



Promoting Democratic Participation of Women in Access to Credit (PDPAC)

POLICY ADVOCACY PAPER



BANGLADESH WOMEN CHAMBER OF COMMERCE AND INDUSTRY (BWCCI)
CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE (CIPE)



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EXECUTIVE SUMMARY:

Bangladesh has made significant progress in many sectors maintaining steady economic growth over the past few years. Due to the patriarchal nature of the society and lack of gender sensitization women are often deprived of opportunities and rights. Although, women are trying to break the glass ceiling, it is still difficult for women to become economically self-sufficient, or independent. One major barrier is lack of finance for women entrepreneurs who need to start, operate and expand their businesses in Bangladesh.

Further, the COVID-19 Global Pandemic has decimated businesses and women are leaving the economy in droves. Women typically dominate the sectors hardest hit in the pandemic, including education, hospitality, beauty, and retail. Many have also had to prioritize care for children, elderly, or relatives with a disability over their careers. Still others have been forced to endure lockdown orders with an abuser as the UN estimates for gender based violence have soared since the pandemic hit. Due to COVID-19 pandemic, total business sector has been seriously affected, the situation of the women entrepreneurs is worst in the country. Stimulus measures for businesses aimed at promoting economic recovery are made by policy makers who are men and rarely account for the specific needs of women in the economy.

The Promoting Democratic Participation of Women in Access to Credit (PDPAC) Project was undertaken to advocate for better access to bank loans for women owned businesses. Activities of the project have also encouraged more women to come into business, to make them more sustainable. One of the biggest cause of dropouts in small businesses is lack of funds. The main objective of the project was to sensitize bank officials and increase the capacity of women entrepreneurs for easy access to bank loans to lead towards inclusive and sustainable economic growth of the country. The project has accumulated the following recommendations to have access to bank loan for the women entrepreneurs:

- Introduce more working capital and other packages especially for women entrepreneurs by the government for overcoming the loss due to the prolonged Covid-19 pandemic.
- The loan application form must be in Bangla. Because most of the grassroots level women entrepreneurs do not have sufficient English language skills.
- Ensure speedy disbursement of stimulus packages and other loan. Need to extend the repayment time schedule of government's stimulus package from 01 year to 02 years.
- There should be a specific policy for women entrepreneurs in the stimulus package. Need to increase the allocation of loan for women entrepreneurs up to 15% which is now 5%.
- Bank should increase the grace period for women entrepreneurs up to six months for all Cottage Micro Small and Medium Enterprise (CMSME) loan.
- Bank loans up to 25 lac BDT should be given to the eligible women entrepreneurs without collateral/mortgage and the interest rate should be reduced to 5% as per the Bangladesh Bank circular.



- Banks should take initiatives like bank readiness trainings, orientation for banking, offer different SME products for women entrepreneurs to develop the capacity of women entrepreneurs.
- Policies/circulars of the Bangladesh Bank should be disseminated to all branches of commercial banks especially those located outside of the capital city. Necessary monitoring should also be strictly imposed.
- Loans should be given to the women entrepreneurs having online business and skills.
- There are already dedicated desks for women in all commercial banks but not in their all branches. These dedicated desks for women should operate as one stop service center for women entrepreneurs where women entrepreneurs can get all information, support for bank loan, bank transaction etc. Bankers need to be more responsive for providing services to women entrepreneurs in rural sector.
- In case of any refusal of loan application, the concerned bank must inform the applicant in writing mentioning the reason for ineligibility within 7 days.
- Bank should increase the grace period according to the category of the business to cope with the negative impact of the prolonged COVID-19 pandemic.
- Banks should approve loans for the startup women entrepreneurs.
- The trade license and renewal fees should be reduced to 50%, after the corona situation improves, at the service sector (especially boutique, beauty parlor and catering/restaurant/food shop), VAT should be reduced from 15% to 4%; for women owned businesses.

The details of the project including some description on the above mentioned points are articulated in the report which will lead to policy advocacy at the national level.

INTRODUCTION:

Small and Medium Enterprise (SME) is considered to be the engine of every economy. The involvement of women in entrepreneurship in the Cottage, Micro, Small, and Medium Enterprise (CMSME) sector is critical in economic development and boosting GDP. But there are significant numbers of challenges encountered by women every day in every step of their journey. Lack of access to finance is one of them. The recent COVID-19 pandemic has been one of the prevalent threats to women entrepreneurship development in Bangladesh. Due to the prolonged lockdown, the business sector has been seriously affected. Unfortunately, women entrepreneurs are the worst victims. Without financial support many of these entrepreneurs have been forced to shut down their businesses. Beauty and catering businesses are suffering huge losses.

Easy access to bank loans is now the foremost requirement for all enterprises to survive the crisis and keep running until the pandemic ends. The PDPAC Project was undertaken by BWCCI for inclusive advocacy through identifying priority challenges and concerns, increasing the capacity of women entrepreneurs, and accumulating recommendations for easy access to credit in the form of bank loans.

The project also focused on the gaps in the implementation of existing guidelines and took initiative for sensitizing all stakeholders by involving the women entrepreneurs as well as



bankers. BWCCI identified that CMSMEs and startups often do not comply with bank requirements like possession of an updated Trade License, Tax Identification Number TIN, VAT Registration Number, Company Bank Account, regular bank transactions etc. Regarding bankers, BWCCI identified a lack of knowledge regarding government policies, a lack of proper implementation of existing policies, a negative attitude of bank staff towards women entrepreneurs, a weak monitoring effort by regulatory bodies, and a lack of accountability.

METHODOLOGY:

BWCCI completed seven (7) focus group discussions (**FGDs**) virtually with 70 participants in seven (7) districts covering all seven (7) geographical divisions. Women entrepreneurs facing more challenges in receiving bank loan were considered in selecting the districts for FGDs. The key issues and recommendations collected from the FGDs are shared in the virtual Round Table Discussions for final input and feedback of the national level participants. Based on the recommendations of the grassroots level activities as well the central level round table meeting, BWCCI prepared this policy advocacy paper with a set of recommendations for policy makers and bankers. BWCCI will submit the policy paper to the appropriate departments of Bangladesh Bank and other relevant offices if required for information and necessary action.

BWCCI's divisional/district committees and project staff contacted women entrepreneurs who failed to receive bank loan or were prepared for applying for a bank loan and asked their participation for the project. The divisional body and district representatives assisted in identifying the appropriate participants at the grassroots level. Each focus group discussion included 10 to 12 participants

FGDs were organized using Zoom platform to ensure social distancing protocols advised with the ongoing global pandemic. BWCCI sent an online questionnaire to the women entrepreneurs in advance to record initial challenges and recommendations. BWCCI compiled and shared these recommendations with the appropriate officials later in the webinar (Round Table Discussion) held On 27 September 2021.

BWCCI shared the key issues in the webinar for final input and feedback of the national level participants. The project focused on the existing circulars on bank loan procedures for women entrepreneurs issued by Bangladesh Bank to all the commercial banks of the country to see whether or not the instructions of central bank are followed at the field level. As the policy and regulatory issues are derived from Bangladesh Bank for all banks, the SME Department of Bangladesh Bank has been the target stakeholder of the PDPAC Project.

BWCCI includes the feedback of national level participants in this policy advocacy document in order to sensitize policy makers on how to make policies more favorable to women entrepreneurs. The expected outcome of the project is to have a women friendly business environment for economic progress.



KEY FINDINGS:

In Bangladesh, access to finance is the main obstacle for women entrepreneurs. Most women have no inherited property or other resources of their own and therefore do not have the capital to start or expand their business. It is very difficult for them to receive loan from bank or any other formal financial institutions. Women note that they most often have trouble in submitting the proper supporting documents and certificates for a loan and don't feel that banks provide adequate support. If they do not get family support for a loan guarantor, or assistance in managing the papers for mortgage, it becomes very difficult to process their loan for business expansion.

The situation is worse for start-up businesses. In terms of a bank loan, there is a common norm to bring one adult male member of the family as guarantor and sign the bond. Sometimes property mortgage is often required while applying for loans. Another option to get loan is from non-government organizations (NGOs)/*Samity* or other informal private sector that provides micro-finance to women. The main problem with this type of loan is the rate of interest is too high.

In order to support and compensate the entrepreneurs in the pandemic situation, the government has already introduced stimulus packages for business persons but there are no special facilities for a woman entrepreneur that is why they are facing same problem in receiving the bank loan. Access to finance must be ensured and the collateral and guarantor issues in receiving bank loan must be withdrawn or simplified for women entrepreneurs and at the same pace implementation of existing policies and monitoring at all level needs to be ensured.

Capacity building in financial management, book keeping, accounting, profit and loss calculations, Internet/digital banking is very much needed. On the other hand, the women entrepreneurs do not have enough access to computer and smart phone and knowledge in the use of Internet.

Since Bangladeshi society is conventional and often follows patriarchal norms, thus there is lack of gender sensitivity among working male population. Skepticism about the women entrepreneurs is mostly common in the service providers. This is observed particularly in government institutions such as in banks, custom stations and trade associations. Apart from these, there is a very low representation of women in these key bodies. These hindrances pose a major challenge to women entrepreneurs in starting and scaling up their businesses.

There is no specific unit for addressing the grievances of the business men/women entrepreneurs to get appropriate answers or solutions of their queries related to bank loan. Although in some offices complaint boxes are found, but no indication is seen in addressing and solving the complaints of the respective complainants.

The PDPAC Project covered 71 respondents through FGDs, including representation from across the country, compiling the challenges, concerns, and recommendations collected from the FGDs and the Round Table Discussion. While the information above summarizes the key issues, participants details their major concerns as follows:



- 1.) Women entrepreneurs are primarily involved in cottage, micro, small, and medium level enterprises. Most have had to compress their business, while others have fully closed or shifted to telework due to the Covid-19 Global Pandemic. These businesses have been closed since March 2020. Women entrepreneurs have taken loans from relatives, NGOs, and others in the supply chain in order to meet the demand for festival production. However, because of the social distancing regulations, they have been unable to sell their products. Here they faced a big loss but they had to pay the loan with interest. Now they have no working capital and fund as they have lost their own capital and savings. So, they badly need working capital to restart their business.
- 2.) The stimulus package announced for enterprises by the government found to have failed for women entrepreneurs as they don't have any knowledge about it. The loan disbursement procedure takes long time so speedy disbursement of loan needs to be ensured. The time frame of the package is also very short for repayment.
- 3.) Government has declared stimulus package for business persons but there are no special facilities for women entrepreneurs that's why they are facing a problem to take the bank loan and this package is also not for the start-up women entrepreneurs.
- 4.) There should be a specific policy for women entrepreneurs in the stimulus package. Need to increase the allocation of loan for women entrepreneurs up to 15% which is now 5%.
- 5.) Most of the women entrepreneurs are based in rural side and have minimum education. So, English language is very much difficult for them to understand and fill up the application form. Women entrepreneurs had expressed their opinion that it would be very much helpful and effective if the application form is published in Bangla for all types of loan.
- 6.) For new business and start-up entrepreneurs, it takes at least 3-5 months for earning money. So, if they can get 6 months grace period then it would be very easy to repay their loan installment.
- 7.) Most of the women entrepreneurs have no information about banking procedure, bank readiness for applying loan, operate bank transaction etc. So, they feel discomfort to communicate with banks and don't want to do banking. If they can get trainings for bank readiness, orientations and all information, it will be very much supportive for them.
- 8.) Women entrepreneurs expressed their opinion that when they want to know any information about different schemes and offers of the bank from Bangladesh Bank, the concerned bankers often tell them that they don't know about the issue or they don't have specific instructions from Bangladesh Bank about that circular or policies. As a result, women entrepreneurs become disappointed and return back from bank without availing any opportunity. So it is necessary to disseminate the policies/circulars of the Bangladesh Bank to all branches of commercial banks especially those located outside of the capital city. Necessary monitoring should also be strictly imposed.

- 9.) The digital marketing, E-commerce and F-commerce are increasing day by day in Bangladesh. Many women are now engaged with E-commerce and F-commerce. They are doing their business in house successfully. But they are not getting bank loan due to not having their showroom or visible business outside their home. Banks are refusing them due to this reason. But it is a very easy way to empower women economically and very much secure for women. So, if they get loan they can expand their business. So it is needed to have a specific policy from Bangladesh Bank to disburse loan for them.
- 10.) There are women dedicated desks in all commercial banks but not in their all branches. This women dedicated desk should operate as one stop service center for women entrepreneurs where women entrepreneurs can get all information, support for bank loan, bank transaction etc. Bankers need to be more responsive for providing services to women entrepreneurs especially in rural sector.
- 11.) After applying for loan, women entrepreneurs have to wait long time for getting bank response. Sometimes they have to wait 3/4 months and after that time they get to know that bank has refused their loan application. Banks don't tell them what is the refusal reason. Many issues like buying raw materials, payment, rent, investment, production cost are depend on the loan planning of the women entrepreneurs. So, it hampers a lot to the women entrepreneurs' business plan. If she can get the information about her refusal of loan within 7 days then she can change her plan accordingly.
- 12.) Trade license fees under City Corporation is very high (around BDT 10-12 thousand) and the renewal fee is also high. Many women entrepreneurs can't prepare and renew the trade license due to the high price. If they don't have trade license, they would not be able to apply for bank loan.

TOPIC, KEY RECOMMENDATIONS AND RESPONSIBILITY:

The recommendations are many, but some of them are related to own development of the women entrepreneurs. The common recommendations are highlighted in the above report. At a glance of the same with responsibility of the concerned organization are given in the chart below:

Sl	Topic	Recommendations	Responsibility
1. Policy Formulation, Dissemination and Monitoring			
	Policy formulation for online business, working capital for startup and allocation of stimulus package.	Introduce more working capital and other packages especially for women entrepreneurs by the government. The loan application form must be in Bangla. Ensure speedy disbursement of stimulus packages and other loan. Need to extend the repayment time schedule of government's stimulus package from one year to 2 years. There should be	Ministry of Commerce, GoB; Bangladesh Bank and other commercial bank.

Sl	Topic	Recommendations	Responsibility
		a specific policy for women entrepreneurs in the stimulus package. Need to increase the allocation of loan for women entrepreneurs up to 15 % which is now only 5%. Bank should increase the grace period for women entrepreneurs up to 6 months for all CMSME loan	
		Loan should be provided to the skilled and certified women entrepreneurs having online business. Policies of the Bangladesh Bank should be disseminated to all the branches of the commercial banks and necessary monitoring should also be strictly imposed.	Bangladesh Bank and other commercial banks
		Bank loans up to 25 lac BDT should be given to the eligible women entrepreneurs without collateral/mortgage and the interest rate should be reduced to 5% as per the Bangladesh Bank circular.	Bangladesh Bank and other commercial banks
		Banks should approve loans to the women entrepreneurs for their startup businesses. Group loans should be launched for the entrepreneurs.	Bangladesh Bank and other commercial banks
		In case of any refusal of loan application, the concerned bank must inform the applicant in writing mentioning the reason for ineligibility within 7 days.	Respective commercial banks
2. Increase Gender Sensitivity and Skills of Bankers			
	Gender Sensitivity and Skills Development of Service Providers	Women dedicated desk should operate as one stop service centre for women entrepreneurs where women entrepreneurs can get all information, support for bank loan, bank, transaction etc. Bankers need to be more responsive for providing services to women entrepreneurs in rural areas	Respective commercial banks
3. Capacity Building of Women Entrepreneurs			
	Training and Awareness Raising Program for Women Entrepreneurs	Training and capacity building initiative should be taken by the commercial banks for capacity building and bank readiness of the women entrepreneurs.	Commercial banks



ROLE OF BANGLADESH WOMEN CHAMBER OF COMMERCE AND INDUSTRY:

As a part of advocacy and capacity building activities, in 2009, BWCCI launched the Women’s National Business Agenda (WNBA), which included 30 policy reform recommendations, covering social barriers, capacity building and training needs and financial barriers. More than 180 organizations representing all divisions in Bangladesh endorsed the final agenda. One of the three biggest findings of WNBA was the difficulty that women entrepreneurs face in access to credit.

BWCCI has been actively advocating for cohesive gender friendly policies which remove the barriers that our members face. It was important to revisit some of the crucial issues and assess the progress of the recommendations and continue advocacy to ensure sustainable implementation.

The recent COVID-19 pandemic poses one of the biggest threats to women entrepreneurs in Bangladesh. Due to the lockdown entrepreneurs have huge stock lots of products. Sales are almost zero with closure of shops and malls. Without financial support a large number of women owned businesses have been forced to shut down. The status of access to credit (bank loan) was revisited through organizing couple of FGDs and round table discussions for policy advocacy initiative. A Grant Agreement was signed between CIPE and BWCCI on Promoting Democratic Participation in Access to Credit (PDPAC).

ABOUT BWCCI: BWCCI is a non-profit, non-political organization committed to enhancing women’s participation in the private sector. BWCCI’s major initiatives include but are not limited to enhancing social and economic growth through capacity building of the organization and its members which have yielded enormous and lasting results in Bangladesh. “*Progressive Women Prosperous Bangladesh*” is the main theme of the organization. BWCCI is the country’s first chamber of commerce registered with the Joint Stock Company under the Ministry of Commerce, and is also affiliated since 2006, as an “A” class chamber, with the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) - the umbrella organization trade bodies in Bangladesh.

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