Credit Access for SMEs in Dominican Republic:
How the Secured Transactions Reform can potentiate the financial inclusion?
Dominican Republic

- **Population:** 10.2 millions (ONE, 2010)
- **GDP per cápita:** US$8,752 by PPP (WBG, 2014)
- **HDI:** 0.702 (96º) – Medium level
- **Poverty:** 37% (MEPyD, 2014)
- **Labour force:** 4.6 millions (BCRD, 2013)
- **Banked population:** 44% of population (Tecnocom, 2014)
- **Main economic activities:** agriculture, industry, manufacturing, services, mining...

Some relevant indicators
Economic and social impacts of SMEs

Approximately 791,236 SMEs; representing 98% of all businesses

More than 2.2 million jobs; 54.4% of the employed population of the country

Contribution of 38.6% to Gross Domestic Product (GDP)

In Dominican Republic, 51.3% of the microenterprises are led by women

Source: FondoMicro 2014
However, only 33.6% of microenterprises have an existing loan, compared with 55.3% of small and medium enterprises. Weighted mode, only 34.2% of companies have a loan today in Dominican Republic.

**Credit sources for SME’s**

<table>
<thead>
<tr>
<th>Source</th>
<th>2005</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial system</td>
<td>36.0%</td>
<td>52.5%</td>
</tr>
<tr>
<td>Informal lenders</td>
<td>26.8%</td>
<td>18.5%</td>
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<tr>
<td>NGO</td>
<td>11.0%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Government</td>
<td>1.7%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Family and friends</td>
<td>21.8%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Others</td>
<td>2.7%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Source: FondoMicro 2014
Use of credit

- Inventory replacements: 66.9%
- Machinery and equipment: 10.3%
- Infrastructure investment: 8.6%
- Consolidation and/or payment of debts: 14.2%

Source: FondoMicro 2014
Demand for credit and financial gap for SMEs: US$821.9 MM  
Source: FondoMicro, 2014

Financial gap in Dominican Republic: US$3,778.0 MM  
Source: Enterprises Surveys World Bank, 2010

For this reason, maybe there is a great demand for productive credit in the Dominican Republic, but there are limitations on lending to SMEs.
¿What actually happens with the productive credit in the country?

In addition, the cost of collateral represents 234.4% of the total credit value.

The wealth of SMEs is composed of 78.0% of personal property (tangible and intangible).

However, personal property today, only represents 27.0% of collateral, accepted by banks in the national system.

Source: Enterprises Surveys World Bank, 2010

Main obstacles
The secured transactions reform in Dominican Republic can achieve:

- **Credit expansion for SMEs using personal property as collateral**
  - US$2,900 MM
  - Source: Own estimations

- **Reduce bank credit costs for SMEs**

- **Empowerment and financial inclusion of women**

- **Legal certainty and registry unification**

- **More flexible requirements for credit**
Thank you very much!

Hands to the work!