

MSME FINANCE GAP

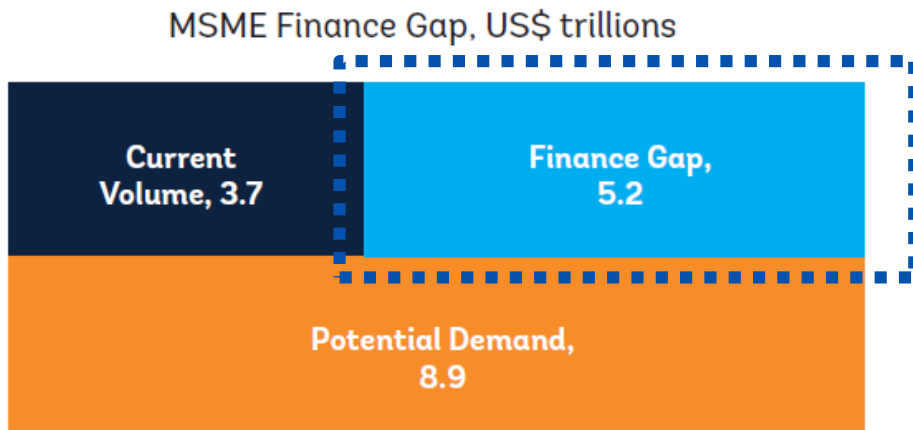
REASSESSMENT OF THE SHORTFALLS AND OPPORTUNITIES IN
FINANCING MICRO, SMALL AND MEDIUM ENTERPRISES



MSME FINANCE GAP

In 2010, IFC conducted a study to estimate the degree of access to credit and use of deposit accounts for formal and informal MSMEs. The research, covered 177 countries, determined that there was \$2.1-2.6 trillion finance gap in developing countries.

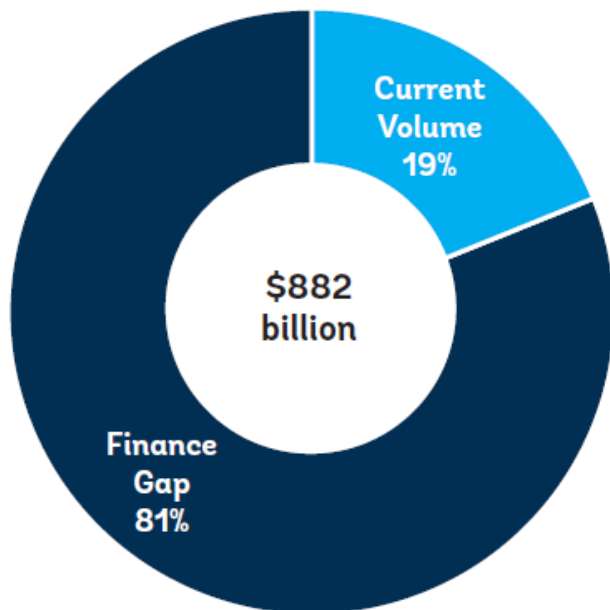
In Nov 2017, the Financial Institutions Group, along with Development Economic Research Group (DEC) and the Development Impact Unit at IFC/World Bank, launched the update of the original IFC Enterprise Finance Gap **to account for bankability and reflect both supply and demand for finance.**



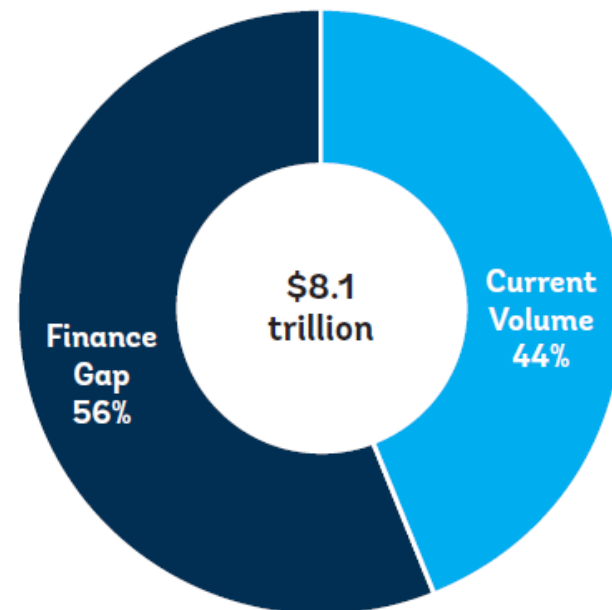
- \$5.2 trillion MSME Finance Gap
- 162.2 million formal MSMEs in EM; 40% of micro enterprises and 44% of SMEs are financially constrained

FINANCE GAP BY ENTERPRISE TYPE

Microenterprises



Small and Medium Enterprises

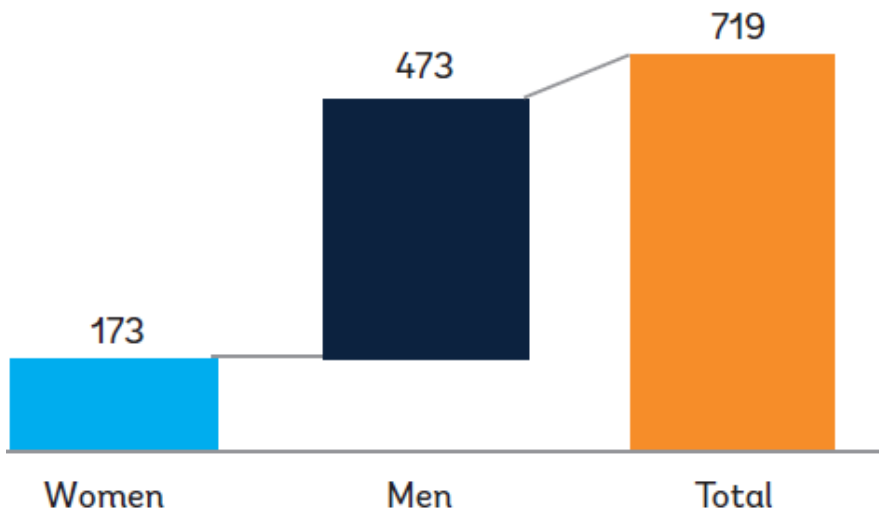


- The microenterprise finance gap is estimated at \$719 billion, and the SME finance gap at \$4.5 trillion
- This unmet demand represents 81 percent of the potential demand from microenterprises, for a total of \$882 billion
- The unmet demand from SMEs is 56 percent of the potential demand for this segment, valued at \$8.1 trillion

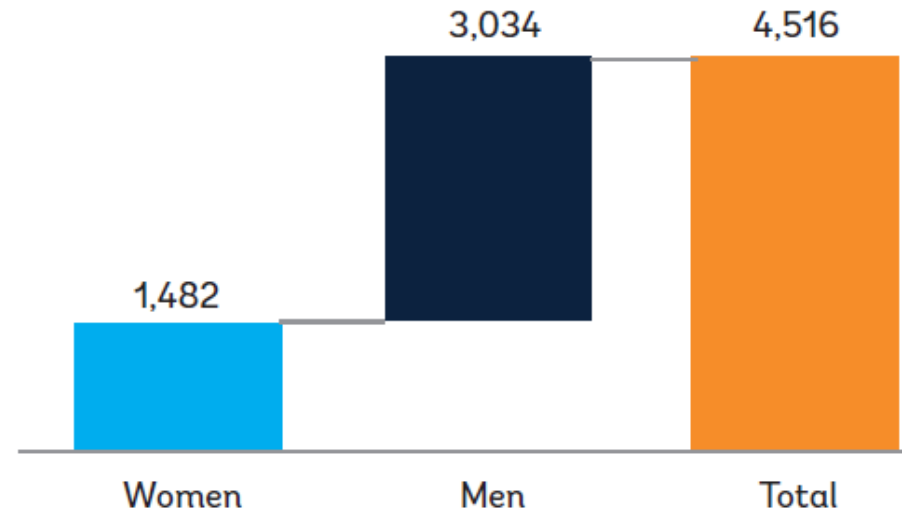
GENDER FINANCE GAP

- Women-owned businesses comprise 28 percent of business establishments and account for 32 percent of the MSME finance gap
- The total MSME finance gap for women is estimated to be valued at \$1.7 trillion, which is over 6 percent of total GDP

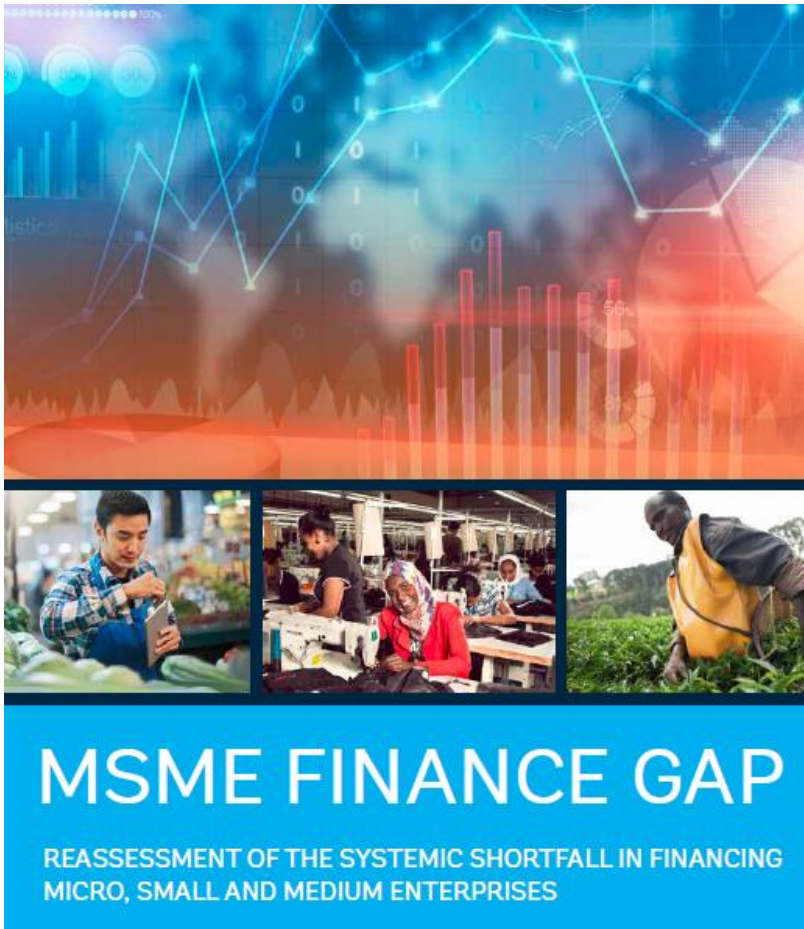
Microenterprise Finance Gap, US\$ billions



SME Finance Gap, US\$ billions



POLICY IMPLICATIONS



- **Public Sector can :**
 - Support more diverse financial landscape => improving competition within the financial system
 - Initiate direct lending programs and risk-sharing arrangements
 - Improve credit information systems, movable collateral registries, and efficient insolvency regimes
- **Private Sector can:**
 - Focus on building the capacity of the financial institutions
 - Build partnerships with technology providers
 - Promote fintechs working in financial inclusion

USING THE RESULTS

1 FIND the right market

Identify and select **high potential markets** for strategic focus

▶ **MSME Finance Gap** shows unsatisfied demand for credit, i.e. business opportunity

2 REACH the market

Define **go-to-market** strategy

▶ **MSME Finance Gap** identifies unmet gap by size and gender

3 RETAIN the market

Constantly **monitor the market** trends and needs

▶ **Periodic updates of MSME Finance Gap** allow for monitoring the change in gap and response accordingly

