Alternative approaches to collateral to increase women’s access to rural and agricultural finance
Experiences from Ethiopia and Burkina

Tenin Fatimata Dicko, Financial Sector Specialist
6/29/2021
Understanding the landscape

• Many women have access to traditional group lending /micro-credit, which has broad reach across the countries
  • However, group lending has limitation for women needed larger loans to grow their enterprises

• Excessive collateral requirements restrict women’s access to larger loans from banks
Ethiopian: Women Entrepreneurship Development Project (WEDP)

- **Psychometrics and Fintech Collateral Alternatives**

  The psychometric tests assess the ability (*business skills, intelligence*) and willingness (*ethics & honesty and attitudes & beliefs*) to repay a loan.

  Lower test scores correlate with higher arrears and risk of default.

  - 8,536 LOANS (Ave. ETB 250,000 or USD$9,200)
  - 66% NEW BORROWERS
  - 30% DISBURSED FROM MFIs’ OWN FUNDS
  - ARREARS <3%
  - $78 MILLION DISBURSED
Burkina: Financial Inclusion Support Project

• Partial Portfolio Credit Guarantee scheme with a dedicated window for women entrepreneurs
  • It’s open to banks and MFIs: using the PPCG to extend credit with less real guarantees requirement
  • As a portfolio scheme, there is an automaticity embedded in the guarantee; any credit meeting eligibility criteria must be registered on the guarantee
  • Eligibility criteria considering challenges faced by women
  • Participating financial institutions register in the guarantee on average 350 loans every 3 months: majority of the credit entered in the guarantee are new credits and almost 3/4 are new borrowers,
Enabling conditions for consideration

- Consumer protection and financial education
  - Oversight of the quality of financial services is essential: countries like Senegal, CIV established an Observatory of the quality of financial services

- Strengthening credit bureau
  - Given the level of formal financial inclusion, countries are encouraged to adopt regulations that allow public utility companies to submit customer data to the credit bureau, further raising the coverage of the bureau beyond 5% of the economy’s adult population. More data available will improve the predictability of innovative credit scoring solutions develop by fintech.

- Collateral registries
  - Need for modernization (electronic registries), simplification of the registration and broadened the scope of assets that can be used as collateral

- Encourage innovation in the financial sectors
  - Essential for Fintech, Insuretech, etc. development
Thank you,
Merci