



## CONTEXT

UNCTAD has carried out Rapid eTrade Readiness Assessments for [Bhutan](#), [Cambodia](#), [Lao PDR](#), [Liberia](#), [Myanmar](#), [Nepal](#), [Samoa](#), [Senegal](#), [Solomon Islands](#) and [Vanuatu](#). Each assessment was carried out along the seven policy areas of the [eTrade for all initiative](#):

-  E-commerce readiness assessment
-  ICT infrastructure and services
-  Payment solutions
-  Trade logistics and trade facilitation
-  Legal and regulatory frameworks
-  E-commerce skills development
-  Access to financing

Although each assessment identifies country-specific barriers and opportunities related to strengthening e-commerce, and provides corresponding policy recommendations, some common themes are emerging.

This document summarizes the key findings and main policy recommendations, based on the seven assessments completed so far, with regard to: **access to financing**.



## WHY IS THIS IMPORTANT?

It is important to facilitate the evolution of a robust financial architecture that funds innovation and entrepreneurship at all points across the e-commerce value-chain. In spite of progress, several economies do not provide reliable financial services or early stage capital/debt to start-ups and growth-oriented businesses in the e-commerce ecosystem. Financial integration is essential to foster greater national and international trade and investment. This means promoting adequate solutions for affordable financing.

## KEY FINDINGS

### 1. Access to financing remains limited for MSMEs

Established lending practices that favour large firms, high interest rates, strict eligibility criteria and requirements for land or buildings as collateral are some of the barriers faced by MSMEs when they pursue financing with commercial banks. Although some alternative financing mechanisms and solutions are emerging, developments in this area are very new.

### 2. Banks typically lend to big firms in traditional industries

Financial systems in the assessed countries are generally dominated by a few commercial banks, which tend to lend to large firms in industries that are already established and profitable. The banks view e-commerce and startup companies as risky investments. As a result, most MSMEs in the e-commerce industry have to rely on alternate sources of funding such as savings from family and friends or other money lenders.

### 3. Low financial literacy among MSMEs exacerbates challenges

Most commercial banks require sound business, operational and financial plans that many MSMEs lack the capacity to prepare. With basic accounting systems and informal approaches to tracking inventory and working capital, many MSMEs do not have the sophisticated records that commercial banks expect.



## MAIN POLICY RECOMMENDATIONS

### 1. Provide financial literacy and business training.

Enhancing the capacity of MSMEs to develop bankable business plans, in line with the requirements of commercial banks, would help to improve access to traditional financing. MSMEs could also be supported in upgrading their accounting, financial planning and record management systems.

### 2. Build capacity of business and women-led associations.

Business and women-led associations can play a key role in helping MSMEs improve the appeal and bankability of their business plans, and the credibility of their loan requests. In addition to providing dedicated training to their members, these association could also partner with commercial banks to develop products specifically targeted at MSMEs investing in e-commerce and the digital economy.

### 3. Develop tailored lending standards and products.

Commercial banks should be encouraged to adopt broader terms for evaluating the creditworthiness of entrepreneurs and MSMEs, particularly women-owned businesses. For example, banks could loosen the standard collateral requirement of land or buildings by also recognizing the value of receivables, inventory, export capability, technology and experience.



### 4. Increase awareness of incubators, business accelerators and venture capitalists.

Entrepreneurs and MSMEs should also be encouraged to look beyond banks and financial institutions for financing. Alternate funding models such as public-private partnerships, innovation grants, loan guarantees, incubators and venture capital should be explored. It is also important to assess regional and international funding opportunities.

### 5. Increase financial inclusion, especially for youth and women.

Banks should be encouraged, and incentivized, to provide innovative products for all segments of society, including women and youth. This would improve the financial literacy and credit standing of current and future business owners.

Funding for the Rapid eTrade Readiness Assessments has been provided by the Governments of Germany and Sweden and the Enhanced Integrated Framework. The assessments have also benefitted from inputs by eTrade for all partners.

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Rapid eTrade Readiness Assessments:  
<http://unctad.org/en/Pages/Publications/E-Trade-Readiness-Assessment.aspx>