

The Political Economy of a COVID-19 Stimulus Package in Bangladesh: The Case of Women-Owned Enterprises

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Abstract

Women entrepreneurs became the new “engines of growth” in the post-Great Recession economic landscape, especially in developing countries like Bangladesh. The adversities of the COVID-19 pandemic, however, posed a serious challenge to their advancement. To protect the cottage, micro, small, and medium enterprises, including those owned by women entrepreneurs, from the pandemic-induced economic crisis, the government of Bangladesh announced a stimulus package worth a total of Tk. 40,000 crore in two phases. Many politico-economic factors tend to affect the formation and disbursement of this stimulus fund, leaving important implications for its effectiveness. Against this backdrop, this paper attempts to carry out a political economy analysis of the implementation of the stimulus package with a particular focus on the women entrepreneurs’ access to the package benefits. The findings suggest that women entrepreneurs reap little benefit from the stimulus package as their access to the benefits is constrained by various macro-structural, institutional, and local factors. A tailor-made incentive structure for women entrepreneurs following a comprehensive need assessment may help to deal with these constraints.

Keywords: Stimulus Package, Women’s Entrepreneurship, Political Economy, COVID-19, the Government of Bangladesh

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Introduction

Women’s entrepreneurship as a means of economic advancement has captured the attention of national and international development actors, policymakers, business organizations, and academia alike. It is argued that the emphasis on women’s entrepreneurship in the global development literature is an expression of gender-sensitive neoliberal initiatives that promote equal access to credit and labor markets (Roberts and Zulfiqar, 2019). Entrepreneurial ventures provide a powerful platform for women’s empowerment, especially in a developing country like Bangladesh. Besides, women entrepreneurs are considered the new “engines of growth” in the post-Great Recession economic landscape (Anderson and Cessou, 2014; Vita, Mari, and Poffesi, 2014). However, many factors of political economy come into play when policy decisions to provide business opportunities for women entrepreneurs are to be formulated and implemented, particularly in the wake of a crisis like the ongoing COVID-19 pandemic.

Early evidence suggests that women tend to be disproportionately affected by the adversities of the COVID-19 pandemic (Women Entrepreneurship Knowledge Hub, 2020). With the pandemic's effects still emerging, women's economic activities are more likely to undergo a serious setback than men's because of COVID-19 safety measures such as travel restrictions, border closures, and social distancing. The crisis tends to exert a particularly negative impact on women by slowing down many of the sectors that have a larger share of female employees. For example, cottage, micro, small, and medium enterprises (CMSMEs), which offer enormous employment opportunities for women, are likely to bear the brunt of these safety measures more than bigger enterprises as the former have limited capacity to cope with the exigencies of the pandemic. Moreover, a large share of the CMSMEs is owned or managed by women who, compared to their male counterparts, have lower levels of financial resources and limited access to public funds. As a result, the survival of women-owned CMSMEs will be at considerable risk in the new normal.

With these above-mentioned challenges, it can be speculated that the existing vulnerabilities facing women in Bangladesh’s economy are likely to intensify because of the pandemic-induced macroeconomic adversities. As World Trade Organization (2020) notes, many channels through which the pandemic is having a greater impact on women in a developing country like Bangladesh lie at the heart of gender inequalities, such as lower wages for women, fewer educational opportunities, limited access to finance, greater reliance on informal

employment, and social constraints. In addition, limited access to digital technologies and lower information technology skills further weaken women's position in the sphere of teleworking and e-commerce, thereby reducing their capacity to adapt to the current crisis.

In the first phase (July 2020 – June 2021), the government of Bangladesh (GoB) announced a CMSME stimulus package worth Tk. 20,000 crore to help the pandemic-affected CMSMEs, including those owned by women entrepreneurs, for their recovery. The CMSMEs have received Tk. 15,386 crore during this phase as stimulus loans, representing 76.93 percent implementation of the stimulus package. However, of the total disbursement, only Tk. 1,518 crore, representing 7.59 percent of the disbursed stimulus loan, was received by 5,435 women entrepreneurs (Table I). In the second phase (July 2021 – May 2022), another Tk 20,000 crore fund was formed targeting the CMSMEs. About 54 percent of this fund was disbursed during the second phase. Of which, just 2.65 percent was disbursed to women entrepreneurs.

Table I: Key Statistics on the Implementation of the CMSME Stimulus Loan

	1 st phase (July 2020 to June 2021)	2 nd phase (July 2021 to May 2022)
Amount of the CMSME stimulus package	Tk. 20,000 Crore	Tk. 20,000 Crore
Disbursement amount	Tk. 15386 crore	Tk. 10,830 crore
Number of borrowers (disbursement)	97,814	60,941
Percentage of disbursement	76.93%	54.15%
Number of women entrepreneur borrowers	5435	4913
Disbursement among women entrepreneurs	Tk. 1518 crore	Tk. 531 crore
Percentage of disbursement among women entrepreneurs	7.59%	2.65%

Source: SMESPD, Bangladesh Bank (2021)

It is important to note that the problem of women entrepreneurs' limited access to financial assistance programs such as the CMSME stimulus package can be analyzed from both demand- and supply-side perspectives. A recent study by The Asia Foundation (2020) suggests that the demand-side problems mostly include the lack of knowledge among women entrepreneurs about the available business opportunities and credit facilities as well as their unwillingness to engage in formal banking. The supply-side problems, on the other hand, include the absence of an appropriately designed incentive structure for women entrepreneurs as well as the unwelcoming attitude of formal lending agencies toward women entrepreneurs. Moreover, the implementation of the fiscal stimulus package involves diverse interest groups, which largely affect the structural as well as institutional efficiency of the delivery of stimulus services.

Against this backdrop, this paper aims to conduct a political economy analysis of the GoB's financial support mechanism for safeguarding the women entrepreneurs during COVID-19. The political economy analysis is expected to help to understand how the disbursement process of stimulus benefits can be streamlined by serving the common interests that facilitate the women entrepreneurs' access to resources. The political economy analysis focuses on the macro-structural and institutional factors as well as the local governance settings that are responsible for the successful implementation of the stimulus package for women entrepreneurs.

Literature Review

Looking through a gender lens at the macro-structural factors affecting women-led SMEs, we have found mixed observations in the current body of literature. Evidence from cross-country studies indicates that robust institutional and legal frameworks are essential for SMEs' access to short- and medium-term financing (Beck et al., 2011). For example, using cross-country data from the Business Environment and Enterprise Performance Survey (BEEPS), Muravyev et al. (2009) show that women borrowers are less likely to get loan approval and are subject to higher interest rates. Consequently, women find it challenging to pursue entrepreneurship and run businesses efficiently. A study on three Caribbean countries indicates that women-led businesses are more likely to be financially constrained (Presbitero et al., 2014). Another study on European SMEs shows that women-led businesses tend to face more difficulties accessing bank loans (Mascia and Rossi, 2017). On the contrary, many studies do not find evidence of gender-based discrimination in access to formal credit (Storey, 2004; Bardasi et al., 2011; and Aterido et al., 2013), while one study finds that women-owned enterprises face lower credit constraints in South Asia (Hewa Wellalage and Locke, 2017).

In addition to the credit market discrimination, challenges for women-owned firms include cultural obstacles, the concentration of industry in low-productivity areas, and small business size, which widen the performance difference between male-run and female-run enterprises (Klapper and Parker, 2011). Actors in local settings also play a critical role in providing financial support to SMEs. A World Bank study (2003) noted that SME financing could be constrained by distortions of financial sectors, lack of know-how on the banking part, information asymmetry (access to business information), and the high risk associated with lending to small enterprises. Regardless of risk profile considerations, administering SME funding is an expensive endeavor, according to Zavatta

(2008). Many financial institutions believe that small businesses need far more advisory assistance than large corporate clients, which has cost implications. Kumar and Rao (2015) showed that the lack of knowledge about the availability of sources of finance and banks' reluctance to grant credit to SMEs as significant barriers to SMEs' access to finance.

The financial sector's structure and level of bank competition are also critical to facilitating SMEs access to finance. According to Love and Martinez-Peria (2015), increased bank competition has a favorable impact on businesses' access to credit, and the impact is dependent on the coverage of credit bureaus. Beck et al. (2013) examined the effects of the weight of non-bank institutions in the financial system on the use of financial services by businesses of various sizes, paying particular attention to the function of specialized lenders like leasing and factoring firms and low-end financial institutions like cooperatives, credit unions, and microfinance institutions. Their findings suggest that obtaining overdraft facilities or loans for SMEs is more likely when specialized lenders are given a higher weight.

Regarding institutional factors, some requirements demanded by the loan application often constrain entrepreneurs. For instance, Obaji and Olugu (2014) notes that the collateral requirements of the loan application are the biggest challenge for SMEs' access to finance. Another study by Kihimbo et al. (2012) pointed out that many financial institutions require both personal and private assets and documents as collateral to get credit.

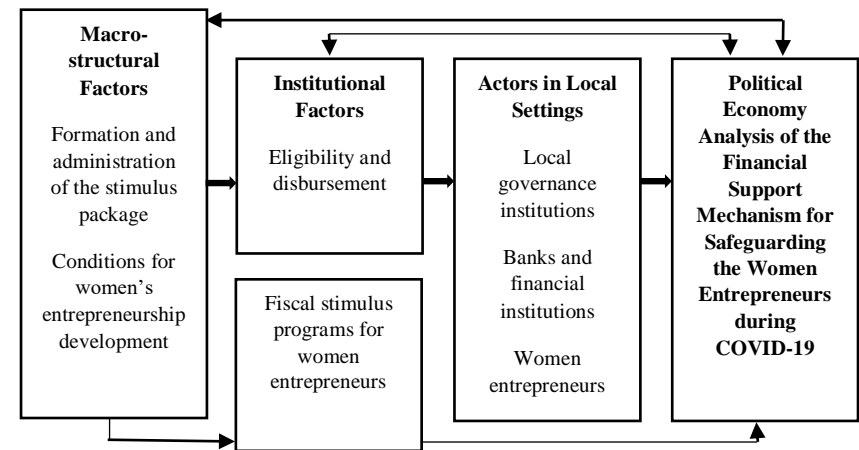
It has been reported that political ties can help firms get loans with little or no collateral requirements and experience little or no collateral requirements (Yeh et al., 2013). In a cross-country context, Lashitew (2014) shows that strong political connections enhance firms' access to credit facilities. Faccio (2006) also finds that political ties enable businesses to receive favorable regulatory treatment and preferential access to credit from state-owned entities. Several other studies have also observed similar findings (Claessens, Feijen, and Laeven, 2008; Guo, 2019; Khwaja and Mian, 2005; Saeed, Belghitar, and Clark, 2015). Apart from this, it has also been observed that connections between venture capitalists and entrepreneurs can facilitate access to seed capital (Batjargal and Liu, 2004).

Analytical Framework

As the literature review indicates, macro-structural, institutional, and local factors can be at play across the various stages of the financial support mechanism, and the factors of political economy are important in this setting that can either

facilitate or exacerbate the conditions for women-led businesses. Therefore, the current political economy analysis will be based on the diagnosis of macro-structural, institutional, and local factors that contribute to the success or failure of the fiscal stimulus program in creating intended results in the sphere of women's entrepreneurship development. A simple illustration of the analytical framework for the political economy analysis is presented in Figure I.

Figure I: A Simple Framework for Political Economy Analysis of the GoB's Financial Support Mechanism for Safeguarding the Women Entrepreneurs during COVID-19



Source: Authors' illustration.

Methodology

This paper employed qualitative research techniques to analyze data collected through key informant interviews (KIIs), focus group discussions (FGDs), and in-depth interviews. The analysis begin with an extensive survey of documents such as journal articles, survey findings, conference proceedings, and news reports. This review exercise was undertaken to construct the analytical framework mentioned in the previous section. The factors affecting access to finance for SMEs were also analyzed in this review exercise. While doing so, cross-country situation in many instances was considered. Besides, the study made an extensive review of circulars from the central bank of Bangladesh issued for the stimulus fund disbursement. Fund disbursements were tracked through these circulars.

To gather qualitative data and understand political economic factors in light of the COVID-19 situation, 10 KIIs were undertaken with a wide range of stakeholders, including the central bank, the Ministry of Finance, the SME Foundation, Bangladesh Small and Cottage Industries Corporation (BSCIC), local government agencies, and selected commercial banks and financial institutions. Five FGDs were conducted with members of various district woman chambers across Bangladesh. Finally, the findings were synthesized and shared with stakeholders in a multi-stakeholder consultation. The feedback from the consultation was incorporated into the analysis to validate the study findings.

Analysis of the Findings

Macro-Structural Factors

To deal with the adverse impact of the COVID-19 pandemic on the women-owned enterprises, the Government of Bangladesh (GoB) has introduced loan facilities for women entrepreneurs under a 3-year stimulus package, also known as the CMSME stimulus package. As mentioned earlier, a total of Tk. 40,000 crore (two phases) has been allocated for the stimulus package, which is disbursed as working capital for the entrepreneurs through 56 banks and 20 financial institutions based on banker-client relationships. While the main purpose of the stimulus package is to incentivize the pandemic-affected enterprises, the GoB is also well aware of the possible risks and challenges facing the banks and financial institutions in disbursing and recovering the loans during the new normal. As a result, the government will subsidize the market interest rate of 9 percent for the stimulus loan by paying 5 percent of the interest while the recipients will pay the interest at 4 percent.

The central bank has undertaken a number of initiatives to facilitate the disbursement of the stimulus package loan among eligible women entrepreneurs. The participating banks and financial institutions have been assigned to disburse 100 percent of the stimulus package loans by October 31, 2020. However, as of June 2021, 76.93 percent of the stimulus package amounting to Tk. 15,386 crore has been disbursed among 97,814 borrowers. The central bank has been striving hard to expedite the disbursement of stimulus loans with the following initiatives:

- Each participating bank and financial institution will establish a help desk to facilitate the loan application and disbursement.
- The loan application form has been made simple and easy to understand.

- A ‘Special Monitoring Cell’ has been established at each of the participating banks and financial institutions to oversee the disbursement of the stimulus package loans.
- Regular meetings between the concerned departments of the central bank and the chief executives of the banks and financial institutions are held to expedite the implementation of the stimulus package.
- At the district level, a District SME Loan Monitoring Committee works under the supervision of the district administrators to ensure that the loan disbursement process runs appropriately.
- A Credit Guaranty Scheme (CGS) has been initiated for the CMSEs under the stimulus package loan.
- A Portfolio Guaranty Cap up to a maximum of 30 percent of the total portfolio will be provided to each CGS-participating bank and financial institution for disbursing loan to CMSE sector. For an individual borrower, a guaranty coverage up to 80 percent will be provided under the Portfolio Guaranty Cap.
- The lowest and highest loan amount under the CGS has been set to Tk. 2 lacs and Tk. 50 lacs respectively, regardless of the existing limit on CMSE loans.

Although the central bank has adopted these initiatives to streamline the financial support mechanism for the CMSME sector, women entrepreneurs, especially in the CMSE sector, tend to reap little benefit from them. As of June 2021, a total of Tk. 1518 crore has been disbursed among only 4913 women entrepreneurs, constituting only 7.59 percent of the total CMSME stimulus package. The expected ratio of female to male borrowers under the CMSME stimulus package is, however, 15 percent, as argued by a central bank official during a key informant interview. Moreover, it is argued by the women entrepreneurs that the structural features of the CMSME stimulus package do not consider the risks and challenges they are facing. For instance, one women entrepreneur during an FGD reported that a large portion of the women-owned CMSEs operated in rural areas where banks and financial institutions seemed to be reluctant to offer stimulus loan services. Instead, they were more interested in serving the entrepreneurs in urban areas as they could serve many clients at a relatively lower operating cost. This problem of the rural-urban difference in implementing CMSME stimulus package for women entrepreneurs was further intensified after the central bank announced the removal of disbursement targets specific to rural and urban areas. As reported by a president of a women chamber during an in-depth interview, banks and financial institutions find it more convenient and profitable to provide the CMSME stimulus loan services in urban areas than in rural areas as one loan

officer in an urban branch could serve many borrowers. Moreover, most of the women-owned SMEs are located in urban and semi-urban areas while the cottage and micro enterprises are based in rural locations. As a result, banks and financial institutions find it more profitable to offer bigger loans to small and medium women entrepreneurs at a lower operating cost than to offer smaller loans to cottage and micro women entrepreneurs at a higher operating cost.

The major macro-structural factor that contributed to the low rate of disbursement of CMSME stimulus package among women entrepreneurs is the duration of loan. An individual borrower can receive the loan under the stimulus package for only one year. Moreover, the borrower is required to repay the loan with interest in equal monthly installments (EMI). It is needless to say that women entrepreneurs, especially those in CMSE sector, find it more difficult than the medium and large entrepreneurs to repay the loan on a monthly basis. As put forth by most of the participating women entrepreneurs during and FGD, the women entrepreneurs in CMSE sector, who were hit hard by the ongoing pandemic, used the stimulus package loan to meet the operating cost of their businesses, i.e. paying the salary of the staff. With limited or no business activity during the pandemic, the women entrepreneurs found it extremely difficult to repay the loan on EMI basis. They demanded that the loan should be for at least two years with a quarterly installment system and an initial grace period of six months. However, as argued by the central bank officials as well as the representatives from the participating banks and financial institutions, working capital loans that the entrepreneurs receive under the CMSME stimulus package usually have an EMI-based repayment system without a grace period. The term loans, however, enable the borrowers to enjoy a grace period as well as a quarterly installment mechanism. Many entrepreneurs are of the view that the CMSME stimulus package loans should, therefore, be provided as term loan instead of working capital loan, especially for the women entrepreneurs in CMSE sector.

A summary of the views of both demand- and supply-side stakeholders on the key macro-structural factors affecting the implementation of CMSME stimulus package for women entrepreneurs is given in Table 1.

Table II: Stakeholders' Views on the Key Macro-structural Factors Affecting the Implementation of the CMSME Stimulus Package for Women Entrepreneurs

Macro-structural Factors	Views of the Demand-Side Stakeholders	Views of the Supply-Side Stakeholders
Rural-urban difference	The participating banks and financial institutions are less willing to provide CMSME stimulus loans to rural women entrepreneurs as they find it more profitable to serve the urban clients.	While it is true that the participating banks and financial institutions prefer to serve women entrepreneurs in urban areas over those in rural areas, the latter group also shows some degree of reluctance to receive loans from formal banking channels as they lack the necessary documentation.
Duration of loan	The women entrepreneurs are skeptical about the usability of the CMSME stimulus package loan as its duration is only one year. Given the limited or no business operation during the pandemic, women entrepreneurs find it difficult to ensure productive use of the stimulus loan and thus feel that they might fail to repay the loan within one year.	The government has set the duration of the stimulus package loan to one year so that the recovery rate remains good. While a few supply-side actors believe that the one-year duration of the stimulus loan discourages many entrepreneurs, they argue that an increased loan duration might lead to a higher incidence of loan default.
Type of loan	The CMSME loan is provided as working capital loan, which is inappropriate for the women entrepreneurs especially in cottage and micro enterprises. Moreover, the borrowers of working capital loan are required to repay the loan on EMI basis, which is extremely difficult for the cottage and micro women entrepreneurs with little working capital. Therefore, the women entrepreneurs argue that the CMSME stimulus loan should be given as term loan rather than as working capital loan.	Term loan would indeed be more appropriate than working capital loan for the women entrepreneurs in CMSE sector. Many of the women-owned enterprises in CMSE sector operate on little working capital. As a result, when the amount of loan is determined as 30 percent of working capital, many women entrepreneurs find it too small to be useful. The central bank has imprudently decided to provide the CMSME stimulus package loan as working capital loan for the women entrepreneurs.
Unwillingness of participating banks and financial institutions	The participating banks and financial institutions seem to show some degree of unwillingness to work with cottage and micro women entrepreneurs.	The banks and financial institutions cannot serve the cottage and micro women entrepreneurs mostly because of the latter's unwillingness to engage in formal banking.
Banker-client relationship	The participating banks and financial institutions do not want to provide the CMSME stimulus loan to new women entrepreneur clients assuming a higher risk of default associated with new borrowers. They, therefore, prefer to serve the existing borrowers.	The participating banks and financial institutions are less willing to serve the new female clients as they are concerned about loan recovery from new or unknown customers. However, the CGS initiated by the central bank will help reduce such unwillingness of the banks and financial institutions to serve female clients.

Institutional Factors

In implementing the CMSME stimulus package for women entrepreneurs, institutional factors play a crucial role in determining the interplay between political and economic dimensions of the demand for and supply of stimulus benefits. Institutions are usually the key actor in creating an enabling environment for growth-enhancing economic activities. When it comes to developing women's entrepreneurship, especially in a resource-constrained country like Bangladesh, institutions are expected to facilitate the efficient use of scarce resources allocated for the potential women entrepreneurs. However, as evident in the implementation of the CMSME stimulus package, women entrepreneurs largely fail to reap the stimulus benefits. In addition to the above-mentioned macro-structural factors, several institutional challenges limit the effectiveness of the CMSME stimulus package in safeguarding the pandemic-affected women entrepreneurs.

First, the major institutional rigidity that the women entrepreneurs face in accessing the CMSME stimulus package loan is the requirement of a valid trade license. Cottage and micro women entrepreneurs often operate their businesses from home and lack such documents as tax identification number (TIN), value added tax (VAT) registration number, and trade license. Without these documents, the participating banks and financial institutions deny providing services to the women entrepreneurs. As a result, most of the cottage and micro women enterprises can't afford to access the stimulus loan. As argued by one rural women entrepreneur from Khulna division during an FGD:

We are passing an unprecedented situation due to the COVID-19 pandemic. We had to shut down our businesses because we could not avail ourselves of the financial assistance provided by the GoB under the CMSME stimulus package. We lacked the necessary documentation required for the loan application. It would be of great help to us if the GoB could temporarily waive the requirement of such documentation for cottage and micro women entrepreneurs considering the adversities of the ongoing pandemic facing the entrepreneurs like us.

It is also evident from the interviews and discussions with the women entrepreneurs that many of the women-owned enterprises with trade licenses, especially in the CMSE sector, have been operated on an expired trade license for a long time. They never felt the need for renewing their trade license before they came to learn about the CMSME stimulus loans that require a copy of valid trade

license with loan application. As a result, it has become cumbersome for the women entrepreneurs to renew their trade licenses by paying the dues and fines accumulated over the years. Taking into account the costs and bureaucratic complexities associated with the renewal of their trade licenses, many women entrepreneurs in CMSE sector lost their interest in applying for the stimulus package loans.

Second, the lack of sector-specific assessment of the needs also limits the implementation of the CMSME stimulus package for women entrepreneurs. The current stimulus package does not seem to take account of the need, nature, and characteristics of the women-owned CMSEs. A key informant from the central bank argued that "the CMSME stimulus loan package should have been tailor-made for women entrepreneurs. The current provisions of the package reflect those of general loan schemes for large entrepreneurs or industrialists." For instance, a sector-specific need assessment would tell the policymakers that CMSME stimulus loans should be provided as term loans instead of working capital loans for women entrepreneurs as most of them in CMSE sector operate on little working capital. The SME Foundation could have played an important role in conducting such an assessment.

Third, the oversight mechanism for implementing CMSME stimulus package for women entrepreneurs appears to be weak. Although several initiatives, including the establishment of 'Help Desk' at each of the participating banks and financial institutions and the creation of 'District Loan Disbursement Monitoring Committee', have been undertaken, little progress is observed toward implementing these initiatives effectively. As pointed out by a key informant from the SME Foundation, although the central bank instructed each participating bank and financial institution to serve the CMSM entrepreneurs through a dedicated help desk, many of them are yet to do so. In terms of the activities of the District Loan Disbursement Monitoring Committees, little is known about their practical role in streamlining the implementation of CMSME stimulus package, especially for women entrepreneurs.

Fourth, as argued by a women entrepreneur during a KII, formal banks and financial institutions show considerable indifference toward female borrowers. Although there are provisions that require banks and financial institutions to provide loans to women entrepreneurs up to Tk. 25 lacs without collateral, in practice, no banks or financial institutions grant loans to women entrepreneurs, especially if they are new borrowers, without collateral. Moreover, as reported by several women entrepreneurs during an FGD, many banks and financial

institutions require a government employee as a guarantor for women entrepreneurs who intend to apply for a loan even under the CMSME stimulus package.

Fifth, the lack of coordination between the government agencies involved in implementing the CMSME stimulus package further contributes to the inaccessibility of stimulus loans for women entrepreneurs. Although the participating banks and financial institutions under the central bank's directives are mainly responsible for disbursing the stimulus loans, other actors such as the SME Foundation and BSCIC also have an important role in implementing CMSME stimulus package especially for women entrepreneurs. For instance, the SME Foundation strategizes the development of the SME sector by facilitating financial support for SMEs, providing skill development and capacity-building training, facilitating adaptation with appropriate technologies, and providing business support services. BSCIC, on the other hand, also provides entrepreneurship development services, including its own loan scheme named 'BINIT' to potential cottage, small, and medium entrepreneurs. BSCIC does not, however, grant the BINIT loan to the entrepreneurs who are not their members. Despite their key role in developing entrepreneurship in the country, these two organizations and the central bank seem to miss the opportunity of making a concerted effort to design and implement the CMSME stimulus package for women entrepreneurs effectively. As argued by a key informant from the central bank, there exists significant scope for collaboration between Bangladesh Bank's SME and Special Programs Department and the SME Foundation. However, the two agencies tend to work in an uncoordinated manner leaving many important aspects of women's entrepreneurship development unaddressed.

Finally, misinformation from the supply-side actors and lack of awareness among the demand-side actors also contribute to the low disbursement of CMSME stimulus loan among the women entrepreneurs. As reported by a president of a district woman chamber of commerce and industry, the participating banks and financial institutions show reluctance to offer stimulus loan to women entrepreneurs especially in rural areas by misinforming them that they no longer provide loan under the CMSME stimulus package. Instead, the participating banks and financial institutions tend to promote their own loan schemes by highlighting the demerits of the stimulus package loans. Along a similar vein, a key informant from the central bank notes:

The participating banks and financial institutions may not want to promote the stimulus package loan over their own loan

schemes among the new clients as they are concerned about achieving the target of recovering the stimulus loan within one year. However, the introduction of the CGS will reduce the risk of default loan for the banks and financial institutions and thus will motivate them to promote stimulus package loans.

It is also important to note that many women entrepreneurs who are eligible for stimulus package loans lack adequate knowledge and information about the CMSME stimulus package. In addition to their unwillingness to engage in formal banking for loans, women CMSE entrepreneurs are often unaware of the stimulus package benefits. As a result, many of the women CMS entrepreneurs rely on local microfinance institutions (MFIs) for loan at a very high interest rate as they process the loan quickly with little paperwork. Taking account of the women CMSE entrepreneurs' preference for MFI loans over formal bank loans, the central bank has introduced a new refinance loan scheme through the MFIs instead of the formal banking channels.

Actors in Local Setting

In a politico-economic analysis of an incentive structure like the CMSME stimulus package for women entrepreneurs, local actors receive particular attention because of their vital role in determining who will receive the incentives or benefits. As evident from the interviews and discussions with various supply- and demand-side stakeholders, the interaction among local actors, including the local administrators and government representatives, banks and financial institutions, and the association of women entrepreneurs is critical to the implementation of the CMSME stimulus package, especially in rural areas.

One of the reasons for the low disbursement of stimulus loans among women entrepreneurs in the CMSE sector is the lack of commitment from the local governments toward fostering the growth of women-owned enterprises. As discussed during an FGD with a group of women entrepreneurs, the local governments lost considerable revenues due to the COVID-19 pandemic. As a result, they were reluctant to waive the fee for renewing the trade licenses of the entrepreneurs who needed a valid trade license to be eligible for the CMSME stimulus package loans. Instead, the local governments took the opportunity to mobilize their revenues by imposing fees on the renewal of trade licenses. Consequently, the women cottage and micro entrepreneurs, lacking money to pay the fee for renewing their trade licenses, felt particularly discouraged to access the CMSME stimulus package loans.

In providing stimulus package benefits, local actors often manipulate the selection of eligible recipients, thereby causing selection bias in implementing the stimulus package. In practice, such selection bias results from politically motivated conflict or dissension between the local government agencies involved in the implementation of stimulus package. For instance, a president of a district women chamber during a KII reported that the uncooperative attitude of the city corporation mayor and the district administrator toward each other resulted in selection bias during the implementation of cash support program for the poor and vulnerable people during the COVID-19. Political beliefs were given priority over eligibility in selecting the recipients for the cash support program. As a result, many micro and cottage women entrepreneurs, who lost their livelihoods during the pandemic, did not receive financial assistance despite being genuinely eligible for the cash support program.

Table III: Summary of the Macro-structural, Institutional, and Local Governance-Related Factors Determining the Political Economy of the Stimulus Package for Women Entrepreneurs

Macro-structural Factors	<ul style="list-style-type: none"> • Rural-urban difference in the disbursement of stimulus loan • Short duration (one year) of the loan • Inappropriate type of the stimulus loan (working capital loan in place of term loan) • Unwillingness of participating banks and financial institutions to serve women CMSE entrepreneurs, especially in rural areas • Banker-client relationship benefitting existing customers and leaving new borrowers behind
Institutional Factors	<ul style="list-style-type: none"> • Regulatory rigidities (e.g., requirement of a valid trade license for accessing stimulus package loans) • Lack of sector-specific need assessment flawing the design and implementation of CMSME stimulus package for women entrepreneurs • Lax oversight mechanism for the implementation of CMSME stimulus package for women entrepreneurs • Unwelcoming attitude of banks and financial institutions toward new female borrowers • Lack of coordination between the government agencies involved in the implementation of CMSME stimulus package • Misinformation from the supply-side actors (e.g., participating banks and financial institutions) and lack of awareness among the demand-side actors (e.g., women entrepreneurs)
Actors in Local Setting	<ul style="list-style-type: none"> • Weak commitment from the local government actors toward fostering the growth of women-owned enterprises • Selection bias caused by the local actors involved in the implementation of stimulus package

Conclusions and Policy Implications

It is needless to say that women entrepreneurs, especially in the CMSME sector, are one of the groups that have been hit hard by the adversities of the COVID-19 pandemic. Unlike other sectors of the economy, the CMSME sector requires special attention from the policymakers and development actors for several reasons. First, many entrepreneurs in this sector operate their businesses in the rural and semi-urban areas where formal banking and financial facilities are still inadequate. Second, the women-owned CMSMEs are an important source of women's economic empowerment as they create employment opportunities for women, especially in rural areas where the scope of women's labor market participation is limited. Third, compared to their male counterparts, women entrepreneurs are less likely to engage in formal banking on the one hand, and formal banks and financial institutions also show some degree of unwillingness to serve women entrepreneurs on the other. As a result, despite having comparable entrepreneurial capacity, women entrepreneurs lag behind their male counterparts in reaping the benefits of various incentives or assistance programs offered by the government and other development actors for entrepreneurship development.

In view of the challenges facing the women entrepreneurs in the new normal, the GoB needs to streamline the implementation of CMSME stimulus package with a revitalized emphasis on the needs of women entrepreneurs. The women entrepreneurs seem to reap little benefit from the CMSME stimulus package, although half of the package has already been implemented. In order to enable the women entrepreneurs to take advantage of the CMSME stimulus benefits in an effective manner, the following measures may be taken into considerations.

- A tailor-made incentive structure for women entrepreneurs can be initiated within the CMSME stimulus package. Several of the current provisions of the CMSME stimulus package, e.g., short-term loan, working capital loan instead of term loan, requirement of a valid trade license, have reduced the accessibility of the stimulus benefits to the women entrepreneurs. A rigorous need assessment highlighting the challenges facing by the women entrepreneurs, especially in rural areas, would serve a useful purpose in devising a tailor-made incentive structure for them.
- The district woman chambers and the local associations of women entrepreneurs may be involved in designing and implementing stimulus packages as they can serve as an epistemic community in the policymaking for women entrepreneurs. For instance, the district woman chambers can act

as guarantor for women entrepreneurs who intend to apply for stimulus package loans, thereby reducing the hassle that women entrepreneurs face in finding an individual guarantor. Moreover, an effective collaboration among the district women chambers, participating banks, and financial institutions can expedite the disbursement of stimulus loan among women entrepreneurs.

- Effective implementation of the provisions such as collateral-free loan for eligible women entrepreneurs needs to be ensured through institutionalizing a strict monitoring mechanism. Besides, the banks and financial institutions must increase their commitment toward granting loan to women entrepreneurs following the introduction of the CGS by the central bank. To facilitate the financing for women's entrepreneurship development and increase women entrepreneurs' engagement in formal banking system in the long run, the GoB may consider forming a women development bank that would provide both financial and technical assistance to the women entrepreneurs.
- Finally, to overcome the existing macro-structural, institutional, and local governance-related challenges associated with the implementation of the CMSME stimulus package for women entrepreneurs, a concerted effort needs to be made by all policy actors. Strong political commitment from the government together with effective institutional coordination would create an enabling environment for women entrepreneurs to benefit effectively from the stimulus package. A possible mapping of the policy actors and the scope of their intervention in dealing with the current structural, institutional, and local governance-related challenges affecting the implementation of the stimulus package for women entrepreneurs are presented in Table IV.

Table IV: A Possible Mapping of the Policy Actors and the Scope of Their Intervention in Dealing with the Current Structural, Institutional, and Local Governance-Related Challenges Affecting the Implementation of the Stimulus Package for Women Entrepreneurs

Macro-structural, Institutional, and Local Governance-Related Challenges	Bangladesh Bank	SME Foundation	BSCIC	District Woman Chambers	Local Government	Banks and Financial Institutions	MFIs and NGOs
Rural-urban difference in the disbursement of stimulus loan	x	X	x	x	x	x	
Short duration (one year) of loan	x	x	x			x	
Inappropriate type of loan (working capital loan in place of term loan)	x			x		x	

Macro-structural, Institutional, and Local Governance-Related Challenges	Bangladesh Bank	SME Foundation	BSCIC	District Woman Chambers	Local Government	Banks and Financial Institutions	MFIs and NGOs
Unwillingness of participating banks and financial institutions to serve women CMS entrepreneurs, especially in rural areas	x	x				x	x
Banker-client relationship benefitting existing customers and leaving new borrowers behind	x					x	x
Regulatory rigidity (e.g., requirement of a valid trade license for accessing stimulus package loans)	x				x	x	
Lack of sector-specific need assessment flawing the design and implementation of CMSME stimulus package	x	x	x	x	x	x	x
Lax oversight mechanism for the implementation of CMSME stimulus package	x	x	x			x	
Unwelcoming attitude of banks and financial institutions toward new female borrowers	x			x		x	x
Lack of coordination between the government agencies involved in the implementation of CMSME stimulus package	x	x	x		x		
Misinformation from the supply-side actors and lack of awareness among the demand-side actors	x			x	x		
Weak commitment from the local government actors toward fostering the growth of women-owned enterprises				x	x		x
Selection bias caused by local actors in the implementation of stimulus package	x			x	x	x	

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