# Moveable property lending facilitates women's access to finance

## What is movable property lending?

Movable property lending (MPL) is the use of **movable assets**, such as vehicles, manufacturing equipment, inventory, receivables or livestock, **as collateral for loans.** MPL increases borrowing opportunities for **enterprises and individuals who lack fixed assets,** such as land and buildings.

Movable property makes up the vast majority of assets for firms in developing countries. **Reforms enabling MPL thus have potential to dramatically boost liquidity and growth in the SME sector.**

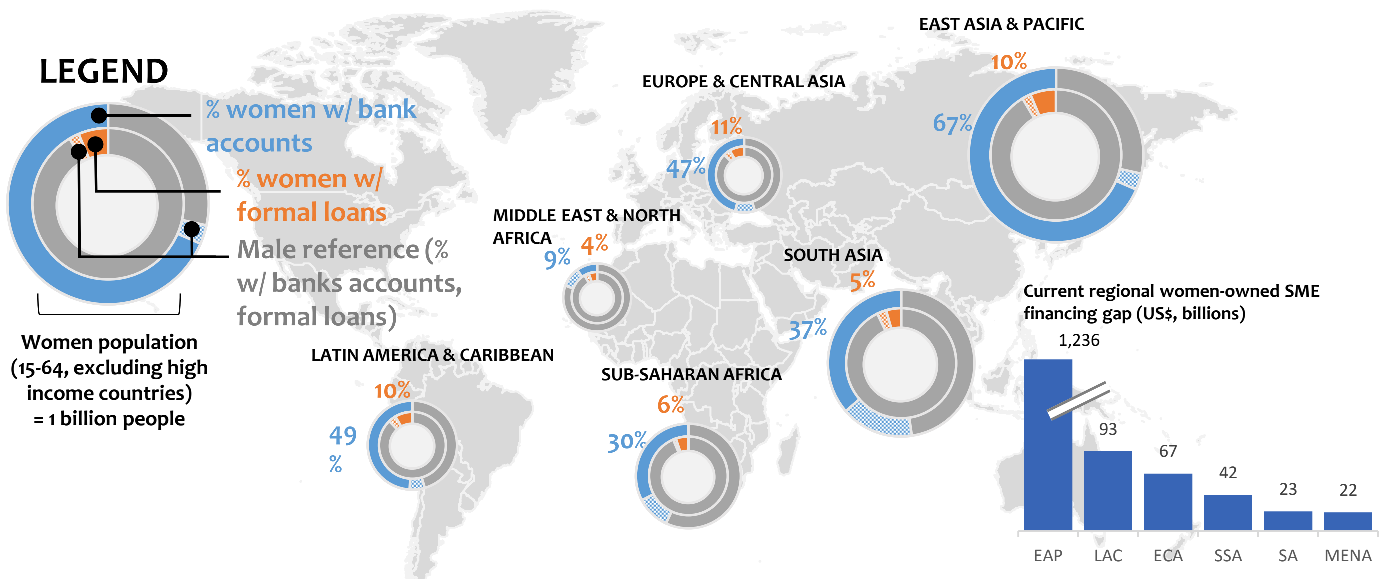
## What's in it for women?

Around the world, millions of women are legally or culturally (or both) barred from owning real estate. While potentially benefiting all kinds of SMEs, **MPL can play a critical role in enabling women's access to finance, particularly among women-owned SMEs,** enabling them to use movable assets as collateral.

**Unlocking new credit to SMEs can have an even broader impact on financial inclusion.** SMEs are often a key source of employment opportunities for women, helping them build credit histories and thus access borrowing opportunities themselves.

## The global gap in women's access to credit:

***While overall access to credit in mid and low income countries lags far behind OECD standards, women in emerging markets are disproportionally excluded from the financial system. The financing gap for women-owned SMEs exceeds $1.5 trillion***




Sources: World Bank Databank; SME Finance Forum

## The consequence of financing gaps on female entrepreneurship

**$1.5 trillion finance gap for women-owned SMEs**

**70% of women-owned SMEs are underbanked**

Although financial institutions vary, many perceive women-owned SMEs as higher risk and/or lower return, or may have gender-neutral policies that can overlook true gender-specific barriers.

**Only 10% of commercial loans go to women**

**Access to commercial capital is low for women**

74% of commercial loans use fixed property as collateral, yet SME assets are less than 22% fixed property. This collateral gap widens for women, who own less than 20% of privately held real estate.

**55% of unbanked adults are women**

**1.1 billion women are unbanked**

Women's access to formal finance is lower where legal rights to work or own property are restricted. With few assets, there is little incentive to join the formal system.

**58% women have bank accounts**

**Many women lack the financial relationships to qualify for credit**

Women are 17% less likely to have borrowed formally and are less likely to use a bank account to receive wages and for other purposes.

## Where does movable property lending stand today?

**78%**

of the capital stock of businesses in developing countries are movable assets

Economies across the world are implementing reforms to ease constraints on business and spur growth. Two common reforms combined to expand credit are development of legal frameworks for movable property-secured transactions and creation of modern web-based collateral registries.

Countries with modernized secured transactions laws **have increased credit access** in the private sector. Potential impact includes:

- Increased access to credit for underserved SMEs and women
- Increased competition in finance markets
- Reduced cost of credit to SMEs
- Diversified sources of credit for individuals and businesses
- Reduced creditor risk

### The trillion dollar case for MPL in China:

In 2006, **71% of Chinese SMEs cited lack of access to financing as their biggest constraint** on continued growth and development. In partnership with IFC, the People's Bank of China established a historic Property law and national receivables registry in 2007. By 2011, **MPL reforms had facilitated over US$3.5 trillion of financing and roughly US$1.1 trillion corresponded to new SME financing.** 63% of SMEs that obtained new loans using accounts receivable had female ownership, of which **20% are majority-owned by women.**

### Ghana pioneers MPL in Africa:

Ghana began MPL **reforms in 2008 with a new secured transactions law.** In the **first four years**, the majority of loans were issued to women, **with 10,000 women entrepreneurs accessing credit** using movable assets. The Bank of Ghana launched **Africa's first modern web-based collateral registry in 2012.** At the end of 2014, **60,000 loans were registered, valued US$14 billion.** More than **8,000 SMEs received loans.**

### Colombia boosts credit access for women:

Colombia established a secured lending law in 2013 and new centralized collateral registry in 2014. **Over 100,000 loans were secured with movable assets in less than one year, and 5,000 of those loans were for SMEs, valued at US$3.43 billion. Colombia ranked #2 globally in the World Bank's Getting Credit indicator for the Doing Business Report, up 52 positions from the year prior.** The registry helped **unlock credit for women and younger entrepreneurs.**

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# What pieces are needed for a healthy movable property lending system that can expand finance for women?

***While having the right legislation is key, it is only one of the elements for a successful movable property lending market. Building an effective MPL market requires creation of an ecosystem with sustainable supply, demand and foundational institutions.***

## SUPPLY

### CAPABLE LENDERS

*MPL requires financial institutions (FIs) with specialized products, services and capabilities, and moreover a "customer orientation" shaped to serve the particular needs of women and the industries in which they tend to operate. Participating FIs can include traditional banks, but also alternative lenders, such as socially-oriented banks, MFIs, lending cooperatives, or non-bank credit providers.*

## DEMAND

### CAPABLE BORROWERS

*Women, like all borrowers, must have not only the assets and desire for credit, but also the business acumen and management skills to access MPL. In addition to being conscious of MPL opportunities, borrowers need effective bookkeeping and accounting practices, asset management capabilities, and a traceable credit history.*


## FOUNDATION

### MPL LEGISLATION & COLATERAL REGISTRY

*The core foundation of MPL includes legislation creating a modern legal framework aligned with international MPL standards, and creation of a digital collateral registry enabling direct access for any party.*

### SUPPORTING INDUSTRY

*Adjacent industries provide goods and services that are critical to MPL across a range of asset types. Examples include asset valuation services, insurance, bonded warehousing and re-sale markets.*

### ECONOMIC CONDITIONS

*The strength and stability of the local economy determine the viability of MPL, for both women and men. Stable growth and predictable markets create the conditions for successful business investment and the extension of credit.*

### ENABLING SOCIAL NORMS

*Cultural norms help enable women to own assets and access lending and can shape their mobility, roles and responsibilities, autonomy, and household decision-making. They can also affect time horizons and ability to take on risk.*

### GOVERNANCE & SECURITY

*Good governance and basic human security enable lending, particularly a strong, trusted judicial system. This establishes protections in case of default, and diminishes risks that may deter participation in MPL.*

### ACCESS TO INFRASTRUCTURE

*Key hard (e.g., roads), soft (e.g., telecom) and social (e.g., education systems) infrastructure equips women and men with the mobility, skills and information to access MPL.*

## Applying a gender lens to the MPL ecosystem

***While cultivating a holistic, healthy MPL ecosystem is key to success, specific levers within the MPL framework can play a critical role in activating women borrowers:***

- Regulations, backed by government leadership, enable gender parity in mobility, access, and entrepreneurship among **SMEs and MSMEs**, as well as **broad social and economic equity**.
- **Gender-disaggregated data** equips government and banks to enact policies that better serve women's business pursuits and access to MPL, and track progress.
- **Financial cooperatives** help close funding gaps in the banking sector by providing alternative channels for underbanked individuals and MSMEs, while **women's business associations** help women entrepreneurs and leaders.
- A strong **microfinance sector** can connect MPL services to micro enterprises where women-owned businesses are often concentrated, creating a pathway for growth.
- **Norms that accept women's ownership of assets and role in business** help to create a pipeline of women business leaders, and build resilience against gender-based violence in the face of social change . Acceptance of **innovation and change** increases security in women's uptake of MPL.
- **Education** for women and girls equips them with core numeracy, literacy, and reasoning skills and sense of self-empowerment that enable them in business and in accessing credit, while **health and social services** (e.g., **child care**) reduce personal and financial risks to women.
- **Targeted training**, offered through a robust social sector, government or commercial enterprise, can help women MSME owners and other borrowers develop the skills they require to access MPL (e.g., accounting, tracking inventory, business plan development, etc.) .

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