



GENDER EQUALITY RESULTS CASE STUDY

BANGLADESH

SMALL AND MEDIUM-SIZED ENTERPRISE
DEVELOPMENT PROJECT

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DEVELOPMENT PROJECT**



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Bangladesh: Small and Medium-Sized Enterprise Development Project

Summary

DEVELOPMENT AIMS AND IMPACTS. The Small and Medium-Sized Enterprise Development Project supported the development and expansion of small and medium-sized enterprises (SMEs) in Bangladesh from 2009 to 2013. In specific pilot districts, the number of women-owned SMEs increased by over 10%. The training of women SME owners in business development, accounting, loan application rules and processes, and in the regulations governing businesses facilitated their improved access to institutional finance. The formation of advocacy groups and membership in different associations enhanced the confidence of women SME owners and their ability to lobby for policy changes. Dialogue and relation building between participating financial institutions and women's SME associations helped foster mutual understanding and cooperation, leading to better outcomes for women-owned SMEs. Participating financial institution policies and products require further adaptation to meet the needs and circumstances of women-owned SMEs.

ADB PROCESSES AND MANAGEMENT TOOLS. Overall, factors that contributed to the project's gender equality results were (i) inclusion of a technical assistance (TA) element that specifically focused on women entrepreneurs; (ii) single-source selection of the Bangladesh Women Chamber of Commerce and Industry (BWCCI) as the implementing agency for the TA; (iii) proactive role of the Asian Development Bank (ADB) in managing the project; and (iv) rapport established between the Ministry of Finance, the Bangladesh Bank, ADB, and the BWCCI. The project also led to unexpected positive results, especially in the area of policy changes favoring women-owned SMEs. The project epitomizes a successful public-private partnership in TA through the joint and complementary working relationship among the Ministry of Finance, the Bangladesh Bank, and the BWCCI.

Small and Medium-Sized Enterprises in Bangladesh

There are nearly 1.5 million small and medium-sized enterprises (SMEs) in Bangladesh, of which 60%–65% are located outside the metropolitan areas of Chittagong and Dhaka. SMEs constitute over 99% of private industrial establishments and provide jobs to

70%–80% of the nonagricultural labor force.¹ Women own less than 10% of the industries in Bangladesh, with 70% of these being micro and rural industries.

SMEs are generally categorized as follows:²

- (i) small informal enterprises employing 5–9 persons, largely family based;
- (ii) small formal enterprises employing 10–50 persons (typically with assets of \$720–\$72,000); and
- (iii) medium-sized enterprises employing 51–150 persons (typically with assets of \$72,000–\$2.9 million).

SMEs have a great potential to reduce poverty and enhance employment and income, especially in the rural and nonmetropolitan areas of Bangladesh. However, SMEs also face numerous problems:³

- **Limited access to institutional finance.** In 2009, SMEs could meet only 25%–30% of their capital requirements through bank loans, especially in nonmetropolitan areas. Although 75% of SMEs in nonmetropolitan areas required financing, only 6% were actually provided with formal financing.⁴ Start-up SMEs find it particularly difficult to borrow from banks.
- **Limited access to markets.** Most SMEs in nonmetropolitan areas sell their goods and services directly to consumers located close by. Expansion of markets is crucial to overall growth.
- **Limited access to business-related services.** Very few firms have access to marketing, accounting, or technical assistance (TA). They lack access to market-related know-how, market research, as well as vocational training to manufacture diverse, high-quality products.
- **Inadequate and poor-quality infrastructure.** SMEs in Bangladesh have identified poor roads, inadequate energy supply, and difficulty in obtaining land (especially serviced land) as major hindrances to development.

Women-owned SMEs face the same difficulties as those owned by male entrepreneurs. Given the differences between SMEs owned by women and men, women entrepreneurs tend to face additional obstacles. Policies and initiatives need to consider these differences if women-owned SMEs are to grow to their potential.

¹ ADB. 2009. *Proposed Loan: Small and Medium-Sized Enterprise Development Project (Bangladesh)*. Board of Directors, R141-09. Manila. p. 3.

² ADB. 2010. *Country Gender Assessment—Bangladesh*. Manila. p. 24.

³ This section draws on ADB. 2009. *Proposed Loan: Small and Medium-Sized Enterprise Development Project (Bangladesh)*. Board of Directors, R141-09. Manila.

⁴ ADB. 2009. *Proposed Loan: Small and Medium-Sized Enterprise Development Project (Bangladesh)*. Board of Directors, R141-09. Manila. p. 4.

Support of ADB for Small and Medium-Sized Enterprises in Bangladesh

The Asian Development Bank (ADB) has been supporting the SMEs and related sectors in Bangladesh since 2004 with the introduction of SME-focused loans. Since then, ADB Bangladesh Resident Mission has been expanding its interest in this area with loans focused on public-private infrastructure and capital market and insurance governance.⁵ Within this context, the Small and Medium Enterprise Sector Development Project (2004–2010) supported the following outcomes:

- (i) establishment of an SME policy and development framework;
- (ii) establishment of institutional structure and mechanisms to support SME development;
- (iii) facilitation of SME access to tax incentives, markets, capacity development, especially targeted at rural nonfarm enterprises, women SMEs, and participating financial institutions (PFIs); and
- (iv) development of an integrated database.

During 2006–2009, the total lending from banks to SMEs increased at a rate of 55% annually. The sub-loan repayment rate was 93%–97%. However, as of May 2009, women had only received 3.5% of the refinanced loan funds. This prompted the Small and Medium-Sized Enterprise Development Project (SMEDP) to take a proactive approach in targeting the constraints and needs of women entrepreneurs.⁶

Main Aim and Approaches of the Project

ADB and the Government of Bangladesh signed a loan agreement “Small and Medium-Sized Enterprise Development Project” on 12 October 2009, aimed at contributing to the continuing economic growth and poverty reduction in Bangladesh through the development and growth of SMEs (see Box 1 for basic facts on the project). The SMEDP had two main components: (i) a credit facility of \$75 million for the expansion of medium- to long-term financing by PFIs to SMEs located outside the metropolitan areas of Chittagong and Dhaka, with 15% targeted toward women-led SMEs; and (ii) a TA grant of \$500,000 to enhance the capacity of women entrepreneurs in business development and to fully access the credit facility earmarked for them.

The project addressed the rural–urban divide by providing business and employment opportunities for populations outside the metropolitan areas, with a specific focus on women who could participate in, and benefit from, economic growth. This inclusive growth

⁵ See Projects Loan 2148-2150 Small and Medium Enterprise Sector Development Program (Dec 2004–June 2010), Loan 2232 Improvement of Capital Market and Insurance Governance Project (March 2006–May 2013), Loan 2453-2454. Public-Private Infrastructure Development Facility (Oct 2008–Dec 2014). Information available in the ADB Project Data Base: <http://www.adb.org/projects>

⁶ ADB. 2010. *Country Gender Assessment—Bangladesh*. Manila.

Box 1: Project Basic Facts

Loan approval number:	2549
Loan approval:	September 2009
Closing date:	July 2014
Executing agency:	Bank and Financial Division, Ministry of Finance
Overall project cost:	\$126.67 million
Financing:	ADB loan: \$ 76 million Government of Bangladesh: \$19 million PFI contributions: \$19 million SME contributions: \$12.67 million
Gender classification:	Gender equity
TA approval number:	TA 6337
TA approval:	September 2009
TA commencement date:	September 2010
TA end date:	July 2013
Implementing agency:	Bangladesh Women Chamber of Commerce and Industry

ADB = Asian Development Bank, PFI = participating financial institution, SMEs = small and medium-sized enterprises, TA = technical assistance.

Notes: In this report, "\$" refers to US dollars.

Project overview and ADB documents are available on the ADB website: www.adb.org/Projects

was expected to reinforce the sustainability of the development process, promote balanced regional development, and ensure poverty reduction.

The Ministry of Finance provided loan funds to the Bangladesh Bank (BB). The BB re-lent the funds to the PFIs, who on-lent to SMEs in the project areas. The BB charged 5% interest on sub-loans to PFIs, which in turn charged interest on sub-loans to SMEs, reflecting the cost of funds plus a spread that covered transaction costs and risk-adjusted returns. For women-led SMEs, the interest was 10%. Thirty-eight PFIs (23 banks and 15 nonbank financial institutions) signed participation agreements with the BB to disburse loans under this refinancing scheme.

The immediate expected outcomes of the project were (i) enhanced growth in the number and size of commercially viable SMEs (with emphasis on women-owned SMEs), (ii) increased employment in the SME sector, (iii) enhanced business opportunities for SMEs and PFIs, and (iv) enhanced empowerment of women owning SMEs by facilitating access to institutional finance.

Gender Equality Issues Related to the Aims of the Project

Women SME owners have a great potential to contribute to economic growth and poverty reduction through employment creation and income generation. In Bangladesh, women-owned SMEs have different characteristics when compared with men-owned SMEs and tend to face specific challenges and obstacles. To capitalize on the potential of women-

owned SMEs, these challenges and constraints have to be addressed in initiatives that aim to support SME growth.⁷

In Bangladesh, the number of women-owned SMEs is lower in rural nonfarm sectors compared with metropolitan areas. Also, SMEs owned by women are smaller, recently started, and more likely to be informal and home based compared with those owned by men.

Women face sociocultural factors that can influence the success of their business (e.g., restrictions on mobility and gender stereotypes). Women's motivations for starting businesses are often different, with the necessity to support their household (rather than choice) being the primary motivating factor. Women also tend to start businesses that enable them to balance their family and household responsibilities.⁸

Information and Skills Deficits

A 2008 study found that many women SME owners lacked basic business information and skills. For example, half of those surveyed were unaware of trade license, tax, and value-added tax requirements. Capacity needs identified included marketing, business promotion, bookkeeping, product development, information and communication technologies, e-commerce, and regulatory processes.⁹ And, where training opportunities do exist, women entrepreneurs are often not aware of what is offered.

Often, there are information gaps relating to banking processes. Women SME owners are unaware of the BB's guidelines and policies that support them, and the packages and incentives available to women to procure loans from banks and other financial institutions.

Limited Access to Credit

Start-up credit and expansion loans are crucial tools in SME development. However, women entrepreneurs find it difficult to access credit due to the following factors:

- Discriminatory attitudes of the bankers and the requirement for a male guarantor.
- Banking rules, regulations, and products are not always conducive for the specific needs of and constraints faced by women. For example, not all bank branches are authorized to approve loans. While this is a constraint for both genders, women are affected more due to their limited mobility. Men generally are able to travel and hence have alternatives in larger branches.
- Women lack capital and collateral due to a range of factors, including discriminatory inheritance laws.

⁷ This section draws on ADB. 2014. *Gender Tool Kit: Micro, Small and Medium-Sized Enterprise Finance and Development*. Manila; ADB. 2010. *Country Gender Assessment—Bangladesh*. Manila.

⁸ ADB. 2014. *Gender Tool Kit: Micro, Small and Medium-Sized Enterprise Finance and Development*. Manila. p. 4.

⁹ Bangladesh Women Chamber of Commerce and Industry. 2008. *Building Women in Business: A Situation Analysis of Women Entrepreneurs in Bangladesh*. BWCCI in cooperation with the Center for International Enterprise.

Limited Group/Association Formation

Business associations expand the capacity of entrepreneurs and lobby for more favorable changes in regulatory frameworks and banking practices. Though several associations for women entrepreneurs have been formed in the recent past, most women-owned SMEs are not affiliated to these associations.

Productivity and Growth Challenges

Due to entrenched gender stereotypes about the “socially acceptable” areas for women to venture into, women-owned SMEs are concentrated in a few typical sectors such as beauty parlors, tailoring, boutiques, and handicrafts. This trend is further exacerbated by the lack of market connectivity, thereby saturating market and hampering growth. The limited mobility, family responsibilities, and time constraints of women often restrict growth and expansion, and so women-owned SMEs tend to operate on a small scale.

Employment Opportunities and Conditions for Women Workers

Although the entrepreneur is the focus of many SME initiatives, SMEs are an important source of employment. Hence, it is important to address wage disparities, occupational segregation, and workplace safety to ensure that women and men enjoy equitable opportunities of advancement as well as decent working conditions.

Project Plan for Supporting Women Entrepreneurs and Addressing Gender Inequalities

Promotion of women-led SMEs in the nonmetropolitan areas of Bangladesh was the result of a major thrust of the SMEDP. There were specific elements in the design and monitoring framework that explicitly addressed women entrepreneurs. Performance targets included

- **Outcome level.** Ten percent increase in women-led SMEs in three pilot sites (2009 baseline).
- **Output level.** A minimum of 15% of the credit facility disbursed to women entrepreneurs in 2009–2012.
- **Output level.** Number of successful applications by women entrepreneurs at scheduled commercial banks increased (an annual increase of 20% compared with 2009 baseline).

A gender action plan (GAP) was developed to focus on results related to women entrepreneurs. The main aims of GAP were to promote business skills among women and to increase their access to institutional credit. The GAP of the project was supported by a TA of \$500,000 provided by ADB to the Bangladesh Women Chamber of Commerce and Industry (BWCCI) to undertake the Promoting Women’s Entrepreneurship in Bangladesh project.

The outputs and activities for the TA are outlined in Table 1.

Table 1: Gender Action Plan—Outputs and Activities

Output	Activities
1. Constraints and opportunities to women's entrepreneurship identified	<p>A minimum of 15% of the credit line of the project should be earmarked for women entrepreneurs.</p> <p>Collect baseline information and data on women's entrepreneurship in selected districts related to factors that enable women to, or constrain them from, becoming effective entrepreneurs in selected industries.</p> <p>Carry out training and capacity development needs assessment in selected districts to inform the advocacy, training, and capacity development initiatives supported under outputs 2 and 3.</p> <p>Identify capacity needs and knowledge gaps.</p>
2. Advocacy initiatives	
For the enforcement of gender-responsive regulations	<p>Assess the current status of enforcement of gender-relevant provisions in Bangladesh Bank's regulatory framework.</p> <p>Document practices adopted by scheduled commercial banks and nonbank financial institutions.</p> <p>Ensure the adequate dissemination of information on these facilities and simplified procedures by (i) identifying potential women borrowers through a promotional and awareness-building campaign, (ii) attracting women borrowers, and (iii) providing assistance in processing women's applications (i.e., from filling out applications and other required forms to step-by-step listing of compliance requirements).</p> <p>Establish dedicated women entrepreneurs' desks in PFIs.</p> <p>Ensure PFIs (scheduled commercial banks and nonbank financial institutions) review their overall credit lending procedures and adopt simplified procedures to encourage women applicants.</p> <p>Design, develop, and deliver orientation and training programs targeting PFI officials.</p> <p>Women entrepreneurs commit to participate actively in training activities to be conducted under the project prior to and after disbursement.</p> <p>Provide legal aid and literacy service to women entrepreneurs and associations.</p>
For gender-responsive policy reform	<p>Support ongoing efforts to engage with relevant government entities and local government bodies, and advocate for gender-responsive policy and legal and regulatory reforms to ensure (i) greater representation of women in SME decision-making processes and structures; and (ii) equal access of women entrepreneurs to financial resources, business opportunities, infrastructure, and services.</p>
3. Technical capacity of selected women entrepreneurs and associations strengthened	<p>Training programs on women entrepreneurship development designed, pilot tested, and conducted under public-private partnership between the Ministry of Industry and the Bangladesh Women Chamber of Commerce and Industry.</p> <p>Gender issues integrated into the content of all training modules developed and used in loan-supported training programs.</p> <p>Exposure visits and lateral learning organized.</p> <p>Support provided to operationalize SME helplines in selected areas.</p>
4. Dissemination of findings and identification of follow-up activities	<p>Assess the results of the activities in outputs 2 and 3.</p> <p>Disseminate findings and lessons from technical assistance activities at national workshops, divisional seminars, advocacy meetings, exposure visits, and trade fairs.</p> <p>Plan follow-up activities.</p>

PFI = participating financial institution, SME = small and medium-sized enterprise.

Source: ADB. 2009. *Report and Recommendations of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Small and Medium-Sized Enterprise Development Project*. Manila.

The TA subproject was implemented in six districts outside Chittagong and Dhaka: Barisal, Gazipur, Khulna, Rajshahi, Rangamati, and Sylhet. See Box 2 for story on one of the women entrepreneurs assisted by the project.

Box 2: Afsana Breaks Barriers

This is the story of the confident Afsana Khatun, a young woman in her early 20s. She is the only woman grocery store owner in the Rajshahi New Market.

I had been running a boutique from home since 2002. But it was only after I got training from Bangladesh Women Chamber of Commerce and Industry (BWCCI) that I got a trade license in 2010. I decided to change my business to have a steady source of income. So I chose to run a grocery store. I keep shop on my own most of the time, with my husband, and occasionally a small boy, helping me to place things on the higher shelves. If no one is around, I have no problem in fetching the item from the top shelves climbing onto a stool.

In the beginning, the owner of the store opposite mine taunted me, saying that it was not right for a woman to run a shop. But, I was not bothered. Business is good, and I earn about Tk15,000 (\$187) per month, which is enough to maintain my small family comprising my husband, sister-in-law, and a 5-year-old daughter.

The BWCCI training made me aware of the availability of small and medium-sized enterprise (SME) collateral-less loans at 10% interest. Now, with the help of the SME loan, I dream of turning my store into an air-conditioned, well-organized department store where people use trolleys to collect merchandise.

BWCCI has also helped me apply for a bank loan by informing about the requisite papers and the ways to apply. Banks require a guarantor, and I am sure BWCCI will help me in finding one.

Source: Bangladesh Women's Chamber of Commerce & Industries.

Key Achievements

In addition to the overall outputs, with the GAP and the TA project, SMEDP achieved the specific results related to women-owned SMEs. See Box 3 for outcomes and Table 2 for complete list of results.

Increased Disbursement of Commercial Loans to Women-Owned Small and Medium-Sized Enterprises

Compared with the 2010 baseline, the number of loans to women-owned SMEs increased by more than 26%, while the amount lent increased by 23% (from all the different refinancing schemes). As of September 2012, only 14 women-owned SMEs had received loans totaling \$30,523. By November 2013, 453 loans amounting to \$6 million had been disbursed to women-owned SMEs. In percentage terms, more than 4.5% of the overall SME loans under the refinancing scheme were granted to women SMEs. In the pilot areas where training had been provided, 10% of the loans went to women SMEs.

Box 3: Outcomes of the Small and Medium-Sized Enterprise Development Project

The project ended in July 2014, with the following outcomes:

- The number of small and medium-sized enterprises (SMEs) increased from 308,726 in 2010 to 359,110 in 2012 (a 16% increase compared with the target of 8%).
- Employment in SMEs increased from 1,639 in 2011 to 4,201 in 2012 (an increase of 156% compared with the 8% target).
- A 10% increase in women-led SMEs in the pilot districts.
- SME credit-total credit ratio was expected to increase by 5%. It increased from 21.03% in 2010 to 23.82% in 2012.
- More than 8,300 women-owned SMEs received loans from all the refinancing schemes combined (up to June 2013), with a large share of this going to entrepreneurs in the six districts where the technical assistance was focused.

Source: Bangladesh Women's Chamber of Commerce & Industries.

Women Owners of Small and Medium-Sized Enterprises Enhanced Their Knowledge of Running Businesses and Banking Procedures

Capacity building for women SME owners had five strands:

- Increasing knowledge of the legal requirements for running a business, such as obtaining a trade license, a tax identification number, filing income tax returns, and submitting value-added tax.
- Improving skills related to the development of a business plan, improving and expanding business, and bookkeeping are elements to consider while calculating costs and returns. Some women can now open e-mail accounts and successfully present a business profile. Others are trying out internet-based marketing.
- Strengthening knowledge of the BB's directives and guidelines toward promoting women's access to institutional credit. Participants are now aware of banking policies and practices, the products of different banks, and also the facilities in and the requirements of banks and financial institutions for loan application.
- Increasing contact and familiarity with PFIs. Women participants are more confident, and they interact with bank officials and negotiate loan agreements. Also, all of the participants are aware of the fees to obtain and renew trade licenses, and they do not bribe the officials concerned.
- Improving knowledge of markets, marketing, design, timing, and product diversification due to participation in trade fairs and exposure visits under the project.

Gender-Responsive Policies Have Been Adopted by the Government of Bangladesh

The rapport established between the BWCCI and the Ministry of Finance (MOF) during project implementation resulted in the BWCCI lobbying for policies that promote entrepreneurship among women. The government has initiated the following measures in this regard:

- The MOF allocated \$1.3 million to enable BWCCI to provide training to women SME owners in all 64 districts of Bangladesh between June 2012 and June 2014, using the “training of trainers” module developed during the TA initiative.
- The MOF allocated \$1.3 million to set up a training institute/sales center for women-owned SMEs in Gazipur.
- The National Board of Revenue issued a letter assigning a focal point for women entrepreneurs in each district office.
- The MOF allocated \$13 million for women’s entrepreneurship development in the 2012–2013 national budget.
- The government asked for a proposal from BWCCI to set up resource centers for women SME owners in each divisional headquarter to provide information on trade fairs, and e-business facilities.

Networking and Strengthening of Collective Associations

BWCCI’s membership increased during the project period, primarily due to their training outreach. BWCCI formed advocacy groups in all six districts. These groups now regularly liaise with the PFI officials to facilitate women’s access to financing. The advocacy groups bring in women to become BWCCI members and assist them to obtain loans from the PFIs. The advocacy groups also follow up with the women who availed loans to ensure that regular repayments are being made.

Before the project, most women SME owners in the pilot districts had little contact with each other, but with the SMEDP training provided by BWCCI, they got to know each other and formed a mutual support group. They have found a forum to socialize, share problems, and learn from each other’s experiences.

Participating Financial Institutions’ Officials Are Now Motivated to Provide Loans to Women-Owned Small and Medium-Sized Enterprises

Officials from banks and PFIs participated in discussions aimed at facilitating women-owned SMEs to access institutional credit. The issues covered included the BB’s SME and Refinancing Scheme circulars, current practices adopted by scheduled banks and PFIs, common problems faced by women entrepreneurs in accessing loans, BWCCI’s role in promoting women’s entrepreneurship, expectations from banks and PFIs, and recommendations from banks and women SME owners toward an easier loan application process for women entrepreneurs. This dialogue between women SME owners and

PFI officials led to improved understanding on both sides. Women entrepreneurs report that previously reluctant PFI officials are now more open to providing loans to women.

One concrete output of these discussions was the introduction of uniform loan application forms for women entrepreneurs. Also, a significant number of the PFIs introduced the option of writing out the forms in Bengali.

Table 2: Planned Outcomes, Performance Targets/Indicators, and Results Achieved

Design Summary	Performance Targets/Indicators	Actual Performance
Outcome: Enhanced capacity of women entrepreneurs and associations to fully access the financial resources and services earmarked for women-owned SMEs under ADB loan	<ul style="list-style-type: none"> Number of successful applications by women entrepreneurs at scheduled commercial banks increased (20% increase compared with 2009 baseline) 	<ul style="list-style-type: none"> Compared with 2010 baseline, total loans to women-owned SMEs increased by more than 26% (number) and 23% (amount) from all refinancing schemes. As of September 2012, only 14 women-led SMEs had received loans (totaling \$30,523). By November 2013, 453 loans (\$6 million) had been disbursed to women-owned SMEs. More than 4.5% of the SME loans under the refinancing scheme were given to women-owned SMEs. Distribution of loans from PFIs to women-led SMEs: Barisal, 30; Chittagong, 49; Dhaka, 129; Khulna, 117; Rajshahi, 86; Rangpur, 27; and Sylhet, 15. The number of loans disbursed to women-led SMEs in the 6 pilot districts was 97 (Barisal, 11; Gazipur, 37; Khulna, 22; Rajshahi, 15; Rangamati, 0; and Sylhet, 12).
Output 1: Constraints and opportunities to women's entrepreneurship identified (subproject area)	<ul style="list-style-type: none"> Baseline information and data collected in selected districts (6) Training and capacity development needs assessment carried out in selected districts (6) 	Baseline surveys and training needs assessments of women entrepreneurs completed in 6 districts, confirming low awareness of available financial products and low use of technology to run their businesses. These assessments informed training modules, materials for capacity building, and advocacy campaigns.
Output 2: Advocacy initiatives for enforcement of gender-responsive regulations and policy reform implemented	<p>Advocacy for enforcement of gender-responsive regulations</p> <ul style="list-style-type: none"> Gender practices adopted by PFIs (15) documented 12 advocacy sessions carried out 35 dedicated women entrepreneurs' desks opened at PFIs 6 training sessions carried out 600 PFI desk officers trained 36 legal literacy and aid initiatives carried out 360 women entrepreneurs benefited from legal literacy/aid 	<ul style="list-style-type: none"> 45 dedicated women's desks established in PFIs in 6 districts and headquarters offices. Heads of SME sections of 44 PFIs oriented on women's entrepreneurship issues. 703 bank and PFI officials participated in discussions on women-owned SMEs. 360 women entrepreneurs aware of legal requirements for businesses. 540 women increased their knowledge of running a business. 540 women increased their knowledge of Bangladesh Bank directives and guidelines for promoting women's access to credit. All 900 women participating in training increased their linkages with PFIs.

Table 2 continued

Design Summary	Performance Targets/Indicators	Actual Performance
	Advocacy for gender-responsive policy reform <ul style="list-style-type: none"> 3 gender-responsive policy and legal/regulatory reform initiatives supported 	<ul style="list-style-type: none"> New Government of Bangladesh funds allocated for the promotion of women's entrepreneurship. Bangladesh Women Chamber of Commerce and Industry advocacy ongoing for a quota for women entrepreneurs in international trade fairs. A letter issued by the National Board of Revenue appointing a gender focal point at its district office to provide more women-friendly tax office services.
Output 3: Technical capacity of selected women entrepreneurs and associations strengthened	<ul style="list-style-type: none"> 900 women entrepreneurs trained Exposure visits (5), trade fairs (5), and lateral learning events (5) carried out SME helpline (5) supported in selected districts 	<ul style="list-style-type: none"> 900 women entrepreneurs trained. Exposure visits conducted including visits to India and Dhaka with participants that included women entrepreneurs, project and government officials. 133 women entrepreneurs participated in 5 local, national, and international trade fairs. 1 follow-up workshop for sustainability conducted with 22 participants (women: 14; men: 8). Women's knowledge about markets, marketing design, and product diversification increased due to their participation in trade fairs.
Output 4: Dissemination of findings and identification of follow-up initiatives	<ul style="list-style-type: none"> National workshops (2), divisional seminars (6), advocacy meetings (60) organized; exposure visits (3) and trade fairs (3) attended 	<ul style="list-style-type: none"> 2 national workshops organized in Dhaka. 6 divisional seminars held in 6 districts. 60 advocacy meetings organized in 6 districts. 1 national seminar was organized with 205 participants (women: 98; men: 107) as concluding activity.

PFI = participating financial institution, SMEs = small and medium-sized enterprises.

Source: Project Progress Reports submitted by the Executing Agency to ADB.

Project Features that Contributed to the Achievement of Gender Equality Results

A number of project features that contributed to gender equality results can be identified.

- Initial gender analysis and incorporation of explicit gender equality elements in the design and monitoring framework of the project.** The project followed good practice during the analysis and design stages. The situation analysis was based on a clear understanding of the differential position and characteristics of women- and men-owned SMEs. It identified the constraints of and opportunities

for women SME owners, including the available training facilities. An assessment of the implementation of gender-responsive policies was also done. This analysis highlighted the importance of including an explicit strategy and target for reaching women-owned SMEs. The design and monitoring framework (DMF) of the project included explicit gender equality elements, including expected results with targets and indicators. The DMF tracked progress in achieving the project expected results and targets in terms of enhancing women-owned SMEs' access to loans and achieving capacity development.

- **The development of a specific technical assistance (TA) that provided resources and catalytic support to ensure the implementation of the gender equality dimensions.** The TA was instrumental in achieving the results relating to women-owned SMEs. It provided resources and a sound strategy to support improvements in the situation of women-owned SMEs in the six pilot districts.

The training covered a wide range of issues both from the supply, as well as the demand side of institutional credit. It included information on the BB's policies and guidelines for SME financing, legal requirements for businesses, the loan procedures and policies of PFIs, business development, accounting, product design, and marketing. It supported the participation of women SME owners in exposure visits, as well as in local, national, and international trade fairs.

- **The involvement of the Bangladesh Women Chamber of Commerce and Industry as the implementing agency for the technical assistance.** Selection of an appropriate implementing agency was crucial for the success of the project. BWCCI is a specialized agency promoting women's entrepreneurship with the requisite staff, leadership, and dedication. Furthermore, BWCCI had networks in the six pilot districts. As women entrepreneurs and SME owners, BWCCI members in the pilot districts were very committed to the project. Also, networking among the BWCCI members and their cooperative attitudes contributed to the success of the project. See Box 4 for related story.

The Government of Bangladesh accepting the BWCCI as the TA implementing agency was important. To start with, the MOF and the BB were reluctant to enter into this arrangement. As an emerging business association, BWCCI had not had much direct interaction with the government, particularly the MOF. Eventually, good teamwork among the SME divisions of the BB, the MOF, and BWCCI emerged, ensuring the smooth implementation of the project. The TA helped BWCCI build a rapport with the MOF, which facilitated policy advocacy.

Cooperation between the BWCCI and ADB was excellent, with ADB being able to communicate its expectations to BWCCI and assist them in resolving issues that arose during the project implementation.

- **Flexibility on the part of the project planners and implementers, including the use of an iterative approach.** Both ADB and the BB demonstrated flexibility in adapting project elements meant to achieve the project objectives. Initially, the terms of references of the grant to BWCCI did not include orientation sessions for the PFIs. The orientation sessions were incorporated as they addressed the major constraints influencing the access of loans by women SME owners. Also, the

interest rate for women SME owners, which was 15% at the start of the initiative, was lowered to a viable 10% subsequent to discussions between the BB and ADB. Although the PFIs were not impressed with this lowered interest rate, the BB encouraged them to provide loans to women-led SMEs as part of the government's pro-poor growth policy.

The SMEDP loans could be given for any aspect of business, whereas other refinancing funds could be used only for capital investment. This provided greater flexibility and was more conducive for women-led SMEs as they required funds to cover operational costs, raw materials, and services.

Box 4: Monowara, a Successful Woman in a Man's World

This is the story of the confident, smiling Monowara, the first woman engaged in the decorator business in Khulna.

I am the oldest among three siblings. I passed my Higher Secondary Certificate exams in 1995. I got married shortly after that. My husband was in the Navy. He left his job to start a business in 2000. I sold some land and bought the decorator business from my maternal uncle and gave it to my husband to run. But he felt it was beneath him to deal with the workers. He had an extramarital affair and left me. Currently, he is in Singapore, driving a taxi. He does not send any money home. After my husband quit the decorating business, I decided to take it over in 2008.

I became a Bangladesh Women Chamber of Commerce and Industry (BWCCI) member in 2009. Before becoming a member, I did not know anything about banks and loans. After getting training from BWCCI on what papers I need and how to apply for a loan, I applied for a loan from one of the banks. They made me wait for 2 months and then told me that the bank will not give loans to decorator business. When BWCCI held a seminar with participating financial institutions, I spoke about my problem. After that, the Trust Bank gave me a loan of Tk200,000 (\$2,500), which I have since repaid. Currently, I have a loan of Tk500,000 (\$6,250) which I have invested in buying cloth. I now successfully run the business and support my mother, brother, and daughter. I have enrolled my 8-year-old daughter in the best English medium school in Khulna.

I have eight full-time staff working for me, with an additional 25–30 people working on contract when I get orders. Among my workers, six are women.

Initially, I faced opposition from family members for running a decorator business, which has been predominantly a man's domain. Even now, they continue to scorn at my choice. But I am well known all over Khulna. I am a member of the executive committee of the Khulna Decorators' Association. I am willing to help women who have self-confidence, to get loans from banks and start their own businesses. I encourage my women employees to open bank accounts.

Source: Bangladesh Women's Chamber of Commerce & Industries.

What Else Could We Look at When Assessing Gender Equality Results?

Even with the success of the TA, overall lending to women-owned SMEs did not achieve the planned targets. This calls for additional research on the links among specific obstacles, the strategies used, and outcomes achieved. Questions to consider are as follows:

- Did the TA achieve significant results in the pilot areas and can the current challenge of scaling up this type of activity be more widespread so that results can be achieved in the future?
- Is there a specific blockage that requires additional investments (e.g., are there still obstacles at the policy level or should the primary focus be on ensuring PFI compliance with Bangladesh Bank policies?)
- What can be done to increase the multiplier effect of capacity-building initiatives for women entrepreneurs?

A second area to explore is the impact of these investments on employment of women. The focus has been on women entrepreneurs or women-owners of businesses. Yet, it is evident that many women cannot start a business (not all women are entrepreneurs), and it is also important to look at the jobs created by all SMEs. Do these provide “decent work” opportunities for women and men? Do women face specific obstacles in gaining employment? Is there gender segregation in this workforce? Is there equal pay for work of equal value?

Finally, research on women’s participation in the SME sector has highlighted the importance of understanding family dynamics.¹⁰ Does success in accessing credit (and more successful business development) translate into improved decision-making capacity of women within the family and within the community?

Remaining Challenges

Although disbursement of loans from PFIs has increased among women entrepreneurs, it is below the target set by SMEDP. Many of the problems identified at the demand and the supply sides for low loan disbursement among women remain valid even today. A two-pronged approach of continuing to train women SME owners as well as lobbying with PFIs to switch to more women-friendly policies and products continues to be an important strategy.

¹⁰ N. Kabeer. 2006. Wider Impacts: Social Exclusion and Citizenship. In J. Copestake et al., eds. *Money with a Mission*. Volume 1. Rugby, UK: Practical Action Publishing.

Training for Women-Owned Small and Medium-Sized Enterprises

SMEDP has demonstrated the effectiveness of training women entrepreneurs; however, the challenge is to expand and deepen these initiatives. Skills gaps continue to exist in the following areas:

- banking procedures and loan products available;
- business practices (bookkeeping/accounting, marketing, using the internet, etc.); and
- new market opportunities with potential (to move women away from oversaturated sectors such as beauty parlors and handicrafts).

Work with Financial Institutions

Despite the advances made, additional changes are required to ensure a fit between the needs of women entrepreneurs and financial institutions:

- Bank policies and practices could be further adapted to better meet the needs of women-owned SMEs. See Box 5 for examples.¹¹
- PFI head offices could be more proactive in ensuring that their offices and branches have functional and effective women-dedicated desks or services for women SMEs. Also, information on loan products available to women entrepreneurs should be publicly displayed.

Coordination among Women's Business Associations

Greater cooperation among women's business associations would be beneficial. Unified approaches would strengthen their abilities to lobby for changes in policies as well as for special incentives from the Government of Bangladesh to encourage the development of women-led SMEs throughout the country.

¹¹ It was reported that some bank officials do not feel obliged to comply with the BB's directives. Many banks ask women to provide land deeds as collateral, although, as per the BB's circulars, loans up to \$30,000 are supposed to be provided free of collateral to women SME owners. Some banks ask for a spouse or a government official to be a guarantor. Others ask for a showroom as a prerequisite for loans, whereas women often work from home, and the BB's directive specifies that home-based industries are eligible for SME loans under the refinancing scheme.

Box 5: Participating Financial Institution Procedures that Restrict Women's Access to Credit

- Some participating financial institution branches are not authorized to approve loans. For those that do, there is a ceiling of approval amount, with loans above a certain amount requiring approval from the head office. This is time consuming, delaying the process and decisions.
- For some women who own small and medium-sized enterprises (SMEs), complying with loan requirements is difficult. For example, many women boutique owners who sell their products in cities outside their own district conduct their financial transactions through mobile banking, leaving no paper trail. When these owners approach banks for loans, they fail to show paper receipts for the sale of their goods. Also, women engaged in cash transactions do not find it convenient to operate bank accounts. This prevents them from getting loans.
- In some cases, even though a woman is engaged in a profitable enterprise, her merchandise does not qualify as a “nonmovable asset” which can act as collateral. For example, a florist doing very well in her business could not get loans as her products were perishable.
- The definitions of loanable businesses exclude some categories of entrepreneurs. For example, a practicing homeopathic doctor had applied for a loan for her pharmacy. The bank refused on the grounds that she was in a profession and banks do not give SME loans to professionals.

In some cases, the lower interest rate (10%) for women SMEs acts as a disincentive as participating financial institutions are driven by profit maximization. There have been reported preferences of loaning to men at a higher interest rate.

Source: Bangladesh Women's Chamber of Commerce & Industries.

This case study was produced by the Bangladesh Resident Mission in consultation with executing and implementing agencies. It builds on information included in the project progress reports and related gender action plan updates as well as on direct consultations with executing and implementing agencies and beneficiaries, and inputs from Asian Development Bank project officers.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to the majority of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

