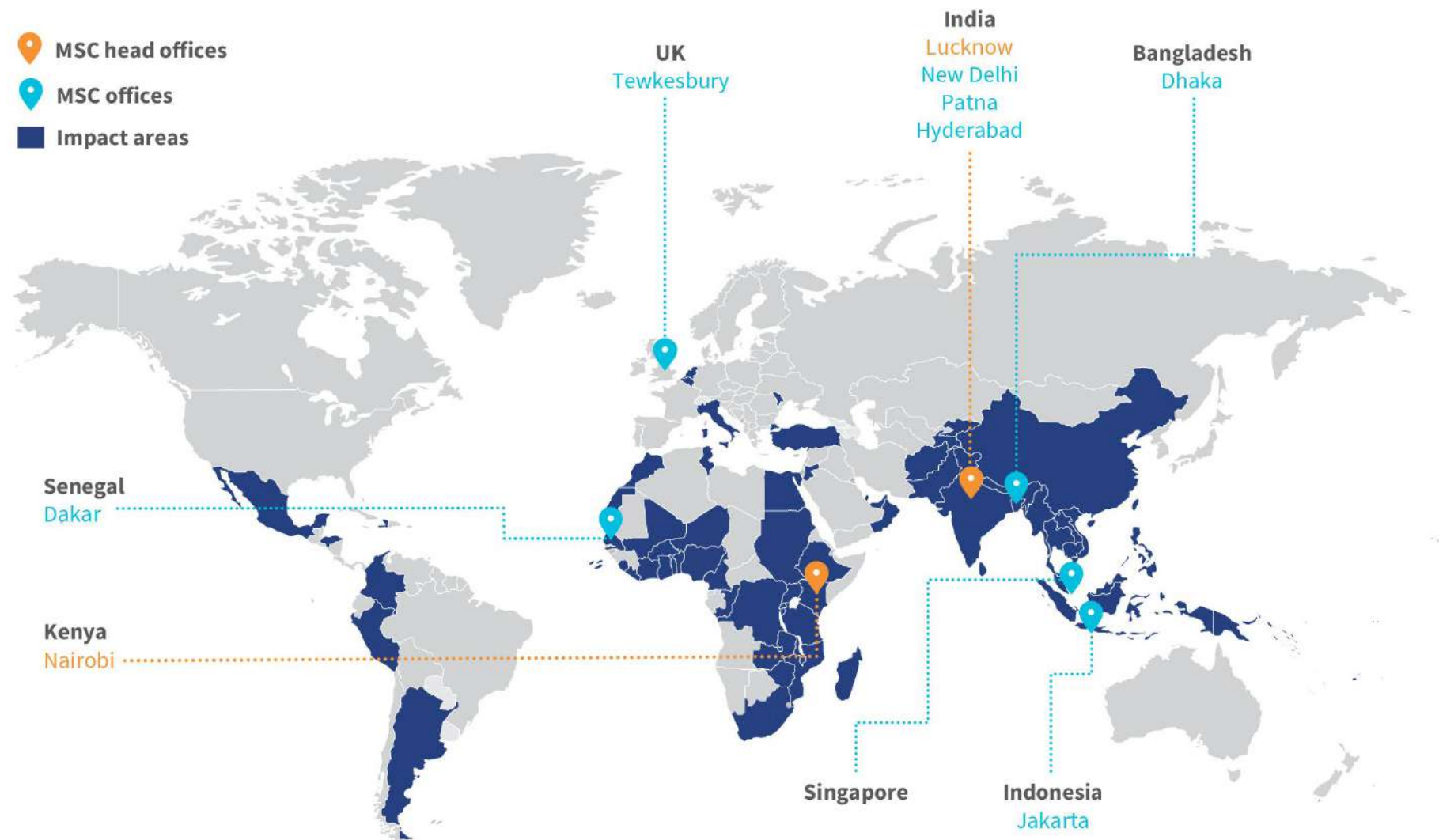
Developed **>300 FI products** and channels now used by **>1.7 billion** people

Trained **>11,100** leading FI specialists globally

Some of our partners and clients



-  MSC head offices
-  MSC offices
-  Impact areas



[MSC corporate brochure](#) | Email: info@microsave.net | Website: www.microsave.net

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