

**Financial inclusion,  
risk aversion  
and women's  
entrepreneurship  
in Latin America  
and the Caribbean**

A survey of the literature

Jeanelle Clarke



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Jeanelle Clarke



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## Summary

Access to credit is a key component for business development. Yet, for women in Latin America and the Caribbean, there are barriers which hinder this access, hamper women's entrepreneurship and slow economic empowerment efforts in the region. One of these barriers is risk aversion, both as supply and demand constraint. On the supply side, financial institutions may exhibit inherent gender bias by providing lower levels of financing and higher interest rates to women entrepreneurs. On the demand side, women entrepreneurs may refrain from approaching financial institutions for fear of rejection or unfavourable terms of credit.

The number of women entrepreneurs has grown within the region and represents an important area of opportunity for inclusive economic development. Financial institutions have a role to play in widening access to credit to support women's entrepreneurship. It has been found that targeted gender responsive financing programmes can be highly effective at widening access and combatting negative gender bias. In Latin America and the Caribbean, successful examples have focused on creating innovative financial products that cater to the unique characteristics of women entrepreneurs, providing financial education and training, using appropriate indicators to determine financial needs.



## Introduction

It is widely recognized that accelerating gains for women's economic empowerment is closely tied to the achievement of economic and social goals at large. Yet, in many economic spheres, there are significant gaps where the absence of women is present. According to the McKinsey Global Institute, if women "participated identically to men, it would add up to USD 28 trillion, or 26%, to annual global GDP in 2025",<sup>1</sup> and developing countries stand to benefit the most. It begs the question of what barriers constrain women's participation in business and finance, and what more can be done to facilitate their inclusion.

According to the Economic Commission for Latin America and the Caribbean (ECLAC), financial inclusion, takes into account the access, use and quality of financing. It encompasses all public and private initiatives to bring financial services to those households and SMEs traditionally excluded from the formal financial sector.<sup>2</sup> ECLAC's vision of financial inclusion emphasises the role as a policy of productive insertion to boost growth in productive sectors, to provide access to those who lack it, and to improve its provision throughout the economy. Beyond expanding levels of financial access and banking, financial inclusion also refers to policies aimed at improving and perfecting the use of the financial system to small- and medium sized enterprises (SMEs) and households that are already part of the formal financial circuit.<sup>3</sup> This may be achieved through the use of toolkits, that can adapt and effectively respond to firms across different stages of productive and technological advancement.

The benefits of financial inclusion are manifold and have a positive impact on economic growth. Pal (2022) cites several studies which show evidence that enhancing access to financial services supports investment boost income levels, aid in poverty reduction, reduces income inequality, resource allocation, and advancement of technology, to name some of the advantages. Levine (2021) cites the work of Beck et al. (2004) which finds that "industries naturally composed of smaller firms grow faster

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<sup>1</sup> McKinsey Global Institute, 2015.

<sup>2</sup> Economic Commission for Latin America and the Caribbean, 2023.

<sup>3</sup> Pérez Caldentey & Titelman, 2018.

in countries with better-developed financial systems, suggesting that financial development is especially important for the growth of industries that, for technological reasons, are naturally composed of small firms”.

The number of women entrepreneurs is increasing globally, but they face significant obstacles to access finance,<sup>4</sup> especially in developing countries. According to the World Bank, “there are now about 8 million to 10 million formal SMEs with at least one female owner in developing countries”.<sup>5</sup> The IFC (2011) reports that “women in developing countries are largely concentrated in small firms and hence are likely to face greater financial constraints”. Globally, the United Nations Industrial Development Organization (UNIDO) (2022) reports that “only 28% of micro-, small- and medium sized enterprises (MSMEs) are owned by women, and they account for 32% of the MSME finance gap”. In Latin America and the Caribbean, only 19.9% of firms have a majority female ownership according to the World Bank Enterprise Surveys.<sup>6</sup> [Women-owned businesses] make significant contributions to innovation, employment and wealth creation in all economies (Brush et al., 2006).

When a gender responsive lens is applied to financial inclusion, it seeks to design private and public initiatives to reduce barriers that women face in accessing and using financial products and services. This supports their financial autonomy, enterprise development, economic empowerment, and integration in the labour force.<sup>7</sup>

Like many other developing countries around the world, Latin America and the Caribbean countries face a financial inclusion gap. This gap has tangible implications for economies at large and compromises the ability to achieve long-term macroeconomic goals. It hinders productivity, expansion and diversification of SMEs, and job creation.

The absence of financial inclusion manifests in different ways. Leyshon and Thrift (1995) defines financial exclusion as “processes that prevent poor and disadvantaged social groups from gaining access to the financial system. It has important implications for uneven development because it amplifies geographical differences in levels of income and economic development”. Financial exclusion can be seen in high levels of information asymmetry between lenders and borrowers, high collateral requirements to access financial markets and services, credit rationing where lower amounts of credit are offered to MSMEs, high levels of informality and high interest rates for MSMEs. For example, Chile exhibits one of the highest interest rate spreads between the rates charged to large and small firms. The value of the spread reached 6.1 per cent in 2014. By comparison, the spreads for other of Latin America such as Mexico were much lower (3.5 per cent). On average for the OECD members the interest rate spread was 1.5 for 2014 (OECD, 2016). In research conducted by Beck et al (2004), “results imply that financial underdevelopment disproportionately hinders the flow of growth-enhancing financial services to small firms”.

## A. The Stylised Facts of Financial Inclusion for Women

Between 2011 and 2021, World Bank data shows progress in financial inclusion indicators in Latin America and the Caribbean. The percentage of women who have a bank account increased by 35.03%, the percentage of women who borrowed from a financial institution increased by 16.85%. Across Latin America and the Caribbean, over 70% of the population above the age of 15 has a bank account. Disaggregated by sex, the data shows that 70% of women held a bank compared 77% of men.

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<sup>4</sup> <https://www.worldbank.org/en/topic/gender/publication/female-entrepreneurship-resource-point-introduction-and-module-1-why-gender-matters>.

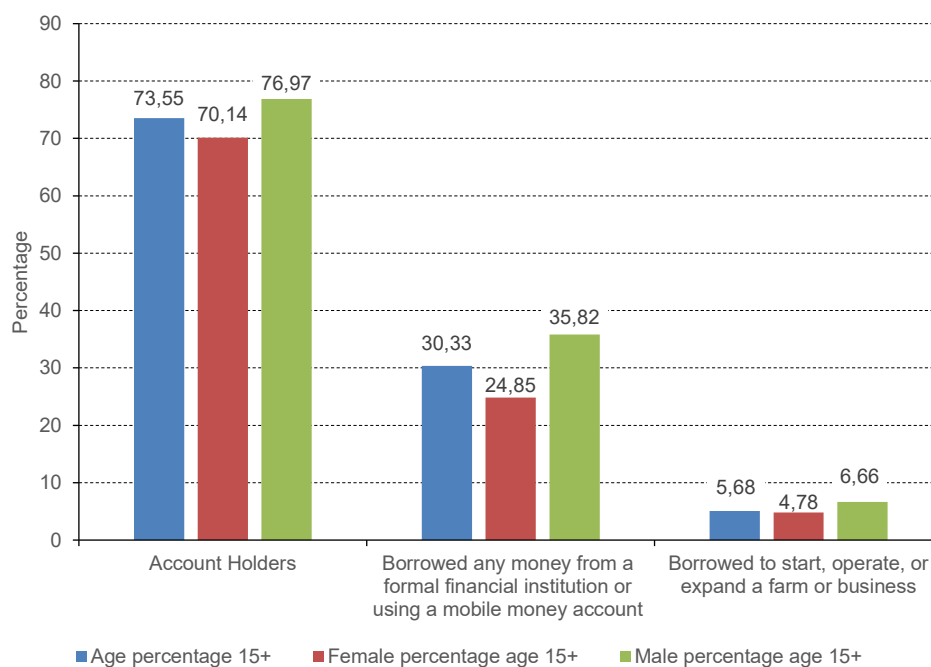
<sup>5</sup> Global Partnership for Financial Inclusion, 2020.

<sup>6</sup> <https://www.enterprisesurveys.org/en/data>.

<sup>7</sup> UN Women, 2022.

Despite this progress, in Latin America and the Caribbean, women still lag, behind men, in important metrics related to business development. They are, in general, below the regional average, in the numbers of account holders, borrowers from formal financial institutions, and borrowers which seek to start a farm or business. The widest gap is seen in the number of women who borrow money from a financial institution which stood at approximately 25%, 11 percentage points behind their male counterparts. Of these, less than 5% of women borrowed money for business purposes.

**Figure 1**  
Selected Metrics of Financial Inclusion in Latin America and the Caribbean (2021)  
(Percentages)



Source: World Bank Financial Inclusion Database.

## B. Financial Inclusion and the Gender Credit Gap

Access to credit is considered a key ingredient to finance and business development. In an empirical study conducted by Diallo (2017), based on the Schumpeterian growth model, it was found that access to credit had a positive relationship with innovation and local economic growth. Simba et al. (2023) add that research “recognises that women’s entrepreneurship contributes to the stability and well-being of communities and provides economic opportunities for disadvantaged groups, including women, low earners and minorities (Ascher, 2012; Kairiza et al., 2017)”. However, it is noted that ‘many people, especially women still lack access to financial services’,<sup>8</sup> resulting in a gender gap in many areas of finance. Research from the OECD<sup>9</sup> stresses the importance of determining the “unintended negative impacts and additional barriers for the most vulnerable and marginalised women and girls”. Ultimately, women entrepreneurs face greater difficulties to access financing than their male counterparts.

<sup>8</sup> <https://sustainabledevelopment.un.org/frameworks/addisababaactionagenda>.

<sup>9</sup> <https://www.oecd.org/development/womens-economic-empowerment.htm>.

One of the persistent causes of this gender gap is biased gender social norms which refers to “the undervaluation of women’s capabilities and rights in society-constrain women’s choices and opportunities by regulating behaviour and setting the boundaries of what women are expected to do and be. Biased gender social norms are a major impediment to achieving gender equality and empowering all women and girls (SDG 5)”.<sup>10</sup> Some studies report that biased gender social norms can affect perceptions of risk. This is compounded by weak creditors’ rights and a lack of credit information which disproportionately affect women entrepreneurs.<sup>11</sup> This can inhibit access to credit, thereby contributing to gender credit gap.

However, in trying to determine the size and scope of the gender credit gap, data gaps appear in international financial databases when seeking more granular statistics on credit and gender. This is especially the case when seeking data on Latin American and Caribbean. By extension, the full repercussions of these ingrained gender biases on the credit industry are not fully mapped in multilateral databases. Instead, there is a reliance on local and regional surveys, and non-official data sources to capture these aspects of gender in the credit industry.

Without the appropriate access to credit and financing, the gender finance gap can hinder the growth of women-led micro-, small- and medium sized enterprises (WMSMEs) and widen the economic gap between men and women. As a result, the role of access to credit in the pursuit of financial inclusion for WMSMEs is of particular interest in this literature review. This review will seek to assess the scope of the gender gap in access to credit in Latin America and the Caribbean, the impact of risk aversion on WMSME development across the micro, meso, and macro levels of the economy, and seek to provide recommendations which may help to support the financial inclusion of women entrepreneurs.

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<sup>10</sup> <https://hdr.undp.org/system/files/documents/hdp-document/gsniz02303pdf.pdf>.

<sup>11</sup> International Finance Corporation, 2011.

## I. Analytical Framework

This section helps to frame the literature on risk aversion, access to credit, financial inclusion, and the achievement of macroeconomic goals. It also seeks to map out the demand side (borrowers) and supply side (lenders) constraints posed by risk averse attitudes, and avenues available to overcome them.

As outlined by Seck et al. (2022), the benefits of access to credit for businesses include, but are not limited to:

- Expanded production possibilities through capital accumulation, whether physical or technological.
- Facilitate the inclusion of more productive inputs to increase quantity and reduce cost.
- Capitalize on increasing returns to scale.

These benefits provide fuel to reach macroeconomic goals for employment, growth, business development and economic empowerment for all. Conversely, where there are barriers or unnecessary limitations to this access, it can compromise the ability to reach the production possibilities frontier in local and global economies. Along this vein, the barriers or bottlenecks which cause the gender credit gap and how it may hinder business development is a priority. The gender credit gap is characterized by unequal access to bank finance and is a potential deficiency in credit markets.<sup>12</sup> In seeking solutions to address this deficiency, analysis is conducted to determine the potential causes.

Within the literature, risk aversion arose as a recurring barrier to women's participation. Over the last decades, studies on risk aversion have covered several economic and social spheres. Within the context of the gender credit gap, overall, risk aversion was featured as a contributor. The literature surveyed refers to risk aversion as the intolerance for uncertainty, loss or rejection (Brooks et al (2019), Keese (2011), Cowling (2019)) both on the part of borrowers and lenders.

Financial institutions develop credit risk methodologies based on several indicators to determine the borrower default probability, profitability, among others. Using these criteria, it seeks to make the provision of finance as objective as possible. However, Hess (2020) highlights 4 areas where gender bias may be embedded in the supply side which affect the areas of service, marketing strategies, evaluation

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<sup>12</sup> Pavlova & Gvetadze, 2023.

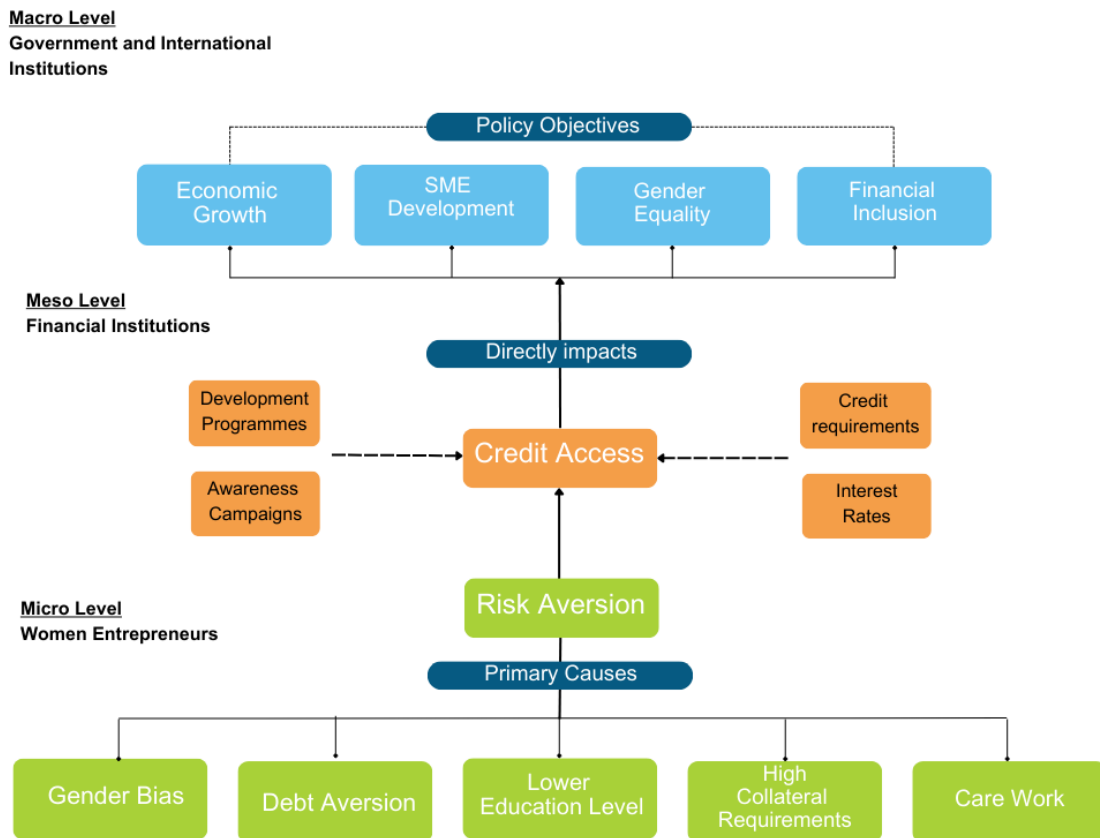
and approval of loans, and the loan conditions. A heightened risk aversion can present itself through the use of unnecessarily stricter banking requirements for potential borrowers.

Where lender's risk is perceived as objective, borrowers' risk is perceived as subjective. On the demand side, women may opt out of or underutilise formal banking arrangements resulting in discouraged borrowers. Cowling et al (2019) refer to the phenomenon of "feminised risk aversion". They summarise,

"In the context of entrepreneurship, risk toleration is a central issue given the uncertainty of entrepreneurial outcomes (Block, Sanderand Spiegel, 2015). Consequently, feminised notions of financial risk-aversion have been disadvantageous in terms of business finance so for example, Speelman, Clark-Murphy, and Gerrans (2013) found that gender and risk tolerance were the dominant factors in explaining investment behaviours with women favouring lower risk options."

Diagram 1 below maps out the key themes explored in the selected literature.

**Diagram 1**  
Flow chart of the causes of risk aversion and relationship to macroeconomic goals



Source: Author's illustration.

In tackling the gender credit gap problem, figure 2 aims to take a holistic perspective by exploring the roles of stakeholders across three distinct areas of intervention.

Beginning with the micro level, the figure outlines the borrower's perspective, specifically WMSMEs. Studies identified demand side constraints to access credit and drivers of risk aversion as they seek to start

and/or expand their business. These causal factors include gender bias, education level, collateral requirements, debt aversion and care work. These may deter women from fully capitalising on the opportunities in the formal credit system and reduces the number of women borrowers and/or the amount of credit available to women (credit rationing) contributing the gender credit gap.

From here, the analysis broadens to the meso-level and the role of financial institutions. Financial institutions provide a gateway for WMSMEs to become integrated in the financial system and access financing for capital accumulation. The dual role as a regulator and a facilitator for participation in the credit system is highlighted in the conditions imposed by financial institutions to obtain credit and their programmes or campaigns to attract customers, especially women entrepreneurs. Figure 2 outlines that depending on the effectiveness of these interventions, they can directly impact the achievement of overarching policy objectives.

Finally, the macro-level looks at the overarching national and international goals to increase social welfare and promote economic empowerment. Governments interface with financial institutions through the public policies related to market regulation. Recognising the intersectional issues related to gender and finance in the credit industry, government plays an important role to develop public policies to address both in tandem. As noted by Heil (2017), the incentives created by current (and pending) regulations and policies influence the operating dynamics of financial institutions in more immediate ways.

The main message of figure 2 shows that treatment of risk averse attitudes in women cannot be in a vacuum that is solely focused on the client perspective. It aims to outline the roles of stakeholders to minimise gender bias and encourage fuller participation of WMSMEs.

## A. Empirical Evidence

Studies across geographical regions confirm the presence gender credit gap. Many seek to identify possible causes of this gap with a view to address barriers to access credit, increase the participation of women in the financial sector, and facilitate expansion of their entrepreneurial endeavours. Several demand and supply side factors are identified and analysed in the surveyed studies.

Some have offered critique of credit gender gap and its causes with a feminist lens on prevailing definitions of entrepreneurial traits (Marlow and Swail, 2014), others have identified gender-based discrimination in credit markets (Presbitero et al, 2014), or the impact of social norms on access to credit by women entrepreneurs (Roa, 2021). The review of the literature revealed complex and overlapping issues which may hinder the participation of women in entrepreneurial pursuits and where gender disaggregated data may be needed.

Access to credit was recognised as an important component to business development by many authors in the literature review and as such, barriers which may impede access warrant investigation. The review looks at recent data and empirical evidence conducted internationally, and in the Latin American and Caribbean regions.

The table below outlines some of the approaches used in the studies. Many relied on national and international datasets to map correlations between and credit. Some studies created controlled experiments to test for perception of risk between men and women in general. Some conducted surveys among women entrepreneurs to capture responses over a period of time. Despite the differing methodologies, conclusions pointed to heightened risk averse attitudes in women also translated to the business sphere.

**Table 1**  
**Summary of Selected Empirical Studies on Risk Aversion and Access to Credit**

Authors (Year)	Analytic Approach	Findings
Eckel and Grossman (2008)	Experimental study using abstract and contextual gamble experiment.	Evidence shows greater risk aversion in women.
De Andres, Gimena and Mateos de Cabo (2021)	Empirical analysis using data from 80,000 Spanish firms.	Women-led companies are less likely than men-led companies to ask for a loan. Potentially attributed to higher risk aversion of women, and self-exclusion due to possibility of rejection.
Comeig, Holt and Jaramillo-Gutiérrez (2022)	Single-choice experiment with 256 subjects.	Men and women more risk averse to downside risk. Men slightly less risk averse to upside risk.
Brooks et al (2019)	Analysis conducted on database in United Kingdom containing over 4,000 financial advisors with 50,000 clients using Distribution Technology. Questionnaires were developed to analyse responses from financial advisors. Risks scores developed for clients.	Women found to be significantly more risk averse than men in the investment domain.
Cowling et al (2019)	The data derived from six waves of the SME Finance Monitor surveys conducted by BDRC Continental.	Women entrepreneurs are less likely to apply for finance but are more likely to be successful once a loan application has been submitted.
Presbitero et al (2014)	Empirical estimation exercise based on a dataset obtained through the merging of the World Bank Enterprise Surveys (WBES) and the Finance and Gender (FINGEN) Survey in Barbados, Jamaica and Trinidad and Tobago. It aimed to assess alternative measures of gender participation in ownership and management	Presence of a gender gap in access to finance varies according to the different definitions of Women-led Businesses. Econometric tests showed that when adopting a precise measure of women's involvement in the ownership and management of the firm, WLBs are significantly less likely than other comparable firms to be discouraged borrowers, but they are more likely to be credit rationed <sup>a</sup>

Source: Author's elaboration.

<sup>a</sup>Presbitero et al. (2014), "Barking Up the Wrong Tree? Measuring Gender Gaps in Firm Access to Finance".

## 1. Studies on risk attitudes in men and women in general<sup>a</sup>

A plethora of studies found that women to be more risk averse than men in general (Giglio, 2021, Bermeo 2017, Bellucci et al., 2010, Pavlova & Gvetadze, 2023, Croson & Gneezy, 2009). In addition, "risk aversion is likely to play a decisive role in financial decisions" (Keese, 2011). In the study conducted by Croson and Gneezy (2009), they offered some explanations as to why this might be the case, summarised into three areas, i) differences in emotional reactions to risky situations ii) differences in risk attitudes and in the evaluation of risk may be related to confidence iii) interpretation of the risky situation.

## 2. Studies on the impact of feminised risk aversion on demand for credit

When seeking to access credit, risk aversion was a demand side factor which disproportionately affected women in comparison to their male counterparts and played a role in how women entrepreneurs engaged in business. Selected studies provided specific examples which demonstrated where risk aversion may inhibit women's full participation in formal credit systems.

In De Andres et al's (2020) literature review, they note the work of Ongena and Popov (2016), "using a survey across several countries, find female-owned firms apply for bank credit less often than male owned firms because they believe their request will not be approved. Treichel (2006) reports similar results. Should this fear of rejection be strong, female

entrepreneurs might ask for another type of financing, which would explain the lower level of bank credit in female-owned businesses.

This fear of rejection was also noted by Stefani and Vacca (2013) which may cause WMSMEs to self-restrain from applying for bank loans and thus less likely to request loans compared to their male counterparts (Moro et al, (2017)).

However, when WMSMEs do apply for loans, Andrade et al.'s (2023) find that women are less likely than men to use their negotiating skills when negotiating financial contracts thus receive less favourable rates and conditions.

### **3. Studies on gender discrimination as a supply side constraint**

In Betancor's (2022) research, she observes that "women are more likely to be constrained by laws and customs, prejudice, and misperceptions by bank executives, as well as by lack of collateral assets (Deere and Doss 2006; Deere and Leon 2003; Demirguc-Kunt et al. 2013)". This point is also made by Bellucci, Borisov and Zazzaro (2010) who found in Italy across 7,800 applications, women faced higher collateral requirements and tighter credit limits by loan officers. To this point, Auguste and Galetto's (2020) study in Argentina found that women faced high rejection rates.

This contrasts findings in a study conducted in 17 countries in the European market by Ongena and Popov (2016) on the credit gender gap. In the European context, gender discrimination by lending institutions is not cited as a major limitation on women's participation but rather female debt aversion or structural differences between male and female firms. In their analysis, they also found that once the application was made, approval rates for men and women applicants were assessed to be identical where their credit worthiness is statistically similar.

### **4. Studies on repercussions of risk aversion and alternative financing options**

Regardless of the real or perceived gender bias held by financial institutions, many women underutilise the formal credit system. In a study conducted in Argentina, Auguste and Galetto (2020) found that credit demand was also lower for WMSMEs than their male owned counterparts. In this study it was also found that the WMSMEs tended to use less bank financing and relied more on self-funding. They may opt to use informal financing arrangements which may carry higher costs or higher risk (such as trade credit) (Ongena & Popov, 2017 & OECD, 2017).

Bermeo (2017) draws on an example of this in the home credit industry in the United Kingdom. An interesting feature of the home credit industry is that is largely feminized, where lenders and borrowers are predominantly women. Also known as doorstep loans, these loans are informal in nature and do not require security or credit checks. This type of loan is popular with low-income groups in the United Kingdom. The loans are taken out for a short period of time and for small amounts. Therefore, lenders can also charge much higher interest rates than more traditional, formal banking arrangements, and thus, is considered high-cost credit. Consequently, it leaves the clients at greater risk of exploitation where debt collectors may intimidate clients by applying pressure to repay or take on more debt.

Paradoxically, in the hope of securing less risky credit than traditional banking arrangements, women may resort to riskier forms of credit which may place them in a more economically vulnerable position.

Comeig et al (2022) highlight another paradoxical situation which arises in how banks may determine high-risk and low-risk borrowers. Typically, when applying for loans, applicants with low collateral face higher interest rates, whereas as applicants with higher collateral can benefit from lower interest. They find in their research that collateral choice is closely linked to risk aversion. As women are typically found to be more risk averse, and as low risk borrowers they may be "wrongly classified as high-risk borrowers".

## B. Latin American and Caribbean Context

The financial inclusion databases by the World Bank and International Monetary Fund, provide a wealth of information regarding key financial inclusion indicators. The databases provide some information to track the progress in Latin America and the Caribbean. However, some data gaps remain especially with regard to access to finance for businesses in the Latin American and Caribbean. These limitations pose a challenge in determining the size and scope of the credit gap in Latin America and the Caribbean.

According to the World Bank Doing Business database, some countries in the Latin America and Caribbean region are among the top performers in certain metrics related to credit. Mexico and Colombia score 90 out of 100 for "Getting Credit" scores. Guatemala, Jamaica, Panama, Costa Rica, and Honduras all score 80 and above in this category as well. However, according to this database, Antigua and Barbuda, St. Kitts and Nevis, St. Lucia, St Vincent and the Grenadines, Belize and Suriname ranked among the lowest in the region with scores of 25 and below. As a region, Latin America and the Caribbean attained a middling score of 52 out of 100 for "Getting Credit". Scores in other credit metrics also left room for improvement as shown in table 2 below.

**Table 2**  
**Selected World Bank metrics on Getting Credit**

World Bank Doing Business Metric	Latin America and Caribbean region score
Getting Credit score	52
Strength of legal rights index (0-12)	5.3
Depth of credit information index (0-8)	5.1
Credit registry coverage ( <i>Percentage of adults</i> )	14.6
Credit bureau coverage ( <i>Percentage of adults</i> )	47.6

Source: (World Bank Group, 2023).

The Global Findex Database (2023) reports that in Latin America and the Caribbean over 94 million adults were unbanked. This figure showed a significant improvement when compared to 2017 where 197 million adults were unbanked in the region. The World Bank also noted that with regard to the financial inclusion, women and rural adults tend to have lower levels than the average population, however this gap was considered relatively small. The World Bank (2021) cites reasons for being unbanked include: lack of money, perceived cost of accounts, and distance to financial institutions.

These financial barriers are compounded by the additional hurdles to obtain specific financial services such as access to credit. In examining the specific barriers to access credit in Latin America and the Caribbean, risk aversion is a considerable factor. Depending on the geographical location and the level of gender bias, the real or perceived risk of rejection varied.

At the subregional level in the Caribbean, Giglio (2021) references a survey conducted by Williams and K'nlfe (2012) in Jamaica which also argued that women may be more risk averse due to the education gap. Having found that men generally attained more years of education than women and thus "male-owned companies ran as companies unlike female owned ones".

In another Caribbean study conducted by Presbitero et al (2014) in Barbados, Jamaica, and Trinidad & Tobago, they found that "[g]ender plays a role with regard to financing constraints and the data clearly point out that the different definitions of the gender composition of the firm tell different stories. In fact, while we do not find any evidence that gender affects the probability of being a discouraged borrower, we find that the probability of having a loan request denied is 19 per cent for firms in which the majority of managers and owners are women, much higher than the average of 8 per cent for the other firms".

Similar findings were also seen in the Dominican Republic by Hess et al (2023). Their research noted risk aversion was also a barrier for women entrepreneurs, primarily driven by fear of rejection.

With respect to the Latin American sub-region, the Economic Commission for Latin America and the Caribbean has published several studies on selected countries which look at social barriers and discrimination faced by women entrepreneurs to participate in financial systems in general, and to access credit in particular. Studies predominantly focused the supply side constraints which affect women entrepreneurs.

For example, Roa (2021) highlights several examples of social norms which negatively impact women entrepreneurs, which include implicit biases in the financial sector that make the eligibility for women more stringent and gender stereotypes about women's lack of financial and economic skills. Taken altogether, it left women out outside the parameters for desirable clients considered by financial institutions. This resulted in women entrepreneurs being considered as riskier clients.

In Chile, Montoya et al (2020) find that "loans applications submitted by women are 14.8 percent less likely to be approved than equivalent applications submitted by men, despite official statistics that indicate that repayment rates in Chile are higher for women." However, there were no differences in conditions offered to approved applications, whether male or female.

In Argentina, Auguste and Galetto (2020) find that the gender gap in access to credit is very high and is likely to be a limitation to the development of WMSMEs.

In rural areas of Guatemala, Hess (2020) looks at how social structures may create environments which deter women from approaching financial institutions for loans. As a result of limited demand, financial institutions may overlook women entrepreneurs as potential clients with a lack of targeted marketing campaigns and strategy geared to include women.

Avolio Allechi (2020) found that low financial inclusion level of women entrepreneurs impedes growth. Citing work of Olloqui, Andrade & Herrera (2015), they found that "only 10% of women have received formal credit from a financial institution..." Further, they also observed the following characteristics:

- women used credit less often,
- applied for smaller loans,
- relied on informal financing arrangements, personal saving or family loans; and
- women consistently held lower value assets than men.



## II. Recommendations

The literature review reveals several areas of opportunity to improve the access to credit by women entrepreneurs. Recommendations put forward for intervention address financial and non-financial barriers, which are primarily focused on meso and macro levels of the economy.

Banco de Desarrollo de America Latina y el Caribe (2018) summarizes that institutions should design products that take the gender perspectives into account. They recommend to

- Create new financial products for women and expand the availability of resources;
- Design more financial education programs with a gender perspective that enhance the capacities of women;
- Use indicators that more efficiently measure the financing needs of women and their companies or ventures.

### A. Approaches

The recommended approaches build on the lessons learned in real world scenarios, thus making the case to scale up these initiatives for a greater multiplier effect.

#### 1. Creating a supportive financial ecosystem

Caldentey and Titelman (2018) stress that improving financial inclusion in Latin America and the Caribbean should be a priority to address the unequal access of households and SMEs to the financial system. This is due to the limited offering of financial instruments and mechanisms to improve the participation of actors in the productive sector. As a result, they emphasise the importance of an effective financial system to promote entrepreneurial pursuits and investment. Within an effective financial system, financial inclusion can respond to the diverse financing needs. This process can be supported by innovative technologies to allow the ease of access and proliferation of financing services, including credit.

#### 2. Broadening financial inclusion through targeted campaigns and training

Programmes aimed to support WMSMEs can be very beneficial to broader goals for women's economic empowerment. As noted in a presentation by Banco Argentino de Desarrollo (2023), efforts to support

the financial inclusion of women should be grounded in equality and equity. Financial institutions have the opportunity to take these considerations into account in their development programmes and provide financial and non-financial support.

**Table 3**  
**Selected Initiatives to widen access to credit for women entrepreneurs in Latin America and the Caribbean**

Initiative - Financial Institution	Target Country/region	Details
SheTrades Caribbean Hub <sup>a</sup> - Caribbean Development Bank In collaboration with International Trade Centre	Caribbean	The newly launched Caribbean SheTrades Hub promises support for women-led and women-owned businesses. The initiative not only focuses on providing financing, but also business support services such as training and mentoring. The initiative also places a focus on helping indigenous communities. The programme will run for 2 years in the Region in its initial phase. The programme builds on a proven track record of the global SheTrades initiative and can draw from its international resources and expertise.
Emergency Support and Preparedness for COVID-19 Programme - Central American Bank for Economic Integration (CABEI) and Mujeres Economía Local y Territorios	Central America	In the wake of the COVID-19 pandemic, CABEI launched an emergency support fund for women-owned MSMEs. This fund provided partial guarantees for women owned MSMEs or women seeking to start a business.
Banca Mujer - Development Bank of El Salvador (BANDESAL) <sup>b</sup>	El Salvador	This initiative was launched nearly a decade ago in 2014 focused on financial inclusion of women entrepreneurs and women-owned small and medium sized enterprises by providing lines of credit, guarantees and training.
Nosotros con Ellas - Bancamía <sup>c</sup>	Colombia	Through Nosotros con Ellas, Bancamía provides a suite of tailor-made financial products and services for women. This includes credit, loans, savings and more. The programme was developed based on a gap analysis of the bank's portfolio and survey data from its female customers. As a result, they crafted a gender responsive offering.
Mujeres que lideran- Banco Argentino de Desarrollo <sup>d</sup>	Argentina	This programme is specifically geared towards the financing needs of women-owned and women-led micro, small and medium sized enterprises. It provides financing to aid in procuring equipment/machinery, vehicles, construction, expansion or renovation of properties, and, modernization of production methods. Customers can also benefit from a discounted rate through the Argentine Credit (CreAr) program of the Ministry of Economy.
Crece Mujer <sup>e</sup> – Banco Estado	Chile	The Crece Mujer platform provides an assortment of targeted programmes geared towards WMSMEs, in all stages of business development. The comprehensive initiative offers financial and non-financial solutions. One programme that tackles the financing issue is FOGAIN Mujer. They support WMSMES who need working capital, investment and refinancing by providing partial guarantees.
Crezcamos Juntos <sup>f</sup> – Nacional Financiera	Mexico	Offers financing to women to support business growth with their credit quality in mind. They offer up to 300,000 Mexican pesos to be repaid between 36 and 60 months, with no penalty for prepayment.
Pronaf Mujer - BNDES <sup>g</sup>	Brasil <sup>h</sup>	This programme focuses on women the agricultural sector. It offers financing for goods and services necessary to business related production and service activities. This programme is available to female farmers who are members of family production units covered by Pronaf.

Source: Author's elaboration.

<sup>a</sup> <https://intracen.org/news-and-events/news/shetradesthub-to-empower-caribbean-women>.

<sup>b</sup> UN Women, 2021.

<sup>c</sup> Bancamía, 2023.

<sup>d</sup> Banco Argentino de Desarrollo, 2022.

<sup>e</sup> <https://www.crecemujer.cl/>.

<sup>f</sup> <https://www.nafin.com/portalnf/content/financiamiento/crezcamos-juntas.html>.

<sup>g</sup> <https://www.bndes.gov.br/wps/portal/site/home/financiamiento/produto/pronaf-mulher>.

<sup>h</sup> Further examples of Brazil's initiatives related to credit and gender can be found in the IDB study entitled "Caracterização das MPMEs brasileiras e os entraves do acesso ao crédito sob a perspectiva de gênero" (2022).

Within Latin America and the Caribbean, there are several examples of national and regional financial institutions which have incorporated these principles in their offering for women-owned and women-led businesses.

These programmes draw from international best practices which have demonstrated that a gender responsive approach can bring important gains in closing the gender credit gap. For example, the UNDP 2023 Gender Social Norms Index highlights on a successful example from Grameen Bank in Bangladesh. The bank placed its focus on microfinance to support pro-poor development especially among economically and socially vulnerable women. What they found was that women had high repayment rates, and now women make up more than 80 per cent of the Bank's microfinance clients.

Education gaps between men and women in the finance and investment fields is an area of concern to be addressed in the Latin American and Caribbean (Llusa 2010 and Williams and K'nlfe, 2012). Education programmes can address information asymmetries that disproportionately affect women. Programmes can focus on building skills related to business planning, project proposals and financial literacy. This can lead to better prepared applications to financial institutions which take into banking logic.

### **3. Providing support to build credit history and meet collateral requirements**

According to responses from the IDB Survey (2023), many public development banks find that limited credit history and collateral are cited as a common challenge when serving WMSMEs.

Financial institutions such as credit bureaus have a role to play in lowering the barriers for women entrepreneurs. The World Bank (2018) finds that credit reporting systems help to close the information gap between borrowers and lenders related to "borrowers' characteristics, past behaviour, repayment history and current debt exposure. With this information, lenders can price their loans using a more comprehensive risk assessment of their clients". This can be done through disseminating credit information and facilitating the creation credit histories. The presence of information sharing is also positively associated with a higher ratio of private credit to GDP particularly in developing economies.<sup>33</sup> As noted by the IFC (2011), small firms are less likely to have the required collateral or fixed assets like larger firms. They tend to have movable assets which may not be sufficient to acquire financing from formal institutions. In lieu of these limitations, financial institutions may rely on credit histories to determine the eligibility of potential clients for loans. By sharing the necessary know-how, women entrepreneurs can begin the build this credit history to acquire loans in the future. Further, banks can explore more innovative solutions and provide alternative credit scoring methods to reduce collateral-related barriers.<sup>34</sup>

### **4. Generating and using gender disaggregated data**

To design effective financial inclusion programmes, information and data on the needs of WMSMEs are required. As pointed out in the Gender Data Toolkit by the Alliance for financial inclusion (2017), "without sex-disaggregated data there can be a mismatch of perceived barriers to women's financial inclusion and policy interventions to address these constraints. Andrade et al.'s (2023) survey finds many development banks stress that access to gender disaggregated data is critical to determine the depth and scope of the credit gap. This not only pertains to the diagnosis and solution to this persistent problem, but also to the better understanding of the financial profile of woman owned businesses, risk level, and their acute needs. The study found that "lack of sex-disaggregated data is considered by 84% institutions to be a "very relevant" or "relevant" obstacle to expanding programs for WMSMEs and women's financial inclusion". As such, increasing the capacity of financial institutions to capture this data and reinforce monitoring and evaluation efforts.

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<sup>33</sup> Andrade, Azar, Kazembe, Lopez Mayher, & Vincensini, 2023.

<sup>34</sup> Andrade, Azar, Kazembe, Lopez Mayher, & Vincensini, 2023.

Recommendations from National Banking and Insurance Commission of Honduras which began implementation of the Plan for the Financial Inclusion of Women showcase the importance of data collection and the various ways it supports financial inclusion. As highlighted by the IMF (2021), this plan focuses on:

“Collection and reporting of quality information to identify gender gaps in deposits, credits and insurance, and in access to SME loans by women entrepreneurs. 2. Analysis of the collected information to quantify the impact of the financial inclusion of women on financial stability and market integrity, identify losses to national productivity resulting from limited access to financing by women, and identify missed business opportunities resulting from women's limited access to financial products. 3. Use of this information for the design of policy interventions, the evaluation of the impact of policies and regulatory interventions on women's access to and use of financial services, and an analysis of the quality of women's financial inclusion– including factors such as affordability, financial literacy, convenience and product choice”.

Boosting the statistical reporting capabilities of national statistical and financial institutions in Latin America and the Caribbean is imperative to achieve these metrics and objectives.

## 5. Facilitating the shift from informal to formal credit sources

Speaking to the informal home credit industry in the United Kingdom, Bermeo (2017) cites recommendations from Falconer & Lane (2017) who suggest safeguards to prevent exploitation of clients by lenders. These include, inter alia, “extend(ing) its cap on payday loan interest rates and fees across the market to protect consumers, strengthen its affordability guidance into rules to ensure responsible lending across the market, develop new rules placing a limit on the number of times a doorstep loan can be refinanced”.

Within the context of the United Kingdom, Kwong et al (2012) also offer recommendations which may help to reduce risk aversion in women through strengthening women’s entrepreneurial networks through policy support to ensure the dissemination of information and increasing education levels to support the formation of robust business plans.

Drawing from the Latin American experience, Avolio Allechi (2020) finds that “crowdfunding could be an alternative for women entrepreneurs, since it represents a single category of fund-raising based microfinance and crowdsourcing (Mollick 2013)”. It can allow businesses to raise funds without the geographical constraint.

## 6. Addressing gaps through national and international policy action

Morsy (2020) attributes the growing presence [of financial inclusion] on the global political agenda due to its role to achieve ‘economic and social development by mobilizing resources and channelling them for productive purposes in the form of loans’. The United Nations’ Sustainable Development Goals.<sup>15</sup> and Addis Ababa Action Agenda (2015) also recognize financial inclusion as an important component of social inclusion.

At the macro level, which looks at overarching economic and social goals, suggestions focus on building momentum and political will to magnify efforts to overcome systemic barriers.

Pavlova & Gvetadze (2023) state that “gender differences in obtaining bank finance constitute is rather strong form of market weakness”. They stress therefore that public action is required to assuage

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<sup>15</sup> [https://sustainabledevelopment.un.org/content/documents/2655SDG\\_Compendium\\_Digital\\_Financial\\_Inclusion\\_September\\_2018.pdf](https://sustainabledevelopment.un.org/content/documents/2655SDG_Compendium_Digital_Financial_Inclusion_September_2018.pdf).

women's perception of stronger financial barriers and expectations of unjust rejection. This can be achieved through female credit programmes, as observed in the Grameen bank, and targeted campaigns which specifically address the needs of women entrepreneurs through governmental policies.

One example from Latin America comes from the Brazilian Monetary Council which approved guidelines entitled Social and Environmental Responsibility Policy (Política de Responsabilidade Socioambiental - PRSA). These are mandatory guidelines to be followed by institutions authorized to operate by the Central Bank of Brazil. It takes into account the social and environmental impact of economic activities,<sup>16</sup> and includes a gender perspective. As a result, Brazilian institutions address gender issues in financing, whether directly or indirectly, on a wide scale.<sup>17</sup>

At a plurilateral level, the G20's women's financial inclusion agenda refers to broad changes which can support and promote women's participation in the credit industry, such as supporting measures to improve women's financial literacy, developing gender-sensitive legal and regulatory frameworks, encouraging financial institutions to adopt gender-sensitive policies and marketing strategies.

Under the Global Partnership for Financial Inclusion (2020), the G20 stresses the importance of digital technology to overcome barriers faced by women and increase access to credit. In this regard, digital inclusion plays an integral role in democratising credit access by leveraging digital technologies.

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<sup>16</sup> Banco Central do Brasil, 2023.

<sup>17</sup> Pereira Porto, Azar Barros, Carvalho de Moraes e Silva, & Portilho, 2022.



### III. Conclusion

Challenges to financial inclusion arise from several demand and supply factors and can be addressed simultaneously. The discussion on risk aversion in the literature offers distinction between credit availability and credit access. It also offers insight on where there is room to improve tactics to close to the gender credit gap.

Kwong et al (2012) suggest that “further sociological and psychological studies (internationally), particularly using qualitative approaches, to explore the reasons for the occurrence of such perceptions (of risk aversion) could help to identify the policy actions required to encourage more women into entrepreneurship in a more confident manner or highlights those areas where new legislation interventions may be required to counter discrimination”.

Recognising the diversity in the attitudes towards gender norms and roles across communities, countries and regions, solutions to encourage financial inclusion can be adapted depending on a country's development level and cultural context to ensure best results.

While access to credit may not resolve all impediments to women's economic empowerment, it is an important component to encouraging their fuller participation in the local and global economies.



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