BANKING ON WOMEN

Who Trade Across Borders

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About IFC

IFC is the largest global development institution focused on the private sector in emerging economies. IFC, a member of the World Bank Group, advances economic development, and improves the lives of people by encouraging the growth of the private sector in emerging economies. It achieves this by creating new markets, mobilizing other investors, and sharing expertise. In doing so, it creates jobs and raises living standards, especially for the poor and vulnerable. IFC's work supports the World Bank Group's twin goals of ending extreme poverty and boosting shared prosperity on a livable planet. For more information, visit www.ifc.org.

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FOREWORD

Trade between countries boosts economic growth and lifts people out of poverty in emerging markets by creating jobs, particularly for small and medium enterprises (SMEs). However, the exchange of goods and services between entities in different countries often involves a complex set of transactions, multiple institutions, as well as financial intermediaries.

To add to the complexities of cross-border trade, SMEs in emerging markets experience various levels of difficulty in getting financing from banks. Women-owned SMEs particularly face greater challenges, as they tend to be smaller and younger, which means they have shorter credit histories and therefore less likely to get financial support.

In addition, women often lack sufficient collateral because they generally own fewer assets, making it difficult for them to get loans to launch or expand their companies, hire more people, and contribute to the growth of local economies.

Accessing trade financing presents even greater challenges for women. Women-owned businesses often operate informally, so they are excluded from public records, which is critical for financial institutions to access and to assess the risks profiles of customers before extending trade financing.

As part of efforts to address the trade finance gap, IFC has mobilized billions of dollars to support importing and exporting businesses in emerging markets thrive. As of summer 2023, IFC's Global Trade Finance Program has issued guarantees covering transactions for more than $100 billion since its inception in 2005. Since 2019, IFC's Banking on Women Global Trade Finance Program has supported hundreds of transactions with women exporters and importers, totaling over $260 million (see Figure 1 – Seeds of Prosperity: Mamounata Velegda's Success Story).

Still, to enhance trade finance opportunities for women-led businesses, we need to understand better the challenges surrounding their access to trade finance. And this study is the first attempt to bring greater clarity to that subject.

The study suggests that certain aspects of trade finance markets magnify the difficulties faced by women-led firms. For example, stringent collateral requirements and a costly and complex documentation process discourage women from seeking trade finance. The report offers insight into these problems and provides potential solutions through interviews with women entrepreneurs and financial institutions across several countries in Africa and Latin America.

IFC's commitment to reduce the trade finance gender gap and help women-led enterprises thrive relies on both our expertise and our record of mobilizing capital for development. We hope the insights and recommendations in the study will improve decision-making for all stakeholders across this sector.

Mohamed Gouled, Vice President of Industries, IFC
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EXECUTIVE SUMMARY

Banking on Women Who Trade Across Borders highlights the need for gender equality in international trade and trade finance, emphasizing its importance for sustainable development in emerging markets. The positive impact that women-led enterprises have on economic growth and poverty reduction is well documented, however there remains a limited understanding of how international trade intersects with female participation, particularly in accessing trade finance. Women entrepreneurs and women-owned enterprises face a number of challenges in accessing trade finance, including gender bias, limited networks, and information disparities; these are further exacerbated by the business practices of trade finance markets. This report examines the status of women's access to trade finance, and provides potential solutions derived from interviews with women entrepreneurs and financial institutions in Brazil, Kenya, and Nigeria.

Gender and Access to Finance (Chapter 2) summarizes the documentary evidence for the specific challenges women-led firms encounter in accessing trade finance, examining the systemic barriers such as small business size, relatively young business age, and the informal status of many women-owned businesses. These barriers persist, despite previous efforts to dismantle them, indicating deeply ingrained biases within capital markets and societies. Stringent collateral requirements, the scale of business activity needed to justify relevant financial instruments, complex documentation processes, the absence of market information, and sectoral disparities in trade finance availability are identified as specific hindrances to women's ability to access trade finance. The connectivity between these factors demonstrates the need for targeted intervention to address the gender gap in trade finance for women who trade across borders.

Country Studies – Results from Brazil, Kenya, and Nigeria (Chapter 3) presents the outcome of interviews conducted with over 200 women in three different emerging economies, and provides a real-time portrait of the financial difficulties and common challenges encountered by women-owned firms engaged in cross-border trade. The requirement for collateral emerges as the primary obstacle to accessing trade finance across all three nations. High interest rates and fees place further financial constraints on women traders, reflecting wide gender-based disparities in access to trade finance. Bureaucratic processes pose another significant barrier, particularly in Nigeria, highlighting the need for streamlined procedures and greater institutional capacity to support small and medium enterprises. Knowledge gaps about trade finance instruments highlight the need for targeted capacity building to empower women traders to increase their participation in global markets.

Scaling up Trade Finance for Women-Owned Firms (Chapter 4) provides strategies designed to increase women's access to trade finance, such as focusing on reducing the information deficit, simplifying financial instruments through digitization, promoting fintech, and increasing capacity building for both firms and financial institutions. The requirement for collateral is addressed through the implementation of institutional frameworks—collateral registries and credit bureaus—to broaden access to finance for women-led enterprises. Financing based on warehouse receipts and supply chain finance are alternatives to collateral, particularly beneficial for women traders in the agricultural sector. Access to trade finance can be further improved through fintech, which can play an important role in facilitating creditworthiness assessments, while providing diverse funding sources and improving payment methods.

Blended finance is seen as a transformative approach to empower women trade entrepreneurs by leveraging private sector capital with concessional funds and donor support to promote sustainable growth for women-led businesses. Blended finance creates a more inclusive financial ecosystem through the strategic application of donor funds and the integration of gender-focused criteria into portfolio analysis.

The main results of this study and a call to action for all stakeholders—finance providers and development finance institutions, government and regulatory bodies, and women-led businesses—are summarized in Recommendations and Action Items (Chapter 5). All stakeholders have an important part to play: Financial institutions can benefit from tailored training and offer more risk-sharing facilities; governments and regulatory bodies can improve the regulatory framework and facilitate the approval of risk-sharing facilities; development partners need to provide capacity training on innovative trade finance instruments; and women-owned enterprises can actively participate in industry associations. Finally, collaborations between finance institutions and governmental bodies can mitigate risks and raise awareness, providing a forum to discuss potential solutions. Improving the perceived risk profile of women-owned businesses is crucial; feasible approaches include taking into account their historical low default rates and the self-liquidating nature of trade. The gender gap in access to trade finance can be narrowed by recognizing the advantages of banking women customers and by providing legal encouragement for the digitization of trade finance transactions.

DEFINITIONS AND ABBREVIATIONS

Definitions

Assignment of proceeds: Legal mechanism whereby the beneficiary of a letter of credit assigns the right to receive payment under the letter of credit to a third party.

Avalization: The provision of a financial guarantee issued by a bank or financial institution to endorse a negotiable instrument such as a bill of exchange or promissory note.

Bill avalization: A trade finance mechanism whereby a bank issues a guarantee (aval) on a bill of exchange issued by an exporter to ensure payment to the importer.

Export letter of credit discounting: A trade finance technique in which an exporter sells its receivables (payments due under an export letter of credit) to a bank or financial institution at a discount in exchange for cash or credit.

Fintech: Advances in technology that have the potential to transform the provision of financial services spurring the development of new business models, applications, processes, channels, and products.

Gender gap: Disparity between women and men in accessing and using financial services and products.

Green Clause letter of credit: Variation of the traditional letter of credit, containing a unique clause allowing the bank to make advance payments (generally up to 80%) to the exporter before the exporter presents any shipping documents. The payment generally takes place against title documents, such as a warehouse receipt. This variation is often used in the commodity trade market and offers more security than a Red Clause letter of credit.

Letter of credit: Form of documentary credit whereby a bank promises to honor drafts payable to one party, drawn on it by another party.

Promissory note discounting: Financial mechanism in which a promissory note is sold to a bank or financial institution for a discount in exchange for cash.

Receivables finance/factoring: Short-term financing mechanism, typically used to improve cash flow, whereby an enterprise sells its invoices to a financial institution at a discount for cash.

Red Clause letter of credit: Variation of the traditional letter of credit, containing a unique clause allowing the bank to make advance payments (generally up to 25%) to the exporter before the exporter presents any shipping documents. This could even take place prior to manufacturing or packaging, and is suitable for financing raw materials.

Trader: Enterprise engaged directly in cross-border trade of goods or services.

Trade finance: Financial instruments and products used to facilitate international trade transactions.

Transferable letter of credit: Specialized letter of credit that allows the original beneficiary of the letter of credit to transfer all or part of the proceeds to a secondary beneficiary, who may be a supplier.

Abbreviations

BOW	Banking on Women
(D)FI	(Development) Finance Institution
EBITDA	Earnings before interest, taxes, depreciation, and amortization
Forex	Foreign Exchange
GTFP	Global Trade Finance Program

L/C	Letter of credit
SCF	Supply chain finance
SME	Small and medium enterprise
WLB	Woman-led business
WSME	Woman-owned or woman-led small and medium enterprise

1. INTRODUCTION: THE NEXUS BETWEEN GENDER, INTERNATIONAL TRADE, AND TRADE FINANCE.

Understanding the connections between gender, international trade, and trade finance is critical to solving the problems in access to finance faced by women who trade across borders.

Gender equality has been recognized as a fundamental pillar within the global development agenda, standing as an indispensable element in the pursuit of sustainable development worldwide. Embraced by the development community within the United Nations Millenium Development Goals (2000) and Sustainable Development Goals (2015), gender equality is not approached merely as a moral imperative or an objective in itself, but rather as a cross-cutting development target catalyzing progress across societies. Enhancing women's participation in economic activities—through greater female engagement in the workforce, as well as growing the numbers, scale, and scope of enterprises led by women—is an essential part of the agenda associated with economic growth and poverty reduction.[1] While empirical results often present a varied picture, the potential for women-led enterprises to contribute to this agenda has been highlighted in different contexts.[2]

International trade is an essential aspect of economic activities; and yet, its intersection with female participation in the economy is less well understood. This is especially true for trade finance, which is a critical facilitator of cross-border transactions. Because trade finance represents a specific form of financing, access to it is associated with the common challenges related to general finance, alongside specific issues associated with the complexities of trade finance instruments. Women-led enterprises have consistently documented such challenges, which tend to exacerbate general and specific access to trade finance in a prohibitively acute manner. Other challenges to women's effective participation in trading across borders include gender bias, smaller networks, and uneven access to information.[3] The research in this report is an attempt to better understand the challenges faced by women entrepreneurs in trade finance and to provide potential solutions to alleviate them.

Such solutions have the potential to unleash significant economic benefit for women-led firms through international trade. Research has shown that businesses involved in trade create better, higher-wage jobs for all workers, particularly female workers. Exporting and importing firms in emerging markets employ 8.9% and 5.1% more women than non-exporting firms and non-importing firms, respectively.[4]

However, women-led firms account for only about 15% of exporting businesses globally.[5] So, why is trade finance vital to them? An exchange of goods or services between entities in different countries involves a significant time lag, which requires financial intermediation between entities that do not necessarily have a pre-existing relationship. Needs for this kind of intermediation remain largely unmet, especially for smaller enterprises and for new traders.[6] [7] Globally, the trade finance gap stands at about $2.5 trillion according to estimates by the Asian Development Bank—this represents about 10% of global trade,[8] mostly in emerging economies.

This report highlights five specific features of trade finance markets that tend to amplify the difficulties faced by women-led firms: a) collateral requirements, b) the scale of business activity justifying the use of relevant instruments, c) the complex documentation process, d) cost of risk mitigation, and e) sectoral disparities in the availability of trade finance. The effect of these market features mirrors challenges in women's participation in economic activities more generally, such as their ownership of assets, financial literacy, participation in business networks, or the sectoral concentration and the small average size of their activities, among others. To frame these issues succinctly, numerous women entrepreneurs and financial institutions across several countries in Africa, Asia, and Latin America were interviewed, to directly incorporate the voices of individuals on the ground. The report concludes with solutions for relevant stakeholders, including firms, financial institutions, government, and development finance institutions, which can help increase access to trade finance and close the gender gap for women who trade across borders.

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1 Back-of-the-envelope estimates suggest that Gross Domestic Product (GDP) contributions by increased female participation in the workforce could lie in the range of 6–26% (Citigroup 2017; McKinsey Global Institute 2015). Further, increasing gender parity among entrepreneurs could boost global GDP by 2–3% and add millions of jobs (Citigroup 2022), with lasting positive effects on the economy. In Asia alone, women's economic empowerment has been associated with an increase in per capita income of 30.6% after one generation and 71.1% after two generations (Park and Inocencio 2018)

2 In the private sector, recent studies found companies with gender-diverse boards had better EBITDA margins, stock performance, and less shareholder dissent (London Business School, SQW, and Financial Reporting Council 2021). In addition, Morgan Stanley Capital International found that companies with strong female leadership at the board level generated a 36.4 % higher return on equity than companies without a critical mass of women on their boards (Kumar 2019)

3 The global gender finance gap for SMEs is estimated at $1.7 trillion (IFC 2017). Women entrepreneurs, particularly small-scale traders, face a higher risk of bribery and harassment than male entrepreneurs (World Bank Group and World Trade Organization 2015). Women entrepreneurs have less access to trade networks, which are highly essential in facilitating trade links (Schiff et al. 2013)

4 World Bank and World Trade Organization, Women and Trade: The Role of Trade in Promoting Gender Equality, 2020

5 OECD/WTO, Aid for Trade at a Glance 2017: Promoting Trade, Inclusiveness and Connectivity for Sustainable Development, 2017

6 IFC-World Trade Organization, Trade Finance in the Mekong Region, 2023

7 The term 'traders' in this report refers to enterprises engaged directly in cross-border trade of goods or services

8 Asian Development Bank, 2023 Trade Finance Gaps, Growth, and Jobs Survey, 2023

2. GENDER AND ACCESS TO FINANCE

Access to finance plays a key role in facilitating economic opportunities and fostering growth. However, for women entrepreneurs and women-owned businesses, accessing finance—particularly trade finance—presents unique challenges and barriers that hinder women's participation in international trade. This chapter explores the systemic hurdles that women face in this area, elaborating on the key aspects of trade finance markets that magnify the problems encountered by women-led firms.

Access to Finance is Challenging for Women-Led Firms

Across many regions of the world, women-led businesses often face constraints in accessing finance due to several common features, well-documented in the literature. Women-led businesses are generally smaller, whether measured by number of employees or assets;[9] [10] they have a younger average age, resulting in shorter credit histories,[11] and they tend to survive and grow less than male-led competitors.[12] Moreover, women-led businesses are more likely to be informal, which excludes them from public track records.[13] Such observed patterns have significant implications for their access to finance. Limited access to finance weakens their growth, asset ownership, and survival prospects, creating a vicious circle.

The lower average financial literacy among women and the concentration of women-led businesses in specific sectors such as retail services and agriculture—sectors that are often underserved by financial institutions[14]—discourage these firms from seeking external finance.[15] [16] On the supply side, financial institutions perceive women-owned enterprises as high risk, partly due to their small size and young average age, and partly because of incomplete records. Consequently, financial institutions frequently require collateral and are more inclined to reject applications or impose higher interest rates for the same reasons.[17]

Observations regarding firms' characteristics such as size, age, sector, and managerial experience explain a significant portion, but not all, of the gender disparity in access to finance. Women-led businesses continue to experience reduced access to finance even after accounting for the characteristics described above.[18] This strongly indicates that bias is deeply ingrained within capital markets and societies.

A gender gap in asset ownership has real implications for women's access to finance. Women own fewer assets than men, a trend influenced by deeply-ingrained cultural practices[19] [20] and sometimes reinforced by legal codes.[21] In an environment where women-owned businesses are perceived as riskier, the inability to provide assets as collateral further restricts access to finance, contributing significantly to the observed differences in performance between female- and male-owned firms.[22] Women may also be perceived by credit providers as less committed to their businesses because they often have the primary responsibility for household demands, thereby diminishing their access to finance.[23] However, neither perception is widely supported by empirical evidence. Recent studies suggest, for example, that women are more likely than men to repay their loans.[24] [25]

This report proposes a number of recommendations (see Annex 1) aimed at finance providers, development finance institutions, government and regulatory bodies, and women-led businesses to counter the challenges faced by women traders in accessing trade finance. Mamounata Velegda's story (Figure 1) provides an inspiring example to women entrepreneurs of successful access to trade finance.

9 Amin, Gender and firm-size: Evidence from Africa, 2010

10 Compared to women, men own a far larger range of assets (Jacobs et al. 2011), including more high-value assets such as land (Kantor 2002). In many countries, this unequal distribution often occurs at a relatively early age. Such barriers limit women's ability to start businesses (Greer and Greene, 2003) and if they manage to overcome such formidable constraints, it sets these women-owned businesses on lower growth trajectories (Carranza et al. 2018)

11 Klapper and Parker, Gender and Business Creation for New Firm Creation, 2011

12 Yang and del Carmen Triana (2019) demonstrate that female entrepreneurs' businesses tend to have a higher failure rate than those of male entrepreneurs. Conversely, Allison and al. (2023) showed that the underperformance of firms with female top management is significantly influenced by SMEs and varies across different world regions

13 McKenzie, Gender, Entry Regulations, and Small Firm Informality: What Do the Micro Data Tell Us?, 2009

14 In Africa, less than 1% of commercial lending is destined for the agricultural sector (IFC 2013). Financial institutions are reluctant to accept the risks prevalent in this sector and are ill-prepared to finance agri-food industries (Ruete 2015)

15 Aterido et al., Access to finance in Sub-Saharan Africa: is there a gender gap?, 2013

16 Mallik et al., Does firm size really affect the outcome of loan applications?, 2022

17 Muravyev et al., Entrepreneurs' gender and financial constraints: Evidence from international data, 2009

18 Aristei and Gallo, Does gender matter for firms' access to credit? Evidence from international data, 2016

19 Brixiová et al., Enterprising Women in Southern Africa: When Does Land Ownership Matter?, 2020

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21 Hallward-Driemeier and Hasan, Empowering women: Legal Rights and Economic Opportunities in Africa, 2012

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23 World Bank and World Trade Organization, Women and Trade: The Role of Trade in Promoting Gender Equality, 2020

24 IFC, Lower Nonperforming Loans (NPLs) for Women-Owned SMEs, 2023

25 D'Espallier et al., Women and Repayment in Microfinance: A Global Analysis, 2011

Figure 1. Seeds of Prosperity: Mamounata Velegda's Success Story— BOW-GTFP Program supports women who trade across borders

Mamounata Velegda is one of Burkina Faso's most successful women entrepreneurs.

She owns a thriving seeds and grain processing factory in the capital, Ouagadougou.

But getting there wasn't easy. She started her business with only 300 CFA francs—less than $1, and began by walking 15 kilometers daily to sell corn flour at the market in her home village.

Today, her business exports sesame seeds not only to neighboring countries like Togo, but her company, Groupe Velegda, has also established a thriving presence in Denmark and Switzerland.

Mamounata is now building a rice processing facility in Burkina Faso, with the aim of elevating the nation's local rice production and positioning it as a prominent exporter of this beloved West African staple.

With support from IFC's client Coris Bank International (CBI), Mamounata has created more than 300 jobs and inspired many other women across Burkina Faso to open their own businesses. CBI is part of IFC's Banking on Women initiative, as well as the largest African partner in the Women in Trade Initiative under Global Trade Finance Program (GTFP).

Since its inception in 2012, IFC's Banking on Women program (BOW) has provided financial assistance and business expertise to women-owned SMEs through an innovative investment-advisory model. Collaborating with financial institutions, BOW designs customized value propositions that provide both financial and non-financial services to empower women entrepreneurs.

In 2019, IFC's BOW initiative and GTFP joined forces to create BOW-GTFP. This Women in Trade initiative encourages banks to increase access to trade finance for women-owned SME entrepreneurs in emerging markets so that they can grow and expand their businesses. The program is supported by the Women Entrepreneurs Opportunity Facility (WEOF), a partnership launched by the Goldman Sachs/IFC 10,000 Women program and BOW. To date, more than $260 million of trade finance funding has been allocated by this partnership to support more than 233 women entrepreneurs around the world.

Since its launch, BOW has invested $4.29 billion in emerging market financial institutions, making substantial strides with 251 projects across 76 countries. As the BOW business continues to break barriers and empower women globally, it remains a beacon of progress, setting new benchmarks for gender-inclusive financing.

Source: IFC Stories - Women in Trade 2024

Trade Finance Characteristics Add Further Constraints to Women's Access

Trade finance represents a distinct category of finance, entailing the typical access challenges inherent to finance discussed earlier, as well as issues specific to trade finance instruments. The latter tends to be particularly challenging for women-led trading firms, potentially rendering access to finance impossible.

This section elaborates on five aspects of trade finance markets that tend to magnify the difficulties faced by women-led firms: collateral requirements, the scale of business activity necessary to justify the use of relevant instruments, the complex documentation process, the absence of market information and the cost of risk mitigation, and the sectoral disparities in trade finance availability.

COLLATERAL REQUIREMENTS

Collateral is a prerequisite for the majority of credit provision in emerging economies, with this requirement also extending to trade finance. For example, in Africa, the absence of collateral is identified by 90% of commercial bank respondents as the primary reason for the rejection of trade finance applications.[26] [27] Similarly, among commercial banks in Asia, lack of collateral is the most commonly cited reason for rejecting applications.[28] This poses a significant challenge for women entrepreneurs who may be deterred from applying altogether due to the lack of such assets.

In principle, the absence of capital or land assets should pose less of a constraint to accessing trade finance, as the goods being traded can serve as collateral. Unlike traditional lending, where the balance sheet is the primary determinant of an applicant's creditworthiness, the use of traded goods as collateral would be expected to mitigate the disadvantage faced by SMEs and women-owned trading firms. Moreover, trade finance transactions are typically short-term and can be self-liquidating.

However, providing credit for cross-border transactions is inherently riskier than transactions taking place within a single jurisdiction, due to the involvement of numerous actors and different, potentially conflicting, enforcement mechanisms. For example, even when the value of the underlying goods is substantial, it is not straightforward for the credit-providing financial institution to legally seize and dispose of goods in the case of default when the goods are located in a different jurisdiction. Therefore, asset collateral remains the first recourse for banks in trade finance transactions, which disproportionately affects asset-light women-owned firms and SMEs.

SCALE OF BUSINESS ACTIVITY

Due to the complexity of processing, the minimum efficient size of cross-border transactions for banks to provide trade finance is typically high compared to other types of finance, often exceeding the capacity of smaller trading firms. For instance, in Africa, the average value of a letter of credit (L/C)—the most widely used trade finance instrument—is approximately $2 million.[29] To provide context, the average general-purpose loan for micro, small, and medium enterprises is $1,267, $21,438, and $133,000, respectively,[30] This means that the value of most successful L/Cs far surpasses the range demanded by most SMEs.

Women-led firms are disproportionately represented among very small, small, and medium enterprises; and surveys show that women-led firms are smaller than the median size of firm that requests trade finance,[31] [32] confirming earlier evidence of a strong negative correlation between the size of the firm and women ownership.[33] Therefore, it should not be surprising that women-owned firms are more likely to find bank-intermediated trade finance beyond their reach.

26 IFC-World Trade Organization, A study of Côte d'Ivoire, Ghana, Nigeria, and Senegal, 2022

27 African Development Bank, Trade Finance in Africa: Trends Over the Past Decade and Opportunities Ahead, 2020

28 Kim et al., 2019 Trade Finance Gaps, Growth, and Jobs Survey, 2019

29 African Development Bank, Trade Finance in Africa, 2014

30 IFC, IFC Financing to Micro, Small, and Medium Enterprises Globally, 2014

31 World Bank and World Trade Organization, Women and Trade: The Role of Trade in Promoting Gender Equality, 2020

32 Di Caprio et al., Trade Finance Gaps, Growth and Jobs Survey, 2016

33 Amin, Gender and firm-size: Evidence from Africa, 2010

COMPLEX DOCUMENTATION PROCESS

Cross-border transactions involve more complex legal and compliance issues than transactions within a single jurisdiction. A significant aspect is the documentary requirements for typical trade finance applications such as L/Cs. A standard trade finance application can require the involvement of as many as 20 separate certifying entities, and up to 100 documents (e.g., bills of lading, commercial invoices, insurance) that must be consistent and sometimes processed sequentially. Indeed, documentary processing can be time-consuming and costly, accounting for 50-60% of the price of a typical transaction in some cases.[34]

Given the complexity of trade finance transactions, and considering the large gender gap in this area—especially in emerging economies—women-led enterprises are at a greater disadvantage.[35] It is important to note that financial literacy is not only associated with the use of financial services, such as having a bank account or insurance, but also with making better financial decisions and accessing financial services at lower costs. More importantly for trade finance, financial literacy also affects the depth and accuracy of financial recordkeeping.[36]

ABSENCE OF MARKET INFORMATION

Information asymmetry presents a major barrier to SME access to finance, affecting both the demand and supply sides of capital. Commercial banks often have difficulties in assessing the creditworthiness of SME trade finance applicants due to their limited track record, credit history, and lack of published financial information. Large surveys of African commercial banks active in trade finance consistently identify this as a persistent obstacle to providing trade finance.[37] [38] [39] Surveys in Asia reveal that commercial banks face similar challenges in assessing creditworthiness when extending trade finance to SMEs.[40] [41]

Furthermore, the requirement to comply with stringent regulatory regimes to prevent money laundering and terrorist financing in international transactions tends to worsen the information constraints facing smaller firms. Indeed, insufficient information about firms is cited as one of the top five reasons for the rejection of trade finance applications by banks in Asia. Anti-money laundering and know-your-customer requirements not only remain a top reason for the rejection of trade finance applications by SMEs but also serve as a general impediment for these banks to expand their trade finance portfolios.

Women-led businesses may be unequally affected by such regulatory requirements. Women tend to have smaller networks within the markets they operate,[42] limiting the amount of information they can provide to financial institutions through their interactions with other producers or service providers. Importantly, smaller networks also restrict the market information available to the women themselves regarding trade opportunities, financing options, and other alternatives to engage in international trade.

The information deficit results in reduced demand for trade finance. Discouraged applicants—traders who either do not apply or are rejected for financing—tend to widen the gender gap.[43] The fact that there are fewer rejections of trade finance applications relative to other loan types, such as working capital loans,[44] suggests that most non-users have never applied. This is either because they are not aware of the instruments or because they have been discouraged from applying by limited or inaccurate information.

Traders face a further constraint in that the available information may vary by trade finance instruments, as indicated by the significant heterogeneity in observed rejection rates by instrument.[45] In interviews conducted by IFC between October 2021 and March 2022 in Africa, Southeast Asia, and Latin America, banks indicated that their clients are apparently aware of only a small number of trade finance instruments compared to the relatively large number available, and that their knowledge is restricted to mainly L/Cs, which have the highest rejection rates among all the trade finance instruments.

34 Pasadilla, Regulatory Issues Affecting Trade and Supply Chain Finance, 2014

35 Hasler and Lusardi, Gender Gap in Financial Literacy: A Global Perspective, 2017

36 Xu and Zia, Financial Literacy around the World: An Overview of the Evidence with Practical Suggestions for the Way Forward, 2012

37 African Development Bank, Trade Finance in Africa, 2014

38 African Development Bank, Trade Finance in Africa: Overcoming Challenges, 2017

39 IFC-World Trade Organization, Finance in West Africa. A study of Côte d'Ivoire, Ghana, Nigeria, and Senegal, 2022

40 Kim et al., 2019 Trade Finance Gaps, Growth, and Jobs Survey, 2019

41 Kim et al., 2021 Trade Finance Gaps, Growth, and Jobs Survey, 2021

42 Dawson et al., Entrepreneurs' Perceptions of Business Networks: Does Gender Matter?, 2011

43 African Development Bank, Trade Finance in Africa: Trends Over the Past Decade and Opportunities Ahead, 2022

44 International Chamber of Commerce, ICC Global Survey on Trade Finance, 2020

45 For example, the average rejection rate for commercial L/Cs is twice that of guarantees and almost five times that of a standby L/C (ICC 2020), although an L/C as a primary payment method is less risky in terms of payment risk

COST OF RISK MITIGATION

During credit risk origination for trade finance transactions, commercial banks must mitigate numerous sources of risk. The credit risk of the client can be addressed using balance sheet information or collateral. However, due to the complexity of international transactions across different jurisdictions, other sources of risk also remain, such as transportation. Often, financial institutions will take out insurance to further minimize such risks.

The cost of this insurance is determined not only by country risk but also by client firm characteristics such as size of the firm and cross-border transaction history.[46] As women-led firms are smaller and less likely to engage in external trade relative to male-led firms,[47 48] this increases the cost of finance for the banks. This higher cost often translates into higher prices for trade finance for women-owned firms and SMEs.

SECTORAL DISPARITIES IN TRADE FINANCE AVAILABILITY

The concentration of women-led firms in the agriculture and asset-light services sectors of emerging economies affects their ability to access trade finance. Financial institutions are often reluctant to accept the risks from factors such as weather, climate, or commodity prices that are prevalent in the agricultural sector. Such institutions may be ill-prepared to finance sustainability transitions in agri-food industries[49] such as the adoption of environmentally friendly technology. Likewise, banks may not be in a position to adequately assess the risks for fast-moving consumer goods, where production standards can vary, and market fragmentation and volatility exist.

An example of the connection between the two sectors can be found in West Africa. In Nigeria, 63% of women-owned SMEs are in the agriculture and wholesale/retail sectors,[50] and within the Economic Community of West African States, the agricultural sector has the highest proportion of traders, indicating insufficient trade finance exists.[51] The fourth most populous sector for women-owned SMEs falls within the wholesale/retail sector and is "fast-moving (i.e., sold quicky and at relatively low cost) consumer goods."[52] Consistent with this example, survey data from East Africa shows a significant gender difference in terms of discouraged firms—firms with a requirement for finance but which did not apply due to fear of rejection. Specifically, the four largest sectors with discouraged firms are retail/wholesale, small-scale manufacturing, apparel/garment, and agriculture.

46 Pasadilla, Regulatory Issues Affecting Trade and Supply Chain Finance, 2014

47 Orser et al., Gender and export propensity, 2010

48 Garg and Shastri, Export Behaviour of Firms in India: Does Gender of the Firm Owner Matter?, 2022

49 Ruete, Financing for Agriculture: How to boost opportunities in developing countries, 2015

50 EFInA, Driving Access to Finance for MSMEs in Nigeria, 2021

51 IFC-World Trade Organization, Trade Finance in West Africa. A study of Côte d'Ivoire, Ghana, Nigeria, and Senegal, 2022

52 Fast-moving consumer goods, also known as consumer-packaged goods, are products that are sold quickly and at a relatively low cost. Examples include non-durable household goods such as packaged foods, beverages, toiletries, candies, cosmetics, over-the-counter drugs, dry goods, and other consumables

3. COUNTRY STUDIES – RESULTS FROM BRAZIL, KENYA, AND NIGERIA

To provide a deeper insight into the financial constraints faced by women-owned firms trading across borders, IFC conducted interviews with financial institutions and women entrepreneurs in three emerging economies with diverse trade profiles: Brazil, Kenya, and Nigeria. Interviews with women entrepreneurs in these countries reveal a number of common challenges in accessing trade finance. Results are drawn from a sample of 70 women in Brazil, 60 in Kenya, and 85 in Nigeria, between 2021 and 2022.

While the literature on access to finance is well-established, few studies have examined gender differences in access to trade finance. A notable recent contribution from the Asian Development Bank used two versions of its Company Survey on Trade Finance,[53] comparing access to finance between women- and male-led firms across 103 countries.[54] For women-led firms, the results indicated a significantly more frequent requirement for collateral, lower access to traditional banking facilities such as lines of credit, and a reliance on informal funding sources. This disparity extends to application and rejection rates for trade finance in general: women are less inclined to apply for trade finance and face much higher rejection rates by banks.

In the IFC interviews, the requirement for collateral is cited as the primary obstacle in accessing trade finance for women-led firms, particularly in Brazil. Women-owned businesses struggle to meet the stringent collateral demands by banks, a pattern consistent across Brazil, Kenya, and Nigeria. This barrier is compounded by high interest rates or fees for trade finance and is ranked as the top challenge in Kenya and a primary concern in the other two countries. Such financial constraints not only hinder women entrepreneurs' access to trade finance but also reflect broader gender-based disparities in the economic landscape.

Bureaucracy emerges as another major impediment to accessing trade finance, with time-consuming bank processes being the foremost hurdle in Nigeria. This obstacle highlights the capacity constraints within financial institutions and the undue burden placed on SMEs.

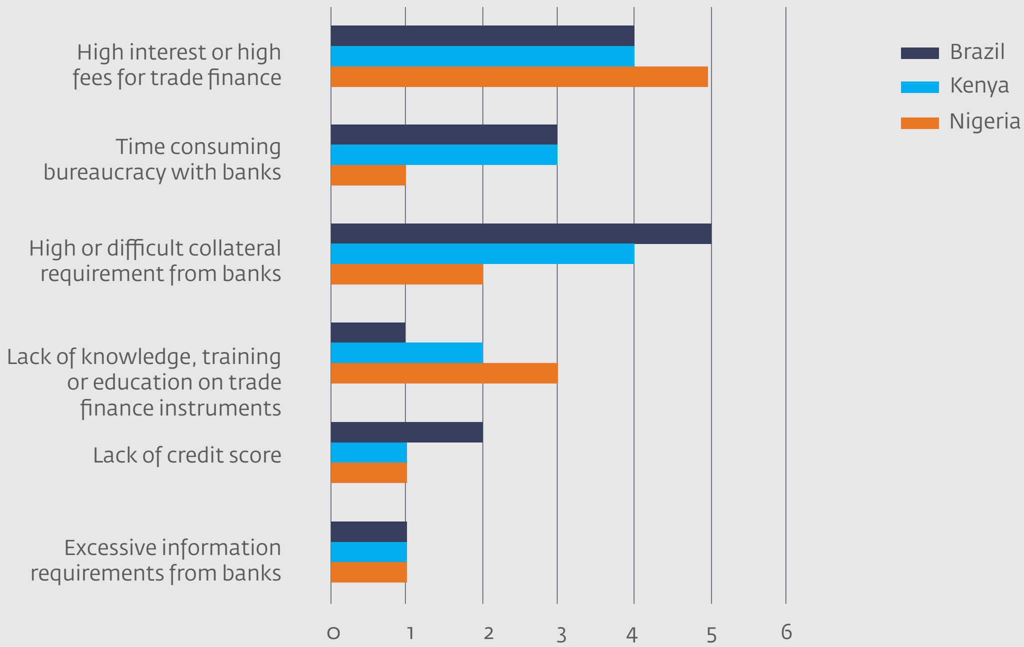
Alongside these structural challenges, pervasive knowledge gaps exist. The lack of understanding, training, or education on trade finance instruments, which is ranked as a mid-level challenge among the many faced by women traders, indicates a further need for tailored capacity building initiatives.

The interviews are summarized in a comparative graph that shows the prevalence of each challenge, demonstrating the common issues faced by women in accessing finance across Brazil, Kenya, and Nigeria (Figure 2). The collective experience of women entrepreneurs in these countries highlights systemic issues with access to trade finance which, while critical for women's integration into global markets, remains out of reach for many.

53 The 2016 survey includes 791 companies from 98 countries, while the 2017 survey includes 1336 firms from 103 countries

54 Di Caprio et al., Women and Trade: Gender's Impact on Trade Finance and Fintech, 2017

Figure 2. **The challenges faced by women entrepreneurs in accessing trade finance, based on interviews with 70 women in Brazil, 60 in Kenya, and 85 in Nigeria** (1=least important, 5=most important).



These challenges are common for all SMEs requiring trade finance, as identified in the IFC-World Trade Organization 2022 and 2023 reports.[55] [56] However, these barriers are more prominent and potentially have a greater impact for women-led businesses, as there is a convergence of obstacles for women to participate in trade.[57]

Source: IFC interviews with women entrepreneurs in Brazil, Kenya, and Nigeria.

Quote from Brazilian woman entrepreneur:

"Some of us found our way in digital banks as they are less bureaucratic than the traditional ones."

Quote from Nigerian woman entrepreneur:

"I rely more on friends, family and e-commerce platforms for financing my business, as I have limited understanding on trade finance products offered by banks."

Quote from Kenyan woman entrepreneur:

"I was told you need to bring collateral – a title. However, this piece of land was not very valuable, but I brought it. Then, I need to bring an [appraiser] which is a big cost.... Then was told I need to bring in documentation for my car. The amount of money for the car valuation was also high. The sad thing is, I still won't be given the money! I have spent so much of my own money, and they still won't [lend] it to me."

55 IFC-World Trade Organization, Trade Finance in West Africa. A study of Côte d'Ivoire, Ghana, Nigeria, and Senegal, 2022

56 IFC-World Trade Organization, Trade Finance in the Mekong Region, 2023

57 World Bank, Women, Business, and the Law, 2023

4. SCALING UP TRADE FINANCE FOR WOMEN-OWNED FIRMS

Expanding access to trade finance for women-led firms requires action across several interconnected areas to
a) reduce the information deficit by mainstreaming receipts, collateral records, and credit information;
b) simplify and reduce the cost of financial instruments through digitization;
c) promote the use of alternatives through fintech; and
d) enhance uptake through capacity building for both firms and financial institutions.

In this chapter, each aspect requiring action is examined in more detail and examples are provided that illustrate a variety of options available to development practitioners, development institutions, and governments.

Tackling the Information Deficit and De-Risking

Collateral and Credit Records

Failure to meet collateral requirement is a significant obstacle for women-owned firms seeking access to trade finance. Institutional frameworks are essential for allowing assets of various kinds and values to be used as collateral by financial institutions. One such framework is a collateral registry, where assets can be registered, and their value and ownership verified by financial institutions.

Financial institutions require assurance that they can seize assets and dispose of them easily in case of defaults. Without a collateral registry, it becomes challenging for banks to determine the seniority of claims over pledged assets in cases involving multiple creditors. Implementing a collateral registry would broaden the range of assets acceptable as collateral, thereby enabling a greater number of women-owned firms to qualify for trade finance that would otherwise be rejected.

Over the past decade, collateral registries have been established in many African countries. However, their impact on access to finance has been limited mainly due to implementation deficiencies, such as limited public awareness, inadequate monitoring capabilities by regulatory agencies, and failure to actively target financially excluded segments like women-owned businesses and microenterprises.[58]

The requirement for collateral could be avoided if there are well-functioning credit registries or credit bureaus in place, which would enable women-owned firms to access unsecured credit. While collateral requirements are expected to become more manageable for financially excluded groups, like women-owned firms, with the establishment of collateral registries, the obstacles that such firms face will remain substantial given their often-limited control over assets.

It has long been established that credit bureaus act as information brokers between firms and financial institutions, reducing information asymmetry and allowing firms to leverage their credit history instead of collateral.[59] However, the use of credit bureaus remains limited in emerging markets, particularly those in Africa. Nevertheless, credit bureaus enhance access to finance in countries where they exist,[60] with potentially inclusive effects for access to finance for women-owned firms by reducing dependence on inequitably distributed assets.

Policymakers play a crucial role in implementation of these frameworks, as the architecture for a well-functioning credit reference system requires several components, including appropriate legislation enabling the creation of credit bureaus or registries to conduct the information brokerage function. In addition, suitable legislation is required for the correct handling of sensitive consumer data to ensure confidentiality, data security, and consumer protection.

Given these persistent challenges, it is crucial that women-led enterprises have alternatives to collateral. In trade finance, there are multiple pathways available to bypass the need for collateral through financial instruments which are often underused due to limited awareness of their existence or functionalities, combined with insufficient training on both the demand and supply sides (Figure 3).

58 Ouedraogo et al., It started in Ghana: Implementing Africa's First Collateral Registry, 2012

59 Pagano and Jappelli, Information Sharing in Credit Markets, 1993

60 Triki and Gajigo, Credit bureaus and registries and access to finance: new evidence from 42 African countries, 2014

Figure 3. Multiple alternative methods for women-owned firms to potentially bypass or reduce collateral requirements in order to improve cash flow by obtaining early or advance payments.

Transferrable letters of credit (L/Cs) – These are issued not necessarily on behalf of the woman-led enterprise itself, which appears simply as a 'secondary beneficiary,' eliminating the need for collateral for the L/C issuance. An example of a secondary beneficiary could be a retailer or broker.

Supply chain finance/'reversed factoring' – Risk falls on the anchor buyer, relieving the supplier from the need to provide security. Consequently, the supplier can benefit from immediate payment (rather than deferred payment) based on the credit rating of the (larger) buyer.

Red Clause and Green Clause L/Cs (initial drawdown) – Red Clause L/C: The importer is allowed to pay the exporter in advance (pre-shipment), in which case the negotiating bank should not require any security or evidence of the goods from the exporter. Green Clause L/C: Similar to the Red Clause L/C, but evidence of the goods can be provided by, for example, a warehouse receipt (common in commodity finance).

Promissory note discounting – Instead of waiting to be paid by the buyer in 30, 60, or 90 days, the seller can discount promissory notes.

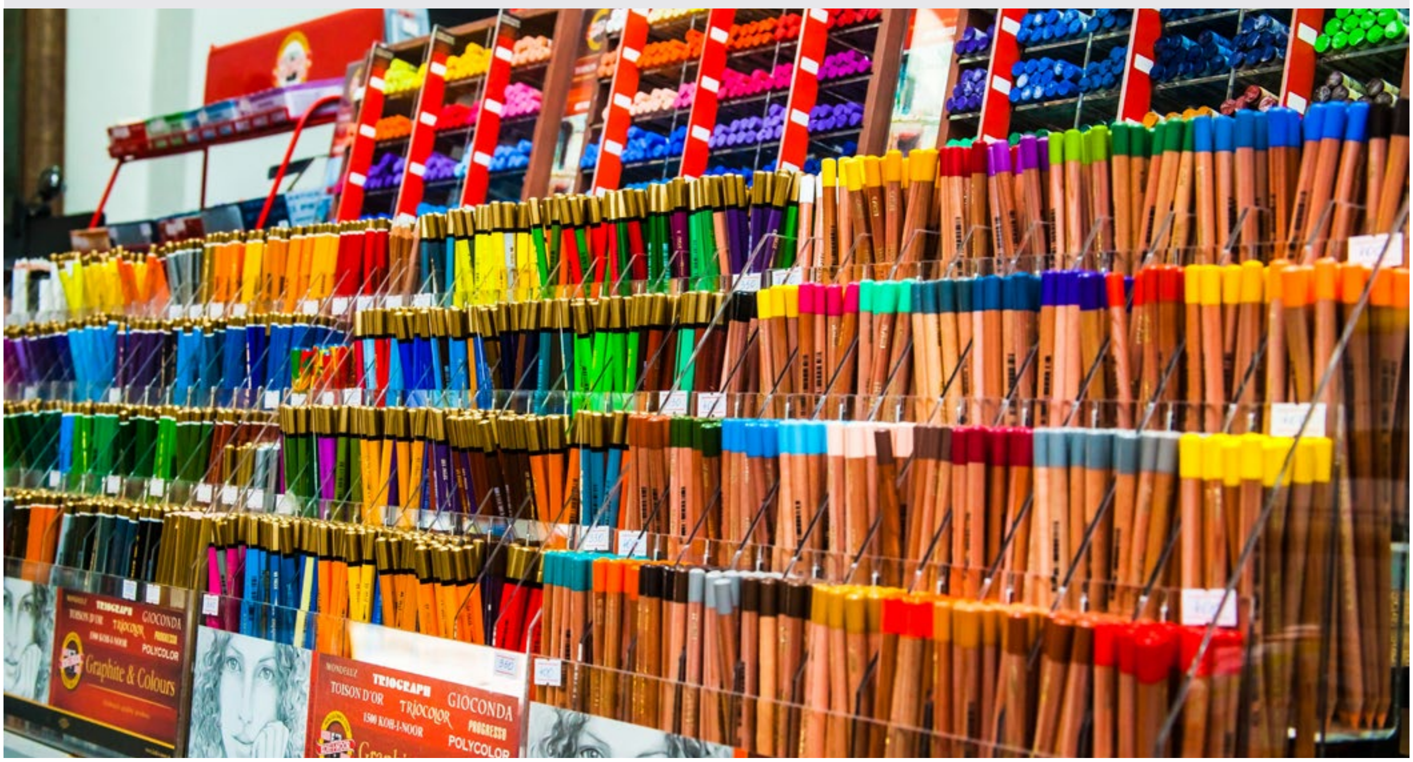
Export L/C discounting – A financial institution buys the bills and pays the exporter prior to maturity against a discount.

Assignment of proceeds – A legal mechanism by which the beneficiary of an L/C may pledge the proceeds of future drawings to a third party. The exporter can leverage this before receiving funds and the third party can be a supplier or vendor of the beneficiary.

Receivables finance/factoring – The seller sells its invoice to a financial institution and obtains payment against a discount, based on its own credit risk.

Bill avalization – The exporter can discount a bill, once avalized by the financial institution of the buyer.

Collateral management/warehouse financing – Collateral based on the stored merchandise, used especially for agricultural commodities. This way of financing can be utilized both for importers and exporters according to their purchase/sale contract and the chosen payment option.



Two instruments, in particular, have the potential to improve access to trade finance for women trading firms: Warehouse receipts and supply chain finance.

Financing based on Warehouse Receipts

Goods intended for import or export can be deposited in a warehouse for a fee, whereby the entity responsible for the warehouse issues a receipt confirming their presence. The receipt can serve as collateral for a financial institution to provide a loan to the seller. This option is particularly suited to commodity sellers facing limited access to pre-export financing or to commodity importers seeking to expedite payment terms for delivery based on inventory. It is especially advantageous in the agricultural sector, where there is a significant concentration of women-owned firms. Warehouse receipts can also benefit financially excluded women-owned firms as they are not necessarily dependent on asset ownership, which often exhibits gender imbalance. The use of warehouse receipts as collateral has become widespread in Eastern European countries[61] and has since expanded significantly in Africa and South America.

The warehouse operator plays a crucial role in ensuring the acceptability of the warehouse receipt to financial institutions. Commercial banks require assurance regarding the presence, quality, and condition of goods in the warehouse, necessitating a regulated warehouse sector. The regulatory framework in the relevant country must include a vetting process for warehouse operators to provide banks with the necessary confidence.[62]

In some countries, financing based on warehouse receipts represents a new and innovative mechanism that requires specific features to be in place. Authorities or third parties must regulate and supervise warehouses to uphold standards and enhance confidence in their operations among both banks and commodity traders. Legal reforms are necessary to facilitate banks' ability to take possession of commodities in the event of default. In addition, raising awareness among banks is key for the incorporation of such reforms in their credit risk management practices.

Supply Chain Finance

Supply chain finance (SCF) empowers sellers (suppliers) to access early payment, improving their cash flow and reducing their dependence on costly short-term financing options when engaging in value chain transactions. Moreover, SCF allows buyers to strengthen their relationships with suppliers, mitigating the risk of disruptions by bolstering the financial strength of the sellers and improving their payment terms. SCF also provides an opportunity for banks to develop long-term relationships with anchor buyers (lead firms in value chains) and to offer bundled financial products to multiple beneficiaries.

SCF includes a diverse set of financial instruments, which can be categorized into two types: (1) invoice purchase-based SCF products, typically used post shipment or delivery of goods or services, and (2) loan-based SCF products, employed before shipment or delivery. In most instances, SCF offers access to competitive financing based on the financial and commercial strength of large buyers (anchors), benefiting SMEs, particularly those that would otherwise struggle to obtain or afford trade finance independently.

The global SCF market has experienced steady growth, presenting women-led SME suppliers, sellers, and exporters with an alternative to collateral provision, as the anchor buyer furnishes the collateral.

61 Hollinger et al., The Use of Warehouse Receipt Finance in Agriculture in Transition Countries, 2009

62 Pasadilla, Regulatory Issues Affecting Trade and Supply Chain Finance, 2014

Reducing Complexity and Cost: Digitization

Paper-based processes still dominate trade finance transactions. Examples include L/Cs, bills of lading, and insurance policies, among other documents. These paper-based procedures are both time-consuming and expensive,[63] particularly for SMEs, where women-owned firms are often concentrated. The costs associated with handling these documents can constitute a substantial portion of the credit these enterprises seek. As a result, processing small transactions is often perceived as unattractive for both firms and banks due to the high costs and complexity involved.

Digitization presents a solution to simplify these transaction processes, thereby assisting smaller firms. By streamlining trade finance applications, digitization can foster more inclusive financial outcomes, with women-owned businesses standing to benefit significantly.

The digitization of trade finance can take various forms, including the use of electronic platforms that automate processes and mitigate the errors commonly associated with paper handling. Enhanced digitization has also the potential to broaden the range of goods and services traded across borders, offering opportunities for sectors with a higher representation of women-owned firms.

Public entities, such as customs, play a pivotal role in cross-border transactions, requiring government-level reforms to support digitization efforts. E-government initiatives, including online portals and one-stop shops, can significantly propel efforts to digitize trade finance. For instance, the enabling of electronic submissions, signatures, and payments for taxes and fees can improve the efficiency of trade finance processes, particularly benefiting women-owned firms and SMEs facing acute challenges in this area.[64]

Legal reforms are equally imperative, as courts in many countries only recognize paper documents for contract disputes in trade finance. Thus, amending laws to accept electronic documents and ensuring harmonization across jurisdictions is vital.

It is important to acknowledge that the impact of technological change can be complex; while technological advances have the potential to bring about overall improvements, they may also exacerbate existing disparities, potentially increasing the financial exclusion of certain firms. This can occur because not every firm possesses sufficient resources or capabilities to adopt modern technologies, with smaller enterprises often at a disadvantage due to the relatively substantial investment required. Policymakers must recognize that digitization will not uniformly benefit all market players. Therefore, digital economy strategies in emerging economies should incorporate a gender perspective to mitigate existing disparities in access to trade finance.

63 International Chamber of Commerce, ICC Global Survey on Trade Finance, 2020

64 International Chamber of Commerce, ICC Global Survey on Trade Finance, 2020

Mainstream Alternatives Through Fintech

Beyond digitization efforts to improve the efficiency of complex paper-based trade finance operations, the rise in fintech firms leveraging modern technologies has the potential to increase access to trade finance for women-owned firms and SMEs. While the effects of fintech can be numerous, this section focuses primarily on the gender-sensitive effects within the trade finance market, including assessing creditworthiness, offering innovative financing sources, and facilitating payments.

Facilitating creditworthiness assessments: A major obstacle for SMEs in accessing finance lies in the information asymmetry between firms and creditors, complicating banks' ability to accurately evaluate the creditworthiness of loan applicants. Fintech has begun addressing this challenge, an emerging area with the potential to significantly impact the trade finance market. Traditional banks typically rely on factors such as financial statements, credit history, and balance sheet information, disadvantaging women-owned firms and SMEs. However, data-driven credit scoring, made more cost-efficient by machine learning technologies that leverage big data, has the potential to significantly improve SMEs' access to finance.[65] Indeed, compared to traditional banks, fintech banks that rely on this innovation are able to offer smaller loans, better suited to women-owned firms and SMEs, and achieve higher repayment rates.[66]

Providing a wider range of funding sources: Fintech enables firms to access a wider range of financing sources at affordable rates. This can include direct peer-to-peer funding appeals and online-based platforms like crowdsourcing. Not only does this expand SMEs' access to finance,[67] but it also promotes decentralized financial intermediation, potentially enhancing resilience to economic shocks. These new funding avenues, facilitated by fintech, are particularly relevant to the trade finance market and entail fewer collateral requirements compared to borrowing from traditional banks.[68]

Improved payment methods: Fintech can enhance the financial inclusion of women-owned businesses and SMEs by improving payment methods, with mobile phone payments as the most common example.[69] While women generally have less access to mobile phone technologies than men, they often rely on these technologies more, due to their lower mobility.[70] Notably, investments in mobile money transactions are dominated largely by women-owned businesses in Africa for example.[71] Initially limited to domestic remittances, mobile payments are increasingly being used for trade finance transactions involving parties in different cross-border jurisdictions.[72]

65 Cornelli et al., SME finance in Asia: Recent innovations in fintech credit, trade finance, and beyond, 2019

66 Huang et al., Fintech credit risk assessment for SMEs: Evidence from China, 2020

67 Abbasi et al., P2P lending Fintechs and SMEs' access to finance, 2021

68 Beaumont and Vansteenberghe, Collateral Effects: The role of FinTech in Small Business Lending, 2022

69 Makina, The potential of FinTech in Enabling Financial Inclusion, 2019

70 World Bank and World Trade Organization, Women and Trade: The Role of Trade in Promoting Gender Equality, 2020

71 Islam and Muzi, Mobile Money and Investment by Women Businesses in Sub-Saharan Africa, 2020

72 Bersch et al., Fintech Potential for Remittance Transfers: A Central America Perspective, 2021

Capacity Building for Firms and Banks

This section discusses several areas with scope for capacity building aimed at women-led enterprises and financial institutions to help narrow the gender gap in accessing trade finance. The following initiatives should be coupled with efforts to improve market information accessibility, building connections among all market participants. This could include maintaining an updated database of local women-led enterprises, which investment promotion agencies within emerging economies can use to connect international entrants with local firms.

Women-Led Enterprises

Women-owned SMEs often encounter unique challenges due to their smaller scale, potential lack of financial expertise, and limited access to advanced business management techniques. Many women entrepreneurs start businesses out of necessity, rather than viewing them as opportunities for growth. The requirement for properly maintained business records and information often acts as a barrier to financing for these women-owned firms, especially in trade finance with its detailed procedures.

Numerous initiatives have targeted improving business and financial acumen among women-owned enterprises, with varying success rates. For example, in Vietnam, training has resulted in improved investment returns and profits for women entrepreneurs.[73] However, in Peru, similar training for women already involved with a microfinance institution did not lead to increased sales, profit, or job creation.[74] In Sri Lanka, although training enhanced business practices, it did not translate into higher profits.[75] In Tanzania, training benefited both male and female entrepreneurs, yet men experienced more significant gains.[76]

Despite the mixed outcomes, the overall trend indicates that such training can enhance business operations, particularly for women. This represents a promising area for further investment in improving the trade finance market skills of women-owned businesses. It is worth noting that many of the studies mentioned previously involved clients of financial institutions, implying that these types of training are well-suited to the trade finance sector. This presents an opportunity for policymakers and financial institutions to collaborate on training specifically tailored to trade finance.

Banks

Banks, especially local ones in emerging markets, are in need of training to bridge the large gap in their readiness to adopt digital tools and strategies for trade finance. Currently, less than half of local banks have a digital plan in place, compared to 83% of international banks.[77] Without a clear digital approach, banks cannot fully leverage new technological opportunities. Training initiatives for banks should extend beyond digital readiness to encompass adherence to international trade rules and better management of trade finance products. Many global organizations already offer such training to banks to improve their capabilities. Providing additional training to help local banks understand the specific challenges and needs of women-led and women-owned businesses can ensure that these often-underserved groups receive the financial services they require.

Capacity building for banks is more effective when combined with training for women-led enterprises and the implementation of a conducive regulatory framework. The case study of women's access to trade finance in Vietnam (Figure 4) illustrates how these initiatives can be integrated to drive progress.

73 Bulte et al., Do gender and business trainings affect business outcomes? Experimental evidence from Vietnam, 2017

74 Karlan and Valdivia, Teaching entrepreneurship: Impact of business training on microfinance clients and institutions, 2011

75 de Mel et al., Business training and female enterprise start-up, growth, and dynamics: Experimental evidence from Sri Lanka, 2014

76 Berge and Garcia Pires, Measuring spillover effects from an entrepreneurship programme: Evidence from a field experiment in Tanzania, 2021

77 International Chamber of Commerce, ICC Global Survey on Trade Finance, 2020

Figure 4. Case Study: Women's Access to Trade Finance in Vietnam.

Vietnam accounted for approximately 50% of all trade-related banking transactions involving women under IFC's Global Trade Finance Program in FY23. In Vietnam, as in other developing economies, collateral—primarily in the form of land—poses a challenge for women-led enterprises: only 9% of land is owned by women, while 91% is owned by men (Rao 2011). A 2022 survey among IFC's Vietnamese client banks highlighted the lack of capital and networking as the most significant obstacles for women-led companies engaged in international trade. Despite representing nearly a quarter of all businesses (24%) and despite similar business performance, women-owned SMEs are less likely than men-owned SMEs to secure bank loans; when they do, they typically receive smaller amounts with shorter tenors (Lambert 2022).

However, Vietnam has emerged as a leading market for trade finance within IFC's Banking on Women portfolio. The companies and banks that were surveyed reported between 6% and 30% of their profitable trade portfolio as being dedicated to trade finance for women-led businesses. This area has seen growth of between 50-100% in the last five years, during which time IFC and other public and private entities have actively provided support in the form of rebates, training, and capacity building awareness initiatives.

Women comprise approximately 60% of the entry-level banking workforce in Vietnam (IFC 2021), which may contribute to improved access to bank lending for women. Several important initiatives have facilitated the expansion of banks' portfolios:

- **Legislation:** Vietnam took an important step in 2017 with the passage of the Law on Support for SMEs, defining women-owned SMEs and prioritizing them for government support measures.
- **Capacity building for women entrepreneurs:** Various development finance institutions and business chambers in Vietnam have supported capacity building programs to enhance the skills of women entrepreneurs, aiding them in securing loans from banks and other capital providers.
- **Change in approach of financial institutions towards banking women-led businesses:** Financial institutions have begun to create databases with gender-disaggregated data, prioritizing a women-focused strategy, and acknowledging the commercial benefits of this segment.

Blended Finance

Blended finance has emerged as a transformative approach to empower women's entrepreneurship, especially in the area of trade. By merging private sector capital with concessional funds and donor support, blended finance offers a promising solution for addressing the systemic barriers that often hinder or prevent women-owned SMEs from accessing traditional financing. Implementing such strategies can result in more equitable financial inclusion and promote sustainable growth for women-led businesses in the global trade arena.

A key strategy for scaling up trade finance for women-owned firms involves designing financial instruments tailored to their specific needs. Blended finance programs can mitigate the risk associated with lending to underserved segments, such as women-led SMEs, thereby incentivizing financial institutions to extend credit facilities to these enterprises. Evidence from Turkey demonstrates the effectiveness of this approach, as both existing and new women entrepreneurs leverage such capital for growth and investment.[78]

To enhance the accessibility and affordability of trade finance for women entrepreneurs, donor funds can be strategically applied to lower borrowing costs. Subsidized interest rates or guarantees can significantly affect the viability of loans for women-led businesses by facilitating their participation in trade and commerce. A multi-donor facility can be instrumental in this effort. By providing risk capital and technical assistance, such a facility can bolster the confidence of financial institutions in dealing with women-owned SMEs. It can serve as a risk-sharing partner, encouraging banks to engage more proactively with women entrepreneurs. Moreover, constructing blended finance vehicles with a first-loss layer can offer a safety net for commercial investors. Development organizations often fund this layer, which can absorb initial losses and stimulate further investment from private entities that may be risk averse.

Finally, integrating gender-focused criteria and metrics into portfolio analysis is essential. This approach ensures that financial institutions are aware of gender-specific financial behavioral trends within their portfolios, enabling them to tailor their offerings to meet the needs of their women-owned or women-led enterprises. In doing so, financial institutions can bridge the gender gap in trade finance while encouraging the development of a more inclusive financial ecosystem.

78 Aydin et al., Blended Finance and Female Entrepreneurship, 2023

5. RECOMMENDATIONS AND ACTION ITEMS

This chapter provides recommendations and action items (Annex 1), which will benefit all SMEs requiring trade finance (as identified in IFC-World Trade Organization 2022; 2023), especially women-owned and women-led businesses facing a convergence of barriers to their participation in trade finance.

To effectively address the challenges encountered by women entrepreneurs in accessing trade finance, a multi-faceted approach is essential. This report recommends the following strategies, which collectively should assist in creating a more inclusive and accessible financial landscape for women entrepreneurs who trade across borders, ultimately promoting greater economic empowerment and gender equality:

- **Establishing collateral registries** and credit bureaus as information brokers can significantly reduce information asymmetry, enabling women to demonstrate their creditworthiness more easily.
- **Leveraging supply chain finance** can provide a vital pathway, empowering both sellers and buyers, by using the creditworthiness of more established trading partners.
- **The digitization of financial services** is critical in reducing the complexity and costs associated with these services, thereby expanding the range of services accessible to women-led enterprises.
- **Mainstreaming alternative financing option**s through fintechs, by facilitating data-driven credit assessments and expanding access to a variety of funding and payment methods, can greatly benefit women entrepreneurs.
- **Capacity building for women-led and women-owned SMEs,** coupled with awareness and training programs for banks on the specific needs and challenges faced by women in accessing trade finance, is imperative.
- **Blending finance** by combining public and private funds to de-risk investments can create more favorable conditions for financing women-led enterprises.

In enacting these strategies, all relevant stakeholders have a role to play:

- **Financial institutions and banks** can benefit from training that is tailored to the specific needs and risks associated with engaging in trade finance with women-led enterprises. Moreover, they can enhance accessibility by offering more risk-sharing facilities, either independently or through partnerships with development finance institutions.
- **Governments can contribute** by improving the regulatory framework, including initiatives such as digitization, registration of invoices, collateral records, and credit information. They can also facilitate the approval of risk-sharing facilities within their jurisdictions.
- **Development partners need to provide capacity training** on both innovative and traditional trade finance instruments, expanding the use of blended finance to address the weaknesses and risks facing women-owned and women-led enterprises.
- **Women-owned and women-led enterprises,** including SMEs, can participate more actively in industry associations, sharing experiences and improving their collective business case.
- **Collaborations between finance institutions,** whether with a development mandate or not, and governmental bodies can mitigate risks, opening up training opportunities, and raise awareness while providing a forum to discuss potential solutions.

Lastly, improving the perceived risk profile of women-owned businesses is essential for increasing access to finance for women who trade across borders. Feasible approaches to support fairer credit risk assessment for women-owned businesses include considering their historical low default rates, the short tenor of transactions, and the self-liquidating nature of trade itself. Moreover, recognizing the advantages of banking women customers, particularly women-owned or women-led businesses, is essential. And legal encouragement for the digitization of processes and documents, including through fintech firms and their platforms, would help narrow the gender gap in access to trade finance.

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ANNEX 1: Recommendations to Stakeholders – Call to Action

Responsible Party	Recommendation / Action	Related Challenge
TRADE FINANCE PROVIDERS/FINANCIAL INSTITUTIONS		
	1 Restructure trade finance offerings to fit women's reported top needs	Low take-up of loans by women-led enterprises
	2 Build greater presence in market through specialized outreach	Low take-up of loans by women-led enterprises
	3 Invest in gender-sensitivity training & gender diversity of bank staff to remove conscious and unconscious biases	Low take-up of loans by women-led enterprises
	4 Institute gender-disaggregated data tracking	Inability to trace results of Women-led businesses (WLBs) and consequent difficulties in expanding this commercially attractive segment
GOVERNMENTAL AND REGULATORY BODIES		
	1 Continue to build gender-equitable trade policies, including increase of access to Forex particularly for WSMEs	WSMEs claim to have little access to Forex and therefore cannot finance their cross-border trade
	2 Invest in digital finance & fintech	Access to trade finance due to complex and time-consuming logistical and documentary processes
	3 Continue to support public, as well as private-sector technology and digital finance	Difficulties in adapting to new technologies

Responsible Party	Recommendation / Action	Related Challenge
DEVELOPMENT FINANCE INSTITUTIONS		
	1 Create new product solutions for risk sharing with WLBs	Banks are hesitant to allow SMEs, particularly WSMEs, access to trade finance
	2 Partner with DFIs and donor facilities	Low risk appetite per obligor per country
	3 Create and/or enhance a global network comprising women business associations and relevant industry sectors and other stakeholders	Low take-up of loans by women-led enterprises
	4 Improve credit line access	Lack of networking opportunities causes lack of business knowledge and acumen
	5 Invest in regulatory advocacy on key issues facing women importers and exporters, including in relation to the public sector and governments	Rejection of loan requests
	6 Expand advisory services provided by financial institutions	Lack of adequate regulatory framework and offers of trade finance to WLBs
	7 Mobilize donor funding for training and external partnerships to improve lending readiness	There is a significant need for WLBs and banks to train in use of trade finance instruments
	8 Partner directly with women's entrepreneurship groups	Insufficient liaison between women and industry associations. Network of DFIs is too focused on banks.
	9 Act as champion & advocate for gender-disaggregated trade finance data	Need for inspiring examples of successful gender-disaggregated client data bases and loans
	10 Develop blended finance instruments tailored to WSMEs	Few (D) FIs are willing to take on SME, particularly WSME, risk

Responsible Party	Recommendation / Action	Related Challenge
WOMEN LED BUSINESSES		
	1 Prepare a business plan	Credit/loan rejection, including trade finance rejection
	2 Prepare financial statements and optimize financial records when desired, with assistance of (D)FI's	Need for financial track record and financial statements in order to successfully apply for a loan
	3 Reach out to financial providers, including private and public banks, DFIs, export credit agencies, and insurers	Gaps in financial knowledge and experience in short term cross border finance
	4 Increase participation in associations and develop networks	Few WLBs per sector or per country currently reaching out, making the ticket size/opportunity for (D) FIs too small to consider
	5 For WLB sellers, ascertain if there is a buyer in common with other (W)SMEs and propose a reversed factoring based on the credit rating of the buyer (versus the credit rating of the WLB)	Lack of collateral/insufficient credit rating
	6 Training in use of multiple trade finance options, which could alleviate the need for collateral. These could include transferable letters of credit, invoice financing, warehouse financing, and possibly avalized draft or discounted promissory notes, partnering up with the contract partner.	Lack of collateral, financial track record, or business plan

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