

# Access To Credit Among Micro, Small, And Medium Enterprises

In 2010, IFC conducted a study to estimate the number of micro, small, and medium enterprises (MSMEs) in the world, and to determine the degree of access to credit and use of deposit accounts for formal and informal MSMEs.

The study used primarily data from the World Bank Enterprise Surveys (ES).<sup>1</sup> The overall results from this study were published in “Two Trillion and Counting.”<sup>2</sup> While data for the formal sector differentiated among micro, very small, small, and medium enterprises, the limited amount of data available for the informal sector made it difficult to discern a similar level of disaggregation for the informal MSME sector compared to the formal sector.<sup>3</sup> As a result, data for the informal sector was presented in an aggregated form, but evidence suggests that informal enterprises tend to be mostly micro and very small in size. In 2011 the data was revisited as new enterprise surveys became available. The resulting database, IFC Enterprise Finance Gap Database, covers 177 countries.<sup>4</sup> This fact sheet summarizes and highlights the key data points available for the formal micro, formal SME, and the aggregated formal and informal MSME sectors.

## Formal Microenterprises

There are about 70–90 million formal microenterprises globally, including those in high-income Organisation for Economic Co-operation and Development (OECD) countries. About 78–85 percent of formal microenterprises (60–70 million) are in developing economies (see Figure 1).

## Total Gap in Relative Terms

- Total gap: About 52–64 percent of microenterprises (31.2–44.8 million) in developing economies are unserved or underserved:
  - About 29–35 percent of formal microenterprises (17.4–24.5 million) in developing economies are unserved;<sup>5</sup>
  - About 23–29 percent of formal microenterprises (13.8–20.3 million) in developing economies are underserved.<sup>6</sup>
- About 18–22 percent of formal microenterprises in developing economies are women-owned firms that are either unserved or underserved (11.5–14.0 million).
- Globally, 38–46 percent of formal microenterprises do not need credit.

## Total Credit Gap, in U.S. Dollars

- The gap in credit financing of formal microenterprises is \$0.5–0.6 trillion, including high-income OECD countries:
  - The total credit gap in developing economies is estimated to be \$0.4–0.5 trillion.
- Women-owned businesses have an estimated financing gap of about \$154–188 billion.

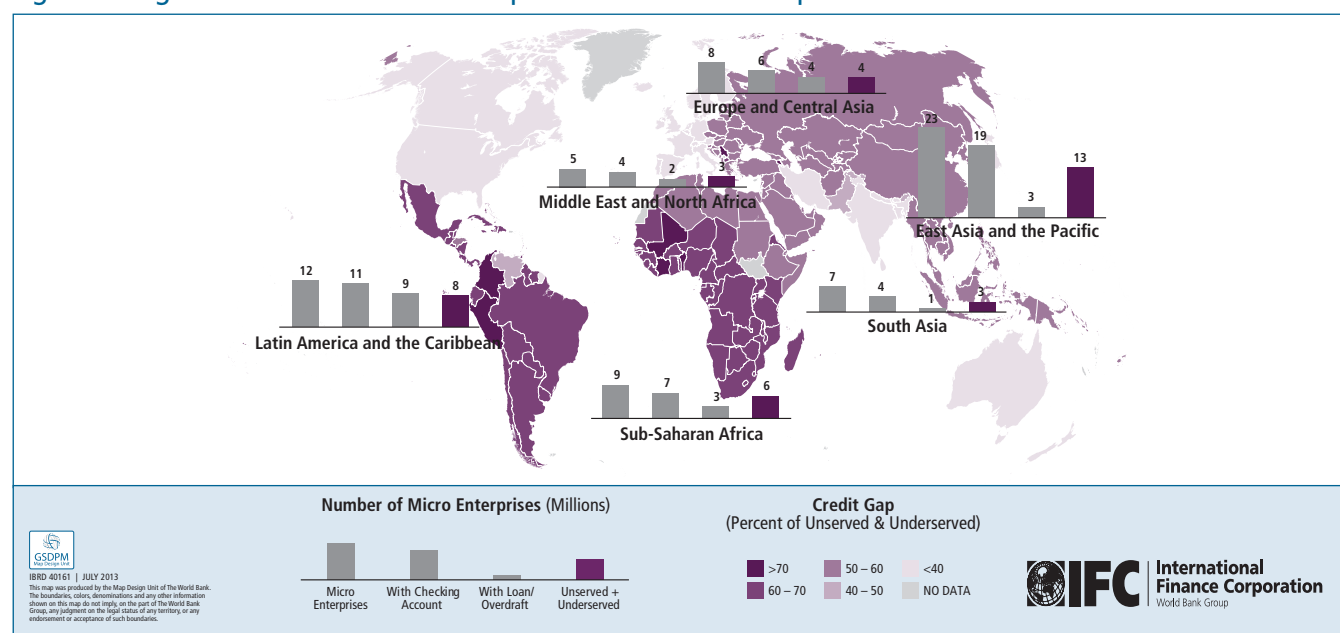
## Total Deposit Gap, in U.S. Dollars

- The total deposit gap for microenterprises is \$195–238 billion in developing economies.<sup>7</sup>

## Source of Financing

- Private commercial banks: 69.5 percent;
- State-owned banks and/or government agencies: 21.4 percent;
- Non-bank financial institutions: 5.8 percent;
- Other: 3.3 percent.

Figure 1: Regional Variations in Credit Gap for Formal Microenterprises



Source: IFC Enterprise Finance Gap Database (2011)



## Formal Small and Medium Enterprises

There are about 36–44 million formal small and medium enterprises (SMEs) globally, including those in high-income OECD countries. About 65–70 percent of these (25–30 million) are in developing economies. About 31–38 percent (8–10 million) of formal SMEs in developing economies are owned fully or partly by women.<sup>8</sup> Very small enterprises represent 54–68 percent of formal SMEs (see Figure 2).

### Total Gap in Relative Terms

- Total gap: 55–68 percent of formal SMEs (13.8–20.4 million) in developing economies are unserved or underserved:
  - 35–43 percent of formal SMEs (8.8–12.9 million) in developing economies are unserved;
  - 20–25 percent of formal SMEs (5–7.5 million) in developing economies are underserved.
- About 57–71 percent of women-owned SMEs (5.3–6.6 million) in developing economies are either unserved or underserved.
- Globally, 27–33 percent of formal SMEs do not need credit.

### Total Credit Gap, U.S. Dollars

- Total value gap in credit financing of formal SMEs is \$1.5–1.8 trillion, including high-income OECD countries;
- The gap in credit financing of formal SMEs in developing economies is \$0.9–1.1 trillion;
- 42–51 percent comes from medium enterprises, 29–36 percent from small enterprises, and 19–23 percent from very small enterprises;
- The formal credit SME gap (\$0.9–1.1 trillion) is equivalent to 26–32 percent of current outstanding SME credit;

- 82–86 percent of the value of formal SMEs' credit gap (i.e., \$0.8–0.9 trillion) in developing economies comes from SMEs that already have a deposit account;
- Women-owned businesses have about \$260–320 billion in unmet financing needs;
- The gap relative to current outstanding SME credit varies widely across regions, e.g., Sub-Saharan Africa and Middle East and North Africa (MENA) require more than a 300 percent increase in outstanding SME credit compared to 7–8 percent and 25–30 percent in East Asia, and Eastern Europe and Central Asia, respectively.

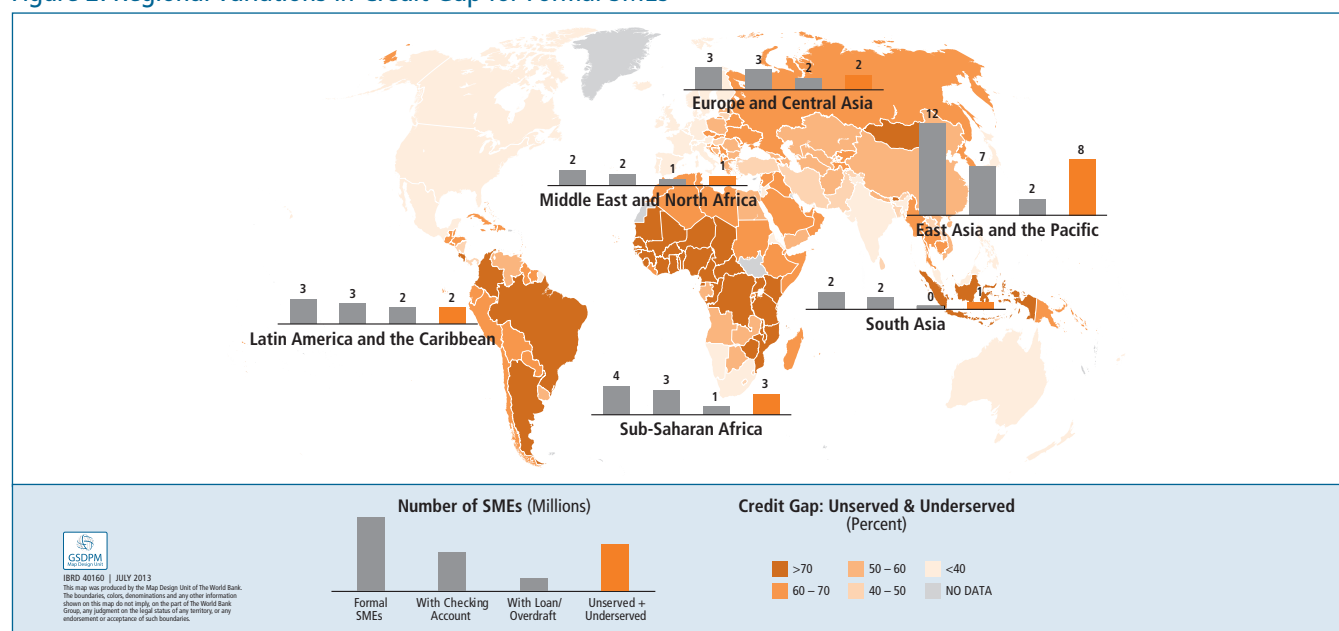
### Total Deposit Gap

- 16–23 million formal SMEs in developing economies (62–76 percent of total SMEs in developing economies) have a bank account;
- 24–30 percent of formal SMEs in developing economies (6.0–9.0 million SMEs) do not have a deposit account;
- Total U.S. dollar deposit gap has been estimated to be between \$300 billion and \$360 billion.

### Source of Financing

- Private commercial banks: 57.6 percent (about 55 percent for very small firms; about 65.3 percent for small and medium firms);
- State-owned banks and/or government agencies: 30.1 percent (even distribution across very small, small and medium firms);
- Non-bank financial institutions: 11 percent (about 12 percent for very small firms; about 4–5 percent for small and medium firms);
- Other: 1.3 percent.

Figure 2: Regional Variations in Credit Gap for Formal SMEs



Source: IFC Enterprise Finance Gap Database (2011)

## Formal and Informal MSMEs

There are approximately 420–510 million informal and formal MSMEs in the world, including those in high-income OECD countries. Of these, 15–19 percent are formal microenterprises and 70–80 percent are informal MSMEs and nonemployer firms. In developing economies, there are 360–440 million formal and informal MSMEs (see Figure 3), 139–170 million of these (32–47 percent of total MSMEs) have one or more women owners where the majority of women-owned MSMEs (112–137 million) are in the informal sector.

### Total Gap in Relative Terms

- Total gap: 45–55 percent of informal and formal MSMEs in developing economies (200–245 million enterprises) are either unserved or underserved:
  - 36–44 percent of informal and formal MSMEs in developing economies are unserved;
  - 9–11 percent of informal and formal MSMEs in developing countries are underserved.
- 46–56 percent of women-owned formal and informal MSMEs in developing economies are unserved or underserved:
  - 37–45 percent of women-owned formal and informal MSMEs in developing economies are unserved;
  - 9–11 percent of women-owned MSMEs in developing economies are underserved.

- 41–50 percent of informal and formal MSMEs in developing economies do not need credit.
- Micro, informal MSMEs, and nonemployer firms account for more than 90 percent (160–190 million) of all unserved MSMEs in developing economies.

### Total Credit Gap, in U.S. Dollars

- The value of the gap in credit financing for all MSMEs, including micro, informal MSMEs, and nonemployer firms in high-income OECD countries, is estimated to be \$3.2–3.9 trillion globally;
- The value of the gap in credit financing for informal and formal MSMEs in developing economies is \$2.1–2.6 trillion;
- The value of the gap in credit financing for MSMEs with at least one female owner in developing economies is \$750–920 billion (32–39 percent of the total MSME credit gap).

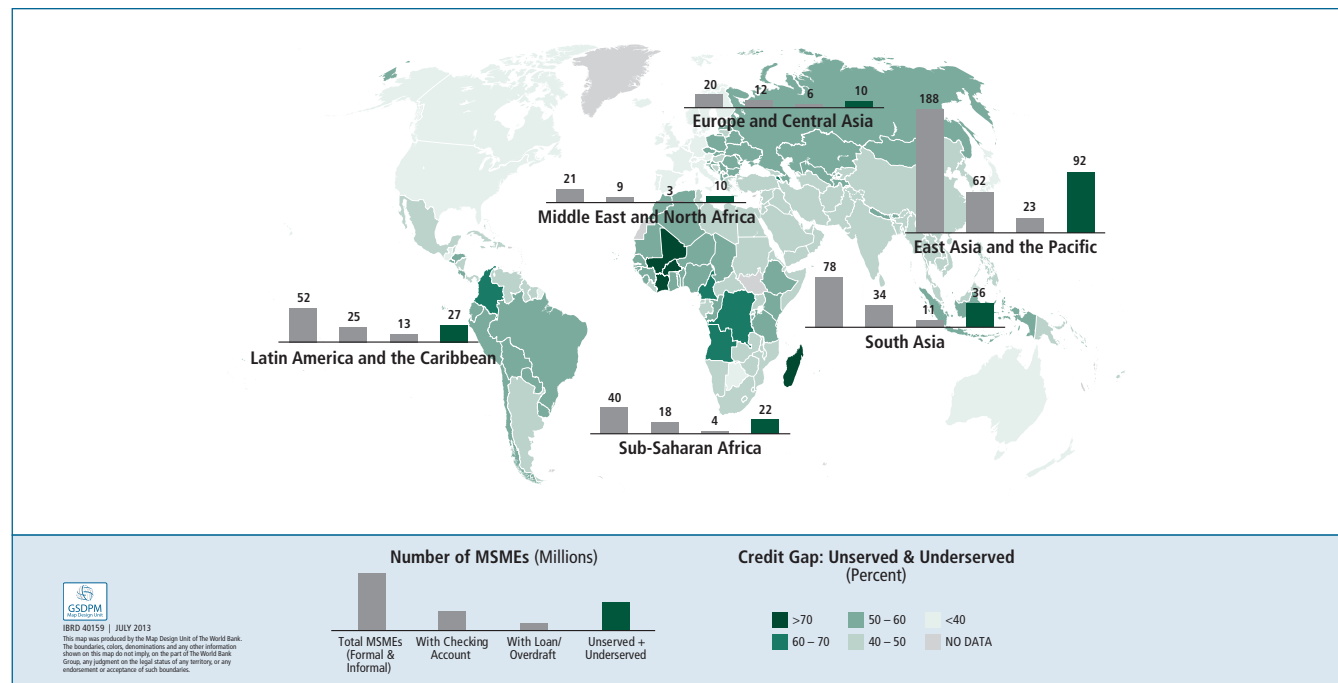
### Total Deposit Gap, in U.S. Dollars

- The total value of the deposit gap for formal and informal MSMEs is estimated at \$3.3 trillion to \$4.1 trillion globally.

### Source of Financing

- Private commercial banks: 45.9 percent;
- State-owned banks and/or government agencies: 28.3 percent;
- Non-bank financial institutions: 12.9 percent;
- Other: 12.9 percent.

Figure 3: Regional Variations in Credit Gap for Informal and Formal MSMEs



Source: IFC Enterprise Finance Gap Database (2011)

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## Endnotes

- 1 The analytical support for this initiative was provided by McKinsey & Company.
- 2 Stein, P., T. Goland, and R. Schiff. 2010. "Two Trillion and Counting: Assessing the Credit Gap for Micro, Small, and Medium-Size Enterprises in the Developing World." IFC and McKinsey & Company.
- 3 Formal-sector MSMEs: For the purpose of the study and analysis, microenterprises were defined as those with 1–4 employees; very small, 5–9 employees; small, 10–49 employees; and medium, 50–250 employees. Informal MSMEs were defined as all MSMEs that were not registered with the municipality or tax authority and all nonemployer firms, independent of registration.
- 4 In 2011, IFC updated the quantitative results with analytical support from McKinsey & Company by including 17 updated Enterprise Surveys including 14 Latin American countries, China and India. In addition, 12 new Enterprise Surveys became available, 7 of which were from the Middle East and North Africa. New informal-sector data also became available for 14 countries, and this was used as a basis to estimate the informal-sector credit gap. IFC Enterprise Finance Gap Database will be hosted by the SME Finance Forum at [www.smefinanceforum.org](http://www.smefinanceforum.org).
- 5 Unserved enterprises are those that do not have a loan or overdraft but need a loan.
- 6 Underserved enterprises are those that have a loan and/or overdraft but have financing constraints.
- 7 Deposit accounts are defined as checking, savings accounts, and term deposits.
- 8 The definition of women-owned SMEs is based on the Enterprise Surveys definition, which asks whether at least one of the owners is female, or whether any of the females are owners.

## Data Sources

### Formal Sector

Number of firms: IFC and World Bank, MSME Country Indicators, [www.ifc.org/msmecountryindicators](http://www.ifc.org/msmecountryindicators).  
 Percent of firms with loan or line of credit: World Bank Enterprise Surveys. 2003–2010. [www.enterprisesurveys.org](http://www.enterprisesurveys.org).  
 Deposit data: McKinsey & Company, Global Banking Pools, 2008. [solutions.mckinsey.com/globalbankingpools](http://solutions.mckinsey.com/globalbankingpools).

### Informal Sector

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 United Nations Development Programme. 2007. *Human Development Report 2007/2008 Fighting Climate Change: Human Solidarity in a Divided World*. New York: United Nations. (Pages 299–301), [hdr.undp.org](http://hdr.undp.org).  
 World Bank Enterprise Surveys, [www.enterprisesurveys.org](http://www.enterprisesurveys.org).

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