

## **Challenge Brief**

### **Rational and Objectives:**

Despite the remarkable progress in the economic inclusion of women in Bangladesh, there remains a substantial gender gap in access to formal financial services. Participation of women in formal financial services has contributed to reducing poverty and empowering women. In this context, accessible, affordable, and appropriately designed financial products will play a vital role in creating opportunities for women to access financial services. The challenge fund aims to boost financial inclusion among women by providing access to new financial products, ensuring usage, and addressing barriers typically faced by women entrepreneurs and customers.

### **Problem Statement:**

The latest data from the 2021 Global Findex database indicate that, between 2017 and 2021, Bangladesh's financial gender gap decreased from 29 percent to 20 percent—an important transformation for development<sup>1</sup>. However, many women remain excluded from the formal financial system. In addition, reports also found that Bangladesh has significant gender gaps in the usage of digital payments at 15%<sup>2</sup>. 27% of deposits come from women, but women only receive 1.8% of the credit. Furthermore, there is a 13% gender gap in phone ownership, 14% in mobile financial service (MFS) account ownership, and 44.8% in labor participation<sup>3</sup>. Multiple research studies<sup>4</sup> identified the following barriers associated with access and usage of financial services among women:

- Lack of digital and financial literacy to engage with digital financial services
- Facing more constraints in fulfilling know-your-customer (KYC) requirements at banks and other financial institutions
- Absence of documents that are required to apply for a loan
- Limited or no access to mobile phones or other forms of technology
- Distrust of the financial system
- Lack of physical access to financial institutions
- Limited access to formal labor markets
- Discriminatory traditional social norms, like- interacting with a male agent, cannot go alone, and lack of financial control, among others

### **The Challenge**

Due to the above circumstances, women feel comfortable fulfilling their financial requirements using semi-formal and informal channels. So, there is a need for more gender-responsive financial solutions that ensure women consider and accept using formal financial

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<sup>1</sup>The World Bank 2022.

<sup>2</sup>Ibid

<sup>3</sup> UNCDF 2019

<sup>4</sup> GLENBROOK 2021; UNCDF 2018, 2019; LightCastle Partners 2022; IFC 2018; The World Bank 2018, 2022; Pi STRATEGY 2021

services. In this context, the FinLab BD, through a challenge for startups and incumbents, invites applications to derive marketable solutions to contribute to reducing the gender gap in financial inclusion in Bangladesh.

**Outcomes/result:**

1. Increase in savings and borrowing through formal institutions among women
2. Sizeable reduction of the gender gap in the use of digital payments among account owners
3. Sizeable reduction of the gender gap in overall account ownership.
4. Improved financial health of women by addressing investment and risk management needs

**Overall Program Design for Challenge Fund**

A2i Innovation challenge fund is a yearly, cohort-based program that consists of three consecutive phases:

- Pre-Acceleration Program
- Acceleration Program
- Implementation Phase

Pre- Acceleration program consists of a Bootcamp and follow-up session. The expected output of this process is to identify the right startups and incumbents for taking them through the Acceleration Program. We will begin the application and selection process before starting the pre-acceleration program. The selection process will begin with the collection of applications and idea shortlisting. After receiving the applications, the preliminary screening, analyzing, and preparing a report to mention the rationale for selecting the application. The top 10 applications will participate in the Bootcamp to prepare a complete business plan and pitch. The selected applications will pitch their solution on the pitch day, followed by the Bootcamp and mentoring session. After the technical evaluation by experts, we will select the top three pitches for the Acceleration Program.

Those startups and incumbents that complete the Pre-Acceleration program and are successfully selected for the Acceleration program will receive training and mentorship dedicated to the specific needs of the challenge. In this stage, the three winners will sign an agreement paper and receive equity-free (grant) funding up to BDT 10,000,000 (maximum up to US\$100,000).

During the Implementation Phase, startups and incumbents will work closely with national market enablers to implement their solutions/products.

The schedule of this cohort program is as follows-

