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Microloans and Financial Inclusion in Bangladesh: Recent Evidence on Outreach, Gender Gaps, and Digital Integration

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Abstract

Currently, Bangladesh has one of the world's largest microfinance systems, yet a widespread system does not automatically translate to a deep financial inclusion program. The approach used in this study is descriptive secondary data design with the purpose of analyzing the contribution and the limitation of micro loans. Official data from the Microcredit Regulatory Authority, Bangladesh Bank and the World Bank is triangulated with the peer-reviewed Bangladeshi studies published primarily between 2022-2025. Between FY2019-20 and FY2023-24, MFI branches increased by 24.75%, members by 24.77%, and borrowers by 23.06%. During the same time period, disbursement of loans increased by 91.92% annually while the outstanding loan balance grew by 79.39% on an annual basis. This shows that credit intensity grew significantly faster than the number of clients during this period. As of December 2024, there were 724 licensed MFIs that had 41.56 million members served in 26,071 branches, with approximately 90% of the members being women. According to World Bank 2024 indicators, the percentage of adult women with an account at a financial institution was 33.3% while the percentage of men was 53.5%. Further, at the end of 2024, there were 37.56% mobile financial service accounts that were active. The results indicate that there is a gap between the extent of microcredit access in Bangladesh and its autonomous use, saving, and digital engagement, as well as the level of consumer protection and the integration with the broader formal financial system. The study suggests that outcome-based inclusion indicators, more rigorous affordability testing and sharing of credit information, digital linkages of repayment and savings, financial inclusion initiatives for women, disability-inclusive financial services, flexible agricultural products, and better grievance and consumer protection should be strengthened.

Keywords: Microloan, Microfinance, Financial inclusion, Mobile financial services, and Digital finance.

1. Introduction

Financial inclusion is defined as real access to cheap, suitable and accessible financial services. It goes beyond the mere act of opening an account or being granted credit. Other issues of effective inclusion are ongoing use, savings, ability to pay, resistance, consumer protection and a person's ability to make decisions about their finances. In

Bangladesh, where microfinance has seen amazing physical outreach and the financial system is in the process of digitization, this distinction is significant. Microfinance institutions (MFIs) are an integral part of Bangladesh's architecture of inclusion. The current annual statistics of microfinance services made public by the Microcredit Regulatory Authority (MRA) are the statistics for 2024. As per

the 2025 special publication of Bangladesh Bank, by December 2024, there are 26,071 branches across the country of 724 licensed MFIs, catering to approximately 41.56 million members, which include a high proportion of females. The figures reflect the fact that microfinance can be accessible to those who do not benefit from conventional lending based on collateral (Bangladesh Bank, 2025; Pomi, 2021; Microcredit Regulatory Authority [MRA], 2025).

However, indicators of access are not always a sign of inclusion. According to the World Bank's Gender Data Landscape 2026, based on financial indicator data from 2024, there were 33.3% adult women with an account at a financial institution compared to 53.5% of men. Women's formal saving rate was also lower. Meanwhile, mobile financial services (MFS) grew rapidly, while there is a significant variation between registration and active use. According to Rasheduzzaman *et al.* (2025), the share of registered MFS at end-2024 was 236.67 million, and the active registered MFS at end-2024 was 88.89 million. These differences suggest that the variables of outreach, ownership, usage and agency should be studied individually. This is a concern which has been confirmed by recent research carried out in Bangladesh. Pervin *et al.* (2023) demonstrate that in and of itself, microfinance does not create economic and political empowerment for women. Shohel *et al.* (2023) show that female borrowers can legally borrow a loan, but male members of the household still have a significant say over how the loan is utilized. Other exclusions identified by Sarker (2024) include stigma, less favorable credit terms, negative attitudes of staff and lack of training. In the context of mobile finance, the literature shows a potential to enhance financial inclusion through digital channels, with a caveat that the benefits of digital finance rely on its active uptake, ease of use, reliability, financial literacy and access to mobile finance services being gendered. In terms of mobile finance, the literature reveals that digital channels can enhance financial inclusion, but only if they are actively used, easy to use, reliable, financially literate and gender-sensitive (Hasan *et al.*, 2024; Howlader & Halder, 2025; Rasheduzzaman *et al.*, 2025; Vallar, 2025).

This article, in the context of its subject matter, looks at microloans from a 'reach-to-depth' angle.

Reach is about how many and where your clients are. The depth refers to the progression of microloan access to ongoing financial access, autonomy, savings, digital skills, resilience, and linkages with other formal services. The article does not make causal inferences based on national aggregate data. Instead, it brings together the most recent official statistics, along with peer-reviewed evidence on the patterns, and then reasons why, and suggests measurable policy responses.

Objectives and Research Questions

The study has four objectives:

- 1) To measure recent changes in the institutional reach and credit scale of regulated MFIs in Bangladesh.
- 2) To assess whether growth in loan volumes has been matched by comparable growth in borrowers and broader financial usage.
- 3) To examine the gender and digital-use gaps that limit the conversion of microcredit outreach into deeper financial inclusion.
- 4) To develop evidence-based solutions for responsible, inclusive, and digitally connected microfinance policy.

The article addresses four research questions:

- How rapidly did MFI outreach and credit volumes change between FY-2019-20 and FY2023-24?
- What does the difference between client growth and credit-volume growth imply for financial inclusion?
- Why can high female participation in microfinance coexist with wider gender gaps in formal account ownership and digital use?
- Which policy measures can move Bangladesh from microcredit access toward deeper, safer, and more active financial inclusion?

2. Review of Literature

Financial inclusion as a multidimensional outcome

Initial studies on financial inclusion focused on access and on usage. Beck *et al.* (2007) found that outreach is important and should not be taken for granted because of the depth of the financial sector. Similarly, Sarma and Pais, (2011) considered inclusion to be multidimensional and integrated the three dimensions: banking penetration, availability, and use. Ozili, (2018) subsequently claimed that

digital finance can help to overcome the transaction and distance barriers, but that technology will not overcome institutional, literacy or affordability constraints. These ideas are relevant to Bangladesh as Microfinance and digital finance co-exist at massive scale. Connectivity and real financial usage are also two aspects of inclusion, as highlighted in the Global Findex Database 2025 (World Bank, 2025).

Individuals can be members of the MFI, have a mobile wallet, but not have any savings, regular payments, control of their finances or safeguard from bad debt. For this reason, the present study introduces four dimensions: reach, use, agency and integration. Reach retrieves access points and numbers of clients. Use concerns active and repeated financial activity. Agency issues relate to decisions that are controlled. Integration relates to relationships between credit, saving, payment, insurance and a formal financial record.

Microfinance, poverty reduction, and livelihood effects

For households and microenterprises without formal collateral, microfinance can ease their liquidity constraints. The results of recent Bangladesh studies are still reported, though with varying context of settings and research design, both poverty and livelihood benefits are possible. Positive roles of NGO micro credit in alleviation of poverty are identified by (Nobi *et al.*, 2023; Zaman and Sakib, 2023) have reported that the surveyed borrowers in Rangpur Division have experienced beneficial results. The literature also shows links between participation in microcredit and changes in poverty-related outcomes, as shown by Billah, (2022). These studies validate the relevance of microcredit, but also highlight the importance of separating the effects of microcredit at the local level from at the national level. Products' design is also significant.

Repayment need be done repeatedly to help the discipline of repayment but the regularity of instalments may cause stress for seasonal farms, sickness, disasters, or fluctuating micro enterprise income. As more people apply for loans, the need for the strength of affordability assessment increases. So, the important question to ask is not if credit expanded, but if credit expansion boosts productive capacity, resilience, and expansion to a broader array of safe financial services.

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Women's participation, empowerment, and agency

The concept of micro-finance is closely linked with women in Bangladesh. This targeting can break the gender barrier and help to widen social networks for women, while also elevating their financial transaction visibility. But the registration of women should not be considered as the same as financial autonomy. Based on interviews, focus groups and observation, Pervin *et al.* (2023) found that micro-finance was not a significant driver of economic and political empowerment in general, although it was a driver of social decision making in certain aspects. Shohel *et al.* (2023) offer a more alarming warning on the distinction between formal and substantive participation. The researchers conducted 331 surveys and 40 in-depth interviews in rural Bangladesh and discovered that many loans that were ostensibly given to women were actually controlled and used by men. However, more recent comparative evidence from Chittagong also indicates that there might be a gap between economic and psychological and social empowerment, in that credit must be accompanied by skills, confidence, business-development opportunities and wider social support (Chakraborty & Abraham, 2025; Azam *et al.*, 2026). The results of this research prompted the agency dimension explored in this article.

Digital finance and the transition from access to active use

Digital finance can enable access between micro borrowers and payments, savings, remittances, payment histories, and cost-effective service delivery. In their cross-country modelling, (Hasan *et al.*, 2024) conclude that the mobile-money inclusion variables are positively related to economic growth. Howlader and Halder, (2025) offer time-series evidence for Bangladesh indicating that MFS significantly improved financial inclusion at both penetration and availability level, as well as at the usage level. Digital registration is not a substitute for actual use, however. According to Rashed-uzzaman *et al.* (2025), only 37.56% of the registered MFS accounts in Bangladesh were active at end-2024. They also found gender gaps in mobile payment adoption in their study. The Canadian Journal of Business and Information Studies' article by Sarker *et al.* (2025) also examines mobile-banking app adoption factors in Bangladesh. These

studies indicate that the integration of microfinance and digital should not be judged based on numbers of accounts but on actual transactions, usability, trust, literacy, and control of the customer.

Exclusion beyond gender

Discrimination and other vulnerabilities, such as disability, should also be taken into account in financial inclusion policy. Sarker, (2024) concluded that the stigma, rigid condition, negative attitude of the staff, lack of training, and fragmented system of services are the issues Bangladeshis with disabilities encounter while accessing microfinance. However, relying solely on branch number can result in some groups being left behind in an expansion strategy. Inclusive design cannot happen without accessible communications, non-discrimination in underwriting, staff who are trained and available to carry out this work and a complaint procedure that vulnerable clients can access.

Research Gap and Conceptual Approach

The current body of literature in Bangladesh tends to focus on digital finance, microfinance, or mobile-banking adoption, and another strand of literature focuses on the issue of poverty or entrepreneurship. There are fewer studies that link recent national trends in MFI with current gender and digital-use indicators. Such segmentation may lead to misleading policy signals: while a system may reach more people with microcredit, demonstrate low active use of digital tools, exhibit a formal accounting gender gap, or offer limited borrower agency and choices, these signals may be evident in isolation. This study focuses on the gap with a Reach-Use-Agency-Integration (RUAI) framework. Reach: Do people have relationships with providers? Use - is an account and service active? Agency asks if the nominal client has control over financial decisions and transactions. The question of integration is whether microcredit is a path to savings, digital payments, insurance, formal transaction histories and suitable larger-scale finance. The framework doesn't produce an additional causal indicator. It is a framework or lens for interpreting official measures and peer-review consistently.

3. Methodology

Research design and data sources

The study adopts descriptive and analytical secondary data design. It is based on national regulatory

data and a focused synthesis of peer-reviewed studies. The main sources of the institutional information are MRA's Microfinance in Bangladesh (Annual Statistics), 2024; Bangladesh Bank's Financial Inclusion and Central Banking: Bridging Gaps in Bangladesh; Bangladesh Bank's financial-stability publications; and the World Bank's 2026 Bangladesh Gender Data Landscape. The 2024 MRA was published in January 2025 (MRA 2025), and it is the newest microfinance volume that is publicly listed as of August 2026. The current national financial-system context was also taken into account by reviewing Bangladesh Bank's Financial Stability Report 2025 (Bangladesh Bank, 2026). Peer-reviewed studies were included if they were based on a sample of Bangladesh, microfinance, women's agency, disability inclusion, mobile financial services or mobile-banking adoption, and included a traceable DOI or publisher record. The evidence base has been limited to recent history between 2022-2025 to reflect the current digital and regulatory context. Financial-inclusion studies are kept as a baseline to create the notion of multi-dimensional inclusion.

Variables and calculations

The quantitative analysis is based on the following data for the last three years, namely, FY2019-20, FY2020-21, and FY2023-24, for Members of the Finance Institutions (MFIs), number of branches, members, borrowers, annual loan disbursement, and outstanding loans. Three Descriptive Calculations are used. Total growth is determined by: $(\text{End value} / \text{Start value}) - 1 \times 100$. The growth rate for a series of 4 years is calculated by compound annual growth rate (CAGR) which is calculated as $((\text{End value} / \text{Start value})^{1/4} - 1) \times 100$. The ratio of borrowers to the members. Several gender and active-use indicators from the World Bank are also compared against the latest peer-reviewed papers in the field of digital finance.

Analytical limitations

The analysis is limited in four ways: First of all, institutional accounts do not have to be one particular individual, as a client may have institutional accounts in more than one relationship. Second, indicators based on different populations and definitions by different groups (like MRA, Bangladesh Bank, World Bank and published studies) should not be added together and represented as a

percentage. Third, at present the official data on MFI are running behind the 2026 publication dates. Fourth, descriptive trends do not prove that micro-credit brought about changes in poverty, empowerment or financial inclusion. The article thus reports on associations, contrasts and policy implications instead of causal effects.

4. Results

Expansion of microfinance outreach

From FY2019-20 to FY2023-24, there is a

continuous increase in the volume of regulated microfinance, as detailed in **Table 1**. However, the number of licensed institutions decreased and the number of branches, members and borrowers increased. This trend points to a consolidation in the sector and more institutions' presence. By FY2023-24, 724 licensed MFIs operated 26,071 branches, served 41.56 million members, and had 32.18 million borrowers (MRA, 2025; Bangladesh Bank, 2025).

Table 1: Regulated MFI outreach and credit indicators, FY2019-20 to FY2023-24.

Fiscal year	Licensed MFIs	Branches	Members (m)	Borrowers (m)	Loan disbursed (BDT bn)	Outstanding loan (BDT bn)
FY2019-20	759	20,898	33.31	26.15	1,362.75	888.64
FY2020-21	746	20,955	35.12	27.80	1,512.09	949.84
FY2021-22	739	23,543	38.27	29.84	1,918.80	1,241.36
FY2022-23	731	25,336	40.86	31.53	2,493.02	1,504.18
FY2023-24	724	26,071	41.56	32.18	2,615.40	1,594.10

Source: Compiled from Microcredit Regulatory Authority annual statistics and Bangladesh Bank financial-stability/inclusion publications. Values are rounded; m = million; bn = billion.

Table 2: Growth comparison: outreach versus credit intensity.

Indicator	FY2019-20	FY2023-24	Total growth (%)	CAGR (%)
Branches	20,898.00	26,071.00	24.75	5.68
Members (million)	33.31	41.56	24.77	5.69
Borrowers (million)	26.15	32.18	23.06	5.32
Loan disbursed (BDT bn)	1,362.75	2,615.40	91.92	17.70
Outstanding loan (BDT bn)	888.64	1,594.10	79.39	15.73
Borrower/member ratio (%)	78.50	77.43	-1.07	—

Note: The borrower/member row reports the percentage-point change in the fourth column, not a growth rate. CAGR covers four annual intervals.

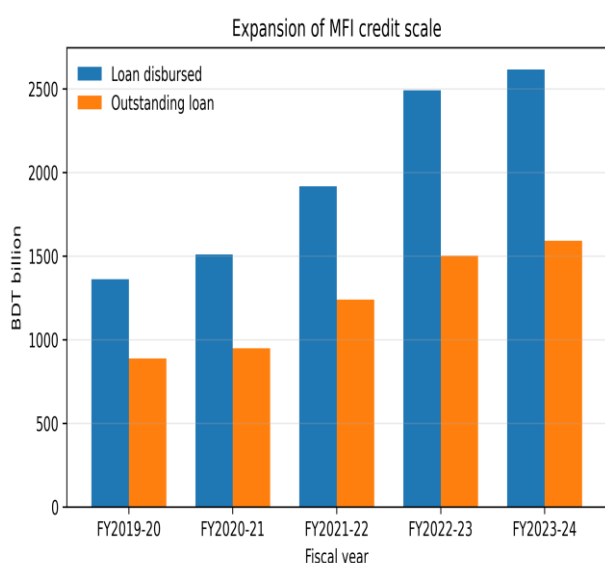


Fig. 1: Annual MFI loan disbursement and outstanding loans.

Why did credit grow faster than borrowers?

The findings are not conclusive of only one cause, but a few likely possibilities are compatible with the microfinance environment in Bangladesh. First, regular customers can move onto bigger loans as the demand for financing of businesses and households grows. Second, the nominal amount of what is needed to fund the same agricultural or microenterprise project rises due to inflation and higher input costs. Third, seasoned MFIs can grow their portfolios with increased funding and retained earnings even in a slowdown in clients. Third, existing borrowers can be served by various products or multiple cycles of loans, which will increase the intensity of the portfolio without corresponding increases in the number of new borrowers. There are two interpretations of this

difference. Fortunately, when clients have good investments and are able to pay back, enterprise growth can be aided by larger loans. On the downside, as the intensity of credit increases quickly, so does the risk of over-indebtedness if affordability assessments, information sharing and product suitability are not enhanced. The borrower/member ratio remained stable at 78.50% to 77.43% indicating that the monetary expansion of the sector was not significantly led by an increase in the proportion of members becoming borrowers. This outcome helps to shift the focus from just volume of credit-to-credit quality, purpose, affordability and client outcomes.

Women's numerical inclusion remains deeper than their system-wide financial ownership

By December 2024, the women's share in the membership of MFI was about 90% (Bangladesh Bank). This is a significant progress in access targeting. The overall World Bank indicator, however, indicates that in 2024, there is a gap of 20.2 percentage points between the gender share of formal account ownership (33.3% for adult women and 53.5% for adult men). This was also found to be the case for women, in which the formal-saving indicator is 9.41% compared to 11.9% for men (World Bank, 2026). The denominators are different for these indicators and they cannot be considered equivalent indicators. Their contrast, however, reveals that the general gender gap in the formal financial sector has not been erased by the high female participation in the microfinance sector.

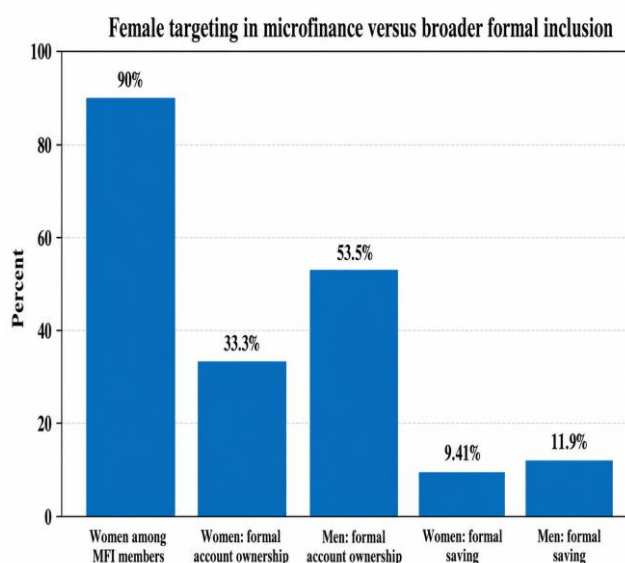


Fig. 2: Female targeting in microfinance and broader formal financial indicators, 2024.

Source: Bangladesh Bank (2025) for MFI female share; World Bank (2026) for formal account ownership and saving. Metrics are conceptually different and are displayed to illustrate the reach-to-depth contrast, not as directly comparable samples.

Why does the gender gap persist despite female-focused microfinance?

The difference between nominal participation and financial agency is the first explanation. Shohel *et al.* (2023) provide an example of how loans granted to women can be managed by men in the household. Thus, the female participation rates in MFI membership reflect access to MFI, not necessarily independent control of the use of loans, savings or business decisions. Pervin *et al.* (2023) also demonstrate that empowerment outcomes are also associated with education, financial literacy, training, and the household context. The second explanation is the digital-access gap. Active mobile payment requires access to a device, connectivity, literacy, confidence and trust. Rasheduzzaman *et al.* (2025) document gender differences in mobile-payment usage and find that the number of mobile-payment accounts registered and mobile-payment accounts active is significantly different. Digital inclusion can thus contribute to a broader inclusion only if women can access and operate their accounts, not relying on another member of their household or agent to carry out their everyday transactions. The third explanation is "economic position. According to World Bank (2026), Bangladesh has much lower participation rate of women in labour force than men. Less consistent and lower income may diminish the rate of formal saving and digital transactions. Last, but not least, exclusion is gendered. While a robust microfinance system can provide access to small-scale credit, Sarker (2024) demonstrates that disability-related stigma and institutional practices can obstruct access even within a nation that has a comprehensive microfinance system.

Digital registration remains different from active financial use

According to Rasheduzzaman *et al.* (2025), the registered number of MFS accounts in Bangladesh at the end of December 2024 was 236.67 million, with 88.89 million of these accounts reported as active, resulting in a ratio of active to registered MFS accounts of 37.56%. This should not be taken

as the percentage of unique adults using MFS as people can have multiple accounts. It does, however, show a significant account usage issue. At the same time, Bangladesh Bank, (2025) also has excellent rural penetration in the form of agent banking where

by March 2025, over 85% of its accounts and outlets are in rural regions. Policy issues are therefore becoming more and more one of continued and effective use, not merely physical access.

Table 3: Selected indicators of the reach-to-depth gap.

Dimension	Indicator	Latest value	Interpretation	Source
Reach	MFI members / borrowers	41.56m / 32.18m	Very large national microfinance footprint	Bangladesh Bank, 2025; MRA, 2025
Gender reach	Women among MFI members	~90%	Strong female targeting at MFI level	Bangladesh Bank, 2025
Formal ownership	Account at financial institution, women / men	33.3% / 53.5%	20.2-point gender gap persists system-wide	World Bank, 2026
Formal saving	Women / men	9.41% / 11.9%	Savings depth remains low, especially for women	World Bank, 2026
Digital use	Active MFS accounts / registered accounts	37.56%	Registration substantially exceeds active use	Rasheduzzaman et al., 2025
Rural digital reach	Agent-banking accounts in rural areas	85.54%	Digital-agent infrastructure is geographically inclusive	Bangladesh Bank, 2025
Agency	Control over some loans issued to women	Qualitative constraint	Nominal female borrowing may not equal control	Shohel <i>et al.</i> , 2023
Disability inclusion	Access barriers	Qualitative constraint	Physical outreach does not remove social/institutional barriers	Sarker, 2024

Note: Indicators come from different datasets and populations. They are triangulated conceptually rather than statistically pooled.

5. Discussion

The findings reveal that in Bangladesh, microloans are still a vital component of financial inclusion, especially as regulated MFIs have a broad reach to reach tens of millions of people and effectively target women. Growth also occurred in the sector after the licensed institutions were reduced which indicates that the sector is consolidating while reaching out to more people. This reinforces the notion that microfinance continues to serve an access function which conventional finance is not entirely supplanted by. But the bigger takeaway is that the number of clients has increased significantly while the credit scale has increased significantly also. This changes the policy question from 'How many people can receive microcredit?' to 'How safely and productively is expanding credit being used?' A significant rise in loan size can be a positive force in enterprise development, but it also puts the importance of affordability testing, multiple-borrower information, loan repayment flexibility and borrower protection to the forefront. So, the only measure of success for a mature microfinance system should be in terms of what the

clients achieve rather than just the number of loans disbursed.

The gender results also need a clearer definition of 'inclusion'. The high proportion of women in MFI membership, 90%, is very remarkable but is not equal to the overall female agency or ownership of financial institutions. The broad nature of participation and the qualitative evidence of household control show the gender gap in the World Bank can be wide but not total. Similarly, Chakraborty and Abraham, (2025) state that psychological and social empowerment should be given along with economic empowerment. Hence, women's inclusion strategies must ensure women have control, develop their skills and enable their business growth to move beyond reborrowing at a small level. Digital finance is the greatest chance for the next generation of inclusion. Mobile and agent-based services can reduce distance and transaction costs, provide an audit trail of payments, and make saving or repayments easier. Howlader and Halder, (2025) and Hasan *et al.* (2024) corroborate the general contributions of mobile money to inclusion. However,

from the low active-account ratio reported by Rasheduzzaman *et al.* (2025) it is evident that digital access needs to be turned into regular use. This demands basic interfaces, reliable support, low-cost connectivity, ease of fraud protection, and financial education.

In general, it can be concluded that the financial system in Bangladesh is shifting from access constrained to usage and quality constrained. Therefore, the next generation of policy needs to

take the full package of the microfinance movement, including mobile payments, agent banking, savings, insurance, credit information, and consumer protection, but it must also maintain local relationships that make MFIs work in low-income communities.

Solutions and Policy Recommendations

Table 4 converts the empirical findings into a policy-response matrix. The recommendations focus on measurable changes rather than general calls for more credit.

Table 4: Evidence-based problems, explanations, and recommended responses.

Observed problem	Why it matters / likely mechanism	Recommended solution	Lead actors	Suggested monitoring indicator
Credit volume grows faster than borrowers	Larger/repeated borrowing can support investment but may increase repayment stress	Introduce stronger affordability checks, borrower-level credit information sharing, and early-warning monitoring for multiple borrowing	MRA, MFIs, credit-information authorities	Debt-service ratio; PAR30; repeat/multiple borrowing rate
High female MFI reach but wider account gap	Nominal borrowing may not equal independent financial control	Require borrower-level consent and transaction privacy; expand women-focused capability training and women-agent recruitment	MFIs, banks, MFS providers, Bangladesh Bank	Women independently authorizing transactions; active female accounts
Registered digital accounts exceed active use	Account opening does not ensure usefulness, confidence, or trust	Link MFI repayment and savings to low-cost digital channels with simple interfaces, receipts, assisted onboarding, and fraud education	MFIs, MFS providers, Bangladesh Bank	90-day active-use rate; digital repayment share; complaint rate
Weak savings depth	Credit-only relationships do not build buffers against shocks	Offer voluntary microsavings and emergency-savings products alongside credit; avoid forced savings that obscure borrowing costs	MFIs, partner banks, regulators	Savings per active client; regular saver rate
Seasonal income and shock exposure	Rigid instalments may mismatch agricultural and informal cash flows	Use seasonal schedules, transparent grace periods, restructuring rules, and suitable microinsurance for eligible risks	MFIs, insurers, MRA	Restructuring outcomes; delinquency after shocks; insured client share
Disability-related exclusion	Stigma, product conditions, and inaccessible processes can block clients	Adopt disability-inclusive onboarding, accessible communication, staff training, and reasonable accommodation	MFIs, MRA, disability organizations	Approval/access rates by disability status; service-accessibility audit
Weak consumer protection or opaque pricing	Clients may not understand total loan costs, penalties, or complaint channels	Standardize simple cost disclosure, digital receipts, cooling-off rules where appropriate, and independent complaint escalation	MRA, MFIs, Bangladesh Bank	Complaints resolved on time; disclosure compliance; repeat complaint rate
Success measured mainly by outreach/disbursement	Volume metrics can hide inactive use, stress, or loss of agency	Publish an inclusion scorecard covering reach, active use, savings, agency, resilience, and consumer outcomes	MRA, Bangladesh Bank, sector associations	Annual RUAI dashboard and gender-disaggregated indicators

Priority recommendation 1: shift from volume targets to client-outcome metrics

Establish an outcome dashboard, standardize on outcomes for both MRA and large MFIs. It should at least contain unique "active borrowers", "portfolio-at-risk" for more than 30 days, "restructuring after-shocks", "borrower debt-service burden", "savings balances", "active digital/Internet use", "complaint resolution", and "gender-disaggregated control indicators". This reporting would not incentivize too much emphasis on disbursement increases and would help institutional performance be more comparable.

Priority recommendation 2: connect microcredit with safe digital finance

The integration of digital should allow borrowers to be able to receive funds, pay back instalments, save, or get receipts without the need for unnecessary travel. But digitalization should not shift the decision-making power from the hands of the female borrower to another member of the household or agent. Individual authentication, privacy preserving notifications, assisted digital education, transaction confirmation and fraud reporting channels that are user-friendly should be used by providers. Microloan relationships can be expanded to a full financial history through interoperability with regulated MFS and agent-banking channels.

Priority recommendation 3: strengthen responsible lending and credit information

The 91.92% increase in the total disbursement year-on-year, relative to the 23.06% increase in the borrower size, calls for more micromanagement regarding credit intensity. Lenders should be able to narrow down the number of lenders by means of a borrower-level information-sharing mechanism prior to approval. Seasonality and verified cash-flow ranges should be used when assessing the affordability. The goal is not to inhibit productive credit but not to require repayments to come from refinancing, emergency selling of assets, or detrimental household sacrifices.

Priority recommendation 4: make female inclusion measurable as agency

The percentage of women registered as members is just one factor to be included in the female inclusion target. Providers need to determine if women are aware of the conditions of the loan, decide on the

purpose of the loan, manage disbursement, approve for loan repayments, retain access to digital credentials, and be involved in business decision-making. The financial-literacy programs should be tied to real-life activities like checking balances, verifying transaction receipts, calculating how much it costs to borrow, and safeguarding PINs. There can also be positive impacts on the comfort and trust of some clients by implementing policies for female-agent recruitment (Bangladesh Bank, 2025).

Priority recommendation 5: design for excluded and shock-exposed clients

Persons with disabilities and agricultural, climate or health shock-exposed clients should be included in inclusive microfinance. Disability inclusion requires staff training, accessible service points, good communication, and non-discrimination assessment (Sarker, 2024). Payback should be more in line with income for seasonal borrowers. Savings and insurance products can help to minimize the need for new borrowing in the event of a shock.

6. Conclusion

Microloans have been instrumental in the spread of finance in Bangladesh. The growth of branch networks, membership and borrower numbers was around a quarter of a year-to-year growth between FY2019-20 and FY2023-24, with annual disbursement of loans nearly doubling. The gender ratio of MFI members is overwhelmingly female, reflecting the special nature of the sector in accessing traditionally underbanked groups. However, the findings indicate that the extent of financial inclusion should go beyond outreach. The number of clients increased at a much lower rate than the volume of credit; there is a large gender disparity in the number of formal accounts, with a significant number of women using microfinance; and the proportion of registered digital accounts significantly outstrips the number of active accounts. The control over the loans, financial literacy, disability, access to technology and household norms can also constrain the depth of inclusion as demonstrated by peer-reviewed evidence. The next step in the policy cycle in Bangladesh should then shift from the expansion of micro credit to financial capability. The value of responsible lending, borrower-level information, voluntary savings, digital payment linkages, women-focused agency strategies, disability-inclusive design, flexible products, and

effective consumer protection can shift the broad reach of microfinance to deeper and safer inclusion. Future empirical studies should examine whether these of-the-shelf services enhance resilience, enterprise performance, saving and independent financial decision-making using household or borrower level data to explore the topic in a longitudinal manner.

7. Acknowledgment

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8. Conflicts of Interest

The author declares no conflict of interest.

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