



## Unlocking Financial Prosperity in Bangladesh

*Bangladesh Bank issued a circular (Ref: FID / 204/ 2023 (3679-3709) on October 31st, 2023) that formally recognizes VSLA groups. Because of this formal recognition and legitimization by the bank, VSLA groups are leading to more financial access and empowerment of underprivileged women.*

*Thanks to the collaboration of CARE and the Bangladesh Central Bank, the integration of VSLA in the financial inclusion policy will be implemented. Across the 8 districts of Bangladesh, women, specifically small land farmers and low-income families are now in a financial environment empowering them. Since the collaboration one year ago, the Central Bank of Bangladesh and CARE have created a win for women's empowerment.*

### Overview

The role of CARE Bangladesh through SHOUHARDOIII Plus activity in achieving this advocacy win is remarkable. This success is offering more equitable financial opportunities for women and their families. CARE has once again shown the impact of VSLA in the implementation of financial inclusion.

Their consistent effort in this advocacy prompted influential policymakers at Bangladesh Bank to recognize the importance of VSLA for financial inclusion.

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By December 2023, approximately 3300 banks accounts have been opened and thirty-two (32) low-interest loans have been issued to program participants.

## Situation Prior to the Success

Access to finance at affordable cost, availability and uses need to be ensured for financial inclusion to happen” says Prof Banerjee.

Despite a lot of discussions regarding financial inclusion, many people in Bangladesh are far from being granted access to basic financial services.

The population of Bangladesh is estimated to be 169.8 million<sup>2</sup>, yet access to bank services is limited and not open to everyone, especially economically disadvantaged women. While VSLAs have been beneficial, their informal status prevents collaborations with the bank and creates a barrier to banks’ support services which could adapt to their needs.

Barriers can include onerous loan rates (by Micro Finance Institutes), often exceeding 25% making it difficult for women to take on the burden of loans. By issuing this letter and newfound support of VSLAs, the Central Bank urges commercial banks to support the opening of accounts by initiating a low-interest loan disbursement plan for VSLA members.

## Process

1. **Financial Inclusion Policy Analysis (FIPA):** In March 2021, SHOUHARDO III commissioned the FIPA to explore integrating VSLA into Bangladesh's financial inclusion policy, aiming to provide formal financial access to existing and future VSLA groups.
2. **Financial Inclusion Workshop:** Hosted by USAID in December 2021, this workshop presented the FIPA study findings. Its goals were to recognize savings groups and VSLA agents in the national policy and explore support avenues from the Government of Bangladesh and national banks for VSLAs.
3. **Engagement with Bangladesh Bank:** Following the workshop, the SHOUHARDO III team engaged with the Financial Inclusion Department of Bangladesh Bank, identifying them as key intermediaries for integrating VSLAs into the National Financial Inclusion Policy. An initial meeting in September 2022 led to arranging field visits for bank representatives.
4. **Field Visits:** Conducted in February 2023, these visits provided the Financial Inclusion Department's Executive Director with insights into VSLA operations and their challenges in accessing commercial banking services.
5. **Meeting in Dhaka:** In May 2023, CARE Bangladesh highlighted the VSLA program at a Central Bank meeting, leading the Executive Director to instruct several commercial banks to partner with CARE to open accounts for VSLA members. A Financial Advisor was hired to facilitate this engagement.
6. **Account Openings and Loans:** By July 2023, 246 women VSLA members opened bank accounts with 4 commercial banks. By the end of September, about 1,500 accounts were opened, and five low-interest loans were issued.
7. **Bangladesh Bank Circular:** Issued on October 30th, the circular recognized the financial inclusion efforts for marginalized communities through the VSLA model by CARE Bangladesh. It advised

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<sup>1</sup> [Financial Inclusion in Bangladesh: Initiatives, Achievements and the Way Forward amidst the COVID-19 Pandemic - IMPRI INSIGHTS](#)

<sup>2</sup> [UNFPA Bangladesh | 2023 State of the World Population Report "The 8 Billion Question: Too Many or Too Few?"](#)

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commercial banks to simplify account opening processes for VSLA members and extend maximal assistance, especially to women entrepreneurs.

## Moving Forward

This success has led to the removal of barriers and reluctance towards commercial banks, as VSLAs are now officially recognized. The policy fosters stronger collaboration between CARE and commercial banks in providing banking facilities to VSLAs, thereby enhancing the inclusion of women, and advancing gender equality and empowerment.

CARE Bangladesh has just completed a series of visits at universities to raise awareness about this new policy. Inspired by CARE's model, other organizations are replicating the financial inclusion approach. In collaboration with the Bangladesh Bank, events are scheduled for late February 2024 to further promote this policy and celebrate the success in opening savings accounts and accessing credit facilities. These initiatives and their impacts will be monitored using CARE's-AIIR (Advocacy and Influencing Impact Reporting) tool, ensuring comprehensive documentation of efforts and outcomes.

Moreover, following this success, some commercial banks have begun opening savings accounts for non-VSLA members, furthering CARE's main advocacy goal of financial inclusion for vulnerable individuals.



“I am feeling so happy as with support from SHOUHARDO III Plus, I could open a bank account with only with 10 taka (0.085 USD). I availed 50K loans that I will use to start a new business. I am hopeful about my success to bring solvency to my family.”

- Nazma Akter,  
SHOUHARDO III Plus  
Participants and VSLA  
member