Closing the Financing Gap for Women-Led MSMEs

This article provides a preview of an upcoming ALIDE regional study on the financing gaps faced by women-led MSMEs in Latin America and the Caribbean and examines the initiatives being promoted by development banks to expand access to finance, mobilize resources, and support business growth.

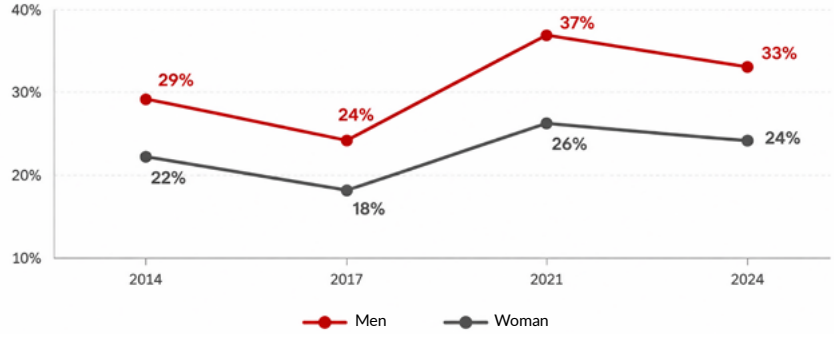
Latin America and the Caribbean (LAC) has made significant progress in financial inclusion. Account ownership among women has risen markedly over the past decade, while the gender gap in this indicator has narrowed to around two percentage points. Progress in access to credit, however, has been considerably slower. In 2024, approximately 33% of men had obtained financing from a financial institution, compared with 24% of women, leaving a gap of about nine percentage points.

For women who lead micro, small, and medium-sized enterprises, this disparity has important implications for productivity and growth. Financing constraints limit their ability to invest, scale up their businesses, adopt new technologies, and enter new markets. Women-led businesses in the region are estimated to face a financing gap of nearly US$93 billion. Behind this figure are several well-documented barriers, including limited collateral, incomplete credit histories, high financing costs, and assessment criteria that do not always adequately capture the characteristics of small businesses, particularly those transitioning gradually toward greater formalization.

In this context, development banks can play a role that goes well beyond increasing the supply of financing. Through their mandates, longer financing horizons, and ability to absorb and share risk, they can help reshape the condi-



Figure n.° 1. Trends in Access to Credit from Financial Institutions in Latin America and the Caribbean, by Gender, 2011-2024



Source: Prepared by ALIDE based on data from the World Bank's Global Findex

tions under which the financial system serves underfinanced segments. They can do so through direct lending, guarantees, funding for financial intermediaries, targeted incentives, technical assistance, and adjustments to credit assessment criteria.

The findings presented here form part of a forthcoming ALIDE regional study based on a survey of 32 development banks across Latin America and the Caribbean. The results indicate that a gender perspective has already been incorporated into the activities of a substantial share of development banks in the region. The key challenge now is to move beyond individual initiatives and toward their institutional consolidation and scale-up.

FROM PRODUCTS TO STRATEGY

This progress suggests that development banks are increasingly incorporating women-led MSMEs into their productive financing priorities. The next step is to build on this foundation and move from stand-alone products toward institutional strategies capable of sustainably expanding access to finance and supporting business growth.

Doing so requires progressively embedding a gender perspective into institutional planning, risk management, resource allocation, information systems, and day-to-day decision-making. Such integration can help initiatives move beyond isolated programs and become part of development banks' permanent capacity to identify financing constraints, adapt financial instruments, and channel resources toward businesses with growth potential.

A better understanding of demand is equally important. Low take-up of a financial product does not necessarily indicate weak demand for financing. Many women entrepreneurs do not apply for credit because they expect to be rejected, are unaware of available financing options, consider their businesses too small, or lack the required collateral. For development banks, identifying potentially eligible businesses and helping them become credit-ready should therefore be viewed as part of the intervention rather than as a secondary activity.



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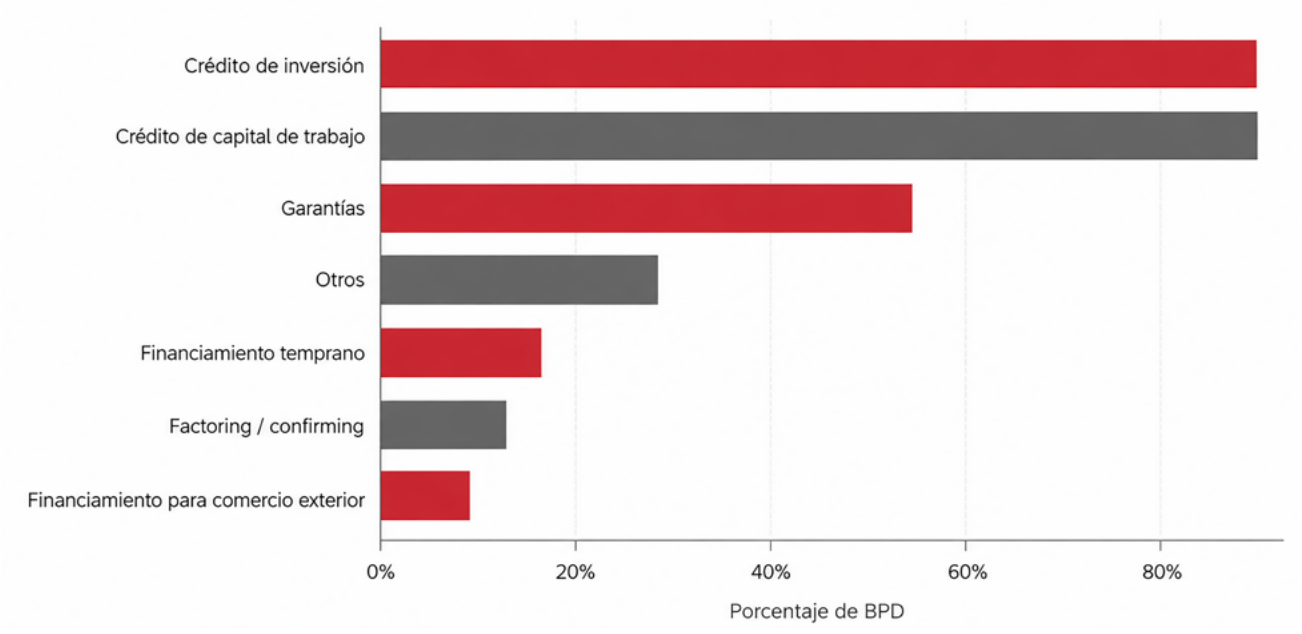
BEYOND TRADITIONAL CREDIT

The current product mix remains concentrated on investment loans and working-capital financing. Guarantees also play an important role, while instruments such as early-stage financing, factoring, confirming, and trade finance remain considerably less common.

This points to an important opportunity. Financial needs evolve as businesses grow. A start-up in its early stages faces very different financing constraints from those of a firm seeking to expand production capacity, enter export markets, digitalize its operations, or invest in sustainable technologies. Development banks can support businesses throughout this cycle by offering a broader range of instruments, including credit, guarantees, early-stage financing, liquidity solutions, and financing mechanisms linked to value chains.

The same principle applies to financing conditions. A gender-sensitive approach cannot be reduced to offering preferential interest rates. Loan maturities, grace periods, collateral require-

Figure n.º 2. Financial Instruments Offered by Development Banks to Women-Led MSMEs



Source: ALIDE regional study on financing for women-led MSMEs in Latin America and the Caribbean, based on a mapping of 32 development banks

ments, and assessment criteria should reflect firms' repayment capacity and business cycles. The objective is not to relax prudential standards, but to avoid excluding viable businesses because of criteria that are poorly suited to their characteristics.

THE NEXT FRONTIER IS BETTER RISK ASSESSMENT

One of the most significant challenges is bridging the gap between the digitalization of financial processes and the transformation of credit assessment. Development banks have made progress in digital channels and operational modernization, but innovation in credit scoring and risk assessment remains less widespread.

Digitalizing an application process adds limited value if eligibility criteria continue to exclude the same businesses. Technology creates greater value when it lowers transaction costs, expands coverage, and improves the information available to distinguish between perceived and observed risk.

Achieving this requires sex-disaggregated data throughout the credit cycle, including applications, approvals, rejections, loan amounts, collateral requirements, financing terms, delinquency, and subsequent repayment performance. These data can help determine whether a program is bringing previously underserved businesses into the financial system or simply extending financing to women-led businesses that already had access to credit.

They can also enable the use —with appropriate safeguards— of transactional data, electronic invoicing, digital sales records, and other indicators of repayment capacity. Again, the aim is not to take on additional risk indiscriminately, but to reduce the risk of excluding viable businesses because of insufficient information or overly rigid assessment criteria.

SCALING UP REQUIRES CAPABILITIES AND COOPERATION

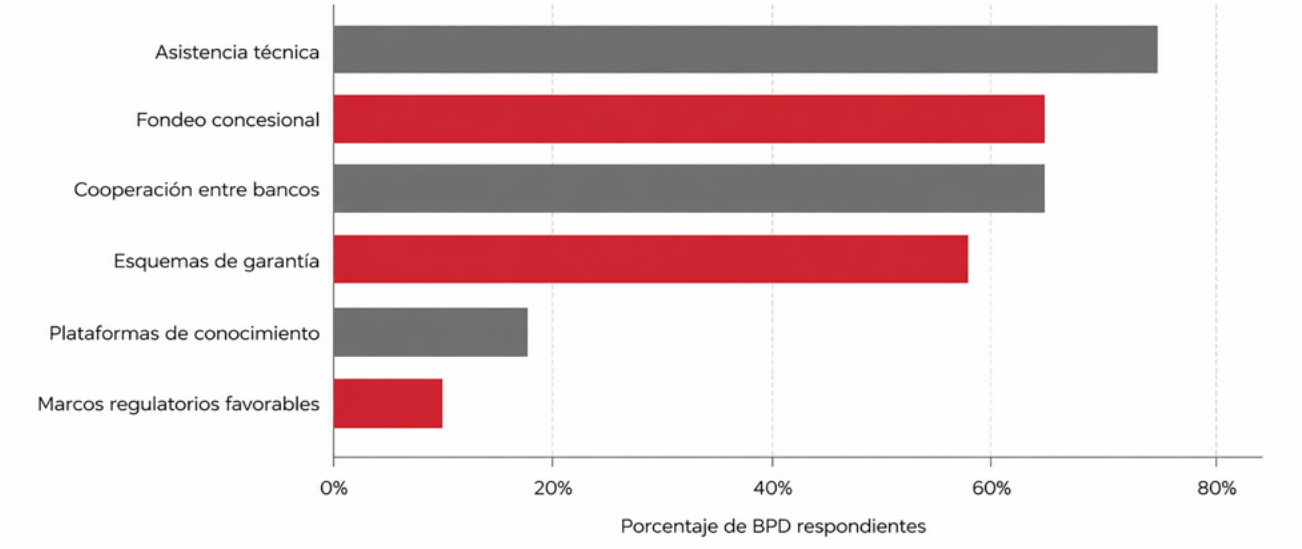
Financing, however, does not operate in isolation. Among the institutions surveyed, 82,1% provide financial education, 75% offer training, and 57,1% provide technical assistance. These services are most effective when they target specific constraints and are closely linked to financing. Technical assistance can help prepare an investment project, digitalization can improve the quality of available information, and formalization can facilitate access to new markets.

A gender-sensitive approach cannot be reduced to a preferential interest rate. Loan terms, grace periods, collateral requirements, and evaluation criteria must reflect businesses' repayment capacity and economic cycles.

Development banks can also extend their reach through commercial banks, credit unions, and microfinance insti-

Figure n.º 3. Priority Forms of Support for Expanding Financing

Percentage of development banks reporting each type of support



Source: Prepared by ALIDE based on a survey of the development banks participating in the study

tutions by providing guarantees, funding, and incentives. When financing is delivered through third parties, however, clear objectives, traceability, and reporting mechanisms are essential to ensure that resources —and more favorable financing conditions— ultimately reach women-led MSMEs.

Cooperation can further strengthen these capabilities. Among surveyed institutions, 75 % identify technical assistance as a priority area of support. Two-thirds highlight concessional funding and cooperation among development banks, while 58,3 % identify guarantee schemes as a priority.

The findings point to a consistent message. The challenge is no longer simply to create financial products for women, but to improve the broader framework that determines who can access finance, through which instruments, and under what conditions. This is where development banks can make a distinctive contribution: by sharing risk, coordinating stakeholders, mobilizing private capital, and helping translate financial inclusion into investment, productivity gains, and sustainable business growth.

