Women's Financial and Social Inclusion in LAC

Enterprises led or owned by women in LAC account for close to 23% of all SMEs, but suffer significant gaps in financing, which have been estimated at US$91,000 million.

Even so, these gaps in financing also represent opportunities, inasmuch as women are known for having a better payment record than men and financial institutions that offer specific programs for women are able to enlarge their portfolios without increasing their credit risk. To be able to take advantage of these opportunities, it is essential to have an understanding of women's financial needs and to design financial products that are tailored to their demands. This is an area in which development banks are equipped to play a crucial role as catalysts for bringing about significant changes by taking innovative and appropriate approaches.

Studies and prospects prepared to evaluate how development finance institutions (DFIs) are addressing the needs of women and their enterprises through innovative programs, products and approaches reveal the existence of several trends.

DFIs can be seen to employ multiple definitions for MSMEs led by women at the same time, with some 56% of DFIs having adopted this practice, while another 15% have not yet chosen to use a specific definition. Insofar as the array of programs offered is concerned, most DFIs give priority to financing production (68%), enterprise development (50%), gender-based climate finance (43%), and financial education (43%), among other things.

Foremost among the products offered to enterprises of this kind are working capital (74%), investment loans (72%), and commercial guarantees (43%) and loans (33%), among others. As for the characteristics of the products, it is the public banks that tend to offer the lowest interest rates in comparison with the multilateral development banks (MDBs).

At the same time, the multilateral development banks offer the greatest number of non-financial supports, while the guarantee-free loans are offered for the most part by public banks. In the case of innovative approaches, it is the multilateral banks that lead the fight against gender biases and pioneer the introduction of new financial instruments, like gender-denominated bonds. Furthermore, both multilateral development banks and national development banks stand out in the design of products that consider the specific needs of women, while public development banks lead the way in the use of treasury loans. The use of alternative credit rating mechanisms is seen to be very limited, however.

A variety of opportunities can be found for financial institutions in the credit market, each having its own growth and development perspectives. For the multilateral development banks, a key opportunity lies in taking advantage of digital technology and innovations. This would enable them to broaden their scope of operation and to create new financial instruments to satisfy the emerging demand. The national development banks, for their part, are able, through their operations, to produce positive social impacts, as well as to explore new forms of collaboration and to design financial instruments that would attract investors interested in the social impact and in models of combined financing. The rest of the development banks would enjoy a strong potential for growth in the market, together with the possibility of producing a positive social impact and establishing new collaborative relations and strategic associations that would boost their development and their capacity to respond to the financial needs of their customers.

The experiences of development banks in supporting women vary widely. In this connection, we should draw attention to Banco de Desenvolvimiento de Santa Catarina (BADESC), Brazil, which serves enterprises of all kinds by offering specific products for MSMEs. The bank discovered that while 38% of Santa Catarina's enterprises are led by women, 31% of them do not enjoy any kind of financing whatsoever; and that, furthermore, the women-led enterprises that do obtain financing have to pay almost double the interest that is charged to those led by men. BADESC considers that state intervention will be essential if policies and strategies that would promote women's access to credit are to be implemented.

In Ecuador, Corporación Nacional de Finanzas Populares y Solidarias (Conafips), has implemented a strategy to reduce the gender gap by offering credit lines at lower interest rates to cooperatives that commit to allocate more than 60% of their loans to women. This has resulted in a significant increase in loans to women entrepreneurs. Conafips also provides guarantees at reduced rates to women who do not possess sufficient collateral. It has joined up, as well, with the violet economy, with the result that the gender gap

has been largely reduced so that now 50% of the loans are allocated to women.

In Mexico, the disparity in access to financial products for women entrepreneurs in commercial banks has opened up a gap in financing resulting from inadequate loan terms and a lack of guarantees. Nacional Financiera (Nafin) has, throughout its history, carried out programs targeting women entrepreneurs, including the guarantee program "Mujeres en Industria" (Women in Industry), that utilizes bank resources to back loans to women. In 2021, Nafin conducted a study revealing that women have a more reliable payment record, which led to the defining of a new methodology for loans that are allocated to them, with lower capital reserve requirements and the provision of specific guarantees for financial products.

Development Finance Corporation (DFC), of Belize, plays a key role in the orientation of public policy. An ecosystem has been established in the country that promotes gender inclusion in all spheres of operation, from the educational and health systems to women's access to entrepreneurial opportunities. One of the DFC's key strategic aims has been to integrate a gender policy into all of its operations and functions and to design financial products that would facilitate access to financing for women and young people, by offering guarantees as collateral. In this connection, it has launched a guarantee product called "Empowered Women," which over the past three years has been highly successful in providing guarantees to women entrepreneurs.