

Rural Women Entrepreneurship and Access to Finance

Challenges and Opportunities in Bangladesh



Bangladesh Bank

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BANGLADESH BANK

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Executive Summary

Integrated actions are required for increasing rural women's entrepreneurship in CMSMEs since the obstacles faced by these entrepreneurs are so diverse. It is necessary to create profitable financial models that are tailored to rural women-owned CMSMEs and benefit both the providers and the rural women business owners. These will also need to be reproducible, scalable, and flexible enough for various financial institutions to use while taking relevant sociocultural differences into account. The following factors are needed to be taken into account in this context: (i) these models need to be appropriate for offering rural women-owned CMSMEs sustainable financial products and services; (ii) legal and regulatory interventions are to be made to secure financing for rural women-owned CMSMEs; and (iii) support mechanisms need to be guaranteed to promote financing for rural women-owned CMSMEs.

Although the major focus of this study is on direct methods to make it easier for rural women entrepreneurs to access finance, a large number of the non-financial hurdles identified in the study are outside its purview. One exception in this regard is rural women's legal rights, which, although not limited to economic advantages for rural women, obviously affects their capacity to run a business, manage assets that might be used as collateral for a loan, and enter into agreements, such as opening a bank account.

Increasing rural women's entrepreneurship, lowering structural barriers to rural women's productive economic participation, eradicating restrictive gender norms and stereotypes, establishing institutional mechanisms to help young rural women plan their careers and ensure gender-sensitive balance between job and family responsibilities, offering non-traditional and innovative forms of employment for rural women, supporting private sector networks to promote gender equality in the workplace and society, and other potential options are all important steps in Bangladesh's efforts to move towards greater women's economic empowerment, particularly in rural areas.

In order to effectively incorporate a gender perspective into their business models and provide better services to consumers in general and rural women entrepreneurs in particular, financial institutions need also to ensure that women are adequately represented in relevant positions at all bank and nonbank financial institutions. Because they are under-represented in senior decision-making positions, women have a limited role in developing and putting into practice policies and initiatives that can guarantee gender diversity and inclusion in banks and NBFIs. Consequently, banks and NBFIs lack a clear and targeted strategy for women entrepreneurs, particularly those in rural regions.

Bangladesh Bank's recent emphasis on implementing a special strategy for women-owned CMSMEs and gender-disaggregated data illustrates how new and still-emerging interest in this market is evolving in Bangladesh. Because banks and NBFIs have not yet completely recognised the need to differentiate between women-owned and men-owned CMSMEs, Bangladesh Bank's recommendations for assisting women entrepreneurs have remained fairly limited in scope and much more so in their execution.

Since there is a significant funding deficit for Bangladesh's rural women CMSME segment, banks and NBFIs interested in entering or growing in this market need to start by gathering and monitoring data and information on rural women entrepreneurs' issues and challenges. Gender-disaggregated data collection is crucial, first to establish a baseline and then to track and monitor performance on a regular basis. The collection of disaggregated data is a significant undertaking that calls for resources, time, and effort. The following actions can be suggested in order for Bangladesh Bank to incentivise banks and NBFIs to gather gender-disaggregated data at the enterprise and portfolio levels in order to proceed: (i) come up

with a practical definition of women-owned businesses; (ii) gather disaggregated data gradually and explore possibility of funding initial investments; (iii) communicate disaggregated data and insights with banks and NBFIs on a regular basis.

Distinguishing between corporate ownership and creative start-ups is crucial for policy objectives. The former would not have the same effect on the economy and the enterprise itself. The gender gap might be addressed by encouraging young, educated rural women to be innovative and by helping them to pursue their business goals.

There is no denying the fact that the government and Bangladesh Bank have been taking proactive steps to support the growth and diversification of women entrepreneurship, particularly in rural areas, and create an environment that would facilitate their rapid growth and sustainability. The National Women Entrepreneurs Development Policy (NWEDP) and the National Women Development Policy (NWDP) are two examples of policies and programmes that support women-led businesses. Additionally, financial incentives, targeted capacity building programmes, and streamlined registration procedures are facilitating the establishment and growth of rural women's enterprises.

The fact is that the economic, cultural, institutional, and social conditions of rural women entrepreneurs in Bangladesh are essentially different from the conventional environment that is one of their key characteristics. Even though these factors specifically influence the resources available to rural women entrepreneurs, their abilities, appropriate behaviour, and other facets of their business are influenced by factors other than economic ones alone. These factors include the nature and success of changing the role of women in society as equal members in both households and in economic activities in rural society. Yet, the reality is that many Bangladeshi rural women continue to encounter a number of barriers to starting their own businesses that are specific to existing gender biased social and cultural settings and are still not well understood. Beyond economic considerations, it is necessary to investigate Bangladesh's distinct cultural, religious, regional, and social conditions and circumstances that impact rural women's entrepreneurship. These include the entrepreneurial traits, intentions, resource limitations, and management styles of rural women, among others.

Rural Women Entrepreneurship and Access to Finance

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Background

Over the centuries, women entrepreneurs in the rural areas of Bangladesh have been making significant economic contributions to local economies and their households although much of these remain unrecognised and unaccounted for due to deep-rooted gender discrimination that persists in society. With the rapid advancement of women's empowerment and growing emphasis on safeguarding their rights, entitlements, and security, rural women in Bangladesh have, in recent years, begun establishing businesses at a faster pace than men. They are also making notable contributions to job creation and rural economic growth across the country.

Policymakers in Bangladesh widely recognise that women's entrepreneurship is essential not only for women's empowerment and gender equality but also for promoting the country's inclusive development. Greater participation of women in the labour force is regarded as a prerequisite for enhancing their social status, as economic empowerment plays a pivotal role in achieving gender equality. With rapidly expanding participation of girls at all levels of education including at the tertiary and technical levels and their rising expectations in the globalised world, it is likely that future enterprise and job growth in Bangladesh will be led primarily by women-owned enterprises, especially cottage, micro, small and medium enterprises (CMSMEs) in the rural areas . Women's significant and rising contribution exemplifies what Bangladesh can aim to achieve in its journey to realise the goal of 'smart and high income Bangladesh' by 2041 through increasing opportunities for rural women entrepreneurs.

In addition to the extensive focus on the 'bottom of the pyramid' that the microfinance sector has been providing since independence for developing rural women entrepreneurship in Bangladesh, there has now been an increasing focus on the 'missing middle' of the pyramid, which refers to a limited access to investable capital targeted towards cottage, micro and small enterprises (CMSEs) in general and specifically for rural women-owned CMSEs. However, in Bangladesh, there are ample opportunities to reach the middle of the pyramid especially for women-owned CMSEs with finance and develop these enterprises to benefit through rural women's economic empowerment as well as overall development of the country. In targeting the middle (and rural women entrepreneurs which will empower the middle), there are significant gains to be achieved for sustainable rural development as well as for benefitting the financial institutions in the country.

Rural Women Entrepreneurs in Bangladesh

In rural Bangladesh, entrepreneurship serves as a vital means of generating income and reducing gender disparities. Given that rural areas are characterised by a scarcity of decently paid employment opportunities—even during periods of high economic growth—entrepreneurship plays a crucial role in

creating remunerative jobs, fostering private sector development, and facilitating wealth accumulation. Women's participation in entrepreneurial activities not only stimulates rural economic expansion but also contributes to reducing inequality across society.

Economically empowered women are powerful agents of development, as they tend to reinvest their earnings in their children's health, nutrition, and education. Enhancing women's access to resources and improving their socioeconomic status are therefore central to achieving the vision of a 'Smart Bangladesh'. Growing evidence demonstrates that women's engagement in economic activities strengthens their bargaining power within households. Greater bargaining power benefits women themselves while simultaneously increasing household investment in children's health and education, thereby enhancing human capital in the next generation and raising long-term growth potential. Access to external finance, particularly business loans, is especially critical for women's enterprises, as they face limited access to property and other resources such as formal employment.

Despite being a recognised policy priority and the focus of significant government initiatives, women entrepreneurs in Bangladesh continue to lag behind. The 2021 Mastercard Index of Women Entrepreneurs (MIWE), which assessed 65 economies worldwide on women's performance in business, finance, education, and the workplace, ranked Bangladesh at the bottom. The Index highlights that Bangladeshi women's ability to succeed as business owners, leaders, and professionals remains hindered by insufficient access to finance, limited opportunities for higher education, and persistent structural barriers.

Although recent years have seen notable progress, women's participation in entrepreneurship remains very limited. According to the 2013 Economic Census by the Bangladesh Bureau of Statistics (BBS), of nearly 8 million enterprises in the country, all but around six thousand are categorised as CMSMEs, yet only 7.2 per cent are owned by women. Women's representation across most enterprises—particularly in manufacturing and wholesale and retail trade (excluding textiles)—is minimal, even among female-owned enterprises. A 2018 UNCDF review reports that out of more than 1.3 million retail micro-merchants in Bangladesh, only 94,800 are women.¹ This reflects the broader gender gap in economic participation: in 2022, the labour force participation rate stood at 80 per cent for men compared with just 43 per cent for women (BBS).

Women entrepreneurs are often classified into three categories² based on the circumstances in which their businesses are established: chance entrepreneurs, who start enterprises unintentionally, often evolving from hobbies into economic ventures over time; forced entrepreneurs, who enter business due to necessity, such as financial hardship or the death of spouse, with financial motives being dominant; and created entrepreneurs, who are identified, motivated, and supported through entrepreneurship development programmes (Table 1).

¹ Although no recent statistics are available, evidence from the present study shows that there has not been any noticeable change in the low share of rural women entrepreneurs in the country.

² The present study also finds the existence of these groups and finds that a large majority of the younger rural women entrepreneurs may be termed as forced entrepreneurs especially among the cottage and smaller enterprises. Moreover, majority of rural women entrepreneurs are quite conscious about business risks and tend to become risk-averse.

Table 1: Categories of women entrepreneurs by reasons for starting enterprises

Category	Reasons for starting enterprises
Chance entrepreneurs	• Had enough time / to keep busy • Was a hobby / special interest • Family / spouse had business
Forced entrepreneurs	• Money / desperately needed the money • To help family financially
Created or pulled entrepreneurs	• Control over time, flexibility • Challenge, try something on one's own • Show others I could do it • To be independent • Self-satisfaction • Example to children • Employment to others / do something worthwhile

Entrepreneurial characteristics

Research from existing literature, as well as evidence gathered in this study, indicates that the entrepreneurial identities and success of rural women are strongly shaped by social norms and gendered expectations, which act as inherent obstacles to women's empowerment. On average, rural women in Bangladesh are less likely than men to establish enterprises.

The most common type of entrepreneurship among Bangladeshi rural women is entrepreneurship driven by necessity. Therefore, when it comes to supporting an enterprise, push considerations have a greater effect on rural women than pull factors. Additionally, there are instances of rural women starting their own businesses as a result of workplace gender inequity. The unseen hand of workplace prejudice like this pushes women into entrepreneurship and restricts their alternatives for professional growth.

Necessity-driven entrepreneurship remains the most prevalent form of enterprise creation among rural women. They are typically motivated more by push factors—such as financial hardship or limited employment opportunities—than by pull factors like ambition or innovation. In some cases, women also turn to entrepreneurship as a response to gender inequality in the workplace, where discriminatory practices restrict their career advancement and compel them towards self-employment.

Enterprises led by rural women are generally smaller in scale—mostly cottage industries—with lower employment generation, earnings, and profits. Women entrepreneurs in rural areas tend to be more risk-averse, conservative in their business decisions, and limited in external networks. Their activities are concentrated in the informal sector, where incomes are lower and markets less dynamic. Limited access to technical training and salaried employment further hinders their ability to establish successful enterprises. Moreover, in the rural context, the husband's career is often prioritised over that of the wife, reinforcing necessity as the dominant driver of women's entrepreneurship.

Family support is considered by rural women to be the foundation of successful enterprise development, providing them with both security and confidence to pursue long-term growth and invest in sustainable competitive advantage. The findings on women's motivations carry clear policy implications. Firstly, workplace discrimination must be recognised and actively addressed. Secondly, in line with the government's commitment to promoting gender equality, legal, policy, and educational interventions are required to eliminate barriers facing women. Finally, entrepreneurship education is crucial to strengthen women's confidence, skills, and knowledge, enabling them to establish and expand business ventures.

Constrained Growth Environment

Beyond the push factors drawing women into self-employment, structural barriers continue to restrict their entrepreneurial activity, contributing to the lower rate of enterprise ownership among rural women compared with men. In Bangladesh's patriarchal culture, women are often perceived as subordinate within both family and workplace settings³. This cultural conditioning perpetuates gender discrimination and reinforces many of the challenges rural women face, such as financial exclusion and limited access to education.

In such a traditional environment, rural women find it difficult to establish networks beyond their families and remain dependent on close kin for resources. Restrictions also limit their ability to access credit, and women frequently encounter discrimination when applying for loans. Early marriage further constrains their educational, social, and economic advancement. The persistence of patriarchal attitudes means women experience greater difficulty in raising financial capital, face tighter restrictions on their mobility and decision-making, and encounter scepticism from financial institutions. They often lack knowledge of enterprise management and remain unaware of financial tools and services available to them. The chronic underrepresentation of women in entrepreneurship is therefore not accidental but the product of systemic exclusion from key resources such as finance and education, compounded by entrenched expectations of women's subordinate roles in society.

In summary: (i) Social norms are deeply connected with the barriers rural women entrepreneurs face, shaping their opportunities and limitations according to prevailing beliefs. (ii) These barriers are interlocking in nature, such that multiple obstacles reinforce each other and make enterprise creation increasingly difficult. (iii) Gender inequality persists as a legacy of cultural and social traditions that continue to dominate rural life. These dynamics highlight the importance of studying the cultural context of rural women's entrepreneurship; as such analysis can generate valuable insights into the origins of constraints faced by women in Bangladesh.

Both men and women entrepreneurs in rural regions are impacted by high start-up costs and onerous regulations, but women are more affected than males because they usually have less access to start-up financing and must deal with extra time limitations from family obligations. In addition, societal norms and workplace regulations frequently discriminate against women, limiting their access to parental leave and imposing rigid work schedules. Lack of access to finance is one of the most urgent issues. To address this, the government must take steps to eliminate obstacles that prevent women from obtaining finance.

Since social networks are critical for entrepreneurial success, strengthening rural women's networking opportunities can significantly improve their business prospects. At present, community-level networks are beginning to emerge, but stronger institutional support is needed. The government, alongside civil society organisations, can play a vital role by facilitating networking opportunities and establishing associations to connect women entrepreneurs with key stakeholders, thereby enabling them to grow and sustain their businesses.

³ The survey conducted under the present study highlights the importance of prevailing social norms and gender-biased culture in the rural areas as significant factors that inhibit the efforts of rural women to establish enterprises and pursue subsequent growth of their enterprises.

Unique management style

Rural women generally have limited involvement in enterprises and in taking on leadership roles. Consequently, they often struggle to manage their businesses effectively due to a lack of appropriate training and experience. Building professional support networks also proves challenging. In their role as enterprise leaders, asserting authority over male employees and ensuring smooth business operations can be particularly difficult, posing a significant barrier for many aspiring women entrepreneurs at the start-up stage.

In the rural environment, family support is important for women to secure human, social and financial capital in a relatively easy manner; as a result, family support to women in their endeavours plays a major role in successful leadership. Thus the perception of society and the support of family and friends play an essential role in the growth and advancement of rural women-led enterprises.

Family and friends act like social capital and provide social support to rural women entrepreneurs.

In such a society, familial ties are important for new venture creation and growth. In the rural environment, family support is important for women to secure human, social and financial capital in a relatively easy manner; as a result, family support to women in their endeavours plays a major role in successful leadership. The attitudes of society, together with the support of family and friends, play a crucial role in the growth and development of rural women-led enterprises. Family and friends function as forms of social capital, offering encouragement and practical support to women entrepreneurs. Furthermore, institutional change and its adaptability can significantly influence the emergence of different types of rural women's leadership.

This explains, for example, why some rural women entrepreneurs take on leading roles in technological start-ups, while others engage in more traditional activities such as small-scale businesses and marketing. Policymakers can design initiatives that encourage rural women entrepreneurs to apply their leadership styles more effectively within their enterprises. Understanding the specific challenges faced by rural women in new ventures can help in shaping targeted training programmes and mentoring schemes. Insights into the strategies adopted by other women entrepreneurs could also be incorporated into such training to further support enterprise development. Moreover, policymakers can promote a shift in perceptions by encouraging both men and women to look beyond stereotypes, thereby fostering a more gender-neutral environment.

Constraints Facing Rural Women Entrepreneurs

Research on the entrepreneurial ecosystem highlights lack of capital as one of the most significant barriers to establishing and running enterprises. Although in recent years there has been a steady increase in the availability of loans, training, and capacity-building initiatives—including programmes specifically aimed at women—rural women entrepreneurs are often unable to benefit from these opportunities for two main reasons. First, they live within a more traditional, patriarchal, and class-based society where social norms and expectations act as invisible barriers, restricting their access not only to financial resources

(e.g. loans) but also to non-financial resources (e.g. business development services, technology, and other forms of support). Second, many of these programmes lack a gender-sensitive approach in their design and implementation, limiting their effectiveness for women.

Access to finance: The key barrier

While the potential for women's entrepreneurship is considerable, rural women are significantly constrained by limited access to finance, which hampers both the growth and development of their enterprises. Indeed, rural women entrepreneurs consistently identify access to finance as the single most critical barrier to starting and expanding their businesses. Beyond finance, women generally have less access to resources than men, and they continue to face restrictions in terms of rights and voice. These inequalities create distortions in the entrepreneurial environment, often leaving rural women's businesses under-resourced and undercapitalised, thereby reducing productivity and inhibiting growth.

Recognising these challenges, in 2014 the Women Entrepreneur Development Unit (WEDU) was established across all branches of Bangladesh Bank, including the SME & Special Programmes Department (SMESPD) at its Head Office in Dhaka. WEDU provides women entrepreneurs with business-friendly services, handles complaints and dispute resolution, undertakes promotional activities to advance women's entrepreneurship, and monitors and evaluates the initiatives of banks and non-bank financial institutions (NBFIs) in this area. To encourage women's participation in entrepreneurship, WEDU also operates the Small Enterprises Refinance Scheme, which provides low-cost funding. In addition, the Unit carries the broader responsibility of promoting women's entrepreneurship and strengthening the support ecosystem for women-led enterprises (see Box 1).

Box 1: Bangladesh Bank's policy initiatives for women entrepreneurs

Bangladesh Bank has prioritised financial inclusion in its policies, with a particular focus on small entrepreneurs and women, to increase their participation in financial activities. To this end, a number of targeted policy measures have been introduced: **Mandatory Loan Allocation:** Under the SME & Special Programmes Department (SMESPD) policy, banks and non-bank financial institutions (NBFIs) are required to allocate 10 per cent of their total CMSME loan portfolio to women entrepreneurs. This share must rise to at least 15 per cent by 2024 (SMESPD Master Circular No. 02, 5 September 2019). This measure is designed to integrate more women into the financial system and accelerate their economic empowerment.

Expansion of the Refinance Scheme: The size of Bangladesh Bank's Small Enterprise Refinance Scheme has been increased from BDT 8.5 billion to BDT 15 billion, with the aim of including more entrepreneurs—particularly women in remote areas—within formal financial activities (SMESPD Circular Letter No. 02, 7 May 2020). Eligibility criteria for CMSME refinancing by state-owned commercial banks have also been relaxed.

Lower Interest Rates for Women Entrepreneurs: To encourage women-led CMSMEs, refinance facilities are now available to banks and NBFIs at a reduced rate of 3 per cent (previously 5 per cent), enabling customers to access loans at 7 per cent interest (previously 9 per cent) (SMESPD Circular Letter No. 02, 7 May 2020).

Covid-19 Stimulus Packages: In response to the pandemic, the government announced stimulus packages worth BDT 200 billion for the CMSME sector. Banks provided working capital at 9 per cent interest, of which entrepreneurs paid 4 per cent, while the government subsidised the remaining 5 per cent. Banks and NBFIs were required to allocate at least 5 per cent of their annual package disbursement to women entrepreneurs (SMESPD Circular No. 01, 13 April 2020).

BDT 100 Billion Refinance Scheme: Bangladesh Bank introduced a revolving refinance scheme to provide working capital for CMSMEs as part of the stimulus packages. Banks and NBFIs could access up to 50 per cent of their disbursed amount at a 4 per cent interest rate (SMESPD Circular No. 02, 26 April 2020), which also benefitted women entrepreneurs.

Dedicated Allocation for Women: A minimum of 15 per cent of all SMESPD refinance windows has been earmarked for women entrepreneurs. To support marginal and home-based women, loan limits have been set at BDT 10,000 for individuals and up to BDT 50,000 for group-based lending (SMESPD Master Circular No. 02, 5 September 2019).

Collateral-Free Loans: Women entrepreneurs are eligible for collateral-free loans of up to BDT 2.5 million against a personal guarantee. Banks and NBFIs have been instructed to accept social security, personal or group guarantees instead of pressuring women to provide guarantees from high-ranking officials, wealthy relatives, or husbands (SMESPD Circular Letter No. 01, 19 December 2019).

Simplified Loan Procedures: A simplified Bangla loan application form has been introduced for CMSME entrepreneurs, including women, to reduce documentation challenges (SMESPD Master Circular No. 02, 25 September 2016). Banks and NBFIs must provide applicants with a status report within 10 working days of receiving a complete application (SMESPD Master Circular No. 02, 5 September 2019).

Grace Periods: Banks and NBFIs have been advised to grant a grace period of three to six months on term loans (1–5 years) for CMS entrepreneurs, including women, based on the banker–customer relationship (SMESPD Master Circular No. 02, 5 September 2019).

Encouraging New Women Entrepreneurs: Banks and NBFIs are required to identify at least three potential women entrepreneurs within their catchment areas, provide them with training in their chosen field, and extend credit facilities to at least one of these trainees (SMESPD Master Circular No. 02, 5 September 2019).

Strengthening Monitoring and Support: All banks and NBFIs must establish Women Entrepreneurs’ Development Units (WEDUs) at their head offices and regional offices to monitor initiatives and ensure progress (SMESPD Master Circular No. 02, 5 September 2019).

Dedicated Desks for Women Entrepreneurs: Each bank and NBFI branch is required to establish a Women Entrepreneurs’ Dedicated Desk to provide tailored services, including guidance on preparing business proposals and marketing strategies (SMESPD Master Circular No. 02, 5 September 2019).

Lead Bank Guidelines: Issued on 15 January 2020, these guidelines introduced a Lead Bank Calendar to disseminate CMSME-related information—including women’s financing—at the grassroots level through seminars, discussions, and virtual meetings. A designated lead bank in each district coordinates lending activities, ensures the implementation of stimulus packages, manages refinance schemes, and oversees women’s development activities.

Capacity Building: Banks and NBFIs have been instructed to prioritise women in credit allocation and to undertake capacity-building programmes for both existing and potential women clients.

Innovative Initiatives: Bangladesh Bank is exploring credit guarantee schemes and cluster-based financing mechanisms to improve women’s access to credit.

Support Services: Women entrepreneurs experiencing difficulties or harassment in accessing CMSME loans, or seeking advice, can contact the Problem Solutions Centre of SMESPD at Bangladesh Bank directly (Tel: +88029530220) or by submitting a written application.

Source: SMESPD, Bangladesh Bank

Despite these initiatives, the proportion of women entrepreneurs receiving CMSME loans has remained below 4 per cent since 2010, when the national policy set a target for financial institutions to raise loan disbursement to women-led CMSMEs to 15 per cent by 2024. This target forms part of Bangladesh’s broader objective of graduating from least developed country (LDC) status and attaining developing country status by the same year.⁴

⁴ The survey conducted under the present study shows that rural women entrepreneurs face higher financing costs compared with men entrepreneurs as well as they face higher risk-premiums which they have to bear for being women.

Women-led CMSMEs continue to receive relatively few loans, despite only marginal improvements over the past decade. Their share of total loan disbursements from banks and NBFIs remains low, reflecting the fact that women entrepreneurs face not only the general challenges of credit access but also additional gender-specific barriers.

Women-led CMSMEs continue to receive a limited number of loans, although there has been some marginal improvement over the past decade. Their share of total loan disbursements from banks and NBFIs remains comparatively low, as women entrepreneurs are more vulnerable to credit access barriers than men and also face additional gender-specific constraints. Moreover, since most women-run CMSMEs operate informally without trade licenses or other required documentation, many are forced to rely on personal loans that are not recorded as enterprise loans, or they remain excluded from formal credit altogether. Even so, while women's overall share of loan disbursements remains small, the absolute volume of credit extended to them has been rising steadily over the past decade.

The survey conducted under the present Comprehensive Rural Finance study shows that, the access to credit from formal sources (excluding NGO-MFIs) for rural women entrepreneurs is extremely low (14 per cent). On the other hand, 58 per cent of rural women entrepreneurs have access to credit from NGO-MFIs and nearly 4 per cent from Grameen Bank. Further, 29 per cent of rural women entrepreneurs are seen to borrow from informal sources. As a matter of fact, many rural women entrepreneurs (49 per cent) borrow from multiple sources mostly comprising of banks, MFIs and informal sources. The incidence of multiple borrowing is higher for rural women owned cottage enterprises (50 per cent) while it is around 14 per cent for micro enterprises. It is seen that only about 62 per cent of the rural women entrepreneurs could receive the requested full amount of loan while 11 per cent were granted half the requested amount and 3 per cent only 25 per cent of the requested amount of loan. According to the entrepreneurs, this forces them to recourse to multiple borrowing especially from informal sources.

The extent of access to mobile financial services (MFS) among rural women entrepreneurs shows that, on average, 90 per cent of the rural women entrepreneurs have reasonable knowledge about MFS and its application while 77 per cent of the entrepreneurs have their own MFS account. The most widely used financial activities include: withdrawing/sending money (96 per cent), recharging mobile phone (58 per cent), savings in MFS wallet (22 per cent), payment of utility bills (17 per cent), receiving sale proceeds after selling produced items (13 per cent), and purchase of raw materials for enterprises (16 per cent).

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MFS and its application while 77 per cent of the entrepreneurs have their own MFS account.

The findings highlight the fact that rural women entrepreneurs face greater financing obstacles than the rural men-owned enterprises—they enjoy less access to external finance and face higher transaction costs and higher risk premiums. Almost 61 per cent of the rural women-owned CMEs are dependent on own finance for startup capital while 21 per cent received finance from MFIs, but none in the sample received startup capital from banks (Table 2). Thus, most rural women-owned CMEs basically remain underfinanced and nearly 17 per cent had to borrow from informal sources to start an enterprise.

Table 2: Startup capital structure of rural women-owned CMEs

Source of finance	Share in %		
	Cottage	Micro	Total
Own source	60.24	65.32	60.68
Partners' resources	0.15	...	0.13
Loan from banks	...	...	...
Loan from MFIs	23.16	...	21.16
Loan from cooperatives	0.12	...	0.11
Loan from informal sources	14.75	34.68	16.47
Loan from other sources	1.58	...	1.45
Total	100	100	100
Average value of fixed asset, Tk.	96,427	940,857	109,003

Note: ... means zero.

Source: InM, CRFS quantitative survey on rural entrepreneurs, 2023

Rural women entrepreneurs face numerous financing barriers throughout the lifecycle of their enterprises, from inception to growth and maturity. On the demand side, key constraints include limited financial literacy, low levels of formalisation, high financing costs, inadequate collateral, insufficient documentation, and the absence of structured business plans. On the supply side, banks and financial institutions often exhibit high risk aversion, offer products and services that are poorly suited to rural women entrepreneurs, and lack appropriate credit policies and supporting infrastructure.

While many of these challenges are also experienced by rural men entrepreneurs, women face greater vulnerability to these shared barriers and encounter additional limitations in accessing formal financial services due to prevailing social norms. Furthermore, there is considerable heterogeneity among women entrepreneurs: their constraints vary according to factors such as age, specific rural location, stage in the enterprise lifecycle, and socioeconomic status. This underscores the need for policy interventions that address rural women entrepreneurs' financing challenges within an integrated framework, taking gender-specific barriers into account.

Consequently, rural women-owned CMSMEs remain one of the most underserved segments in the country's financial system. They are less likely to secure formal financing and often face higher borrowing costs. Access to finance—both at the start-up stage and for ongoing operations—remains critical for these entrepreneurs. In addition, women in certain geographic regions, such as the northern and central areas, and in particular sectors, tend to receive smaller loans, contributing to slower enterprise growth compared with male-owned businesses.

Overall, rural women have limited access to essential financial services, including credit, savings, insurance, and payment systems. As a result, they rely heavily on internal and informal sources of funding, such as personal savings, loans from family and friends, microfinance institutions, and moneylenders, to establish and sustain their enterprises

While microfinance has expanded women's access to finance and contributed to improved welfare and household consumption, growth-oriented women entrepreneurs often require financial support that goes beyond microfinance.

By 2023, approximately 60 million women had benefited from microfinance. Nevertheless, there is growing recognition that the start-up and expansion needs of rural women entrepreneurs cannot be fully met through micro-loans alone.

Increasing women's access to microcredit has been the main focus of initiatives to address their restricted financial options. While microfinance has improved consumption and welfare and expanded women's access to financing, ambitious growth-oriented female entrepreneurs may need access to more than just microfinance. By 2023, microfinance will have reached almost 60 million women, a sharp increase from the previous year. Nonetheless, it is becoming more widely acknowledged that microloans are not the only solution for the expansion and startup requirements of rural women businesses. For rural women entrepreneurs who wish to launch new micro, small, and medium-sized businesses (MSMEs) or expand existing ones in a sustainable manner, the issue is especially pressing. According to the qualitative surveys conducted for this study, some rural women entrepreneurs have very good business ideas that call for larger loans, but they encounter discrimination when trying to obtain these loans. As a result, their businesses either fail or fail because they are forced to buy subpar materials or equipment.

On average, women have less access to basic banking services such as banking and saving accounts. In addition, they are more likely to rely on internal and informal sources of funding such as their own savings, or loans from family/friends, MFIs, money lenders etc. to start a business.

Furthermore, while many NGO-MFIs have graduated their clients to larger individual loans (e.g. microenterprise loans), rural women are often discriminated in microenterprise loans and are largely confined to group loans. As small loans are less profitable, it is likely that as MFIs grow and transform more towards providing larger individual loans, the number of women benefiting from microcredit could progressively decline.

As can be observed from the foregoing, banks' and NBFIs' loan portfolios to rural women-owned CMSMEs are much less than what would be expected given the proportion of rural women-owned CMSMEs in the market. Not much research has been done on the causes of this market segment's underservicing. Both the current study and anecdotal evidence suggest a number of factors, such as the limitations and characteristics of rural women-owned businesses, as well as a perception of increased risk and cultural bias among bank loan officers and NBFIs when they establish and carry out lending programs specifically designed for rural women-owned CMSMEs. Despite its focus on smaller, service-oriented, frequently home-based, and part-time companies, these focused programs, when paired with financial literacy training for rural women entrepreneurs, have frequently seen an increase in the number of loans to this market segment.

To effectively meet their financing needs, financial products must be designed with a clear understanding of rural women entrepreneurs' specific requirements and preferences. This entails a gender-sensitive approach at every stage, from product design and marketing to delivery and follow-up.

Rural women entrepreneurs in Bangladesh have needs and preferences that are markedly different from those of men. Addressing these needs requires more than a gender-neutral approach. While lending policies of banks and NBFIs appear gender-neutral on paper, rural women remain disadvantaged due to time constraints, limited collateral, and generally lower levels of business experience compared with men.

Targeting rural women entrepreneurs as a homogeneous group is also insufficient. Most financial programmes directed at women focus primarily on poverty reduction, which does not adequately serve growth-oriented CMSMEs owned by rural women who have the ambition and capability to expand their businesses. To meet their financing needs effectively, financial products must be tailored with a clear understanding of women entrepreneurs' preferences, encompassing gender-sensitive design, marketing, delivery, and follow-up.

Beyond Finance: Non-Financial and Invisible Barriers

Rural women entrepreneurs frequently require a bundle of support services beyond finance. They express demand for business skills training, financial management education, sector-specific technical assistance, networking opportunities, and mentorship.

Limited Access to Markets

Accessing new markets demands expertise, knowledge, and networks. Rural women entrepreneurs often lack training and experience in market participation and strategic marketing. Many have limited exposure to international markets and lack understanding of global standards. The high costs associated with developing new business contacts and relationships act as significant deterrents. Furthermore, social barriers—including fear of prejudice or harassment and restrictions on travel—further limit their market access.

In a globalised and liberalised economy, market competition requires rapid responses, technology adoption, skill upgrading, and efficient quality management. Rural women entrepreneurs often face difficulties in securing timely capital and navigating complex external market processes. Even when professionally competent, women frequently depend on male intermediaries for assistance in business dealings.

Limited Access to Training

Rural women face restricted access to vocational and technical training in Bangladesh. Technical and vocational skills rely on a foundation of primary and secondary education, yet high dropout rates and poor education quality among rural women exacerbate skill gaps. While institutions such as Technical Schools and Colleges (TSCs), Technical Training Centres (TTCs), the Bangladesh Industrial Technical Assistance Centre (BTAC), and various government, NGO, and private TVET providers offer skill development, women's participation remains far lower than men's. Initiatives like the Skills for Employment Investment Programme (SEIP) have demonstrated that women are equally capable in technical training and its workplace application.

Nevertheless, family obligations, early marriage, distance from training centres, inadequate training modules, poor infrastructure, and limited societal acceptance continue to constrain participation. The National Skill Development Policy 2020 (NSDP 2020) and the 8th Five Year Plan (2021–2025) outline strategies to enhance women's participation in skill development, promoting empowerment, equality, and gender equity.

Statistical Invisibility

Accurate data on the sex composition of business owners is often lacking, and methodological challenges arise when enterprises have multiple owners. In the absence of reliable statistics, policymakers may assume businesses are male-owned or overlook the distinct characteristics of women-led enterprises.

Women's businesses often concentrate in specific subsectors, which tend to receive less policy attention, especially programmes targeting manufacturing where women are underrepresented. Recognising and documenting women-owned enterprises is crucial for informed policy-making.

Access to Networks

Rural women entrepreneurs generally have fewer business contacts, limited knowledge of government procedures, and reduced bargaining power, restricting growth. Operating on a small scale and often outside professional organisations, they face challenges in accessing information, role models, and market opportunities. While organisations such as the Bangladesh Women Chamber of Commerce and Industry (BWCCI), the Bangladesh Federation of Women Entrepreneurs (BFWE), and the Women Entrepreneurs Association of Bangladesh (WEAB) exist to support women entrepreneurs, rural women often remain underrepresented. These organisations must provide targeted, needs-based support and ensure that diverse voices among rural women entrepreneurs are heard.

Access to Policymakers

Most rural women entrepreneurs have minimal access to policymakers or representation in decision-making bodies. Large enterprises, predominantly male-owned, have easier access and influence. Women's limited participation in mainstream business organisations further constrains their ability to contribute to policymaking through lobbying or advocacy.

Legal and Regulatory Constraints

Supportive regulation is critical for enabling rural women entrepreneurs to formalise and grow their businesses. With nearly 95 per cent of rural economic activity occurring in the informal sector, excessive bureaucracy and regulatory complexity restrict enterprise formalisation. Transparent and efficient regulation can facilitate legal compliance and access to protections and opportunities.

Property rights and access to assets are essential for incentivising investment, effort, and innovation. In Bangladesh, gender disparities in property ownership and inheritance persist, compounded by limited access to the justice system. Rural women's lower earnings, fewer years of work experience, and restricted asset ownership limit their ability to save, invest, and access credit. These disparities continue to pose significant challenges in the rural context.

Cultural Constraints and Invisible Barriers

Cultural norms and traditional gender roles further constrain rural women entrepreneurs. They often have less time due to domestic responsibilities, weaker intra-household bargaining power, and reduced control over earnings. These factors can diminish incentives to expand enterprises and limit access to financial services, restricting growth potential.

There also exist invisible barriers such as perceived threat on male authority in the household over women's financial independence resulting in discouragement and lack of support for rural women towards becoming entrepreneurs, negative impact of gender stereotypes and devaluation of women's identity on decision-making ability and agency and in risk-aversion behaviour of rural women entrepreneurs, social expectations regarding household chore and care giving responsibilities creating a dilemma for rural women entrepreneurs to proactively seek business advisory services or pursue growth opportunities, and others. This shows that, in addition to visible ones, women entrepreneurs especially in the rural society in Bangladesh face many invisible barriers as well.

Accessing and using credit and financial services, pursuing business advisory services and technological upgradation, seeking scale expansion and growth opportunities, and similar efforts are no doubt essential characteristics of successful entrepreneurs. But in order to ensure success, conscious efforts are needed to help overcome the invisible barriers emanating from gender stereotypes and social discrimination against women for achieving the potentials of rural women entrepreneurs in Bangladesh.

In view of the above realities, in addition to creating enabling environment and regulations in support of entrepreneurship, financial inclusion is essential for rural women entrepreneurs in Bangladesh. The access to and use of financial services covering transactions, savings, credit, and insurance by the rural women entrepreneurs can transform their lives through providing them with the confidence they need to assert their rights to land and assets, strengthen their confidence and leadership qualities, avail emerging opportunities, and make rational choices as well as scale-up and modernise their enterprises.

Limited availability of time for entrepreneurial activities

The Rural women often face greater demands on their time due to household and childcare responsibilities, which reduce the hours they can devote to entrepreneurial activities. This affects their market participation, the type and length of work experience they gain, and ultimately their choice of sector and enterprise. The disproportionate burden of domestic responsibilities restricts women's mobility, influencing the size, location, and industry of their businesses, and contributing to performance differences with male entrepreneurs.

For many rural women, flexibility in self-employment is a key motivation to pursue entrepreneurship, as it allows them to balance business and family obligations. However, the gender gap in time allocation often results in shorter and less diverse work experience, pushing many rural women into informal entrepreneurship.

Infrastructural deficiencies

Weak infrastructure significantly constrains the growth of women-led rural enterprises. Improved infrastructure could enhance women's access to institutions, particularly financial services. Digital and ICT-based solutions such as branchless banking, mobile banking, and agent banking represent promising alternatives for rural women who lack access to traditional brick-and-mortar branches.

At the same time, unreliable infrastructure also limits financial institutions themselves. For example, electricity shortages—frequently cited as a major barrier by rural women entrepreneurs—disrupt outreach and increase costs for financial institutions. Reliance on generators and other alternatives further raises the expense of delivering services in rural areas, making access to finance even more difficult.

Governance constraints

Weak governance poses additional challenges for women entrepreneurs. Informal or illegal payments to “get things done” function as fixed costs, which disproportionately affect small-scale rural women entrepreneurs. Since many of their enterprises are not fully compliant with regulations, they are particularly vulnerable to corruption and harassment from law enforcement agencies.

The challenges faced by rural entrepreneurs broadly can be more acute for women, while some barriers are exclusive to them. These can be categorised into two groups:

- Women-intensive barriers – challenges that affect all rural entrepreneurs but weigh more heavily on women, such as time burdens, infrastructural deficiencies, and corruption.
- Women-exclusive barriers – challenges faced only by women, arising from gender-specific constraints. These categories are summarised in Table 3.

Table 3: Challenges faced by rural women entrepreneurs

Rural women-intensive challenges	Rural women-exclusive challenges
Access to Training Instruction on WTO and trade policies and regulations, as well as technical and vocational training	Training needs are often overlooked The demands of rural women may not be satisfied after they are recognised (e.g., training duration, subject, delivery style).
Access to infrastructure Reliable physical infrastructure (air and road transit) is necessary. –Infrastructure that supports commerce is necessary (supporting government processes, etc.)	Bias against rural women’s enterprises Few or no contacts in the administration
Access to technology Reliable phone and Internet access are essential. –Possibility of online trade and commerceElectronic banking and transfer capabilities Using English as a communication language on the Internet	Rural women of all ages and Entrepreneurs with poor literacy and educational levels are especially at a disadvantage.Insufficient proficiency in the English language bias against the participation of rural women in technological fields.
Access to policymakers Contribution to investment and trade policyMen and large corporations can more readily reach lawmakers and have an impact on policy.	The majority of female entrepreneurs in rural areas lack representation on policymaking bodies and limited access to legislators.Knowledgeable involvement into policy is limited when information is unavailable.

Source: Derived from the survey findings of the study.

Thus, while noting the importance of access to finance as a necessary condition for rural women entrepreneurship and the enhancement of their enterprise performance, it must also be recognised that only access to credit is not sufficient. The difficulties that rural women entrepreneurs face in growing and scaling-up their ventures are related not only to the difficulty of obtaining appropriate capital but also to a failure to apply capital to productive investment. In this context, policy efforts need to focus not only on providing access to capital but also on tailoring access to different types of enterprises (young vs. mature, small vs. larger, men vs. women-led, rural vs. urban, etc.). Rural women entrepreneurs face social hurdles in addition to the barriers entrepreneurs typically encounter in rural areas. It is important therefore to identify specific policy interventions that are more appropriate for rural women entrepreneurs and how new technologies can cope and build tailored and more efficient financial schemes and programmes.

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not sufficient. The difficulties that rural women entrepreneurs face in growing and scaling-up their ventures are related not only to the difficulty of obtaining appropriate capital but also to a failure to apply capital to productive investment.

As a matter of fact, several broad patterns emerge in relation to the challenges faced by rural women entrepreneurs in Bangladesh, which are supported by this research.

- **Time Constraints:** When running a business, rural women entrepreneurs typically deal with more demands on their time than men do. Household duties and childcare responsibilities frequently restrict the amount of time they can devote to their enterprises.
- **Discrimination:** Evidence suggests that rural women entrepreneurs encounter various forms of discrimination that hinder the management and growth of their businesses. Although banks and non-bank financial institutions (NBFIs) officially apply gender-neutral lending criteria, this does not entirely eliminate discriminatory practices. That said, such discrimination is widespread but not universal.
- **Business and Financial Skills Training:** There is a clear need for targeted training in business management. Rural women entrepreneurs often identify gaps in their knowledge of business administration, financial management, operations, ICT, marketing and social media, human resources, and organisational development. These areas of training are frequently requested alongside financial support, suggesting that bundling services could be highly effective.
- **Networking and Mentoring:** Across all regions of Bangladesh, rural women entrepreneurs express a strong desire for community and peer support. Unlike men, they have fewer opportunities to network and are often unaware of, or unable to access, women's entrepreneurial associations. Such networks could provide opportunities to share expertise, find mentors, and encourage one another. It is also noteworthy that women are generally less confident than men in their entrepreneurial abilities, and more hesitant to speak up in mixed groups. However, they are considerably more engaged in women-only environments.
- **Formalisation and Certifications:** Many rural women entrepreneurs report barriers to registering their businesses, citing time pressures, complex bureaucratic procedures, and high costs. Likewise, obtaining certifications—such as organic, fair trade, or sustainability standards—poses additional challenges due to cost, complexity, and varying requirements across export markets. Support with certification processes could therefore be another valuable service to combine with financial products.
- **Insurance:** Very few rural women entrepreneurs in Bangladesh hold any form of insurance, whether life, property, or business-related coverage. This leaves them exposed to risks that can divert resources away from productive investments—such as hiring staff, upgrading technology, or improving workspaces—towards emergency needs. Insurance tailored to the specific circumstances of rural women entrepreneurs, particularly when bundled with financing, could help address these vulnerabilities.

Policy Implications and Way Forward

The need is to develop successful financial models specifically geared towards rural women-owned CMSMEs which are rewarding both for the providers and rural women entrepreneurs.

The challenges confronting rural women entrepreneurs are so diverse and complex that all sectors must play a role in enhancing their participation in CMSMEs. What is required are effective financial models tailored specifically to rural women-owned CMSMEs—models that are beneficial both for service

providers and for women entrepreneurs. Moreover, such models must be scalable, replicable, and adaptable by a range of financial institutions, while remaining sensitive to cultural contexts.

In this regard, several considerations are paramount:

- The models must be designed to deliver sustainable financial services to rural women-owned CMSMEs.
- Appropriate legal and regulatory frameworks must be established to facilitate their access to finance.
- Support mechanisms must be developed to strengthen financing for rural women-owned CMSMEs.

Since access to finance remains one of the most significant barriers to the growth of women-owned CMSMEs—and given that banks and financial institutions continue to underserve them—the consequences are twofold. Limited financial access not only hinders women entrepreneurs’ ability to expand their businesses but also constrains the types of enterprises they establish in the first place, thereby curtailing their future potential.

To ensure that rural women entrepreneurs’ access to finance is adequately addressed within the broader CMSME financing agenda, a three-pronged action plan could be pursued:

- Establish an enabling environment that supports rural women entrepreneurs in accessing financial services.
- Identify, assess, and promote the replication of successful models that expand financial services for rural women entrepreneurs.
- Systematically collect gender-disaggregated data on CMSME finance by developing a coordinated platform for ongoing data gathering.

Many of the non-financial hurdles found are outside the purview of this study, despite the fact that it focusses largely on direct methods to enhance women's financial access. However, the question of women's legal rights is a significant exception. These rights go beyond monetary gains, although they obviously affect women's capacity to manage businesses, handle loan collateral, and sign contracts, including opening bank accounts.

Looking ahead, advancing women’s economic empowerment, particularly in rural areas, will be crucial for Bangladesh. Key strategies will include embedding good practices that increase women’s contribution to the formal economy. This may be achieved through multiple channels: promoting women’s entrepreneurship; addressing structural barriers to women’s economic participation; challenging restrictive gender norms and stereotypes; establishing institutional mechanisms to support young rural women in career planning; ensuring gender-sensitive policies that balance work and family responsibilities; creating innovative and non-traditional forms of employment for rural women; and encouraging private sector networks to champion gender equality both in the workplace, society and other potential options.⁵

⁵ For instance, implementing a strategy for increasing the representation of women at all levels in banks and NBFIs would necessitate adjustments in recruitment and promotion policies in these institutions for which Bangladesh Bank may play a facilitating role. The existence of more women in leadership role in financial institutions can be a positive factor in changing undue male biases in provision of financial services.

Policy Implications on Supply Side

Informed and strategic targeting: To effectively finance growth-oriented rural women-owned CMSMEs, targeted and informed approaches are essential. A ‘one size fits all’ model—where blanket support is extended to all rural women’s CMSMEs—has proven ineffective and will not meet their diverse needs. As evidenced, most interventions designed for poverty-focused women’s entrepreneurship are ill-suited to growth-oriented enterprises.

Rural women-led CMSMEs seeking growth often find themselves in a financial gap: they operate at a scale beyond microfinance, yet are not ready for most forms of larger investment. They also face uncertainty about financing options due to the mismatch between their requirements and available resources from MFIs or commercial banks.

Potential entry points for targeted financing include:

- Directly supporting growth-oriented women-owned enterprises, even though they may lack strong connections to entrepreneurial or financial ecosystems.
- Supporting rural women’s enterprises that link with or source from the bottom of the pyramid by connecting them to markets or purchasing their products.
- Targeting women-owned enterprises actively building capacity to scale up, combining technical assistance, market access, and finance.

Financing larger, more advanced women-owned businesses that, in turn, engage with smaller, less developed rural women’s enterprises, provided such investment strengthens linkages and benefits the wider ecosystem.

Better data by design: The development of effective financial products for rural women entrepreneurs requires improved gender-disaggregated data. Currently, many banks and NBFIs do not collect such data, limiting their ability to design suitable products. To make the business case for investing in rural women-owned CMSMEs, systematic mechanisms must be put in place to gather data on the uptake and performance of women-focused financial products. This evidence would enable proper evaluation of returns on investment and support the scaling of women-specific financing solutions. The resulting data will allow evaluation of return on investment and further building of the business case for investing in women entrepreneurs.⁶

Bundling of services: Beyond finance alone, rural women-owned CMSMEs require a package of complementary services. Based on the findings of this study, the following services should be considered:

- **Skills training:** There is a strong need for training in ICT, branding and marketing, company management, financial management, human resources, and leadership. A cost-effective strategy that might be readily combined with financial services and made appealing through focused marketing is connecting female entrepreneurs with high-quality training providers.
- **Insurance:** Most rural women entrepreneurs lack insurance, leaving them vulnerable to emergencies that drain capital. Bundling insurance with financing would allow them to allocate resources productively. Financial institutions could collaborate with insurers to design tailored products for early-stage, rural women-owned businesses.

⁶ Moreover, increasing lending to rural women entrepreneurs may have a positive impact on NPLs of the banks and NBFIs since rural women borrowers are traditionally observed to repay their loans on time and seldom become defaulters.

- ***Mentoring, messaging, and marketing:*** Mentorship—especially from other women—is highly valued. Building, strengthening, or promoting networks of women entrepreneurs would enable knowledge-sharing, guidance, partnerships, and support. Mobile platforms could further expand these opportunities by providing market intelligence, legal information, and peer mentoring across regions. Outreach strategies should reflect women’s constraints and preferences, employing trusted channels such as women’s associations, web resources, referrals, and testimonials from peers.
- ***Business enabling environment:*** Reforms are needed to foster long-term growth of rural women-led CMSMEs.
- ***Simplifying registration:*** While procedures for business registration are formally gender-neutral, rural women often face disproportionately greater challenges due to time constraints, mobility restrictions, and other barriers. Simplifying processes, reducing costs, and improving access would benefit all entrepreneurs, but especially rural women.
- ***Gender-disaggregated data collection:*** A lack of sex-disaggregated data hampers efforts to design targeted financial services and track their impact. Reliable data could reveal gender-specific trends, strengthen the business case for investing in women, and inform tailored value propositions.
- ***Data synergies and leveraging:*** With gender-disaggregated data on rural women entrepreneurs still scarce, there is an opportunity to bridge this gap through technology. Innovations such as the Internet of Things (IoT), including sensor-based tools, could significantly accelerate data collection and improve research, policymaking, service delivery, and monitoring across multiple sectors.

A. Suggested Specific Measures for Bangladesh Bank

Promote gender diversity and inclusion in banks/NBFIs

For financial institutions to adopt a genuine gender lens in their business models and to serve women clients—particularly rural women entrepreneurs—more effectively, they must ensure adequate female representation at all levels. Currently, women remain underrepresented in senior decision-making positions, which limits their influence on policies and strategies designed to promote gender diversity and inclusion. As a result, many banks and NBFIs lack well-defined strategies for supporting women entrepreneurs, especially those based in rural areas.

Bangladesh Bank’s recent emphasis on dedicated strategies for women-owned CMSMEs and the use of gender-disaggregated data is an important step forward. However, this reflects that targeted interest in this market segment is relatively new in Bangladesh and still developing. Banks and NBFIs have yet to fully appreciate the differences between men-owned and women-owned CMSMEs. Consequently, Bangladesh Bank’s guidelines to support women entrepreneurs remain limited in both scope and implementation.

Require banks/NBFIs to collect gender-disaggregated data at enterprise and portfolio levels

Given the substantial funding gap for rural women-owned CMSMEs in Bangladesh, data collection is a crucial starting point for banks and NBFIs seeking to expand into this market. Gender-disaggregated data is essential not only to establish a baseline but also to track progress and monitor outcomes over time.

Since data collection is resource-intensive, Bangladesh Bank could require financial institutions to collect such data at both enterprise and portfolio levels, supported by the following steps:

- Agree on a practical and consistent definition of women-owned enterprises.
- Adopt an incremental approach to collecting disaggregated data, potentially supporting initial investment costs.
- Regularly share sector-wide gender-disaggregated data and insights with banks/NBFIs to encourage broader application.

Address information gaps

This study highlights that rural women entrepreneurs are generally risk-conscious, prudent in managing their businesses and finances. Many banks, NBFIs, and MFIs view this as a strength, making women reliable borrowers with high repayment rates and relatively low risk. However, this same cautiousness can deter other institutions that prefer larger transactions and more aggressive borrowing behaviour.

To address this, financial planning and investment education should be provided to help rural women entrepreneurs better understand how financial institutions operate and how to use external finance to grow their businesses. Ultimately, however, the most effective approach for banks and NBFIs is to meet customers where they are. This requires recognising the value of serving large numbers of women entrepreneurs—many of whom may remain small or grow at a slower pace—and adapting products, services, and appraisal methods accordingly.

Promote lending to rural women entrepreneurs as a hedge against portfolio risk

Lending to rural women entrepreneurs has been shown to improve the overall quality of banks' and NBFIs' loan portfolios. Global evidence demonstrates that women-owned CMSMEs consistently exhibit lower non-performing loan (NPL) ratios than the sector average. Bangladesh Bank could therefore promote lending to rural women entrepreneurs as an effective hedge against loan portfolio deterioration. By framing this as a risk management measure, Bangladesh Bank could take a prescriptive policy approach that encourages increased lending to women-owned enterprises.

Strengthen credit guarantee schemes and advisory services

Rural women-owned CMSMEs face persistent challenges in accessing hard collateral and providing the necessary documentation to be considered creditworthy. These barriers limit both their access to loans and the size of loans they are able to secure. Well-designed and efficiently managed credit guarantee schemes can mitigate these challenges, enabling rural women entrepreneurs to access finance more easily. Such schemes have proven successful in expanding credit for CMSMEs in many other countries and could play a vital role in Bangladesh. Bangladesh Bank has also introduced credit guarantee schemes for the CMSMEs which are playing important roles in enhancing credit access to the unbanked rural CMSME entrepreneurs but there exists significant scope to increase their efficiency and effectiveness. Efforts are required on several fronts, including placing greater emphasis on rural CMSME entrepreneurs—particularly rural women at the smaller end of the enterprise scale (e.g. CMEs); streamlining approval processes; addressing gaps in managerial and administrative capacity relating to document appraisal, inspection, and supervision; and improving awareness of these programmes among rural CMSMEs, especially women entrepreneurs.

In addition, Bangladesh Bank has an opportunity to restructure credit guarantee schemes in line with international best practice, in consultation with banks and NBFIs, to make them more efficient and better equipped to support rural women-owned CMSMEs.

Equally important are business advisory services aimed at strengthening the long-term resilience of rural women entrepreneurs. Such services could provide expert guidance on financial management, governance, and market expansion, alongside policy measures such as tax incentives to encourage digital adoption, subsidies for workforce skills development, and other forms of targeted support.⁷

Build knowledge and expertise for banks/NBFIs to focus on rural women entrepreneurs

Since Bangladesh Bank has the mandate to play the lead role in promoting financial access and inclusion across the CMSME sector and especially for the women entrepreneurs who are left behind as well as encourage innovation in developing tailored financial products and services and appropriate delivery mechanisms for these un/underserved entrepreneurs, it can benefit from joining and deepening interactions with networks of peer organisations and learn from their experience in supporting these clientele groups.⁸ Greater engagement with networks such as the Sustainable Banking Network and the AFI network offers Bangladesh Bank valuable opportunities to access global knowledge and practical experience in advancing financial inclusion, particularly for rural women entrepreneurs. Bangladesh Bank can, in turn, share this knowledge with banks and NBFIs, facilitating the exchange of regional and international best practices on issues such as improving data collection and disclosure, and translating data insights into effective, tailored outreach strategies.

Leverage fintech as a catalyst for transforming rural finance for women entrepreneurs

The rapid growth of fintech startups has significantly reshaped Bangladesh's financial sector. By harnessing mobile technology, fintech has become a powerful tool for overcoming barriers to financial services faced by rural women, including CMSME entrepreneurs. Digital payment solutions and mobile wallets now enable rural women to make transactions, pay bills, and transfer funds through smartphones or even basic feature phones, reducing reliance on cash and enhancing financial efficiency.

Fintech platforms have also pioneered digital microfinance, extending small loans to rural women and individuals traditionally excluded from the formal banking system. Conventional credit assessment methods—such as credit scores and bank statements—are often unavailable or unsuitable for rural borrowers, creating a major obstacle for women seeking finance from banks and other institutions. In contrast, digital lenders use alternative data sources, such as smartphone usage and payment histories, to assess creditworthiness, thereby making loans more accessible under flexible eligibility criteria.

In addition, many fintechs are developing mobile applications that provide financial education and literacy tools in Bangla. These platforms help rural women entrepreneurs improve money management, understand the value of savings and investment, and make better-informed financial decisions. Fintech innovations are also reshaping the insurance sector, offering affordable digital insurance products tailored to rural women's needs. These cover areas such as agriculture, health, life, assets, and even protection against natural disasters.

⁷ For more details, see *Dynamising Rural Enterprises in Bangladesh: Access to Finance is the Key*, CRFS Policy Paper 2025-05. Comprehensive Rural Finance Study Project, Bangladesh Bank and Institute for Inclusive Finance and Development (InM), Dhaka.

⁸ The banks and NBFIs need to be encouraged to design dedicated products and services for rural entrepreneurs especially for rural women entrepreneurs consistent with their needs and demands along with features that are attractive to these enterprises. Different size structures of these enterprises should be explicitly incorporated in the design. Moreover, designing products and services more specific to rural women entrepreneurs whose needs and demands are different from rural men entrepreneurs could be a move towards better servicing of these enterprises. Obviously, successful approaches along these lines would have significant positive impact on customer growth along with NPLs of the banks and NBFIs.

The National ID (NID) biometric system has been a crucial enabler of fintech adoption, allowing individuals in remote areas to open bank accounts and access financial services with ease. This integration has simplified onboarding processes and reduced paperwork requirements. Combined with gender-sensitive and culturally informed policies, increased digitalisation can significantly enhance financial inclusion and capability for rural women.

The key will be to adopt a customer-centric approach that provides gender-inclusive financial products and services designed for the diverse needs of women. Ultimately, collaboration between fintech companies, traditional financial institutions, and regulators will be critical to overcoming challenges and ensuring that the benefits of fintech reach the last mile—particularly women CMSME entrepreneurs in rural Bangladesh.

B. Suggested Measures for Banks/NBFIs

Develop a Tracking Mechanism for Gender-Disaggregated Data at Enterprise and Portfolio Levels

The funding gap for rural women entrepreneurs in Bangladesh's CMSME segment remains substantial, yet it represents a potentially profitable market for banks and NBFIs. A critical first step for any financial institution seeking to enter or expand in this market is the systematic collection and monitoring of relevant data. Without such data, institutions cannot generate accurate insights into women customers' behaviour, assess market opportunities, design tailored products and services, or effectively evaluate performance.

Establishing a baseline through gender-disaggregated data, followed by regular tracking, is therefore essential. As data collection requires significant time, effort, and resources, banks and NBFIs may consider collaboration with one another, while seeking technical support from Bangladesh Bank or international financial institutions experienced in building gender-disaggregated databases.

Adopt a Dedicated Strategy for Rural Women Entrepreneurs

Evidence from financial institutions that have developed targeted strategies for rural women entrepreneurs demonstrates a strong business case, yielding benefits such as higher customer growth rates and lower non-performing loan (NPL) ratios. However, women's financial needs and preferences differ considerably, underscoring the necessity for banks and NBFIs to formulate dedicated gender strategies. These should provide guidance on embedding a gender lens throughout institutional operations, enhancing services for rural women, and promoting gender diversity at all levels.

Such strategies must integrate gender objectives and principles into institutional business models, policies, and decision-making processes. At the same time, it must be recognised that identifying the most suitable target segment and refining the value proposition takes time. Accordingly, gender strategies should be treated as living documents, reviewed and updated regularly as institutions gain knowledge and experience.

Develop Tailored Products and Services for Rural Women Entrepreneurs

Rural women entrepreneurs are generally risk-conscious borrowers with strong repayment records. Yet, many face barriers such as complex loan application processes and stringent collateral requirements. As a result, some rely on personal borrowing or retained earnings, limiting their ability to scale. This represents both a lost opportunity for the entrepreneurs and a missed business prospect for banks and NBFIs.

Institutions with expertise in serving the rural CMSME market are well placed to expand their engagement by tailoring financial products and services to the needs of rural women entrepreneurs. A key priority is strengthening digitalisation—improving the use of customer data during appraisal to reduce collateral requirements, streamline processes, lower transaction costs for smaller loans, and enhance customer convenience. Digital delivery channels should also be developed with rural women’s time constraints in mind, drawing on successful models from fintechs and peer-to-peer lending platforms. Importantly, women’s strong repayment rates should be factored into risk-adjusted lending terms.

Banks and NBFIs frequently cite poor loan documentation—particularly incomplete or inaccurate financial records—as a major reason for rejecting applications from women-owned CMSMEs. Addressing this requires financial and investment education, complemented by access to business networking opportunities. Financial institutions wishing to strengthen their engagement in this market may consider offering practical training programmes in partnership with specialised organisations experienced in supporting rural women entrepreneurs.

It is clear that women entrepreneurs face different dynamics to their male counterparts, shaped by economic, socio-cultural, and legal factors. Limited access to finance and support services remain significant constraints. Yet, women bring valuable assets to entrepreneurship, including creativity, competence, and resilience.

With rural women now attaining higher levels of education than ever before, opportunities for fostering innovative entrepreneurship are expanding. What is needed is recognition of these opportunities, alongside ensuring access to both financial and non-financial resources to help rural women entrepreneurs realise their full potential.

Concluding Remarks

For policy purposes, it is essential to distinguish between general business ownership and innovative start-ups, as their impact on both enterprises and the wider economy differs significantly. Encouraging innovation among young, educated rural women and supporting their entrepreneurial ambitions offers a meaningful pathway to narrowing the gender gap.

There is no doubt that the Government of Bangladesh and Bangladesh Bank have taken dedicated initiatives to promote women’s entrepreneurship, particularly among rural women, with the aim of enabling them to thrive and diversify. Policies such as the National Women Development Policy (NWDP) and the National Women Entrepreneurs Development Policy (NWEDP), along with simplified registration procedures, financial incentives, and targeted capacity-building initiatives, are helping rural women establish and expand their businesses in an increasingly supportive environment.

In Bangladesh, rural women entrepreneurs operate within economic, cultural, institutional, and social circumstances that differ markedly from traditional contexts. These conditions shape the resources available to them, the scope of their activities, and expectations around their behaviour. Their entrepreneurial journey is influenced not solely by economic considerations, but also by broader efforts to transform women’s roles from being primarily caregivers to being recognised as equal contributors in both society and business.

Nevertheless, many rural women continue to face distinct obstacles to establishing and sustaining enterprises—barriers rooted in Bangladesh’s unique cultural and social landscape, and not yet fully

understood. Addressing this requires moving beyond purely economic analysis to examine the interplay of cultural, religious, regional, and social factors that affect women's entrepreneurial characteristics, intentions, access to resources, and management practices.

Annex 1

List of Reports under the Comprehensive Rural Finance Study

Sl. no	Title	Reference No.
Analytical and Survey Report		
1.	Reshaping Rural Finance in Bangladesh: Key to Building Prosperous, Equitable and Inclusive Rural Society	Study Completion Analytical Report: Summary Results and Major Recommendations
2.	Pathways To Smart and Inclusive Rural Bangladesh: Key Recommendations for Reshaping Rural Finance	Comprehensive Summary of Major Recommendations
3.	গ্রামীণ বাংলাদেশে অন্তর্ভুক্তিমূলক উন্নয়ন প্রসারে আর্থিক খাতের সমস্যা ও চ্যালেঞ্জ: ভবিষ্যত যাত্রা পথের জন্য কৌশলগত সুপারিশের সারসংক্ষেপ	Analytical Summary Report in Bangla: Major Findings and Recommendations
4.	Bangladesh: Report of the Rural Finance Survey 2023	National Survey Report
Policy Paper and Policy Brief		
1.	BANGLADESH: Review of Rural Finance System and Policy Implications	Policy Paper No. 2025-01
2.	Access to Finance: The Smart Vehicle of Empowerment for Vulnerable Communities in Bangladesh	Policy Brief No. 2025-01
3.	Dynamising Rural Enterprises in Bangladesh: Access to Finance is the Key	Policy Paper No. 2025-02
4.	Financing Industry Based Clusters in Rural Bangladesh	Policy Paper No. 2025-03
5.	Rural Women Entrepreneurship and Access to Finance: Challenges and Opportunities in Bangladesh	Policy Paper No. 2025-04
6.	Access to Finance of Rural Farming Households in Bangladesh: Challenges and Opportunities	Policy Paper No. 2025-05
7.	বাংলাদেশের গ্রামীণ নারী উদ্যোক্তাঃ সফলতার পথে চ্যালেঞ্জ এবং অর্থায়নের ভূমিকা	নীতি সংক্ষেপ ২০২৫-০১
8.	বাংলাদেশে গ্রামীণ কৃষি পরিবারের অর্থায়নঃ সুযোগ, চ্যালেঞ্জ ও সম্ভাবনা	নীতি সংক্ষেপ ২০২৫-০২
Background Report		
1.	Changing Face of Rural Finance in Bangladesh: Achievements and Future Challenges	Background Report No. 2025-01
2.	Financial Needs of Selected Marginalised and Vulnerable Communities in Bangladesh	Background Report No. 2025-02

3.	Access to Finance for Rural Entrepreneurs in Industry Based Clusters of Bangladesh	Background Report No. 2025-03
4.	Access to and Use of Financial Services by Rural Entrepreneurs in Bangladesh	Background Report No. 2025-04
5.	Access to Financial Services by Rural Women Entrepreneurs in Bangladesh	Background Report No. 2025-05
6.	An Overview on Rural Finance in Bangladesh Structure, Policies and Priorities	Background Report No. 2025-06
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8.	Access to Finance of Farming and Non-farming Households in Rural Bangladesh	Background Report No. 2025-08
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10.	Regional Variation in Access to Finance by Rural Households in Bangladesh	Background Report N0. 2025-10

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