

# AN INNOVATIVE AND INCLUSIVE LENDING MODEL FOR WOMEN ENTREPRENEURS TO ACHIEVE SUSTAINABLE DEVELOPMENT GOAL

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**Abstract:** Women enterprises are persistently increasing around the world and contributing to household income and overall national economies. They are playing an important role to promote sustainable practices in economics, social system and ecology, to perform sustainable development. Mutual Trust Bank Ltd. (MTB), a private commercial bank in Bangladesh is the line of activities for promoting women entrepreneurs' development, providing credit facility and in addition given all types of support to promote women economic empowerment, as well as sustainable development of countries' economic growth. MTB introduced a comprehensive credit product 'MTB Gunabati' jointly with SME Foundation (SMEF), a national organization works for SME development. The project aims to provide collateral free low-interest rate easy bank finance and other financial intermediaries to test inclusive lending models for women-owned micro, small and medium enterprises. MTB and SMEF jointly took the initiative to develop women entrepreneurship through financial inclusion at the micro and small enterprise level, what particular combination of different services such as, bank account opening, credit, savings and transactions. MTB implemented the credit project 'MTB Gunabati' especially designed for women entrepreneurs comprising others women entrepreneurship development initiatives and got the positive outcome proved towards sustainable development.

**Keywords:** women, entrepreneurship, credit, empowerment

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## Introduction

In Bangladesh, a large number of women work in the informal sector, but the real value of their participation and contribution is not recognized in the society. Differences and inequalities between women and men exist in terms of opportunities, rights, and benefits. There are various constraints in the way to the up-gradation of their skills and enhancement of their productivity. These include poor access to market, information, technology and finance, poor linkages and networks with support services and an unfavorable policy and regulatory environment. However, it is heartening to note that despite many barriers, a new women's entrepreneur class in the Small and Medium sector has developed in the country taking on the challenge to work in a male-dominated, competitive and complex economic and business environment. It has been

found that at present women entrepreneurs constitute less than 10% of the total business entrepreneurs in Bangladesh whereas women in advanced market economies own more than 25% of all businesses. In spite of these, in Bangladesh, not only have the women's entrepreneurship improved their living conditions and earned more respect in the family and the society, but they have also contributed to business and export growth, supplies, employment generation, productivity and skill development .

SME Foundation, with the assistance of Mutual Trust Bank Ltd. (MTB) initiated a single digit (9%) interest rate collateral free pre-finance (BDT. 50K – 1 million) credit wholesaling program of its own policy and launched a tailor-made new loan product named

"MTB Gunabati", for women entrepreneurs involved in manufacturing business, in different districts of Bangladesh.

In view of the above situation, SME Foundation, as its part of regular monitoring & evaluation program of CWS program, decided to visit the all beneficiary of MTB Gunabati to ascertain their present conditions in compare to their earlier positions including work environment, quality of production, identify the potential side of their business activities, find out the impediments to the development of their business, report their achievements and problems in business.

In the first part, this research paper describes the overall statues of women entrepreneurs in Bangladesh, government policy towards women entrepreneurship development, issues of women entrepreneurship development and what they required to grow their entrepreneurial skill for sustainable enterprise development. In the second part, it has shown the good practices and positive initiatives taken by a commercial bank to design a specialized loan product only for women entrepreneurs with very comprehensive features. Compare with other loan products of other banks found that this product has useful impact on financial inclusion, upgrading living standard, self-employment and empowerment of women. Finally draws some finding from the specialized loan product and recommendations on coping mechanism and adaptation options to reduce the problems to access to bank credit facilities.

### ***Women Entrepreneurship in Bangladesh***

Women entrepreneurs constitute less than 10% of the total business entrepreneurs in Bangladesh whereas women in advanced market economies own more than 25% of all businesses. It is heartening to note that despite many barriers, a new women's entrepreneur class has risen in the country taking on the challenge to work in a male-dominated, competitive and complex economic and business environment. Not only have their entrepreneurship improved their living conditions and earned more respect in the family and the society, but they are also contributing to business and export growth, supplies, employment generation, productivity and skills development of Bangladesh. The United Nations

report concluded that economic development is closely related to the advancement of women. (Hua Du, Asian Development Bank, 2006).

Although the Constitution of Bangladesh guarantees all citizens equal rights, in reality, the society is highly stratified and services are rendered on the basis of class, gender location, etc., which often results in disparities. Seventy percent (70%) of the women entrepreneurs are micro and rural based. They are not given proper opportunity for expansion. On the other hand, urban educated women already engaged in micro and small businesses, as well as export-oriented enterprises are receiving comparatively less attention. As a result, they are unable to expand their operations due to lack of technological support and expertise, fund constraints, marketing techniques, and detachment from the international business arena, especially in the context of today's globalization and rapidly growing business world.

### ***Women Entrepreneurship Status in Bangladesh***

The entrepreneurship status of the population shows that out of 46.8% self-employed citizen, women make only 8.3%. The situation is, however, in urban Bangladesh a little better. In urban area nearly 15.4% of the 36.7% self-employed people are women. In rural area, it is only 7.4% of 47.6%, data shows in Table 1.

Most of the women are unpaid family helper, 83.2% in rural area and 42.9% in urban area. A part of the poor women works also as day laborer. On national level it is 5.7%, in urban area 6.2% and in rural area 5.6% (Table -2 & Graphic -1). This shows that industrial development in Bangladesh is unable to absorb even the cheapest part of the labor force – the women labor. Previously, women's enterprises were confined in sectors that were dominated by traditional gender role, such as food and beverage, beauty parlor, health, education, webbing, tailoring and wholesale and retail apparel trade. But the situation is improving slowly; today women are also in occupations, which were solely controlled by the male before. Women are now seen also as owners and managers of cold storage, shipping lines, advertising firms, travel agencies, interior decoration, engineering workshops and even garment industries, etc.

*Table 1: Women Entrepreneurship Status in Bangladesh (Source: Labour Force Survey 1995-1996, P-48)*

Type	Both Sex	Male	Female	Both Sex	Male	Female
Self Employed	32.2	46.8	8.3	36.7	42.2	15.4
Employer	0.3	0.4	0.1	0.8	1.0	0.1
Employee	11.9	14.6	7.6	34.6	34.3	35.4
Unpaid Family Helper	37.7	12.7	78.3	15.4	5.8	42.9
Day laborer	17.9	25.5	5.7	12.5	14.7	6.2

## **BACKGROUND OF THE STUDY**

All these scenarios discussed on the previous sections shows access to finance is not only the way to develop women entrepreneurship development, need other support like entrepreneurial skill development, product development knowledge, market opportunities, networking and other legal supports. Now a day most of the PCBs and NFIs are offering women entrepreneurship loan under Bangladesh Bank refinance scheme. But maximum women entrepreneurs are not eligible to apply for this loan, on other hand financial organizations can't find out eligible entrepreneurs to approve this loan. Especially in rural and semi urban areas women entrepreneurs cannot get the access to bank finance lack of skills, lack of proper documentation and finally lack of information. In that situation loan product should offer comprehensive feature to develop women entrepreneurs through access to finance and other supports.

Very recent in Bangladesh a commercial Bank MTB introduced a specialized product jointly with SMEF for women entrepreneurship development. This product name is "MTB Gunabati" under pre-finance scheme of SMEF. This product not only offer access to bank finance, also provide other supports like skill development training, networking, market opportunity, advocacy etc. The research shows financial organizations should offer special products for promoting women entrepreneurship development in Bangladesh.

## **OBJECTIVE OF THE STUDY**

The overall objective of the study is to monitor and evaluate the MTB Gunabati program, issues involved in women entrepreneur financing in the SME manufacturing sector with a view to addressing the present scenario of the beneficiary of women entrepreneur, problems in utilizing fund and finance and make recommendations for the SME Foundation for further intervention in respective areas, and includes the following specifically:

- To identify the present status of women entrepreneurs funded through the program in different manufacturing sectors in different districts of Bangladesh.
- To determine the women entrepreneurs profile, their success indicators with reference to a particular criteria including their sale figure growth, production growth, technology up gradation, working environment etc. after funding.
- To examine and assess the socio-cultural and legal barriers to women's entry into enterprise, as well as performance and growth in entrepreneurship.
- To recommend how women's business associations can strengthen women's position in business.
- To examine how the collateral free single digit rate (maximum 9%) of interest fund helps the women entrepreneurs.

- To assess the present habitual attitude of women entrepreneur about formal banking transaction.

## **SCOPE OF THE STUDY**

The scope of the present study covers 76 women entrepreneurs of 15 districts of Bangladesh, beneficiary of MTB Gunabati program of Phase-I & II. The study makes an attempt to trace out the present status of these women entrepreneurs in Bangladesh. Some important factors such as personal, social, psychological and economic-factors have been examined in order to understand whether the MTB Gunabati program helps these women entrepreneurs to emerge as successful entrepreneurs.

This report is the result of a long survey (several days in different period) conducted by the SME Foundation for monitoring and evaluation of its Credit Wholesaling Program. The program provides funding and placement support to women entrepreneurs of Dhaka, Chittagong, Rajshahi, Jessore, Mymensingh, Natore, Naogaon, Thakurgaon, Narayanganj, Narsinghdi, Moulavibazar, Gazipur, Sirajganj, Rangpur and Comilla. The evaluation required a multi-phase approach that involved an individual surveys targeted. For SME Foundation, the scope of the evaluation included pre and post-assessment surveys of 76 women entrepreneurs of 15 districts who participated in the program. In order to gauge longer-term impacts of CWS Program, a separate baseline survey was also administered among the 76 entrepreneurs (borrower) of the program.

### ***Limitations of the study***

Since the study is an empirical one based on field-work through the interviews of 76 women entrepreneurs engaged in SME manufacturing sectors in 15 districts including capital city of Bangladesh, it has some obvious limitations. These are as follows:

- Data collection through primary source or through interview was a time consuming matter.
- Further, it was also found that women entrepreneurs have a tendency to disclose lower income and higher expenses. They

think that this would help them to get more credit.

- Collecting correct information from women entrepreneurs is a very difficult task.

## **METHODOLOGY**

- Visiting the entrepreneurs.
- Interviewing the funded entrepreneurs to collect the data.
- Drawing from the root level entrepreneur's' experience with clusters and firm level information.
- Discussions with various associations & Partner Financial Institutions' (officials of Mutual Trust Bank Limited) representatives.
- Submission of draft Monitoring & Evaluation report with main findings and recommendations for both selected sectors and funded entrepreneurs to help the preparation of Concept Notes of 3rd phase of funding from SMEF for retaining continuity of Women entrepreneurship development.

### ***Pre-testing of questionnaire***

The draft questionnaires, named Credit Wholesaling Program Monitoring form, covering the objectives of the study were made ready for field testing and examination of its validity in order to ascertain the time length of the interview, suitability of questions and their sequence or flow in real time situation of the study. After analysis of pre-test results, the questionnaires were modified. Basically in questionnaire, we would like to identify the changes through the following indicators after financing.

1. How entrepreneurs utilize their borrowed fund?
2. Is there any skill development in business after funding?
3. Technological any changes or up gradation?

4. Are there any positive changes in working environment?
5. Production and sale growth (compare to earlier)
6. Quality of production, design, labor quality etc.
7. Is entrepreneur now able to get loan from formal source?
8. Is she influences others positively by her business prosperity?

### ***Sampling Plan***

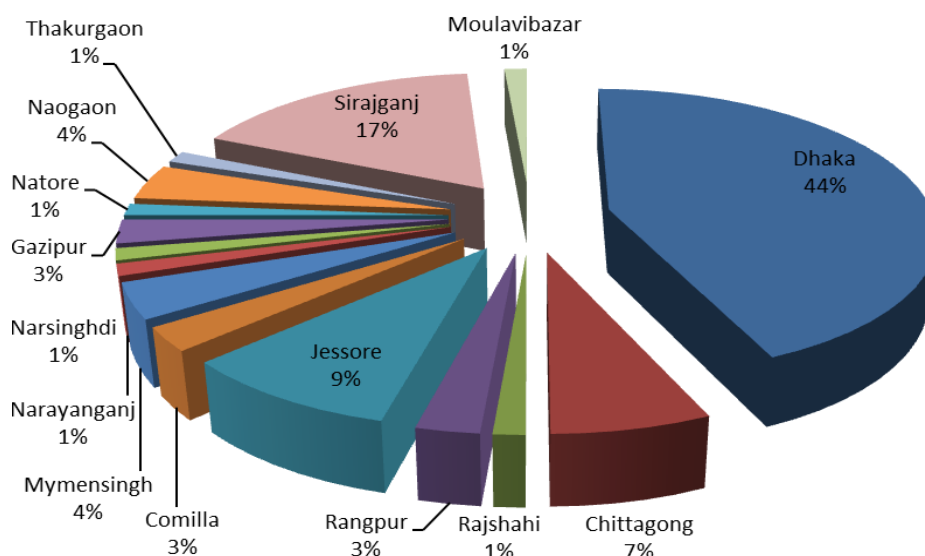
Randomly, we analyze 10 different entrepreneurs' data from 09 different districts out of 76 entrepreneurs from 15 different districts for ease of comparison among them.

### ***Districts under Intervention***

*Table 2: List of funded districts with total number of beneficiary women entrepreneurs*

Sl. No.	Name of Districts	No. of Entrepreneurs	Sector
01	Dhaka	33	Tailoring, fashion design, boutique, food, leather goods, parlor, handicrafts & plastic
02	Chittagong	05	Tailoring, fashion design, boutique & crafts
03	Rajshahi	01	Handicraft
04	Rangpur	02	Boutique & crafts
05	Jessore	07	Handloom & fashion design
06	Comilla	02	Tailoring
07	Mymensingh	03	Handloom & beauty parlor
08	Narayanganj	01	Sewing producer
09	Narsinghdi	01	Fashion
10	Gazipur	02	Handloom & beauty parlor
11	Natore	01	Beauty parlor
12	Naogaon	03	Fashion & beauty parlor
13	Thakurgaon	01	Fashion
14	Sirajganj	13	Handloom
15	Moulavibazar	01	Fast Food & bakery items
	Total	76	

Graph 1: Funded districts with total number of beneficiary women entrepreneurs



### Data analysis from Random Sampling

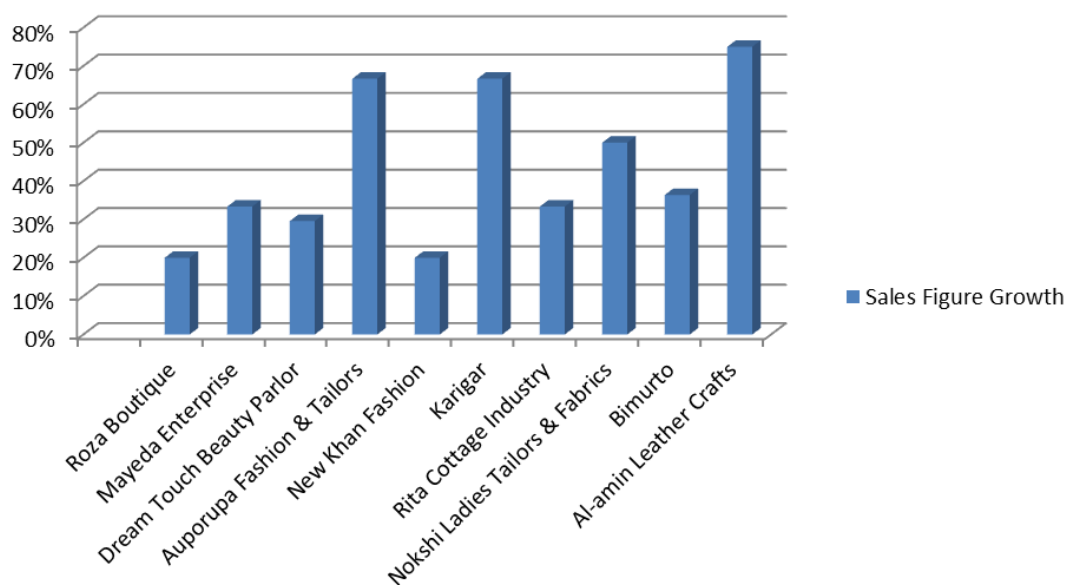
We analyzed the data by averaging the response of the sample. Most of the analysis and discussions of

this study have been made on the basis of the information obtained from the interview with the questionnaires. Besides, observation of the interviewers has also been an important component of analysis and discussion.

Table 3: Comparison of sales figure of an entrepreneur in between initiation of program and now

Sl. No	Enterprise Name	District	Sector	Monthly Sale		
				While program initiation (31.01.13)	Now (31.12.14)	Growth
01	Roza Boutique	Rangpur	Boutique	2,50,000	3,00,000	20%
02	Mayeda Enterprise	Sirajganj	Handloom	4,50,000	6,00,000	33.33%
03	Dream Touch Beauty Parlor	Dhaka	Beauty Parlor	2,20,000	2,85,000	29.54%
04	Auporupa Fashion & Tailors	Chittagong	Boutique & tailoring	1,20,000	2,00,000	66.66%
05	New Khan Fashion	Narsinghdi	Embroidery	2,50,000	3,00,000	20%
06	Karigar	Dhaka	Leather	6,00,000	10,00,000	66.66%
07	Rita Cottage Industry	Sirajganj	Handloom	6,00,000	8,00,000	33.33%
08	Nokshi Ladies Tailors & Fabrics	Gazipur	Fabrics	30,000	45,000	50%
09	Bimurto	Dhaka	Handicrafts	2,20,000	3,00,000	36.36%
10	Al-amin Leather Crafts	Dhaka	Leather & handicrafts	2,00,000	3,50,000	75%

Graph 2: Comparison of sales figure and sketching the sales growth

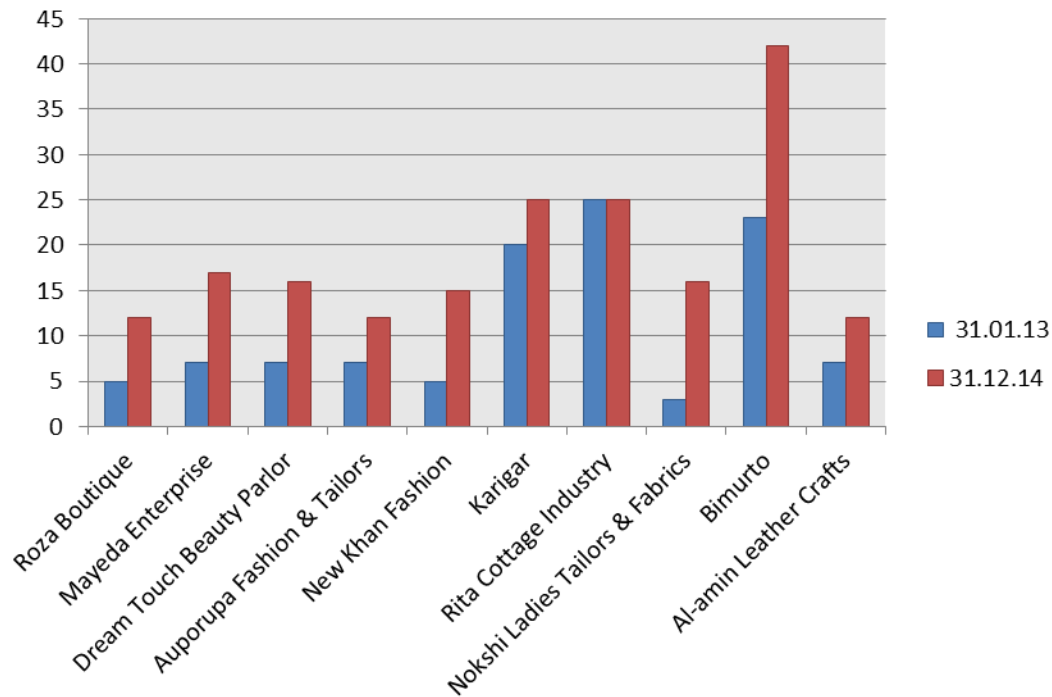


**Employment generation**

Table 4: Comparison of employment generation of an entrepreneur in between initiation of program and now

Sl. No	Enterprise Name	District	Sector	Employment generation		
				While initiation (31.01.13)	program Now (31.12.14)	Growth
01	Roza Boutique	Rangpur	Boutique	05	12	140%
02	Mayeda Enterprise	Sirajganj	Handloom	07	17	143%
03	Dream Touch Beauty Parlor	Dhaka	Beauty Parlor	07	16	129%
04	Auporupa Fashion & Tailors	Chittagong	Boutique & tailoring	07	12	71%
05	New Khan Fashion	Narsinghdi	Embroidery	05	15	200%
06	Karigar	Dhaka	Leather	20	25	25%
07	Rita Cottage Industry	Sirajganj	Handloom	25	25	0%
08	Nokshi Ladies Tailors & Fabrics	Gazipur	Fabrics	03	16	433%
09	Bimurto	Dhaka	Handicrafts	23	42	83%
10	Al-amin Leather Crafts	Dhaka	Leather & handicrafts	07	12	71%

Graph 3: Showing the employment generation growth of different entrepreneurs



#### Development Impact and Outcomes

- Utilization of Fund – Women entrepreneurs of MTB Gunabati program mostly use their fund in working capital management. Besides this purpose, entrepreneurs of handloom sector of Sirajganj district use their fund in purchasing of auto machine, business expansion etc. The program loan augments the entrepreneurs’ fund so that entrepreneurs can increase their incomes faster.
- Skill Development - SME Foundation provided basic training regarding fashion design, beautification, and business management etc. to its entrepreneurs. Under the SMEF’s cluster development strategy. Most of the amateur workers were trained as skilled workers through some parochial training session. Trained employees are paid starting wages three times higher than those of unskilled novices. Besides this, SMEF, with joint collaboration of BWCCI, CWCCI, and WEAB and with other some women entrepreneur association provides basic training to the employees of Dhaka, Chittagong, Rangpur, Jessore and other districts.
- Technology Development – After funding of MTB Gunabati program to the women entrepreneurs of different districts of Bangladesh, there is huge technological changes took place in almost in every business concern of MTB Gunabati beneficiary found out while visiting.
- Production Growth – Women entrepreneurship of Bangladesh created a huge labor force, with competitive wage and higher regimentation. We talked about 74 women entrepreneurs of different districts of Bangladesh, on the basis of 2013’s production; most of the entrepreneurs enhance their production growth 100 to 180% in last year.
- Quality of Production - Specific standards that can be expected in quality production of handicrafts items. Minimum required standards applied to almost all entrepreneurs’ factory. Besides this, quality design, smart packaging has been tightly followed in every enterprise.
- Working Environment –We have made conversation more than 30 workers in



visited factories of MTB Gunabati beneficiary to hear their input on working environment and we planned to share their working environment improvement plans in front of their employer. They told us that factory owners maintains following criteria to improve working environment mostly cleanliness, Ventilation and temperature, Lighting, Drinking water, Latrines and urinals etc.

## **FINDINGS**

1. Women entrepreneurs utilize their fund mainly for working capital management and business expansion.
2. SME Foundation's initiative through providing skill development training acted properly in their skill development approach.
3. Through the proper monitoring of SME Foundation after disbursing loan, production growth increases almost in all of the factories.
4. Good design & quality of production remarkably brought positive changes in creating a strong market in home.
5. Besides these, working environment, technology development, labor quality is in sound position than earlier.
6. Sometimes external factors influence very tightly to negative side.
7. Lack of consciousness belongs to the entrepreneurs about the loan documentation to get the formal source of fund.

## **RECOMMENDATIONS**

1. SME Foundation should offer courses on women entrepreneurship in order to train women on the subject.
2. SME Foundation should organize workshops and seminars for women, both at national level and at district level to popularize SME and disseminate information relating thereto.
3. SME Foundation should offer Annual Awards for Best Women Entrepreneurs, Best Women's Enterprises and Innovative Women's Products. Rural Women's

Achievements should also be accorded due recognition.

4. SME Foundation can set up a Central Display Centre for women's products.
5. SME Foundation should develop a Design Centre for SME products. This would enable women entrepreneurs to manufacture quality goods capable of competing in the international market.
6. SME Foundation should protect and develop the typical products of various regions/districts in order to preserve the heritage of the country.
7. SME Foundation may carry their financial intervention for another phase to develop & strengthen the whole sector.

### ***Case Study 01: TANIA Wahab, Karigar***

- Location: Sher-E-Bangla Road, Hazaribagh, Dhaka-1209
- Loan Amount: BDT. 1 million
- Purpose: Machine purchase, working capital
- Key features: Leather goods manufacturing concern
- Employment: Currently 25 workers employed in KARIGOR, while the program initiation, this number was 20
- Export: Earlier export through other channel, now start to direct export
- Local Market: Locally, supplier of Kay craft, Arong
- Training: From USA, Germany, ISO certification
- Recognition: Winner of National SME award
- Present status: Now she expands her business, hired a showroom for direct sale of her product.

**Case Study 02: SAJEDA Akhter Jahan, Roza Boutique**

- Location: New Cross Road, Guptapara, Katwali, Rangpur
- Initial Investment: Only 5000 taka
- Loan Amount: BDT. .5 million
- Purpose: Working capital
- Key features: Boutique business (Satronji, Nokshi kantha, Cushion cover)
- Employment: Now 12 workers permanently working in Roza Boutique, besides them about 50 plus rural women working for her in contract basis
- Export: Export in Japan, USA, France
- Local Market: Supply in Dhaka, Chittagong, Rajshahi
- Present status: Now she expands her business, currently a fully bankable entrepreneur

**Case Study 03: WAFI Islam, Bimurto**

- Location: Nandalal Datta Lane, Sutrapur, Dhaka
- Initial Investment: Only 1200 taka
- Loan Amount: BDT. .6 million
- Purpose: Working capital
- Key features: Photo album, photo frame, note book, etc.
- Employment: Currently 42 workers employed in BIMURTO
- Employment: Currently 42 workers employed in BIMURTO
- Local Market: 100% local, supply in Chittagong, Sylhet & marketed in Dhaka
- Showroom: 2 showrooms in Dhaka city
- Training: From SME Foundation
- Present status: Bankable entrepreneur, got loan NRB Bank

**Case Study 04: DILRUBA Hoshna, Auporupa Fashion & Tailors**

- Location: Taltala, Faridir Para, Chandgaon, Chittagong
- Initial Investment: Only 5000 taka
- Loan Amount: BDT. .3 million
- Purpose: Business expansion & establishment of tailoring training center
- Key features: Salwar kamiz, three piece etc.
- Employment: Currently 10 permanent workers, 12 workers through outsourcing.
- Trainer: Trainer of her own tailoring training center.
- Showroom: 2 showrooms in Chittagong city.
- Engagement: Member of CWCCI.

**CONCLUSION**

Women in the rural informal sector are either self-employed or employed in family based enterprises that includes both agricultural and non-agricultural sector. These activities which include boutique, handloom, beauty parlor, fashion design, handicrafts, Katha sewing, food processing, tailoring, rice processing etc. have been regular and invisible sources to family income supplementation. A sector-wise distribution of employed persons in rural areas shows that agriculture is the pre-dominant source of female employment, followed by the manufacturing sector. Women entrepreneurship is now playing a greater role in changing the socioeconomic scenario of this area and contributing to the national economy. In order to applaud their efforts and foster enthusiasm, Small and Medium Enterprise Foundation (SMEF) extended cooperation by providing fund with related training packages throughout the country. Besides this, various women association like BWCCI, CWCCI, and WEAB along with SME Foundation came to the aid of the small but flourishing women entrepreneur here because the cheap and trained labor may open up a new window for the country in the highly competitive in the Bangladesh.

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