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WORLD BANK GROUP

Report

MSME Finance Gap



Estimate and Evolution of the Financing Gap for Micro, Small, and Medium Enterprises in Emerging Markets and Developing Economies

2026

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Foreword

Micro, small, and medium-sized enterprises (MSMEs) are the engine of the economy in emerging markets. They account for 90 percent of firms and 75 percent of employment. Their role is particularly critical in fragile and conflict-affected situations, where they are often the only source of jobs and economic opportunity. Yet MSMEs in developing countries face a financing gap over $4 trillion a year. The reasons are structural: systemic constraints that limit their ability to obtain the finance they need to invest, grow, and create employment.

The World Bank Group's new MSME strategy aims to leverage data and digital solutions to help MSMEs become more visible, connected, enabled, and funded at scale. With appropriate financing, viable MSMEs can invest and grow. Without it, they cannot create the jobs that future generations need.

The analysis in this report shows that the MSME finance gap remains large and persistent, despite growth in the supply of MSME finance in many markets. It underscores both the urgency of action and the scale of the opportunity. It reflects unmet demand, untapped entrepreneurial potential, and the continued need for financial systems that better serve the real economy. This report assesses financing gaps at the country level and examines how their scale and evolution differ across regions and income groups. It also provides separate estimates for women-owned and led MSMEs and complements the monetary-value estimates with firm-level evidence on the prevalence of credit constraints. Using a consistent methodology across countries and over time, the report offers a granular view of where financing shortfalls are concentrated and how they are changing. The results provide an evidence base to guide investment decisions, inform policy dialogue, and support partnerships among the World Bank Group, the private sector, international organizations, and policymakers.

Our commitment is to help translate this evidence into solutions that mobilize capital, improve risk assessment and management, strengthen market institutions, and enable MSMEs to overcome barriers, grow, create jobs, and contribute to more inclusive and sustainable economies.



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Acronyms

ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
BIS	Bank for International Settlements
BOW	Banking on Women
CAGR	Compound Annual Growth Rate
CENFRI	Centre for Financial Regulation and Inclusion
DEC	Development Economics
DECEA	Enterprise Analysis Unit
DGE	Dynamic General Equilibrium
DI	Diffusion Index
DTF	Distance to Frontier
EAP	East Asia and the Pacific
ECA	Europe and Central Asia
ECB	European Central Bank
EIB	European Investment Bank
EIF	European Investment Fund
EMDEs	Emerging Market and Developing Economies
ES	Enterprise Survey
EU	European Union
FAS	Financial Access Survey
FCC	Fully Credit-constrained
FI	Financial Institution
FIG	Financial Institutions Group
GDP	Gross Domestic Product
GSMA	Mobile Network Operators (Groupe Spéciale Mobile Association)
HIE	High-Income Economy
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRR	Internal Rate of Return
ISIC	International Standard Industrial Classification
IT	Information Technology
KPI	Key Performance Indicator
KYC	Know Your Customer
LAC	Latin America and the Caribbean
LIC	Low-Income Country
LMICs	Lower-Middle-Income Countries
LTDB	Long-Term Debt
MENA	Middle East and North Africa

Acronyms

MIMIC	Multiple Indicators Multiple Causes
MIX	Microfinance Information Exchange
MSME	Micro, Small, and Medium Enterprise
NCC	Not Credit-constrained
NFS	Non-financial Services
NPL	Non-performing Loan
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squares
OPEC	Organization of the Petroleum Exporting Countries
PCC	Partially Credit-constrained
PO	Purchase Order
MAPE	Mean Absolute Percentage Error
MFI	Microfinance Institution
SA	South Asia
SAFE	Survey on the Access to Finance of Enterprises
SCF	Supply Chain Financing
SMEs	Small and Medium Enterprises
SSA	Sub-Saharan Africa
UMICs	Upper-Middle-Income Countries
UNCDF	United Nations Capital Development Fund
WBES	World Bank Enterprise Surveys
WBG	World Bank Group
WDI	World Development Indicators
WDR	World Development Report
W-MSME	Women Owned or Led Micro, Small, and Medium Enterprise

Executive Summary

This report represents the only consistently applied and methodologically robust assessment of the micro, small, and medium-sized enterprises (MSMEs) finance gap across emerging markets and developing economies (EMDEs). By generating fully comparable estimates for **2015, 2019, and 2023**, it allows for clear tracking of the evolution of the MSME finance gap and its underlying drivers. While the core methodology is unchanged, a major **update to the benchmark dataset**—including an expanded set of benchmark economies, a longer observation window, and improved outlier treatment—required re-estimating gaps for **2015 and 2019** to ensure full comparability across years. The accompanying database presents country-level estimates across the three years.

In 2023, EMDEs exhibited a **total potential MSME finance demand of $10.4 trillion**[1] alongside **formal MSME credit supply of $6.4 trillion**, resulting in a **finance gap of $4.0 trillion**, equivalent to about **11 percent of cumulative GDP**. This implies that **38 percent of potential demand remains unmet**, and the gap is over **62 percent of current supply**. The gap is concentrated in upper-middle-income countries (UMICs), which account for about 70 percent of the global total, while low-and lower-middle-income countries account for greater gaps as a share of their GDP. Regionally, the Latin America and Caribbean region has the largest gap in absolute terms, and as a share of the regional GDP.

Between 2019 and 2023, the MSME finance gap widened from **$3.6 trillion to $4.0 trillion**, an increase of 11 percent. Although both supply (+39 percent) and demand (+27 percent) grew rapidly, demand increased more in absolute volume, leading to the widening of the gap. As a share of GDP, however, the gap **declined modestly from 12 to 11 percent**. Importantly, **China's outsized influence** masks divergent trends across the rest of EMDEs. In the East Asia and Pacific region, the gap **narrowed** primarily because China's supply of MSME credit expanded more rapidly than demand. Excluding China, however, the region experienced a **19 percent increase in the gap** and a **0.6 percentage point rise** in the gap to GDP ratio, as demand outpaced supply in countries such as Indonesia and the Philippines. Most other regions saw **increases** in the gap due to demand growing faster than supply.

As the first **update since the COVID-19 pandemic**, the report finds that despite severe short-term disruptions, the MSME finance gap remains **structurally persistent**. While the pandemic caused temporary contractions in both supply and demand, by 2023 credit markets largely returned to pre-crisis patterns. Extraordinary policy support cushioned MSME lending during the crisis, and supply rebounded strongly by 2021. The report concludes that the pandemic functioned more as a **stress test** than a structural turning point: the long-run determinants of the gap such as collateral shortages, information asymmetries, and institutional weaknesses remain the dominant forces shaping MSME credit markets.

Beyond the formal sector, informal enterprises represent a significant source of under-measured financing needs. In 2023, informal sector potential demand for MSME finance is estimated at **$2.3 trillion**, equivalent to **6 percent of EMDE GDP** and roughly **23 percent** of the formal MSME potential demand.

The finance gap for women-owned or led smaller businesses, or W-MSMEs, declined by **42 percent between 2019 and 2023**, continuing the downward trend observed from 2015 to 2019. However, this progress is driven **almost entirely by China**. Excluding China, the W-MSME finance gap has remained **constant at about 12 percent** of the overall MSME finance gap.

1 All dollar amounts are US dollars unless otherwise indicated.

Despite improvements, W-MSMEs continue to face structural barriers including limited collateral, smaller average firm sizes, and social constraints that restrict access to formal credit. The remaining global W-MSME gap amounts to **$520 billion**, underscoring the need for gender-responsive financial products and targeted interventions.

The findings are directly relevant to the World Bank Group's new MSME Strategy, which aims to make MSMEs more visible, connected, enabled, and funded. The persistence of the finance gap shows that expanding credit must be accompanied by better data and digital connectivity, stronger market connections and capabilities, and enabling policies and institutions. The strategy's emphasis on making MSMEs more visible reinforces the importance of better and more disaggregated data. As MSME access to finance remains a central policy priority, the availability and systematic analysis of such data across countries will become increasingly important.

1.

Introduction

1.1 Background

A substantial body of data and empirical literature reinforces the notion that formal micro, small, and medium enterprises (MSMEs) employ a large share of the total workforce and are instrumental in creating jobs in developing economies (ILO 2022, IFC 2025, IMF 2019). Credit constraints can impede their ability to grow, innovate, and create jobs. MSMEs consistently identify access to finance as the biggest hurdle they face, ranking it above other issues, such as corruption, infrastructure, and taxes.[2] Quantitative evidence underscores the economic relevance of credit access: obtaining a formal loan has been shown to increase employment for small and medium-sized enterprises by 12 percent, raise sales by 18.2 percent, and boost profits by 17.6 percent (Bruhn et al. 2025), highlighting the causal role of external finance in firm-level growth dynamics.

Numerous studies and papers document the constraints that give rise to the notion of an MSME finance gap.[3] Traditional lenders often perceive MSMEs as riskier investments due to their size, limited collateral, and sometimes volatile cash flows. This restricted access to external funding options makes it challenging for MSMEs to finance their operations, invest in growth opportunities, and/or innovate. MSMEs may also face difficulties in providing adequate information to lenders, which can exacerbate information asymmetry. Lenders may lack sufficient information to accurately assess the creditworthiness of MSMEs, leading to higher perceived risk and a reluctance to extend credit. MSMEs in asset-light sectors lack sufficient tangible assets to offer as collateral for loans, a common requirement for traditional financing. This limitation makes it harder for them to secure debt financing, as lenders often rely on collateral to mitigate the risk of default. Additionally, MSMEs may struggle to meet stringent collateral requirements, thus constraining their access to external funding. Regulatory frameworks and institutional factors can also contribute to financial constraints on MSMEs. Complex regulations, bureaucratic processes, especially regarding firm registration, bankruptcy, and exit, as well as limited financial infrastructure in certain regions, may hinder the ability of MSMEs to access finance.

Overall, factors that give rise to financial constraints on MSMEs stem from both supply and demand factors and are influenced by a combination of external market conditions, institutional factors, and internal resource limitations. While the reasons for the MSME financing gap are well understood, quantifying the size of the resulting gap has only been attempted sporadically (IFC 2025).

The financing gap measured in this report is one component of the broader set of constraints addressed by the World Bank Group's new MSME Strategy. The strategy seeks to make MSMEs more visible, connected, enabled, and funded. This report speaks most directly to the funded dimension by measuring the scale and evolution of unmet financing demand, while also providing evidence relevant to the strategy's emphasis on better data and visibility. The estimates do not, however, identify which financial or non-financial intervention is most appropriate in a particular market.

1.2 Motivations and Considerations

The MSME finance gap report addresses a critical barrier to understanding the scale of constraints faced by MSMEs across emerging markets and developing economies (EMDEs), namely the lack of a robust

2 The World Bank Group. 2025. Enterprise Surveys. Available at https://enterprisesurveys.org/en/about-us.

3 See the MSME Finance Gap Report (IFC 2025) for a recent literature review of this topic. http://www.smefinanceforum.org/data-sites/msme-finance-gap.

methodology to estimate the MSME finance gap consistently across countries. By measuring the scale, composition, and evolution of the financing gap, the report provides an evidence base for the funded dimension of the strategy and helps identify where complementary interventions to improve visibility, connectivity, and the enabling environment may also be needed. IFC's series of reports aims to estimate the MSME finance gap in Emerging Markets and Developing Economies (EMDEs) using a common and consistent methodology introduced in the first iteration of the report (IFC 2017) and updated subsequently in 2025 (IFC 2025). This report continues to build on this core methodology but strengthens the estimation by significantly expanding and updating the set of benchmark countries and time periods. As the Methodology section (see Section 2) highlights, benchmarking how firms of certain sizes, ages, and sectors could potentially borrow is a key aspect of the estimation, one that has not been updated since the first report was published in 2017 (IFC 2017). Because benchmark values directly influence gap estimates over time, this report recalculates the gap for both 2015 and 2019 using the same benchmarks, data sources, and methodology as those applied in 2023 to maintain consistency. As detailed in Section 2, the new estimated benchmarks are lower on average, leading to the estimated MSME finance gap for previous years to be revised downwards. As a result, the figures presented in this report are not directly comparable to those in earlier reports.

Together, this report and the accompanying database present the evolution of the gap in four-year intervals (2015, 2019, and 2023), with a focus on how the MSME finance gap evolved over the most recent four-year period (2019–2023).

First, the supply of financing increased meaningfully by an average of 9.8 percent per year from $4.6 trillion (15 percent of GDP) in 2019 to $6.4 trillion (17 percent of GDP) in 2023. However, the growth in the supply of MSME lending has been inconsistent across countries. Most countries experienced modest growth, with 66 percent of countries experiencing supply growth of less than 10 percent over the four-year period. However, a few countries experienced substantial expansion. Most notably in China, supply increased by 47 percent between 2019 and 2023, in part due to the substantial development of the banking sector, government policies conducive to MSME financing, capital markets and cross-border capital inflows. Excluding China, the total MSME supply for the rest of the EMDEs grew nominally by 14.4 percent or 3.6 percent annually but remained broadly unchanged as a share of GDP.

Second, the increase in potential demand for MSME financing outpaced supply. As new firms entered the market, existing MSMEs grew, economies further formalized, and MSMEs re-oriented toward finance-heavy sectors. Thus, demand for financing continued to increase, outpacing supply. Specifically, potential demand for financing increased from 27 percent of GDP in 2019 to 28 percent of GDP in 2023. Unlike the supply side, where China was the main driver, overall potential demand increases were due to widely variable changes across countries. The majority of EMDEs (91 of the 114 countries) experienced growth in their potential demand over this period, while 23 countries experienced a decline in demand. Additionally, 29 countries experienced growth in demand of over 10 percent (see Section 3.2).

Third, putting together the demand and supply sides, the report reaches the conclusion that the MSME finance gap increased from $3.6 trillion[4] to $4.0 trillion in EMDEs, representing an annual average increase of 2.8 percent. However, as a percentage of GDP, the gap remained

4 This number represents the MSME finance gap within the common subset of 114 emerging market and developing economies, using updated benchmarks.

constant at around 11 percent.[5] Excluding China, the MSME finance gap in the rest of EMDEs is $3.2 trillion.

The current estimate has been substantially improved due to the higher frequency of new firm-level surveys from the World Bank Enterprise Surveys (WBES). New firm-level surveys from the WBES were used for 55 of the 114 countries in estimating the current gap. The supply side data coverage expanded from 61 to 77 countries, reflecting improvements in MSME credit reporting by central banks. This progress has been driven largely by enhanced data collection efforts from international organizations, most notably the IMF's Financial Access Survey (FAS), which serves as the primary supply side source for this report, as well as complementary datasets from the Organization for Economic Co-operation and Development (OECD) and Asian Development Bank (ADB).

The finance gap for women-owned or led MSMEs (W-MSME) stands at $520 billion in 2023, representing 13 percent of the overall gap. Over the four-year period from 2019 to 2023, the women portion of the MSME finance gap decreased by half from 25 percent in 2019 to 13 percent in 2023. The same methodology used in the previous report—of separating the W-MSMEs using the Enterprise Survey firm-level data—is used in this report. The Enterprise Surveys remain the best source for systematically collecting enterprise -level data about women-and men-owned or led enterprises. As recent surveys consistently collect information about ownership percentages not contained in older surveys, the definition can be applied more consistently across countries. However, the lack of gender-disaggregated data remains a significant constraint, with no data available on the supply side. Challenges persist regarding the availability and reliability of high-quality data needed to support strategic decision-making for servicing MSMEs. This highlights the need for further improvements in MSME-related data on both the supply and demand sides. This includes data gathered globally through investments in primary data collection and secondary data aggregation. In addition, further investments are needed to facilitate the comprehensive standardization of improved data.

Even when data is available, the divergence of MSME definitions used by governments and those used by banks and other lenders makes it challenging to consistently collect and analyze lending data. The report uses a consistent definition when aggregating firm-level data.

For a consistent global definition, the most prevalent threshold is used, that is, the number of employees (250 employees or fewer) as the definition of MSMEs.[6] However, the supply-side data, which is already provided in aggregate form by various reporting datasets (see Section 2), could be a source of weakness for cross-country comparability. This report attempts to mitigate this issue by using MSME supply data with broadly similar scope and omitting country data when divergence is too large.

Another important consideration in using the headline MSME finance gap is that it only includes formal MSMEs. The definition of formality varies from country to country, and it is not always clearly demarcated from informality. The report relies on the definition of formality as used by the statistical body of the country supplying population frames for the Enterprise Surveys. As such, it may not be entirely consistent across countries. To supplement the formal MSME finance gap estimates, the report provides an estimate of the scale of potential financing demand from the informal economy. In 2023, the informal demand for financing is estimated at $2. 3 trillion, 23 percent of the formal potential demand estimates.

5 Taking a simple average of each country's MSME finance gap as a percentage of GDP shows similar trends. The average gap as a percentage of GDP across EMDEs remains at 14 percent in both years.
6 See the SME Finance Forum's MSME Economic Indicators (IFC 2019) for the documentation of MSME definitions used across countries.

The global COVID-19 pandemic significantly impacted both supply and demand for credit. Lockdowns caused temporary disruptions in cash flows for millions of small firms and financial institutions initially tightened their lending criteria to manage rising credit risks (Adian et al. 2020). However, government support programs provided essential liquidity during the peak of the crisis (IMF 2022). Despite these drastic events, this report finds that the overall MSME finance gap trend remained remarkably stable. Demand for working capital spiked during the crisis, and while lending contracted initially, supply growth resumed by 2021 as global markets stabilized (IFC 2021). Importantly, the pandemic did not alter the long-term trajectory of the financing gap; it exposed existing structural deficiencies without fundamentally changing them. Policy responses during the crisis focused on short-term relief rather than structural reform (IMF 2022), and the underlying causes of the finance gap appear to have proved resilient to this external shock. One notable change was accelerating digital adoption in financial services, which helped some small firms maintain access to credit (World Bank 2021).

1.3 Review of Other Studies Measuring the MSME Finance Gap

Despite the rich literature on MSME finance, credible gap measurement methodologies remain limited and concentrated in a small set of institutional and regional applications. As the previous reports (IFC 2017, 2025) already contain a review of earlier literature, this section highlights newer and ongoing estimation attempts. [7]

Raab (2025) estimates the EU-wide debt-financing gap of small and medium-sized enterprises (SMEs) using survey data to identify SMEs that are unsuccessful in obtaining credit despite being financially creditworthy, interpreting the resulting shortfall as evidence of persistent market failures in SME lending. The study reports a debt financing gap of about €39 billion ($46 billion) per year in the European Union and an aggregated multi-year gap exceeding €210 billion ($249 billion) over a seven-year horizon, underscoring that substantial gaps can persist even with strong public support instruments.

Two other country-level studies have been conducted recently. In India, the Small Industries Development Bank of India (SIDBI) has estimated a credit gap equivalent to over $300 billion for MSMEs. The estimate relies on standard and universally applied assumptions about firm demand for working capital and investment financing. In South Africa, a report by FinFind estimates a funding gap of R350 billion ($21 billion) among MSMEs, including informal enterprises. The report takes a direct approach to measuring the need for funding through surveys and bank loan rejection rates (FinFind 2025).

A large adjacent literature continues to document MSME financing conditions (rather than the gap per se), but it increasingly provides inputs that can be used for gap measurement—particularly through consistent cross-country indicators of demand conditions, rejection/constraint rates, and financing instrument composition. For instance, the OECD's *Financing SMEs and Entrepreneurs 2025* continues to systematize comparable indicators for debt, equity, and alternative instruments across countries, complementing supply-side measures with evolving information on demand conditions and policy supports (OECD 2025).

Similarly, national and regional market-monitoring products (e.g., the UK Small Business Finance Markets 2024/25 report) increasingly organize evidence explicitly around demand-supply

7 A review of literature published in 2024 or later was conducted to supplement the literature already presented in the previous reports.

frictions and segmentation (region, firm size, underrepresented groups), helping identify where measurable gaps are most likely to arise, even when they do not produce a single headline gap estimate.

The rest of the report is structured as follows: Chapter 2 summarizes the methodology used in both the previous and current reports, highlighting the change in benchmarks as well as other minor adjustments due to changes in data. Chapter 3 presents results from the re-estimation of the MSME finance gap and examines shifts in supply, potential demand and the resulting financing gap between 2015 and 2023, with a specific focus on the trend observed between 2019 and 2023. The report concludes with a discussion of the implications for policy and private-sector participants in the MSME finance market.

2.

Methodology

2 Methodology

This report retains the methodology used in the previous International Finance Corporation (IFC) reports estimating the finance gap for micro, small, and medium-sized enterprises (MSMEs), while updating the underlying data used for estimation. The core methodology as well as motivating rationales and limitations are presented more fully in the previous report (IFC 2025). This report provides a summary of the methodology and focuses on updates in the benchmarking exercise by i) expanding the set of benchmark countries from ten to fourteen, and ii) extending the time horizon from 2011 to 2023. The estimates in previous reports relied on benchmarks during the 2011–2014 period and therefore could be considered outdated as well as covering a limited period. The new benchmarks span business cycles, various crisis cycles, and the pandemic periods, providing a more robust and fuller picture of how firms in the benchmark economies borrow over time. The new benchmark estimation improves the representation of a more diverse set of firms in benchmark countries and adopts a more conservative estimate of financing demand by systematically addressing outliers using Bureau van Dijk's *Orbis* data.[8] Together, these changes strengthen the benchmark's ability to provide a reliable and comparable assessment of firms' financing needs over time.

Because of significant changes to the benchmark, which in turn directly affects the estimation of the MSME finance gap, the estimates from previous MSME finance gap reports (IFC 2025 and IFC 2018), although using the same methodology, are not comparable to current estimates. To ensure consistency and comparability across the years, the 2015 and 2019 gap has been re-estimated using the updated benchmarks. This re-estimation ensures methodological consistency across time, including in the benchmarks used for estimation. Taken together, these updates provide a more comprehensive and policy-relevant view of how MSME credit access has evolved over time, while remaining grounded in the existing methodology.

The report retains the three-step structure of the existing methodology used in previous editions. Step one benchmarks MSME financing patterns in advanced economies[9] (i.e., benchmark countries) with efficient credit markets. With these benchmarks established, step two extrapolates potential MSME financing demand in emerging markets and developing economies (EMDEs) by applying benchmark debt-to-sales ratios to rescaled firm sales. Finally, step three compares potential demand with observed MSME credit supply to compute the financing gap.

2.1 Methodological Steps

As noted above, the report builds upon the existing methodology, further refining it to improve precision, coverage, and transparency. For detailed operational information on data construction, validation, and replication, please refer to the Annex.

Step 1: Benchmarking

This first step establishes how MSMEs typically finance themselves in advanced economies where credit markets function efficiently. Firm-level financial data is drawn from Bureau van Dijk's *Orbis*, which harmonizes company accounts from official registries and credit-reporting agencies.[10] Consistent with previous reports,

8 Bureau van Dijk. (2024). Orbis [Database]. https://www.bvdinfo.com/.

9 The benchmark is based on a group of advanced economies with reliable financial systems and comprehensive firm-level data, which is used to measure typical MSME debt-to-sales ratios.

10 Orbis was selected because it provides the most comprehensive and internationally comparable coverage of firm balance sheets and income statements available. Its reliability has been validated in prior research; for instance, Kalemli-Özcan et al. (2024) find that Orbis captures roughly 75-80 percent of total economic activity reported in Eurostat and accurately reflects the official size distribution of firms in European economies. Fattal-Jaef (2022) compares the coverage in the ORBIS/Amadeus to Eurostat, and it does not use Denmark, Germany, Ireland, Switzerland, and the United Kingdom due to low coverage. The coverage may be lower in some countries. Thus, the benchmark represents firms that were included in the ORBIS database.

MSME financing is mapped across manufacturing, retail, and services sectors, grouping firms into five size categories (0-9 employees, 10-19 employees, 20-49 employees, 50-99 employees, and 100-249 employees), and classified as either young (under five years of incorporation) or mature firms (five years or more).

In earlier reports, the benchmark country list consisted of ten economies, with well-developed credit systems and robust Orbis coverage.[11] In this edition the benchmark country list has been expanded to fourteen economies: Australia, Canada, Denmark, Germany, Estonia, Hungary, Ireland, Israel, Lithuania, New Zealand, Slovakia, Switzerland, the United Kingdom, and the United States. The additional benchmark countries included satisfy the earlier-established selection criteria—namely that they are high-income and rank among the top 10 in the "Getting Credit" module of the World Bank's *Doing Business Index* (now, *Business Ready*). This expanded pool provides a more diverse and representative set of advanced economies. The observation window is extended from 2011 to 2023 (previously 2011–2014), enabling coverage of multiple business cycles, including the COVID-19 period. To limit the influence of outliers, the top and bottom one percent of the firm-level debt-to-sales distribution are excluded, reduced from five percent in earlier reports.

Firms in the 14 benchmark countries are first grouped by sector, size, and age. Potential demand (measured as mean debt-to-sales ratio) for each sector–size–age cell is computed by averaging firm-level mean debt-to-sales ratios over the 2011–2023 period. These cell-level averages serve as reference benchmarks, capturing typical MSME financing patterns under efficient market conditions, and form the basis for estimating potential financing demand.[12] Table 1 indicates a significant variation in the benchmark estimate across cells. Figure 1 shows that the average demand for finance for each cell varies by year.

Table 1. Mean Debt-to-Sales Ratio

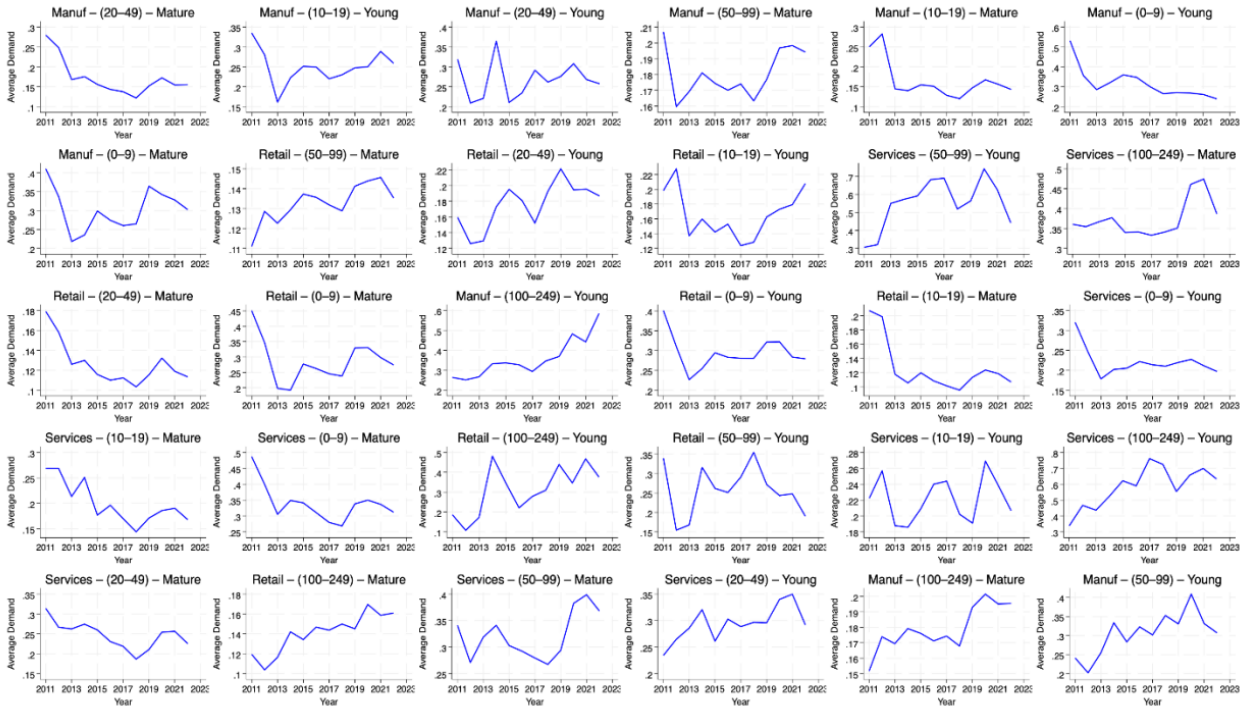
Size of MSME (number of employees)	0-9		10-19		20-49		50-99		100-249	
Age of MSME	Young	Mature	Young	Mature	Young	Mature	Young	Mature	Young	Mature
Manufacturing	0.30	0.30	0.25	0.15	0.27	0.16	0.32	0.18	0.36	0.18
Retail	0.29	0.28	0.16	0.11	0.18	0.12	0.26	0.14	0.34	0.15
Services	0.22	0.32	0.22	0.18	0.30	0.23	0.58	0.33	0.62	0.38

Source: IFC (based on the *Orbis* dataset).

11 These countries were selected based on the criteria that they are high-income and ranked highest on the "Getting Credit" module of the World Bank's Doing Business Index (https://archive.doingbusiness.org/en/data/exploretopics/getting-credit). The Getting Credit module explores two sets of issues, namely, the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending. In addition, income-level proxies are used for a host of characteristics related to regulatory efficiency. Together, these two criteria drive the selection of countries in which the regulatory and institutional environment favors well-functioning credit markets.

12 There is significant variation in the definition of MSME size categories, and it often relies on a combination of employees, assets and revenues. Even for a categorization based on the number of employees, there is substantial variation in definitions across countries. This study defines microenterprises as those with less than 10 employees, and MSMEs as those with less than 250 employees. This is the most widely used definition in the publications. According to research by IFC's MSME Country Indicators (2014), it is also the most widely used definition by individual countries.

Figure 1. Annual Average Demand for Finance by Firms' Sector, Size, and Age



Source: IFC [13]

Step 2: Extrapolating Potential Demand in Target Countries

This step follows the same process as in previous reports to estimate how much financing MSMEs in EMDEs would require under well-functioning credit-market conditions.

Firm-level data from the World Bank Enterprise Surveys (WBES) provide the principal measure of MSME activity, weighted by firm size, sector, and region for representativeness. As WBES captures only part of total economic activity, we align firm sales with national accounts using country- and sector-specific rescaling factors. [14] These adjust WBES sales to match sectoral value added, drawing primarily on the *United Nations Industrial Development Organization* (UNIDO) *Industrial Statistics Database* and supplemented by the World Bank's *World Development Indicators* (WDI). Missing observations are interpolated or replaced with regional estimates to ensure coverage for 2011–2023, and a smoothing adjustment moderates abrupt changes in MSME composition across survey waves so that trends reflect structural shifts rather than sampling variation.

We then apply the relevant benchmark debt-to-sales ratio to each firm's rescaled sales to obtain potential demand for finance. Aggregating across firms yields each country's potential MSME financing demand. For countries without post-2019 survey rounds, we retain the latest WBES microdata and rescale to updated national aggregates, preserving comparability while extending the time horizon.

13 All figures and graphs henceforth are based on the authors' calculations.
14 In many countries, under-sampling by the Enterprise Survey is a known issue because, for example, of the sizes of the economies and available sampling resources. The population of firms covered by the Enterprise Surveys does not include firms with fewer than 5 employees, as well as firms in the following sectors: agriculture, extractive industries, personal services, financial services, education, healthcare, and utilities, among others.

Step 3: Existing Supply of MSME Financing

This step uses the same framework as the previous reports for measuring MSME credit supply. The analysis combines global and national sources, using the IMF's Financial Access Survey (FAS) as the primary dataset, supplemented by the OECD's Financing SMEs and Entrepreneurs database, the Asian Development Bank's Asia SME Monitor, and additional central bank and national statistics where available.[15]

Data from FAS and other sources are available through 2023, which is used as the reference year for this report. Country coverage for MSME lending data, using sources like the IMF's FAS and Asian Development Bank (ADB)'s Asia Small and Medium-Sized Enterprise Monitor, has expanded from 61 countries in the previous report to 77 countries.[16] For the remaining countries where direct MSME lending data is unavailable, we follow the previous report (2017) in generating estimates using the cross-sectional regression framework linking MSME credit volumes to structural, macroeconomic, and financial-sector characteristics such as firm density, access-to-finance indicators, GDP growth, lending rates, credit bureau coverage, and collateral registries.[17] This model predicts MSME credit volumes in data-scarce economies based on structural, macroeconomic, and financial-sector characteristics. Using multi-year averages smooths short-term volatility and enhances cross-year consistency.

New country data are used to recalibrate earlier years using private-sector credit growth, maintaining time-series continuity. All results are validated against total lending, private credit, and GDP to ensure internal consistency with macro-level credit aggregates and to identify and correct statistical outliers. The expanded coverage and updated validation enhance the reliability and completeness of the MSME supply estimates, providing a sounder basis for assessing how access to finance for small enterprises has evolved since 2019.

2.2 Computing the MSME Finance Gap

The estimation of the MSME finance gap follows the same framework as the previous reports. The supply estimates from Step 3 are combined with potential demand from Step 2 to derive the MSME finance gap, expressed in both nominal terms and as a share of GDP.

MSME finance gap =
Potential demand – Existing supply

The MSME finance gap is defined as the difference between potential MSME financing demand and the observed supply of credit available to MSMEs, assuming firms in developing countries have the same willingness and ability to borrow as their counterparts in well-developed credit markets, that they operate in comparable institutional environments and that financial institutions lend at similar intensities as their benchmarked counterparts.

2.3 Gender Disaggregation

Gender remains a critical dimension of the MSME finance gap. As in previous reports, we follow IFC's definition of W-MSMEs: firms majority-owned or managed by women, or registered as female-owned sole proprietorships, ensuring continuity with the previous reports.[18]

Due to lack of gender-disaggregated lending data, this report, as in previous editions, disaggregates the overall MSME finance gap between women- and

15 The FAS is an annual, regulator-based dataset on financial access and usage across households and enterprises, including MSMEs. It covers commercial banks, cooperatives, microfinance institutions, and other relevant providers. The OECD and ADB sources fill gaps where FAS coverage is limited, creating the most comprehensive cross-country view of MSME lending currently available.

16 These include both developed and emerging economies.

17 Details of the regression framework are presented in the previous report and omitted here for brevity.

18 At least 51 percent female ownership, *or* Sole Proprietorships that are female-owned, *or* female participation in ownership and management (top manager).

men-owned firms according to their share of the total MSME potential demand computed in Step 2. These indicative estimates primarily reflect differences in economic output rather than borrowing behavior, but they highlight the structural imbalance faced by W-MSME.

2.4 Informal Finance Gap

Estimating financing needs for informal firms is challenging due to limited cross-country data on their activity and credit use.[19] This report retains the earlier approach of using the World Bank's global database of informal economic activity (Elgin et al. 2021), which provides coverage for all economies here and combines a Dynamic General Equilibrium model with a Multiple Indicators Multiple Causes model.

Because formal lending to informal firms is negligible, we focus on potential demand rather than the gap. The report assumes that informal firms of similar size and output to formal counterparts would require comparable financing under efficient market conditions. Therefore, potential demand in the formal sector is used to approximate the scale of financing that could emerge with full formalization. While not a strict "gap" metric, this offers a useful indication of credit potential within the informal economy.

2.5 Credit-Constrained Enterprises

As in previous editions, the report complements the MSME finance gap by computing the percentage of credit-constrained MSMEs. Consistent with the previous editions, the report leverages the work done by the WBES in estimating the share of credit constrained firms[20]. Firms are classified as fully, partially, or not credit constrained based on use of and access to external finance. The share of constrained enterprises includes those deemed fully or partially constrained. This approach provides a consistent cross-country measure of financial exclusion that complements the aggregate gap estimates and is in line with MSME definitions used in this report.

19 The Enterprise Surveys have included a few surveys of the informal sector, but they do not provide broad coverage across countries.
20 The multidimensional framework of Kuntchev et al. (2014) is applied to WBES data to estimate the share of credit-constrained firms. For more details please refer to https://www.enterprisesurveys.org/en/data.

3.

Quantifying the MSME Finance Gap

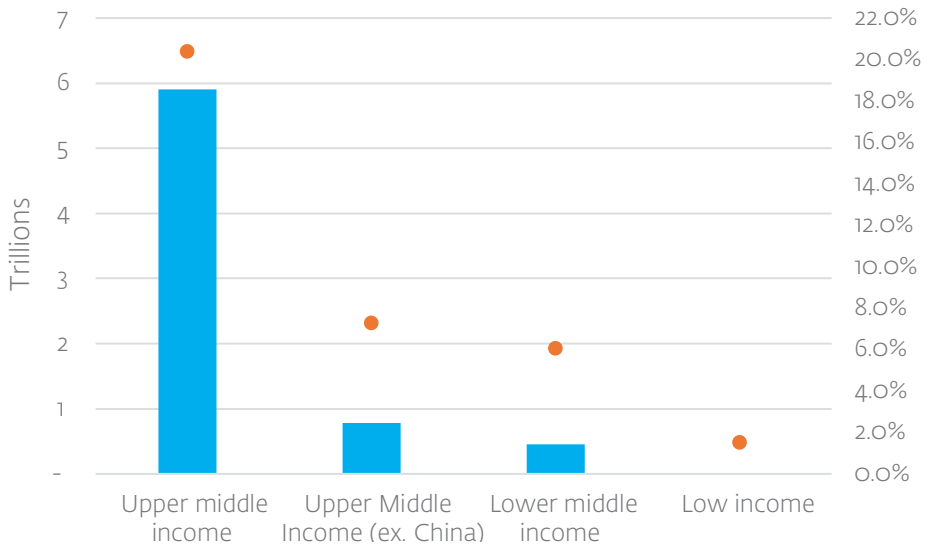
3.1 Existing Supply of Financing for MSMEs

3.1.1 Current Supply Estimate (2023)

In 2023, the stock of formal credit for micro, small, and medium enterprises (MSMEs) is estimated at $6.4 trillion, equivalent to 17 percent of the GDP of emerging market and developing economies (EMDEs).[21] Cross-country variation is substantial and closely aligned with overall financial-system depth. As in broader credit markets, countries with deeper banking and capital markets exhibit higher levels of MSME credit supply. East Asia and the Pacific (EAP) region accounts for three of the five highest MSME supply-to-GDP ratios among EMDE regions, while Sub-Saharan Africa (SSA) region records three of the five lowest. The East Asia and the Pacific region (excluding China) also has by far the highest regional private sector credit-to-GDP ratio (68 percent) as of 2023[22] compared with 46 percent in Latin America and the Caribbean region (the second highest). Sub-Saharan Africa is the lowest at 23 percent. This pattern suggests that overall private-sector credit supply is a key determinant of MSME finance availability across regions.

By income group, the supply of MSME credit is heavily concentrated. Upper-middle-income countries (UMICs) provide 92.7 percent of total MSME lending, including seven of the ten largest markets, one of which is China.[23] However, China alone supplies about $5.12 trillion in MSME credit, or 28 percent of its GDP. Lower-middle-income countries (LMICs) contribute roughly $453.7 billion (6 percent of GDP), and low-income countries (LICs) about $13.1 billion (1.9 percent of GDP) (Figure 2). Such disparities can be partly explained by the strong positive association between GDP, i.e., size of the economy (Figure 3), financial-sector maturity, and institutional capacity to support MSME-oriented lending programs.

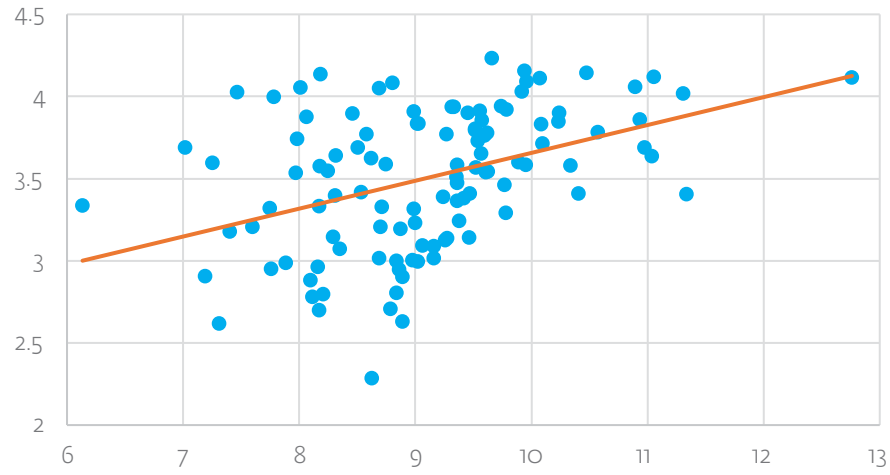
Figure 2: Total Supply of MSME Finance by Country Income Group, 2023



Source: IFC

21 Unless otherwise specified, all figures in this chapter refer to the 114 EMDEs included in the analysis. Countries with missing data for specific years are excluded from relevant calculations and noted where applicable.
22 Excluding China, Viet Nam also did not have updated 2023 reported numbers
23 These countries are Argentina, Brazil, China, Indonesia, Mexico, Thailand, and Türkiye. Since the finance gap is measured in monetary volume, the aggregate estimates are concentrated in larger economies with greater MSME output. Upper-middle-income countries therefore account for a substantial share of the global totals, with China representing a particularly large component.

Figure 3: Correlation of GDP per capita and Supply of MSME Finance

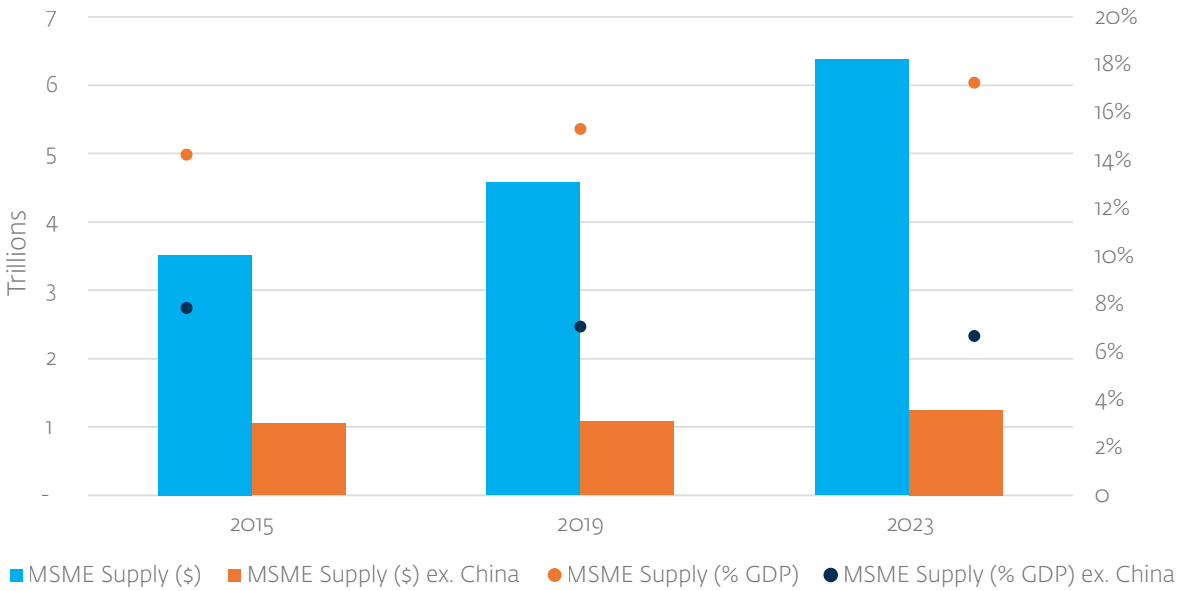


Source: IFC

3.1.2 Growth in Supply

Between 2015 and 2023, MSME credit in EMDEs expanded significantly, outpacing overall economic growth. Credit to MSMEs in absolute volume increased by 81 percent during this period, well above the average GDP growth rate of 48 percent. The supply of MSME lending as a share of GDP also increased by 3 percentage points, from 14 percent to 17 percent, showing robust growth in access to credit for MSMEs in EMDEs (Figure 4). The aggregate increase was concentrated in upper-middle-income economies, particularly China. Excluding China, MSME credit supply still increased by 55 percent between 2015 and 2023, but remained broadly unchanged as a share of GDP.[24]

Figure 4: Growth in Total Supply of MSME Finance, 2015-2023

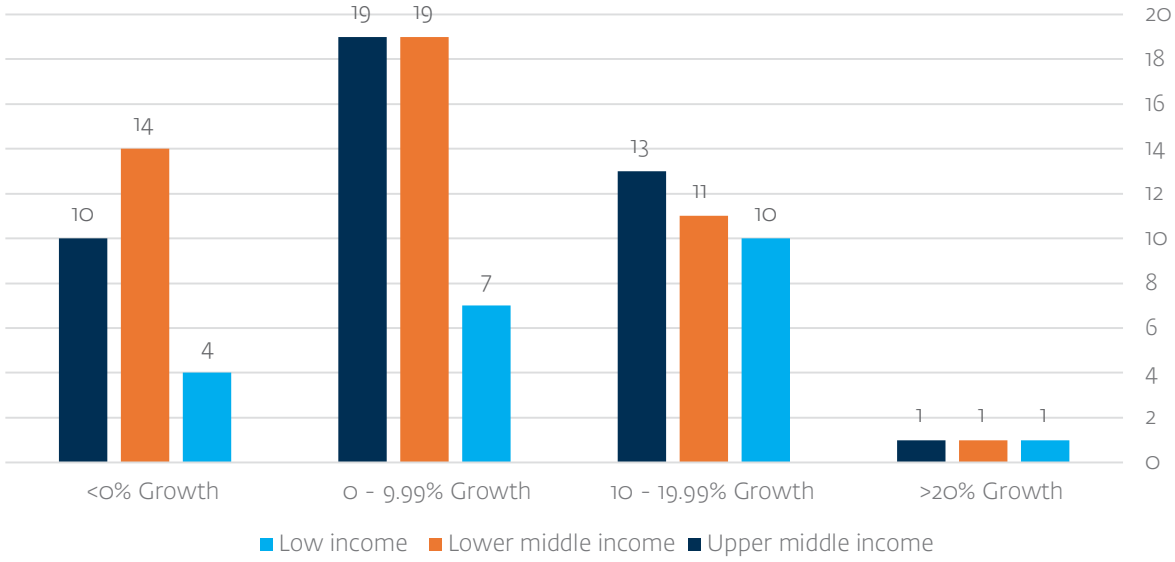


Source: IFC

24 The previous report (IFC, 2025) provided an in-depth analysis of growth trends between 2015 and 2019. This report therefore focusses mainly on the dynamics between 2019 and 2023.

The upward trend in MSME credit continued in the 2019-2023 period with an absolute increase of 39.2 percent, and an average annual increase of 9.8 percent (Figure 4), again surpassing the GDP growth of 23.8 percent. The supply of MSME lending as a share of GDP also increased by 2 percentage points, from 15 percent in 2019 to 17 percent in 2023, reinforcing the positive trajectory in credit access for MSMEs in EMDEs. However, growth trajectories diverged widely across countries. In 2023, 74 percent of the 111 EMDEs[25] showed an average annual increase in the supply of MSME credit. Of these, 37 countries recorded average annual increases above 10 percent, while 28 experienced contractions (Figure 5). By income group, expansion was strongest in UMICs by volume of financing, where MSME credit rose by more than $1.7 trillion between 2019 and 2023. However, LICs experienced the fastest growth rate at 46 percent (Figure 6).

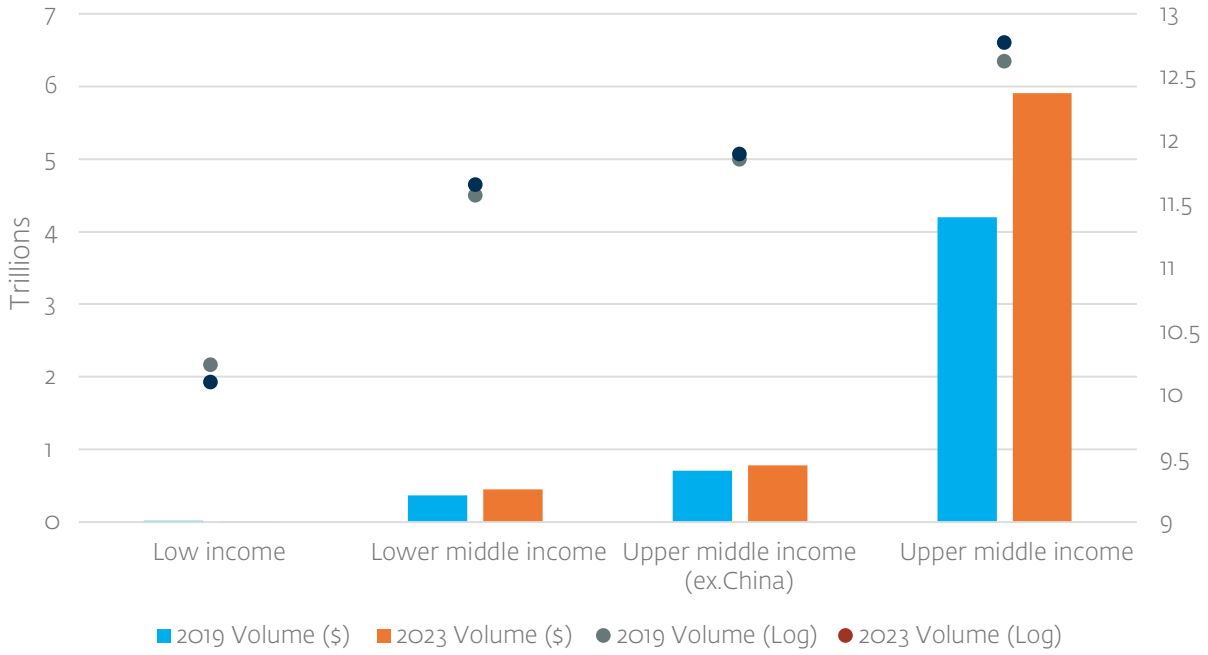
Figure 5: Number of Countries by Average Annual Growth in MSME Finance Supply, 2019–2023



Source: IFC

25 The countries of Kosovo, Bosnia and Herzegovina, and Mauritania do not have supply broken down by MSMEs in FAS or country level sources and thus are excluded from the supply analysis.

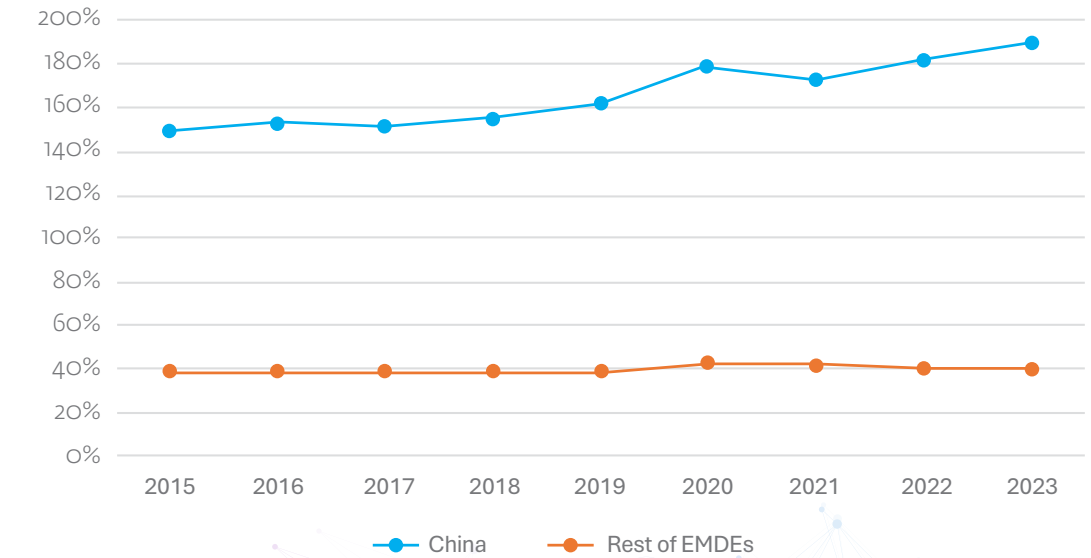
Figure 6: Total Supply of MSME Finance by Country Income Group, 2019–2023



Source: IFC

While the overall supply of MSME credit increased between 2019 and 2023 by 39 percent, the growth was highly uneven. China alone accounted for a substantial share of the increase, with China's MSME credit supply rising by 47 percent over that period, and increasing from 24 percent of GDP to 28 percent of GDP in 2023. However, excluding China, the total MSME supply in absolute terms for the rest of the EMDEs increased by 14 percent, while as a share of GDP, it remained more or less constant. This pattern is mirrored in the broader trend of private sector credit growth, where China experienced a significant increase in private sector credit as a percentage of GDP, while most other EMDEs saw little change (Figure 7).

Figure 7: Domestic Credit to Private Sector (percent of GDP)

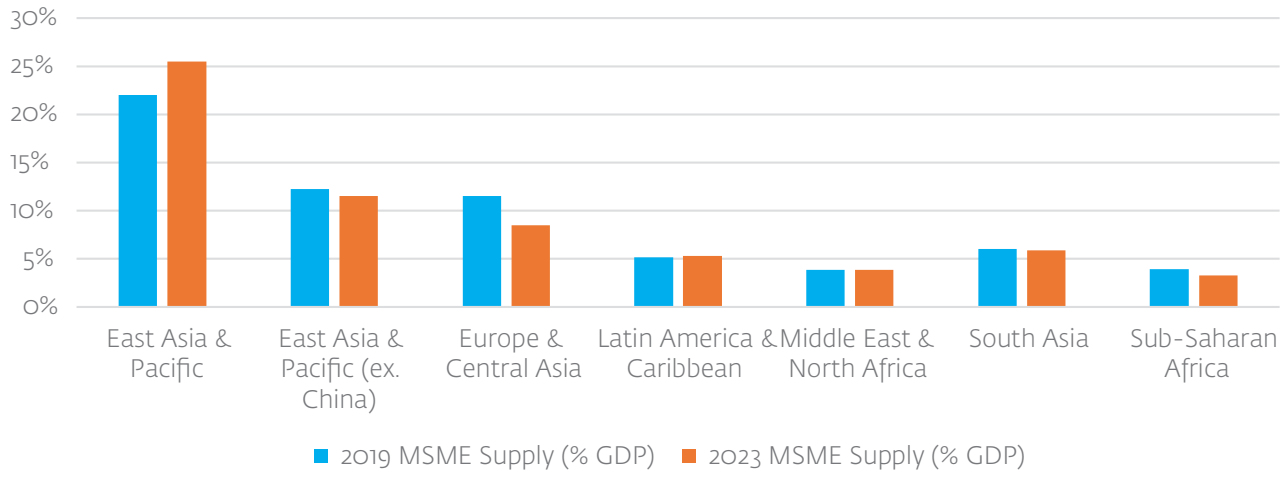


Source: IFC

Regional disparities persisted and factors such as government policy, financial sector stability and pandemic-related relief measures played a part in shaping MSME credit supply growth across economies. EAP posted a 43.4 percent increase in MSME lending between 2019 and 2023, exceeding its 2015-2019 growth of 39.5 percent. However, excluding China, the region saw only 8.3 percent growth in MSME credit volume, underscoring China's outsized contribution. South Asia and Latin America and the Caribbean (LAC) followed with 24.7 and 29.3 percent, respectively, while the Middle East and North Africa (MENA) and Europe and Central Asia (ECA) registered more modest gains of 10.5 and 5.4 percent. In contrast, SSA experienced a modest decline in MSME credit. The decline in Sub-Saharan Africa potentially reflects a combination of structural and macroeconomic constraints, including currency fluctuation, inflationary pressure, and limited banking sector depth further restricting credit expansion, resulting in a contraction in MSME credit volume.

When considering the average growth of supply as a percentage of GDP, most regions remained broadly unchanged in the 2019–2023 period (within approximately 1 percentage point) (Figure 8), with two notable exceptions. East Asia and the Pacific region saw an increase of 3.5 percentage points, driven primarily by China's targeted inclusive finance policies and programs and emergency credit support. ECA, on the other hand, saw a decrease of 3 percentage points, falling from 11.7 percent to 8.6 percent of GDP (Figure 8).

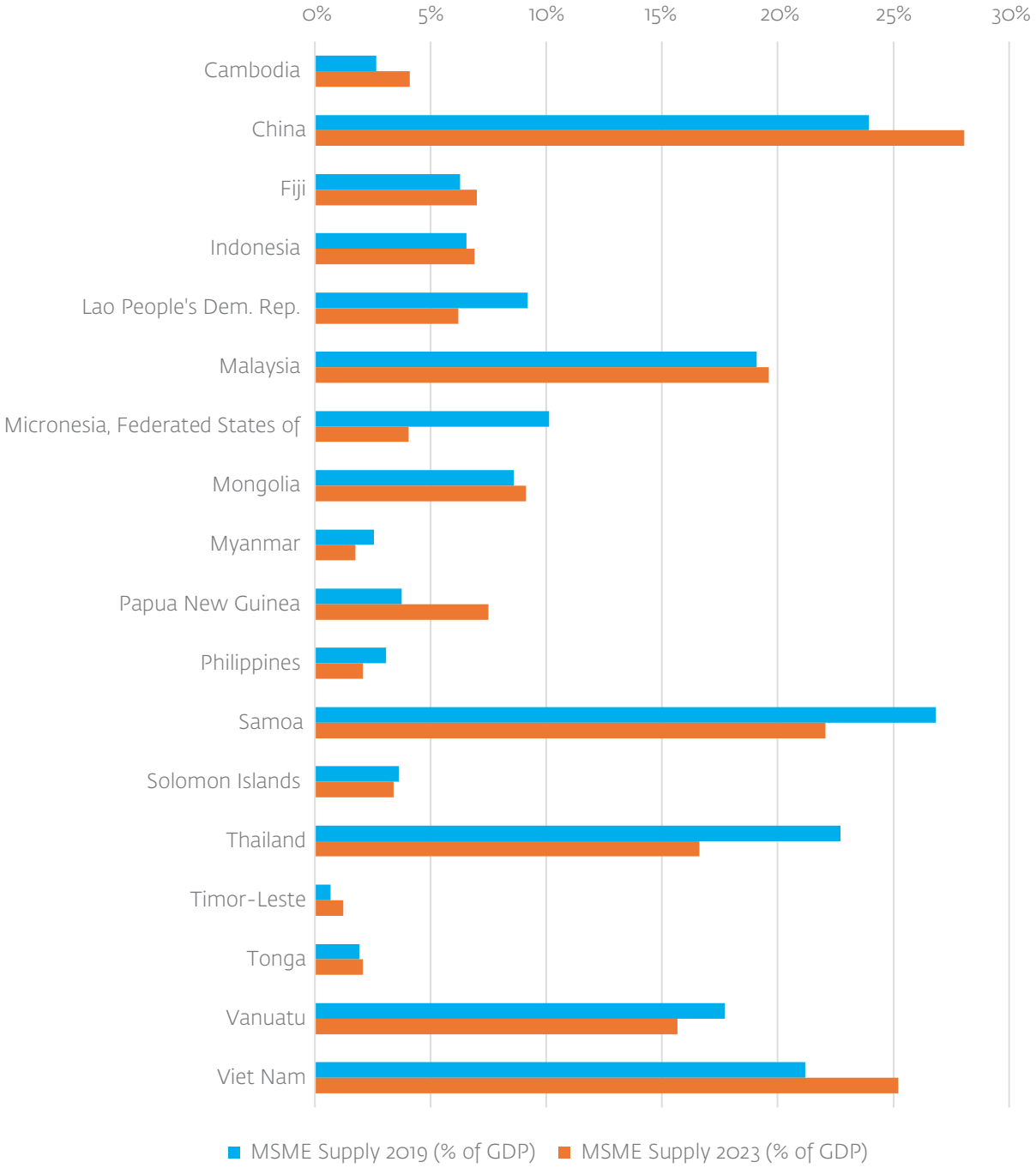
Figure 8: Total Supply of MSME Finance to GDP (percent) by region, 2019-2023



Source: IFC

As mentioned above, in East Asia and the Pacific, growth was led by China, which remains responsible for by far the largest supply of MSME credit in EMDEs. Additional expansion occurred in other regional economies including Cambodia, Indonesia, Malaysia and Viet Nam (Figure 9). Increased contribution from several countries in the region, including China, Malaysia, Indonesia, and Cambodia, was partly due to targeted state-driven lending programs and strong domestic bank liquidity, including guarantee schemes (e.g., Malaysia). However, MSME credit supply contracted in countries such as Laos and Thailand. Excluding China, the MSME supply as a percentage of GDP remained largely unchanged in 2023 within 1 percentage point of its 2019 level, indicating that the increase in supply in certain countries was offset by declines seen in others.

Figure 9: Supply of MSME Finance in East Asia and the Pacific

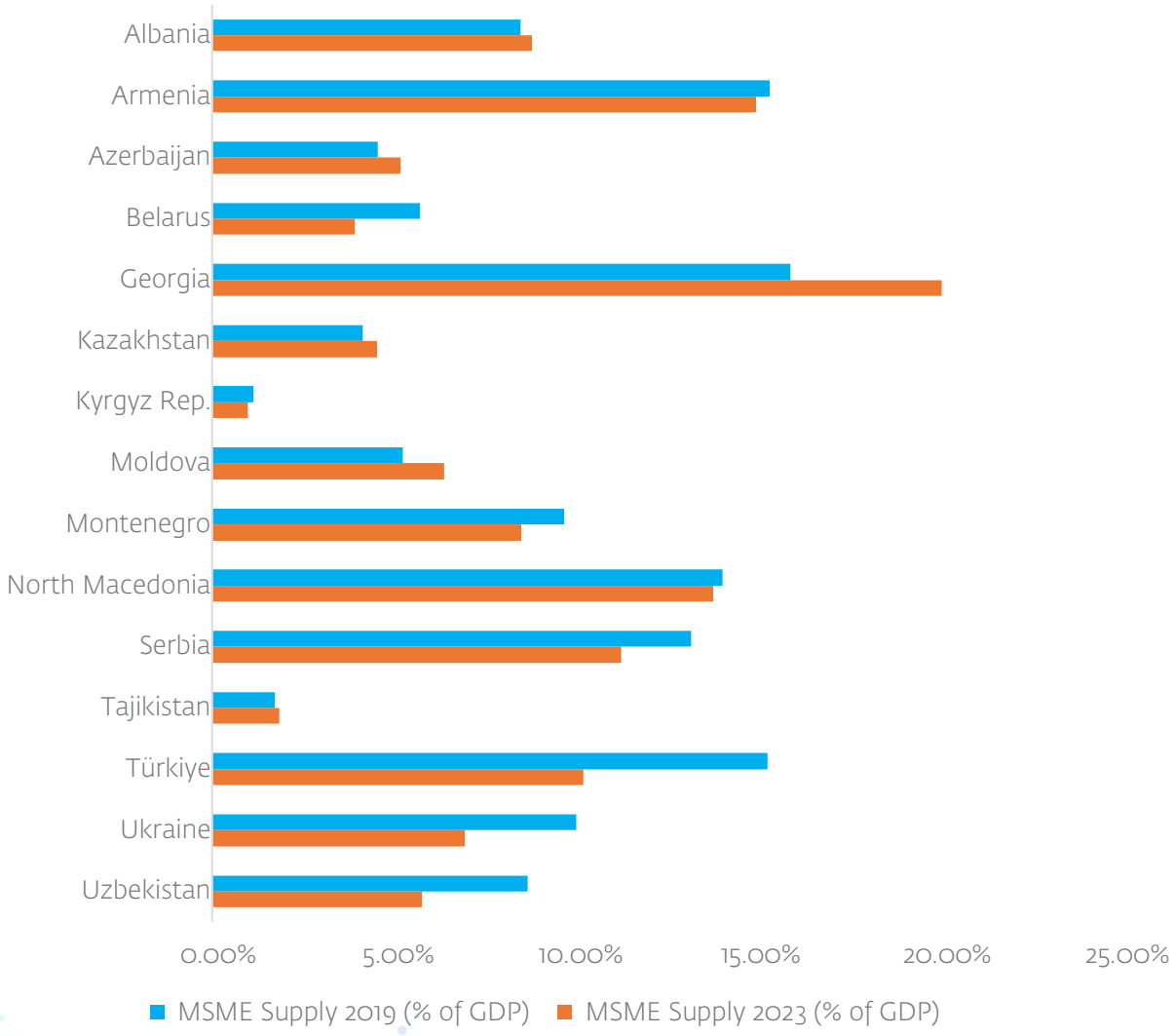


Source: IFC

In Europe and Central Asia, most of the region saw modest growth in the absolute volume of MSME credit, and the region's MSME lending increased by only 1.3 percent annually (Figure 10). However, annual GDP growth during the same period averaged 11 percent and the overall supply as a share of GDP declined. The decline in supply as a share of GDP was driven by contractions in several key markets, such as Türkiye, Ukraine, and Belarus, where MSME credit growth lagged relative to GDP growth.

For example, in Türkiye MSME supply to GDP dropped by 5 percentage points between 2019 and 2023, due to tight credit conditions stemming from inflation control measures and loan growth caps imposed on banks which significantly limited MSME lending. In Ukraine, the disruption caused by the Russian invasion curtailed lending activity and strained banking operations. In contrast, several other economies, including Georgia and Kazakhstan, saw increases of up to 4 percentage points, supported by post-pandemic economic reopening, targeted SME lending programs, and positive spillovers from supply-chain re-routing linked to the Russian invasion of Ukraine. Nevertheless, these gains were insufficient to offset the declines in larger markets, resulting in an overall regional contraction in terms of GDP.

Figure 10: Supply of MSME Finance in ECA



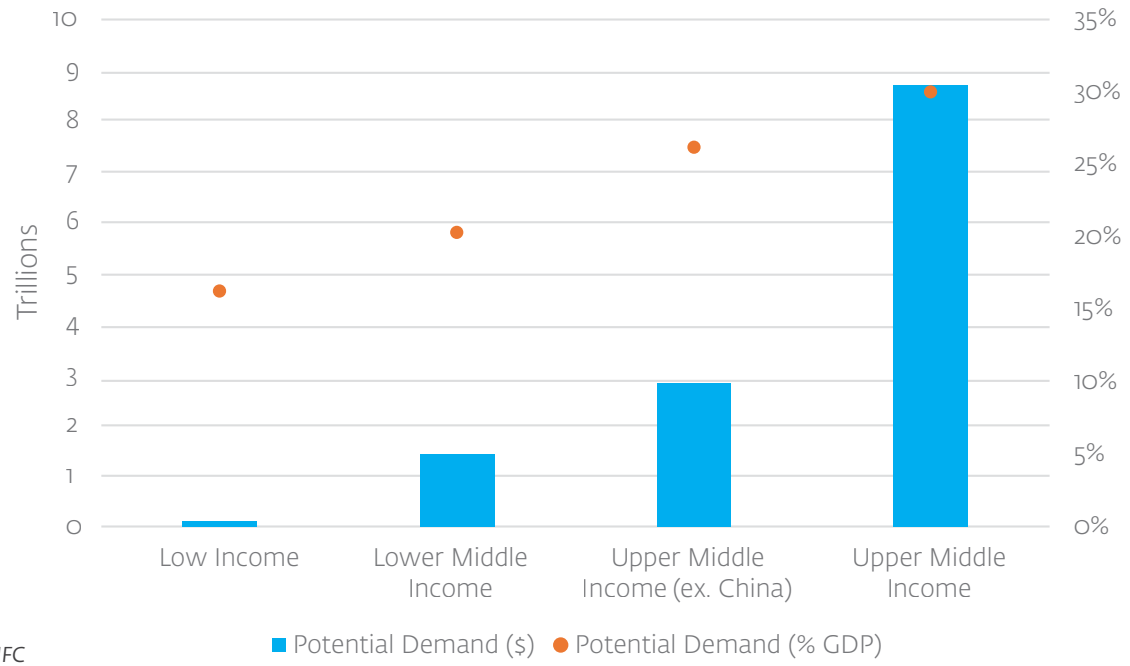
Source: IFC

3.2 Potential Demand for Finance by MSMEs

3.2.1 Current Potential Demand (2023)

The potential demand for formal MSME finance in EMDEs is estimated at $10.4 trillion, equivalent to 28 percent of GDP. Excluding China, the demand as a percentage of GDP falls by 4 percentage points to about 24 percent of GDP. Demand remains highly concentrated in UMICs, which account for 84 percent of the total (Figure 11).

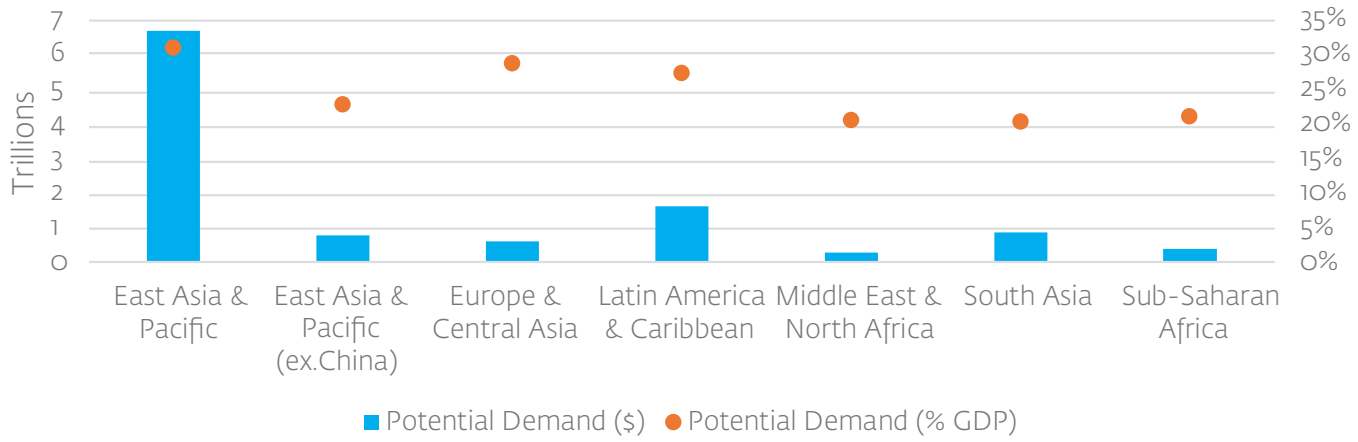
Figure 11: Potential Demand by Income Group (2023)



Source: IFC

Regionally, EAP dominates in terms of volume with $6.6 trillion in potential demand, at roughly 64 percent of the total and 31 percent of the region's GDP. However, excluding China, the share of the region drops to 7.3 percent of the total global demand equivalent to 23 percent of the EAP GDP excluding China. Expressed as a share of GDP and excluding China, ECA has the highest potential demand at 29 percent followed by LAC (27 percent) (Figure 12). South Asia and SSA follow at 20 percent and 21 percent, respectively.

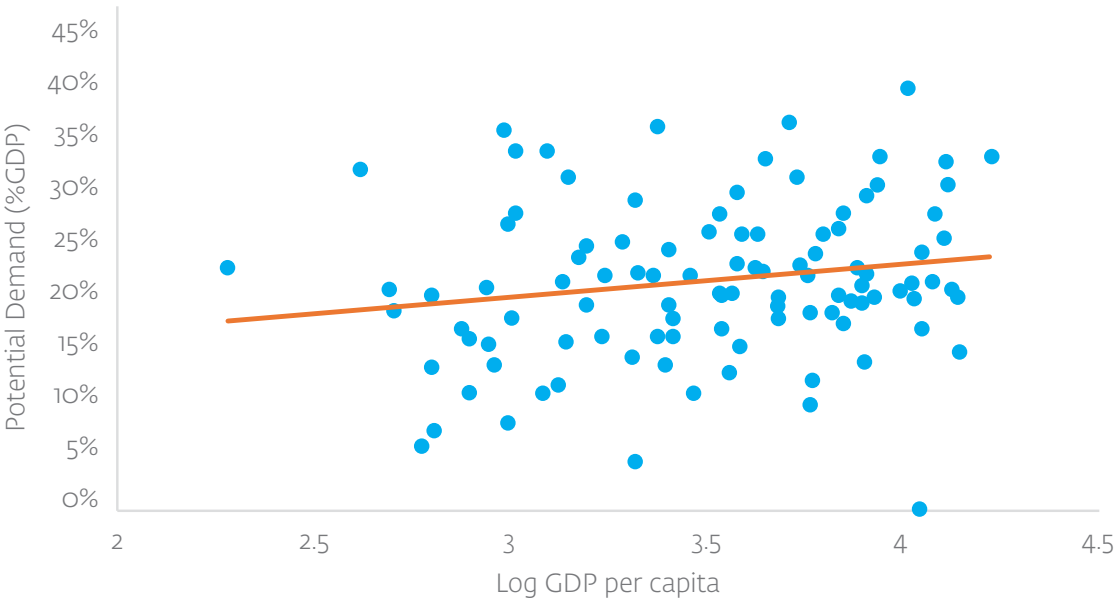
Figure 12: Potential Demand by Region (2023)



Source: IFC

Unlike the supply of finance, potential demand does not rise monotonically with income and higher GDP per capita does not necessarily correspond to larger MSME financing needs (Figure 13). As Figure 13 illustrates, the potential-demand-to-GDP ratio has a positive but very low correlation with GDP per capita.

Figure 13: Correlation between GDP per Capita and Potential Demand



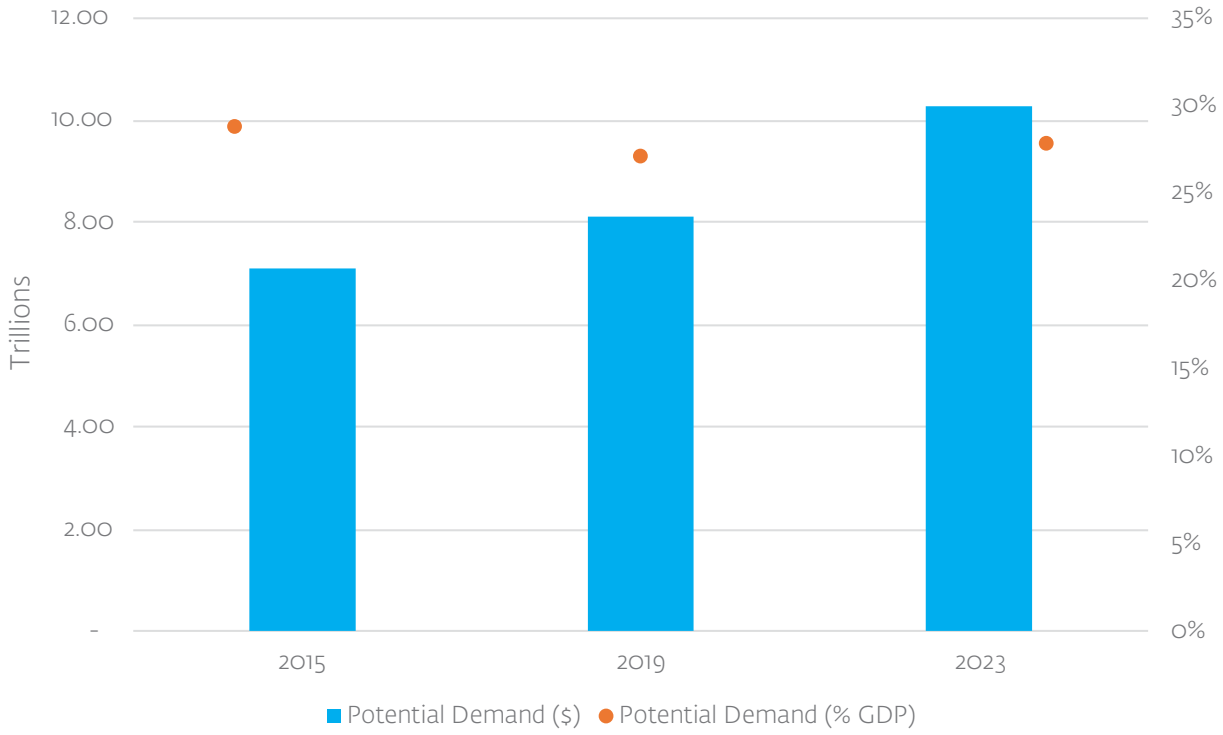
Source: IFC

A multitude of factors jointly determine potential demand in a way that may not be intuitive when viewed from an income perspective. Taking into account demand for MSME financing in conducting the MSME gap analysis adds a layer often missing in other gap studies (see literature review in chapter 1).

3.2.2 Growth in Potential Demand

On the demand side, potential MSME credit needs in EMDEs grew substantially between 2015 and 2023. In absolute terms, potential demand increased from $7.1 trillion in 2015 to $10.4 trillion in 2023, a rise of 46 percent. However, as a share of GDP, potential demand decreased marginally by less than 1 percentage point. (Figure 14). The following section focuses on changes during 2019–2023, highlighting how demand evolved in the most recent period.

Figure 14: Growth of Potential Demand Across EMDEs (2015–2023)

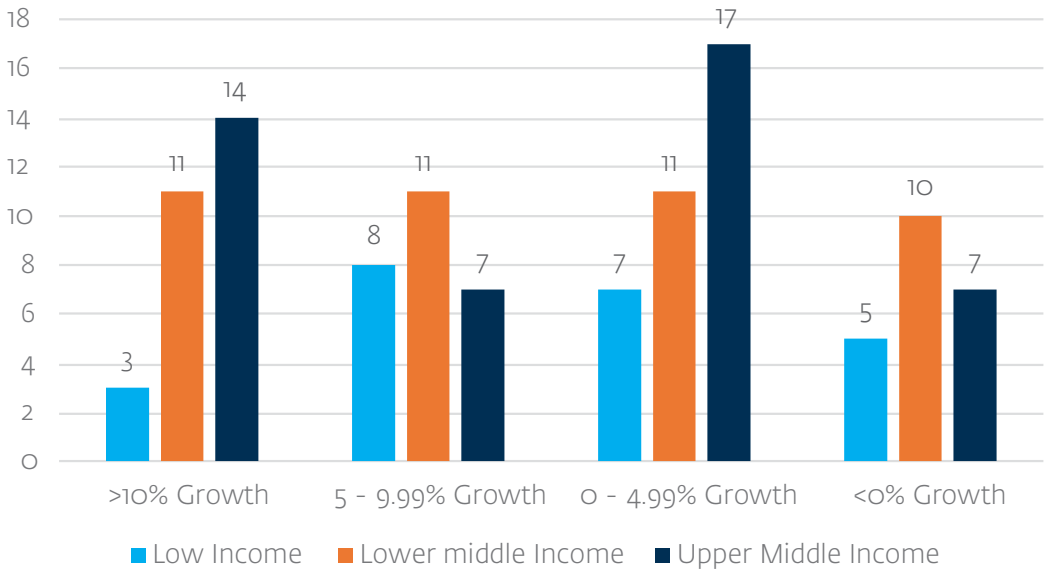


Source: IFC

Between 2019 and 2023, potential MSME demand in EMDEs grew by 27 percent over four years, while GDP expanded by 23 percent. As a result, the potential demand, expressed as a percentage of GDP, increased marginally from approximately 27 percent to 28 percent (Figure 14). Excluding China, potential demand grew in tandem with GDP, both increasing by approximately 24 percent over the 2019-2023 period, representing an average annual increase of 6 percent.

The growth in the demand for finance varied considerably across countries. Most EMDEs experienced rising demand in terms of volume with 89 of 111 countries registering growth (Figure 15). In this context, 25 percent (28 countries) saw an increase in growth of over 10 percent. UMICs dominated the growth in demand in absolute volume.

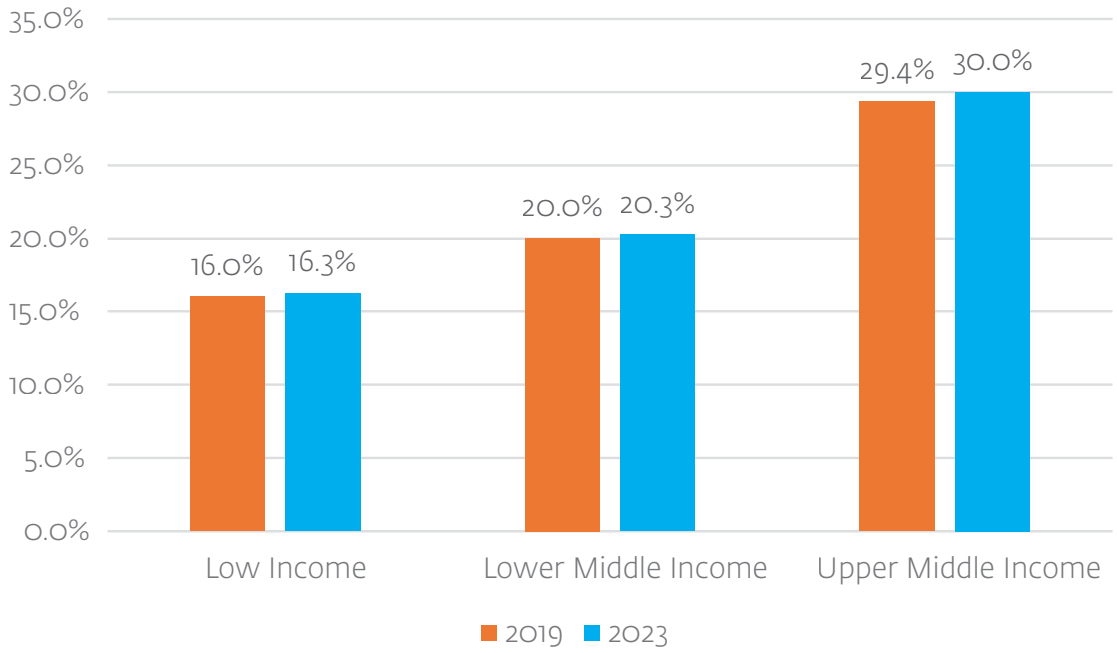
Figure 15: Number of Countries by Change in Potential Demand (2019–2023)



Source: IFC

In 2023, potential demand in low-income countries increased modestly, by approximately 0.3 percentage points (Figure 16), but remained below the levels observed in other income groups. High informality and a firm-size distribution skewed toward microenterprises, common features of low-income economies, may help explain the comparatively low estimates of formal financing demand.

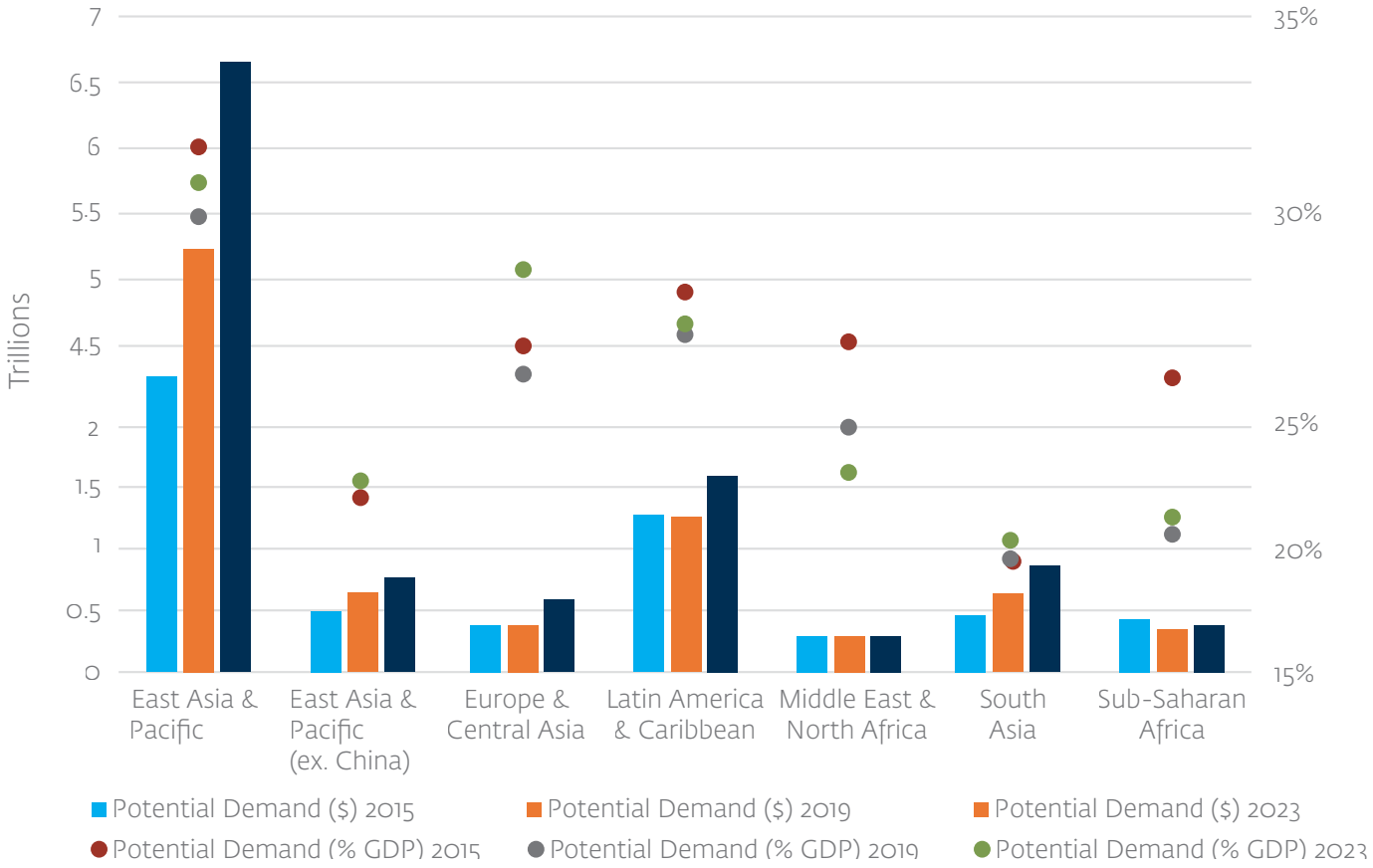
Figure 16: Potential Demand by Country Income Group (2019-2023)



Source: IFC

Regionally, Europe and Central Asia, and South Asia recorded the fastest expansions in volume—14.4 and 7.7 percent per year, respectively. Europe and Central Asia's demand-to-GDP ratio rose by three percentage points. By contrast, Sub-Saharan Africa and Middle East and North Africa saw a 1.5 percent and 1.0 percent increase in potential demand across the entire four-year period respectively, while Sub-Saharan Africa maintained a similar demand-to-GDP ratio (within 1 percentage point) the Middle East and North Africa region experienced a decline of 2 percentage points (Figure 17).

Figure 17: Evolution of Potential Demand by Region (2015–2023)



Source: IFC

3.2.3 Drivers of Change in Potential Demand, 2019–2023

Changes in estimated potential demand varied considerably across regions and countries between 2019 and 2023. In East Asia and Pacific, China recorded a 29.0 percent increase in potential demand. Europe and Central Asia also recorded substantial increases, including in Georgia (95.0 percent) and Kazakhstan (92.6 percent), while Ukraine maintained positive growth (11.7 percent). In Sub-Saharan Africa, changes ranged from large increases in Mali (211.0 percent) and Senegal (64.4 percent) to declines in Nigeria (-26.4 percent) and Niger (-12.6 percent). Latin America and the Caribbean recorded substantial increases in several countries, including Peru (90.4 percent), Costa Rica (81.0 percent), Argentina (48.1 percent), and Mexico (49.9 percent). The Middle East and North Africa region faced considerable geopolitical and economic headwinds, with significant declines in potential demand in countries such as Iraq (-29.0 percent) and Afghanistan (-23.6 percent).

These estimates describe changes in potential financing demand but do not identify their causes. The movements may reflect several factors, including changes in firm sales, sector and firm-size composition, macroeconomic conditions, exchange rates, or the national-account aggregates used for rescaling. Determining the contribution of specific policies, shocks, or firm-level responses would require additional country-level analysis.

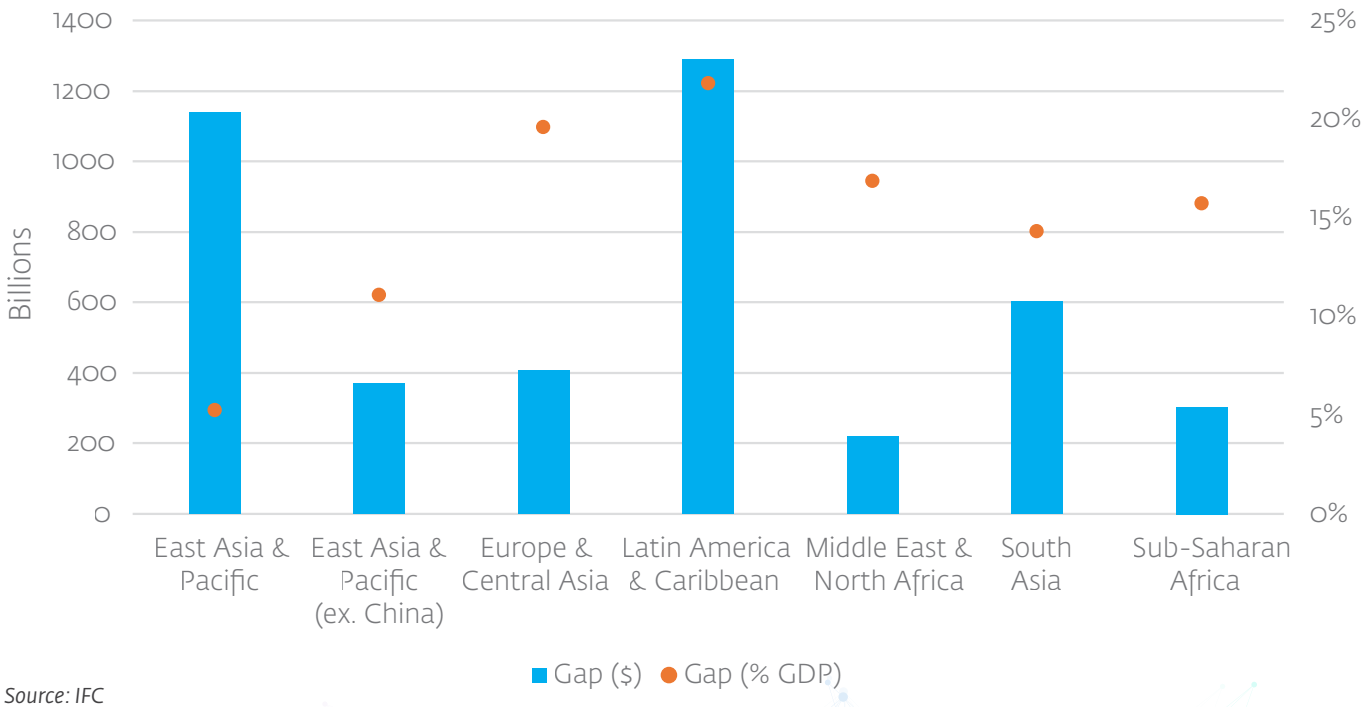
3.3 The MSME Finance Gap

3.3.1 Current MSME Finance Gap, 2023

In 2023, total potential demand for MSME finance in EMDEs reached $10.4 trillion, while formal supply amounted to $6.4 trillion, resulting in a $4.0 trillion gap, representing about 10.8 per cent of the cumulative GDP.[26] This finance gap suggests that 38 percent of potential demand for MSME finance remains unmet, and that the gap is over 62 percent of the current level of financing.

In terms of volume, the gap is concentrated in Latin America and the Caribbean, which accounts for about 32 percent of the global total, driven primarily by Brazil's $667 billion shortfall. East Asia and the Pacific region follows with 28 percent of the global total, primarily driven by China (67.4 percent of East Asia and the Pacific's gap; 19.3 percent of the worldwide gap). As a share of GDP, the gap remains the highest in Latin America and the Caribbean (22 percent), followed by Europe and Central Asia (20 percent). The lowest gap as a share of GDP is in East Asia and the Pacific at 5 percent, even after excluding China the East Asia and the Pacific region has the lowest gap at 11 percent of GDP (Figure 18).

Figure 18: MSME Finance Gap by Region (2023)



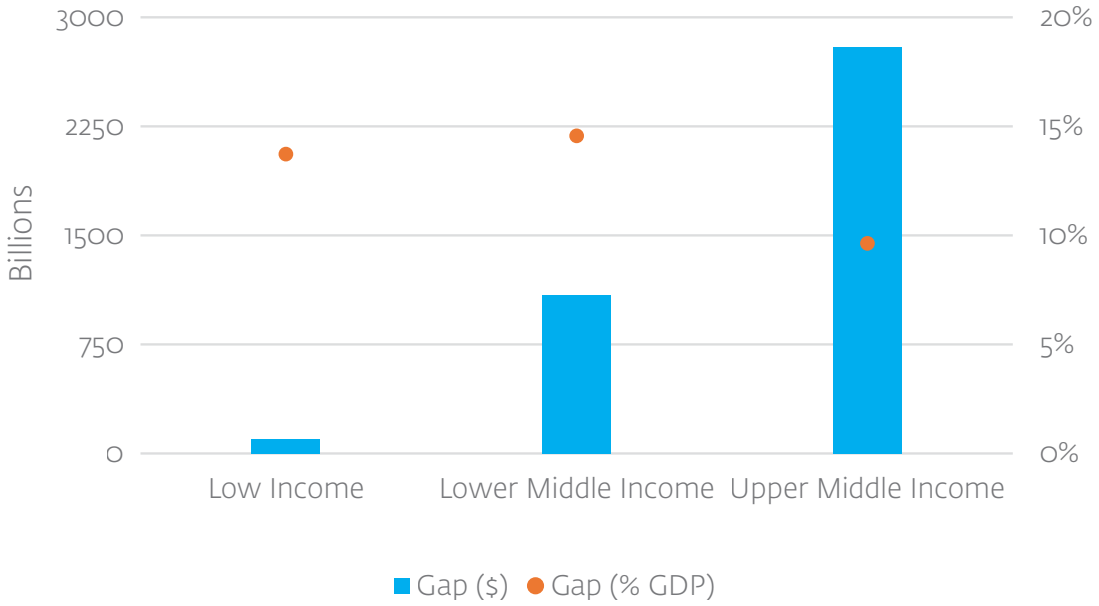
Source: IFC

26 Taking an average of the country level MSME Finance Gap as a share of the country's demand, across all countries this number is 72%.

By income, UMICs account for about 70 percent of the total, while LMICs, the most numerous group, contribute around $1.1 trillion making up 27 percent of the total gap (Figure 19). The following section examines how the MSME finance gap varies across regions and income groups, highlighting key drivers and disparities.

Presented as a share of GDP, the gap is the highest in LMICs (15 percent) followed closely by LICs (14 percent). Ultimately, the regional and income group dynamics for the gap are a result of how the potential demand and supply are interacting, as described in earlier sections.

Figure 19: The MSME Finance Gap by Income Group (2023)

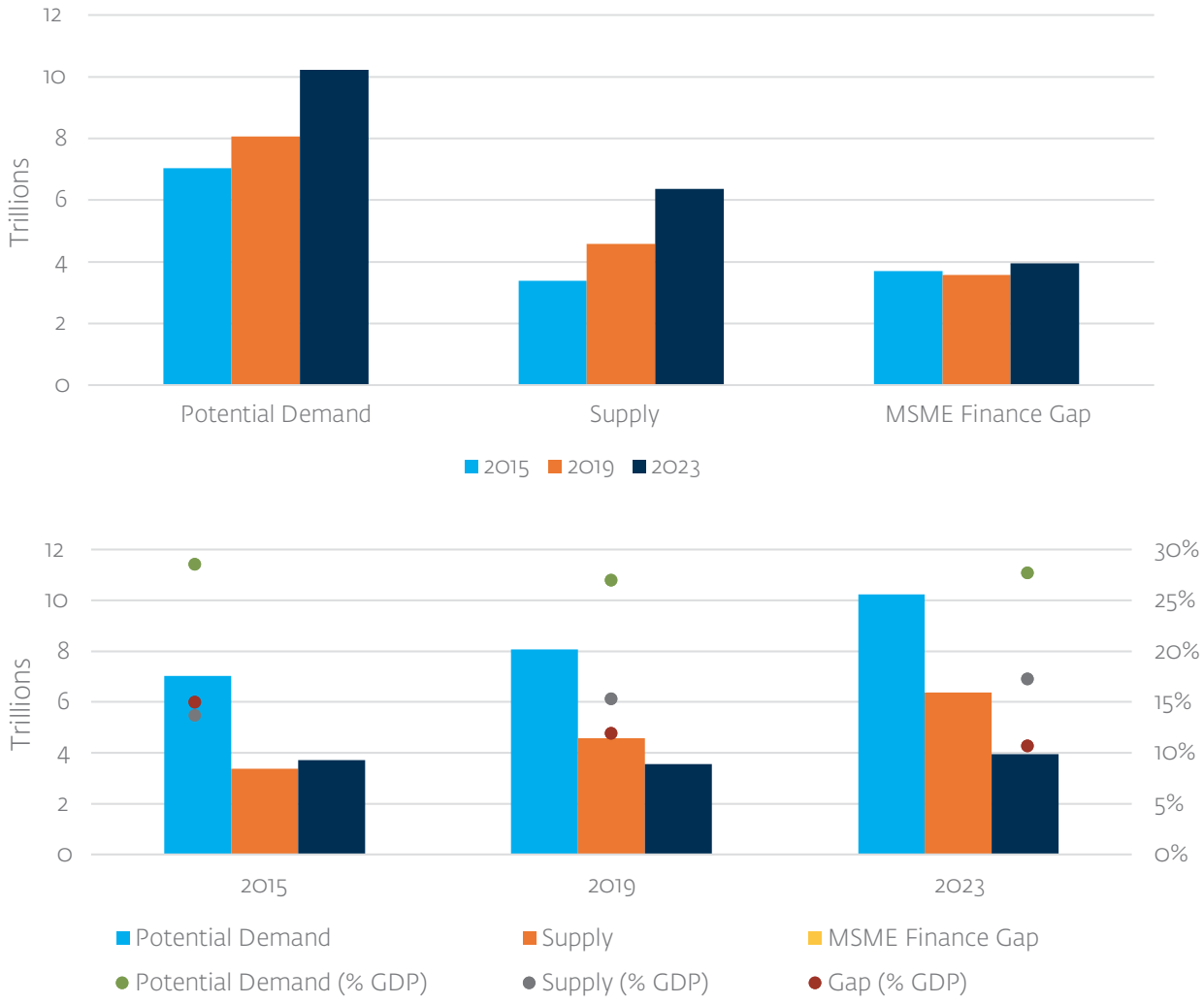


Source: IFC

3.3.2 Growth in the MSME Finance Gap

Between 2019 and 2023, the global MSME finance gap expanded in terms of absolute volume from $3.6 trillion to $4.0 trillion, an 11 percent increase (Figure 20). During the same period supply increased by 39 percent, and potential demand increased by 27 percent. Despite this increase in volume, the gap as a percentage share of GDP declined modestly by 1 percentage point (12 percent of GDP in 2019 to 11 percent of GDP in 2023), supported by average GDP growth of 24 percent. This reduction, however, was small compared to the decline of 3 percentage points observed between 2015 and 2019, suggesting that progress in narrowing the gap relative to GDP has slowed in recent years. The persistence of a large absolute gap underscores that meeting the financing needs of MSMEs will require a significant shift in trajectory through deeper policy reforms by public sector institutions and innovative approaches by the private sector to serve MSMEs within constantly changing macroeconomic environments.

Figure 20: Evolution of the MSME Finance Gap



Source: IFC

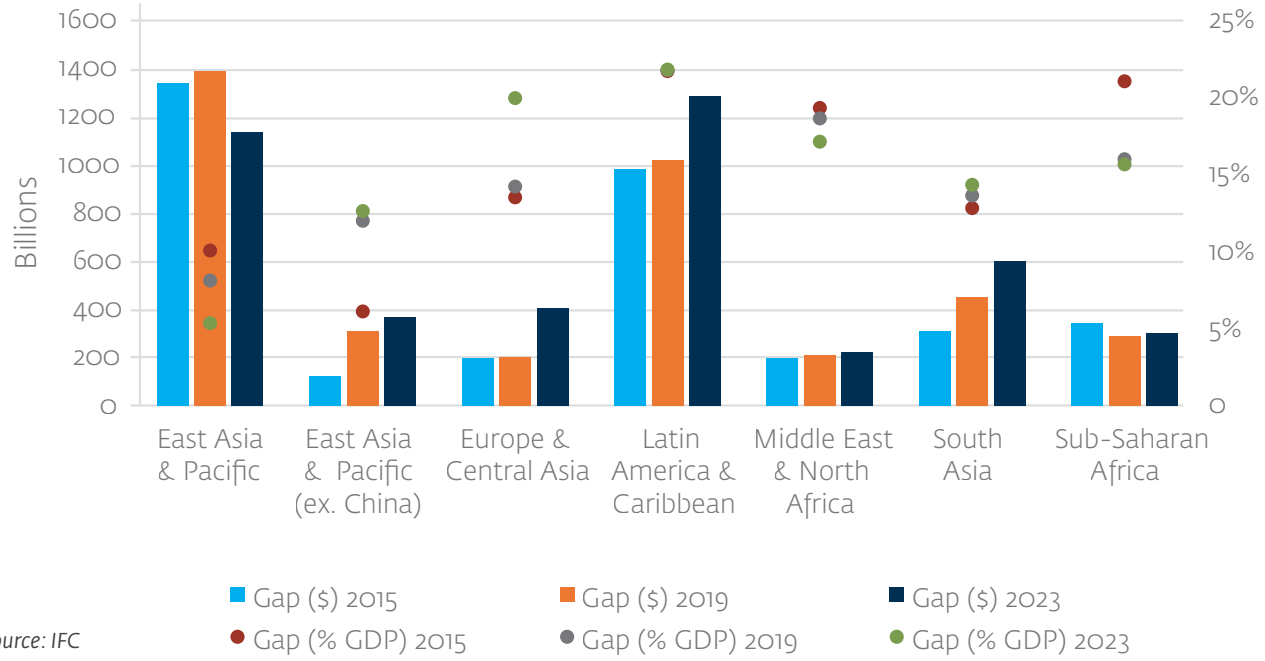
Across regions and income groups, the MSME finance gap evolves as a direct consequence of the relative pace of supply and demand growth: where supply expands faster than demand, the gap narrows; where demand outpaces supply, the gap widens. In the following section, these dynamics are summarized for each region over 2019-2023.

In the East Asia and the Pacific region, the finance gap contracted both in absolute volume and as a percentage of GDP. However, excluding China, the gap for the region increased, albeit modestly, by 19 percent in volume and 0.6 percentage points as a share of GDP. As mentioned earlier, China targeted expansion of MSME lending through inclusive-finance programs, and emergency credit support during and in the immediate aftermath of the pandemic led to MSME credit supply increasing more rapidly than demand growth, narrowing the measured gap. In contrast, countries such as Indonesia and the Philippines saw demand grow due to post-pandemic MSME expansion outpacing credit-supply growth, contributing to widening the gap.

All other regions experienced an increase in the MSME finance gap in absolute terms, although changes relative to GDP were more mixed (Figure 21). Europe and Central Asia recorded a particularly large increase in the gap relative to GDP as estimated demand grew faster than supply, including in Türkiye. By contrast, the gap in the Middle East and North Africa declined as a share of GDP because financing supply grew faster than estimated demand. Sub-Saharan Africa recorded modest declines in both supply and demand, resulting in a relatively small reduction in the gap-to-GDP ratio.

South Asia's finance gap increased from 13.6 percent of GDP in 2019 to 14.3 percent in 2023, while the ratio in Latin America and the Caribbean remained broadly stable at 21.8 percent. In nominal terms, however, the gap increased by 33 percent in South Asia and 26 percent in Latin America and the Caribbean. These differences illustrate that movements in nominal financing gaps can diverge from movements relative to GDP and underscore the importance of considering both measures when comparing regional trends.

Figure 21: Evolution of the MSME Finance Gap by Region (2015-2023)

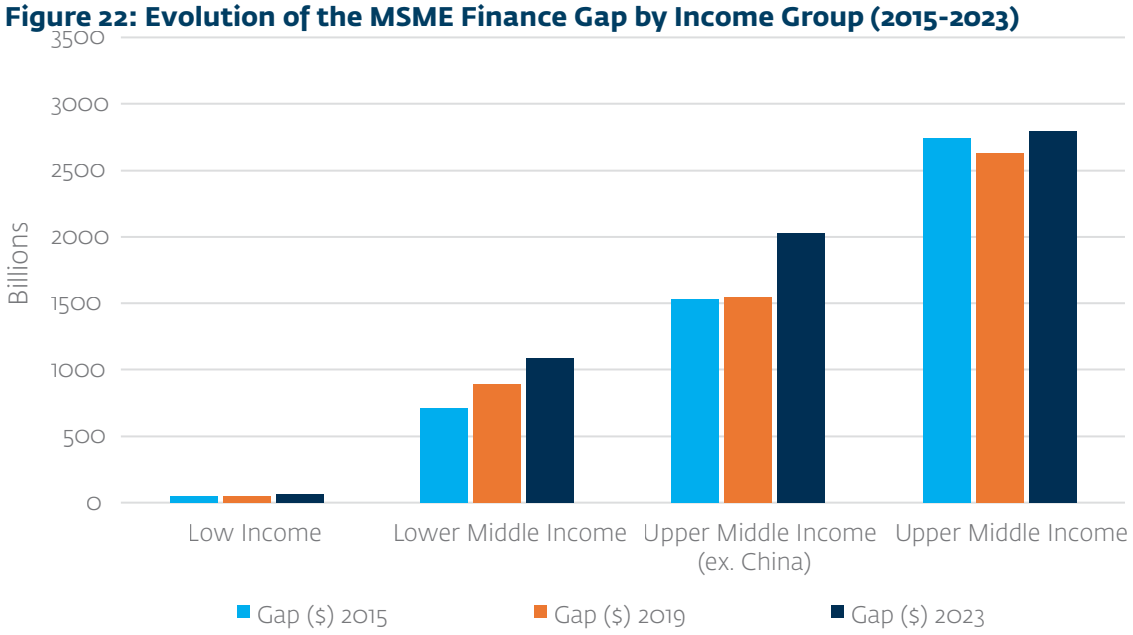


Source: IFC

These patterns highlight an uneven post-pandemic recovery in MSME financing, reflecting differences in the growth of financing needs and the capacity of financial systems to respond. They underscore the need for adaptive financial-sector reforms, more resilient credit infrastructure, and private-sector innovation to expand access to finance and keep lending responsive to evolving MSME needs across regions.

By income group, the evolution of the MSME finance gap also reveals contrasting trajectories. LICs, LMICs, and UMICs all experienced widening gaps between 2019 and 2023, reflecting stronger growth in potential demand relative to supply. In low-income countries, persistent credit-infrastructure limitations and high perceived risk continued to constrain lending despite expanding enterprise activity. LMICs saw a similar widening as post-pandemic recovery in MSME formation and working-capital needs outpaced financial deepening. The aggregate gap for UMICs widened more modestly when China is included, increasing by about 7 percent. This more modest widening primarily reflects the deceleration in credit demand amid structural deleveraging and policy-led rebalancing within China's financial system, which offset widening gaps in peer upper-middle-income markets (Figure 22).

Figure 22: Evolution of the MSME Finance Gap by Income Group (2015-2023)



Source: IFC

3.4 Financially Constrained MSMEs

The MSME finance gap is a volume-based metric that estimates the total value of unmet financing demand. Because firms are effectively weighted by their output, larger economies and economies with larger or more productive MSMEs account for a greater share of the aggregate estimate. This helps explain the concentration of the estimated volume in upper-middle-income economies. The measure is useful for assessing the scale of financing shortfalls, but does not show how widely constraints are distributed across firms. Firm-level indicators, such as the share of enterprises that are credit constrained, provide a complementary perspective by assigning equal weight to each firm, regardless of size. This report therefore presents both the volume of unmet financing demand and the distribution of credit constraints across MSMEs, using data and methodology from the World Bank Enterprise Surveys (Section 2).[27]

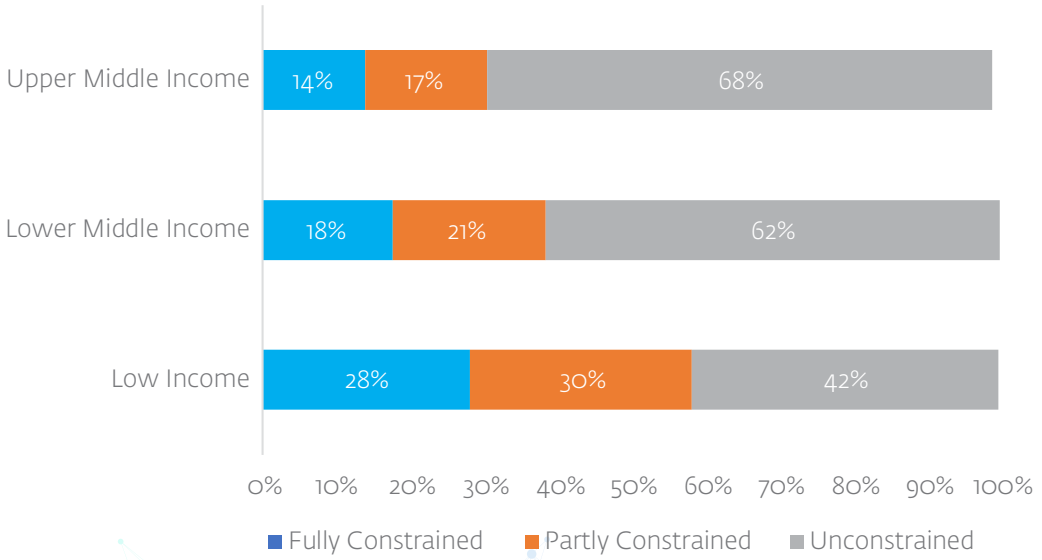
27 The World Bank Group. 2025. Enterprise Surveys. Available at https://enterprisesurveys.org/en/about-us.

In 2023, an estimated 18 percent of MSMEs in EMDEs were considered fully constrained, meaning they lacked access to any formal source of financing despite demonstrating a need. Another 21 percent were partially constrained, facing limited or insufficient credit. By contrast, 61 percent remained financially unconstrained, indicating relatively broad access to credit in many markets. However, these aggregate numbers mask disparities across income groups. Financing constraints are most prevalent in low-income economies, where 58 percent of firms are either fully or partially constrained, compared with about 30 percent in UMIC economies (Figure 23). These figures demonstrate greater market opportunities for financial institutions in LICs and LMICs, where unmet demand for credit remains high.

Regional patterns reveal similar disparities. Middle East and North Africa and Sub-Saharan Africa have the highest share of fully constrained firms (24 percent), with Sub-Saharan Africa having the lowest share of unconstrained enterprises at 47 percent (Figure 24). By contrast, East Asia and the Pacific shows relatively strong credit access, with 71 percent of MSMEs unconstrained. Other regions fall between these extremes. In Latin America and the Caribbean, 69 percent of firms report no credit constraint, while Europe and Central Asia has 68 percent. South Asia and Middle East and North Africa are respectively at 65 percent and 60 percent of firms unconstrained.

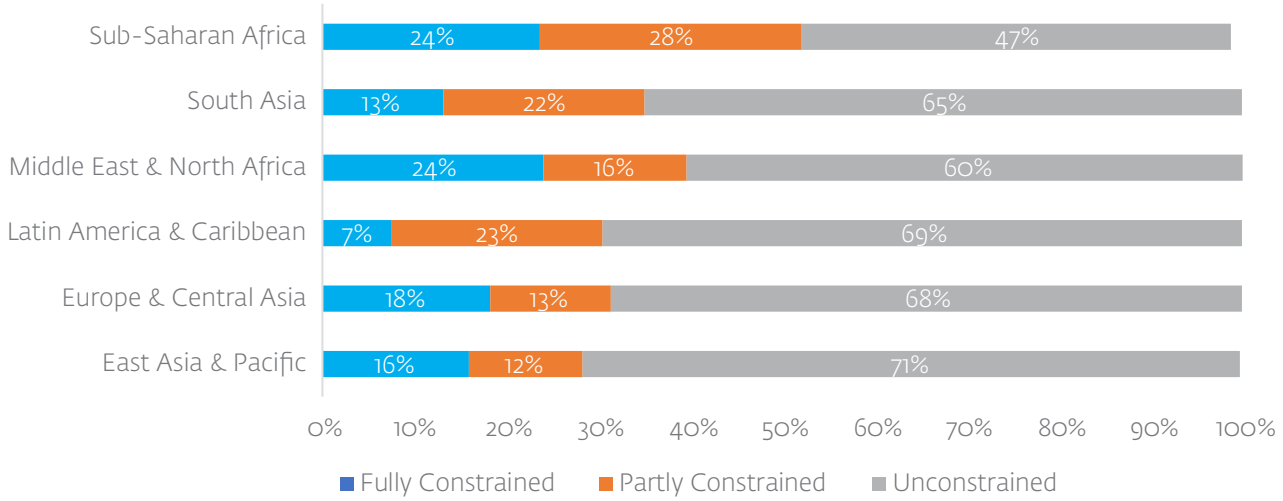
These findings highlight that while some regions and income groups have achieved broad financial inclusion for MSMEs, others continue to face significant barriers.

Figure 23: Number of Financially Constrained MSMEs by Income Group



Source: IFC, based on WBES.

Figure 24: Number of Financially Constrained MSMEs by Region

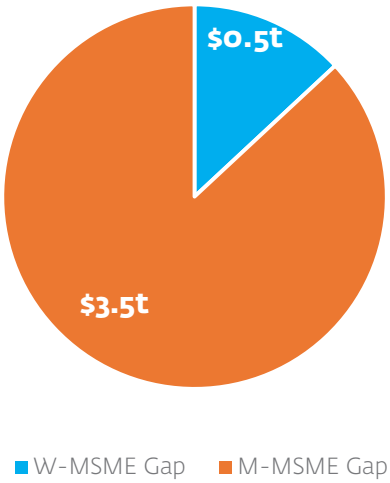


Source: IFC, based on WBES.

3.5 Gender Finance Gap

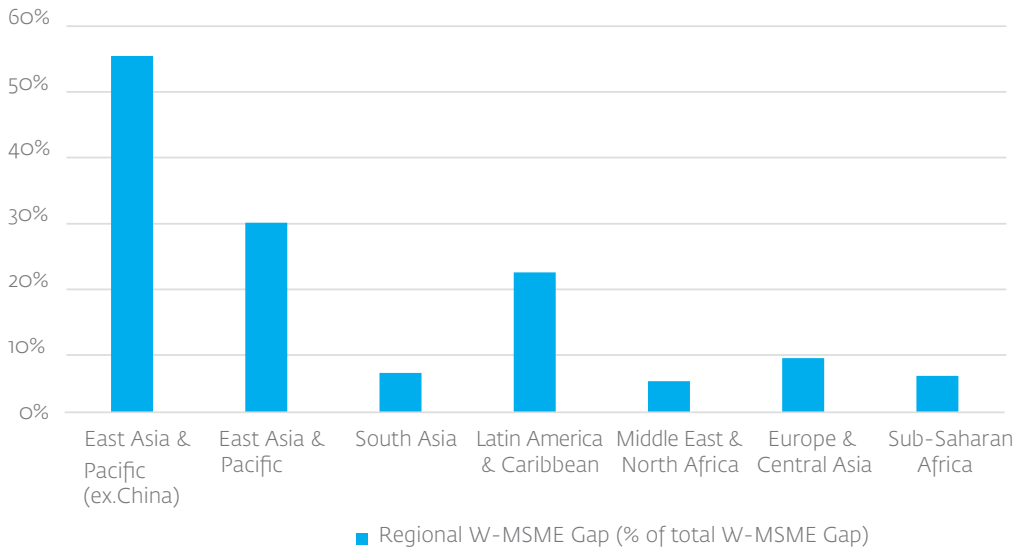
In 2023, W-MSMEs accounted for roughly 13 percent of the global MSME finance gap, estimated at about $520 billion, or 1.4 percent of GDP (Figure 25). The gender gap remains geographically concentrated. The East Asia and the Pacific region continues to dominate in both absolute scale and relative size, contributing roughly 54 percent of the global W-MSME gap at 1.3 percent of the region's GDP. However, excluding China, the W-MSME gap for East Asia and the Pacific decreases to 29 percent of the global gap. Latin America and the Caribbean follows with around 21 percent of the W-MSME global gap, accounting for 2 percent of the region's GDP. Europe and Central Asia account for about 8 percent, South Asia contributes roughly 6 percent, and Middle East and North Africa and Sub-Saharan Africa together comprise the remaining 10 percent (Figure 26).

Figure 25: Gender Composition of the Finance Gap



Source: IFC

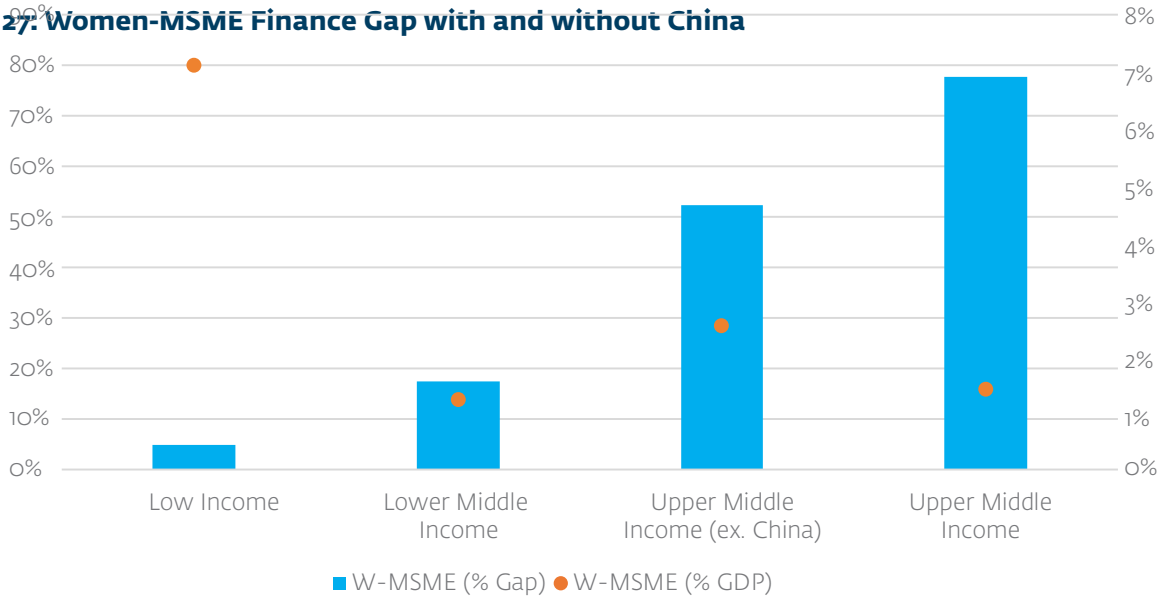
Figure 26: Distribution of W-MSME Finance Gap by Region



Source: IFC

By income group, the distribution mirrors broader MSME finance patterns. UMICs account for approximately 78 percent of the global W-MSME gap, followed by LMICs at 17 percent and low-income countries (LICs) at 5 percent (Figure 27). However, it is important to note that the existing data may not be fully capturing the various constraints that W-MSMEs face on both the supply and demand sides of financing.

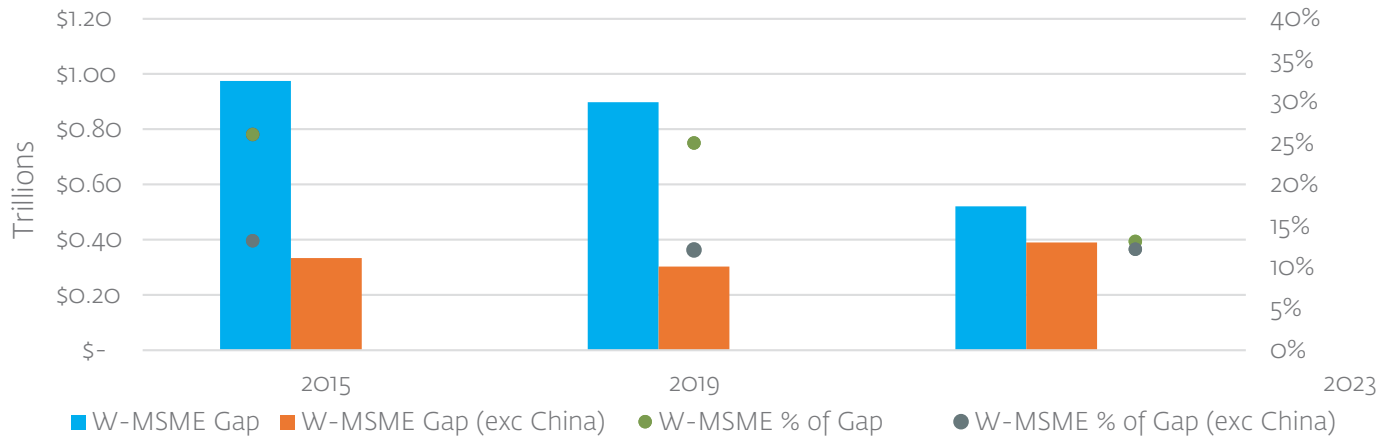
Figure 27: Women-MSME Finance Gap with and without China



Source: IFC

When considering the evolution of the W-MSME finance gap over time, the gap has declined substantially, falling from $899 billion or 25 percent of the overall gap to $520 billion, or 13 percent of the gap. However, this decrease is driven entirely by a substantial decline in the W-MSME finance gap in China. When China is excluded, the W-MSME finance gap has remained constant at around 12 percent of the total gap throughout the period. This could be influenced by changes in women-owned or-led enterprise shares[28] and targeted gender-focused policies, as part of the overall expansion of financial inclusion programs in the country. In other regions, by contrast, the relative share of the W-MSME gap has not meaningfully changed (Figure 28).

Figure 28: Evolution of the Women-MSME Finance Gap



Source: IFC

As noted in the previous report, while W-MSMEs constitute a smaller share of the total MSME finance gap, this does not necessarily mean that W-MSMEs require less financing and/or are less financially constrained than their male counterparts. W-MSMEs tend to be smaller, employing fewer workers than male-owned firms, which partly reduces their overall financing demand. They often face additional constraints in accessing formal credit, including asset ownership gaps, that further restrict collateral provision, and social barriers. Evidence also suggests that women-owned medium-sized enterprises are especially constrained: too large for microfinance providers but perceived as too risky by commercial banks.[29]

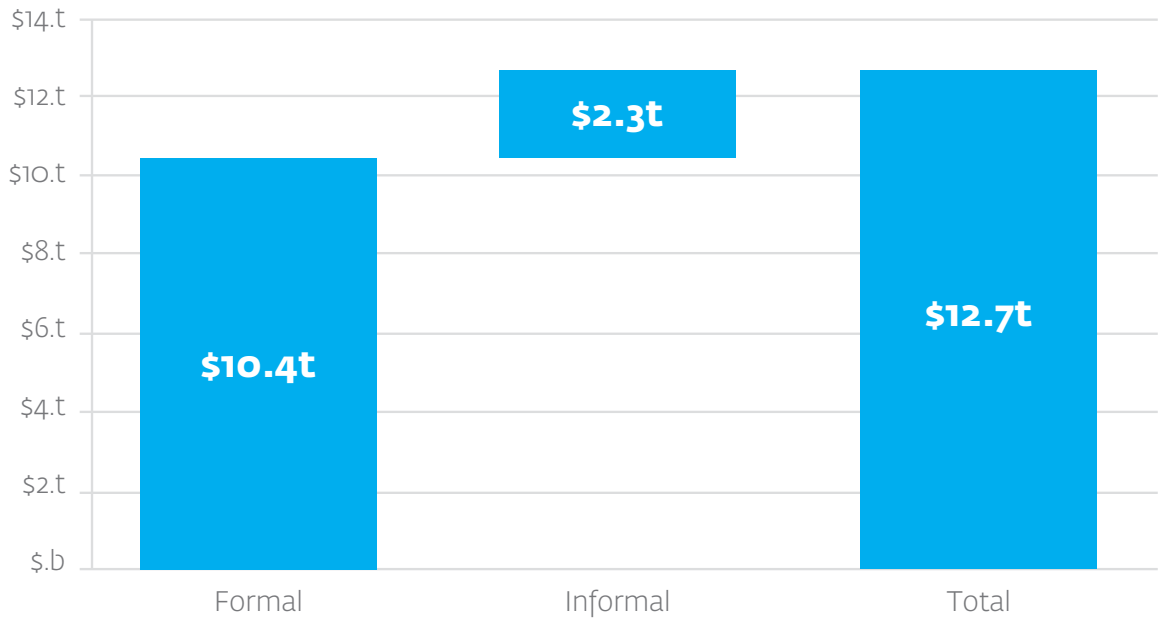
3.6 Potential Demand in the Informal Sector

A substantial share of MSME financing needs remains embedded in the informal economy. The finance gap measured and detailed in this report is an estimate of the gap in formal financing demanded by formal enterprises in EMDEs. However, in many emerging markets, the informal sector represents a substantial share of economic activity and employment yet remains largely excluded from formal financial systems. Capturing the financing needs of informal MSMEs is therefore essential to understanding the full scale of the global MSME finance gap and designing effective policy responses. However, a thorough accounting of the gap in informal MSMEs is not possible due to severe data limitations. The report provides an approximation that is mainly designed to draw attention to

28 The percentage of Women-owned MSMEs of total formal enterprises in EMDEs based on the WBES has stayed constant at approx. 20 percent. However, there was a large decrease in China from 35% ~~to 19% between its~~ Enterprise Survey rounds. This shift likely explains the substantial decrease observed in the W-MSME gap. As these changes come about from a new Enterprise Survey round in 2023 in China, we cannot rule out that this may partially or wholly reflect sampling issues.
29 International Finance Corporation. MSME Finance Gap 2025 Report. Available at https://www.smefinanceforum.org/sites/default/files/Data%20Sites%20downloads/IFC%20Report_MAIN%20Final%203%2025.pdf.

the scale of potential demand amongst the informal economy. This report estimates potential MSME financing demand in the informal sector by utilizing estimates of informal economic activity across roughly 100 countries and estimates it at about $2.3 trillion in 2023, equivalent to around 6 percent of GDP in EMDEs. On average, informal demand equals roughly 23 percent of formal MSME demand, illustrating the persistence of extensive informal business activity even as financial-sector capacity expands. When combined with formal-sector demand, total potential MSME financing needs reach approximately $13 trillion.

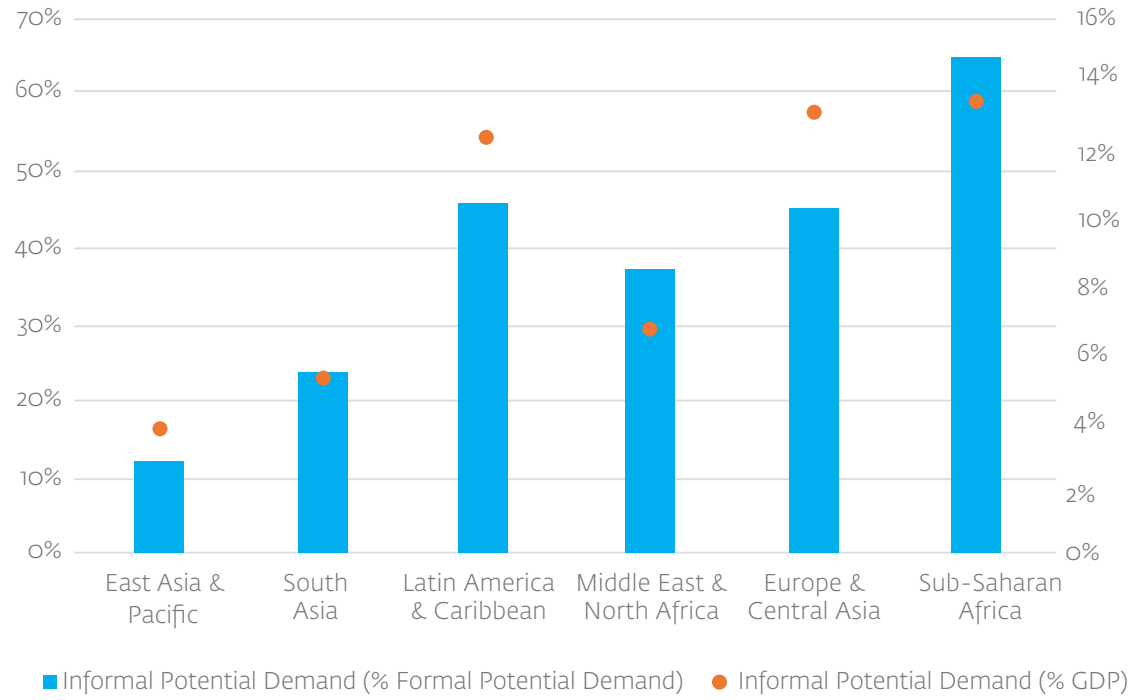
Figure 29: Formal and Informal MSMEs: Potential Demand for Finance



Source: Authors' calculations

Informal-sector demand is geographically concentrated in East Asia and the Pacific, which accounts for roughly $818 billion, followed closely by Latin America and the Caribbean at $735 billion. Sub-Saharan Africa ($243 billion), Europe and Central Asia ($248 billion), and South Asia ($223 billion) also record large informal credit needs, reflecting both limited financial inclusion and the prevalence of micro-enterprises. The Middle East and North Africa region records smaller volumes ($68 billion), though informality remains a significant feature of its MSME landscape. When expressed as a percentage of GDP, the informal potential demand is highest in Sub-Saharan Africa (14 percent) (Figure 30).

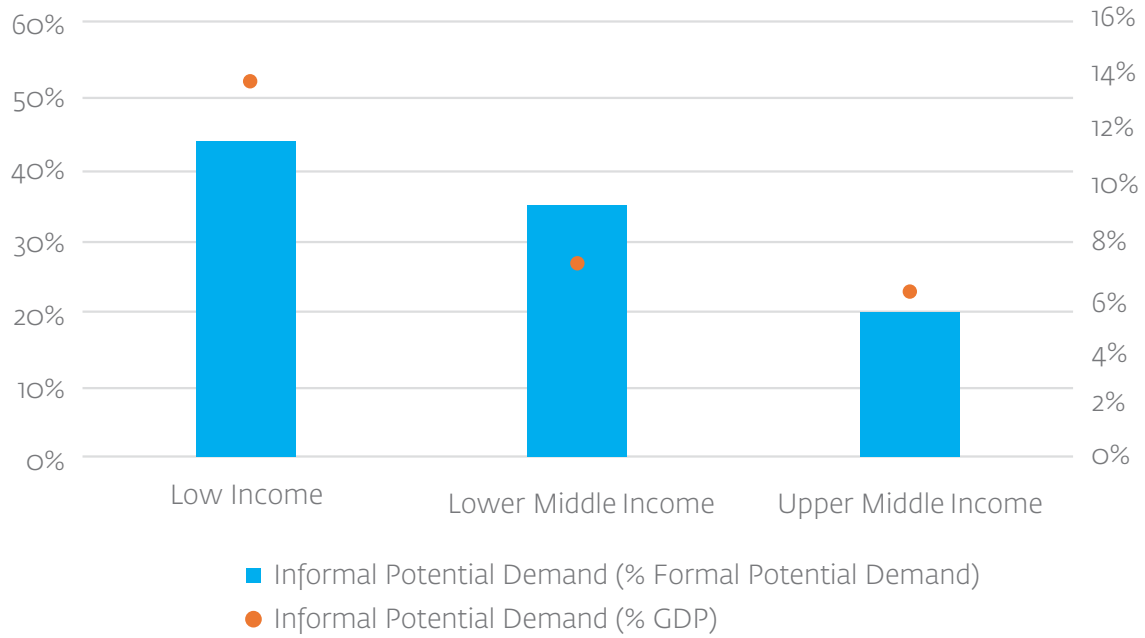
Figure 30: Informal Potential Demand by Region



Source: Authors' calculations

The informal potential demand for MSME finance as a percentage of the formal potential demand for MSME finance in EMDEs varies greatly across country groups and regions. Among the 100 developing economies included in this report, it averages 23 percent of the formal MSME demand. The share is higher in LICs and LMICs (approximately 44 percent and 35 percent, respectively), highlighting the higher informality of markets in these categories. In comparison, UMICs have the lowest ratio at around 20 percent, reflecting more mature financial systems and greater formalization of MSMEs (Figure 31).

Figure 31: Informal Potential Demand by Income Group



Source: IFC

4-

Conclusion

The finance gap for micro, small, and medium-sized enterprises (MSMEs) in emerging markets and developing economies (EMDEs) reached $4.0 trillion in 2023, representing an increase of $0.4 trillion over the 2019–2023 period.[30] Total MSME credit supply amounted to $6.4 trillion in 2023, while potential credit demand reached $10.4 trillion, demonstrating that demand continues to be higher than supply by a substantial margin. Despite global policy interventions and temporary relief measures introduced during the COVID-19 pandemic, MSMEs in EMDEs continue to face systemic barriers to accessing finance. Institutional weaknesses, collateral constraints, and persistent information asymmetries disproportionately affect smaller and underserved firms, reinforcing long-standing obstacles to financial inclusion.

This report assesses the state of MSME finance across EMDEs, with a particular emphasis on the quantitative shifts observed across time. Although the global MSME finance gap has widened in absolute terms over the past four years, it has remained relatively stable as a percentage of global GDP. This relative stability gives some indication that, even amid macroeconomic disruptions, most notably the COVID-19 pandemic, MSMEs did not face a structurally more adverse financing environment. The pandemic ultimately appears to have functioned as a stress test rather than a point of structural break, with credit markets largely reverting to pre-crisis patterns by 2023.

Credit supply has continued to expand steadily over the past four years, rising by an average of 9.8 percent annually and outpacing GDP growth. MSME lending as a share of GDP increased by two percentage points, from 15 percent in 2019 to 17 percent in 2023. This trajectory reflects the impact of reforms and policy interventions undertaken across EMDEs, as well as the growing dynamism of private financial institutions. Continued digitization and the rise of fintech are likely to reinforce this positive trend. The efforts of Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) to support MSME finance are also evident in the growing supply of MSME credit.

However, the supply of MSME credit has not kept pace with rising demand for financing, revealing deep-seated market failures that have persisted over time. Key structural issues – such as insufficient collateral for small firms to secure bank loans, institutional weaknesses in emerging markets that impede capital flows to productive sectors, and persistent information asymmetries between lenders and small borrowers – continue to impede financial access. Banks often deem small business lending as excessively risky, resulting in credit rationing and the exclusion or underfinancing of many viable firms. As a result, the MSME financing gap has become a seemingly enduring feature of the global financial landscape. Fundamental reforms and a steady, sustained approach are required to alter these long-run trends.

Regional trends in the MSME finance gap diverge markedly across EMDEs. The East Asia and the Pacific region registered a notable reduction in both the absolute and relative size of the gap, driven by a substantial increase in credit supply through the banking sectors and digital transformation. By contrast, South Asia, Latin America and the Caribbean, and Europe and Central Asia experienced significant increases. In Europe and Central Asia, the gap almost doubled in absolute terms—surpassing $416 billion—as supply failed to keep pace with a sharp rise in potential demand. Sub-Saharan Africa recorded a modest increase in the gap, while the gap in the Middle East

30 This estimate includes finance gap estimates from South Sudan and Yemen, both of which lack GDP data for years 2019 and 2023. Excluding these two countries, the total finance gap is estimated to be around US $3.94 trillion, increasing by US $0.4 trillion over the 2019-2023 period.

and North Africa region remained relatively stable (less than 1 percent increase) at about $216 billion in 2023. These divergent regional trends underscore the need for more systematic research to identify the underlying drivers shaping MSME financing conditions across regions.

Disparities in the MSME finance gap are also pronounced across country income levels. As in previous years, low-income countries, characterized by limited financial development and weak regulatory and institutional capacity, continue to face the most acute credit constraints, with their MSME finance gap growing by over 28 percent in recent years. Firms in these economies are often caught in a "missing middle" that is too large for microfinance institutions yet too small or too high-risk for commercial banks and capital markets. Notably, whereas low-income countries have historically exhibited stagnant demand compared to middle- and high-income economies, 2023 saw a marked increase in potential demand. While this contributed to a widening of the gap, it may also signal early signs of private sector expansion and firm consolidation in the post-pandemic period. Lower-middle-income countries experienced a collective rise in the gap by about 23 percent, while upper-middle-income countries experienced a more modest rise of around 7 percent. This sharp gradient illustrates the uneven nature of global financial development. Addressing these disparities is critical not only for advancing financial inclusion, but also for fostering global economic stability and convergence. The diverging gaps and underlying dynamics across income groups underscore the structural roots of MSME financing challenges: countries at different stages of development will require tailored policy interventions and targeted support to effectively narrow their financing gaps.

Across EMDEs, the finance gap for women-owned MSMEs declined by 42 percent between 2019 and 2023, continuing the downward trend observed during 2015–2019. However, this reduction is driven almost entirely by the sharp decrease in the W-MSME gap in China. Excluding China, the W-MSME finance gap has remained unchanged at about 12 percent of the overall MSME finance gap. Despite the decline in global estimates, W-MSMEs continue to face significant financing challenges across many regions. Even after recent improvements, the EMDE finance gap for W-MSMEs still amounts to roughly $520 billion and remains a substantial barrier to growth and inclusion. Closing this gender financing gap would unlock considerable economic potential, underscoring the need for financial institutions to design products and services specifically tailored to women-led small businesses.

Looking ahead, there is credible ground for a cautiously optimistic outlook on reducing the MSME finance gap. Technological advances will continue to drive down the cost of delivering financial services, enhancing efficiency, and expanding the reach of formal credit. At the same time, a concerted and sustained effort across the public and private sectors remains essential to address the deep-rooted structural barriers that perpetuate financing gaps across EMDEs. The updated estimates presented in this report offer a clearer view of the underlying trends and provide a basis for prioritizing future policy actions and development support.

The private sector will remain central to closing the MSME finance gap. Financial institutions must adapt their business models to better serve MSMEs, leveraging technology to reduce transaction costs and improve risk assessment. MDBs and DFIs, including IFC, can complement these efforts by catalyzing financial sector engagement through risk-sharing facilities, blended finance, and advisory services

that build capacity and foster innovation. These efforts are essential to crowd in private capital and reinforce the development of sustainable MSME finance solutions. These priorities are central to the World Bank Group's new MSME Strategy, which aims to help MSMEs become more visible, connected, enabled, and funded. The findings of this report speak most directly to the funded dimension, but they also underscore the links among all four. More reliable data and digital transaction records can make MSMEs more visible to lenders and support cash-flow-based credit assessment. Stronger connections to customers, suppliers, platforms, and business services can improve firms' prospects for growth. More effective regulatory frameworks, credit infrastructure, and institutional capacity can reduce the costs and risks of serving smaller firms. Appropriate financing can then help viable MSMEs invest, scale, and create jobs. Progress across these dimensions will require a World Bank Group-wide approach combining policy and institutional reform, financial and digital infrastructure, private-sector investment, risk mitigation, advisory support, and knowledge. The report's country, regional, income-group, gender, and informality estimates can help inform where these complementary efforts are most needed, while more granular data will be required to design and evaluate specific interventions.

Finally, continued investment in data and measurement is vital to both understanding the MSME finance gap and implementing the new strategy. Better firm-level and financial-sector data can make MSMEs more visible, support more accurate credit assessment, and help policymakers and financial providers identify underserved segments. As this report expands the time series of finance-gap estimates, it provides a foundation for tracking broad market trends and identifying the country-level characteristics associated with larger or smaller gaps. However, complementary transaction- and firm-level evidence will be needed to assess whether specific interventions increase financing, improve firm performance, and contribute to job creation. Reducing the MSME finance gap remains an important long-term objective, but changes in the headline gap must be interpreted carefully. A short-term increase may reflect not only constrained credit supply, but also firm entry, formalization, growth, or stronger demand for productive investment. Continued analysis of the underlying supply- and demand-side drivers will therefore be essential to designing interventions suited to country conditions and to advancing the strategy's broader objective of enabling MSMEs to grow, become more productive, and create durable jobs.

5.

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6.

Annex:

Additional details on methodology, data sources, assumptions, and limitations

This annex documents the data sources, estimation procedures, and methodological assumptions underlying this MSME Finance Gap Report. Section A1 describes the firm-level and macroeconomic datasets used in the analysis. Sections A2–A11 detail the construction of potential credit demand estimates, including benchmark leverage ratios, rescaling factors, and temporal smoothing adjustments. Sections A12–A14 extend the framework to the informal sector and provide gender-disaggregated estimates. Section A15 discusses limitations, and Section A17 lists the countries covered by the *World Bank Enterprise Surveys* database.

A1 Data Sources for Credit Demand Estimation

The MSME Finance Gap Report integrates multiple firm-level and country-level datasets to estimate potential credit demand at the firm, sector, and country levels. This section describes each data source, its role in the estimation framework, and relevant coverage and vintage information.

A2 Firm-Level Data

Bureau van Dijk Orbis. The *Orbis* database, maintained by Bureau van Dijk (a Moody's Analytics company), provides standardized financial statement data for firms worldwide. To construct benchmark debt-to-sales ratios (Section A3), the report extracts the following variables for firms in selected advanced economies:

- Operating revenue (turnover)
- Short-term loans and long-term debt
- Number of employees
- Year of incorporation
- Primary industry classification (NACE Rev. 2)[31]

Firms are mapped to three broad sectors (manufacturing, retail, and services) based on their primary NACE codes. The extraction covers fiscal years 2011–2023. Observations with missing or zero values for employment or operating revenue are excluded prior to benchmark construction.

World Bank Enterprise Surveys (WBES). The *World Bank Enterprise Surveys* provide standardized, firm-level data on business environment conditions and firm performance in emerging and developing economies. The report draws on WBES data covering over 250,000 firms across more than 110 countries, with survey rounds spanning 2006–2024.[32] Key variables extracted include:

- Total annual sales (in local currency units)
- Number of employees
- Firm age (years since establishment)

31 Manufacturing firms are classified under ISIC Rev. 4 codes 10–33. Retail firms are classified under ISIC Rev. 4 codes 45–47. Service firms are classified under ISIC Rev. 4 codes 42–43, 49–53, 55–56, 58, 61–62, 69–75, 79, and 95.
32 The WBES data is available at https://www.enterprisesurveys.org/en/data. See A17 for a complete list of countries used in the analysis.

- Ownership structure (gender of owners)
- Primary sector of operation

WBES data form the basis for estimating firm-level sales, computing MSME shares for temporal smoothing, and deriving gender-disaggregated demand estimates. Because the WBES samples formal, registered enterprises, coverage of micro-enterprises (fewer than 5 employees) and informal firms is limited.

A3 Benchmark Economy Selection

Benchmark debt-to-sales ratios are derived from firms operating in economies where credit markets are judged to function efficiently. These are economies where observed firm leverage plausibly approximates unconstrained demand. The report selects fourteen high-income economies based on two criteria:

1. Income classification. High-income status per the World Bank's income group classification (GNI per capita above the high-income threshold in the relevant fiscal year).

2. Credit market development. Top-quartile performance on the "Getting Credit" indicator of the World Bank's *Doing Business Index*.[33] The Getting Credit indicator assesses (i) the strength of credit reporting systems (depth and coverage of credit registries and bureaus) and (ii) the effectiveness of collateral and bankruptcy laws in facilitating secured lending.

The fourteen selected benchmark economies are:

Region	Economies
Europe	Denmark, Estonia, Germany, Hungary, Ireland, Lithuania, Slovakia, Switzerland, United Kingdom
North America	Canada, United States
Asia-Pacific	Australia, Israel, New Zealand

These economies are pooled across available *Orbis* years (2011–2023) to maximize sample size for benchmark estimation. The implicit assumption is that regulatory and institutional environments in these economies support credit market access such that observed leverage reflects firm demand rather than supply-side rationing.

A4 Macroeconomic Data

World Development Indicators (WDI). *The World Development Indicators*, maintained by the World Bank, provide macroeconomic aggregates used for currency conversion and sectoral rescaling:

- **Exchange rates**: Official exchange rate (LCU per $, period average). Series code PA.NUS.FCRF.[34]

33 Archived at https://archive.doingbusiness.org/en/data/exploretopics/getting-credit. The World Bank discontinued the Doing Business report in 2021. Benchmark economy selection is based on the final published rankings and has not been updated to reflect subsequent institutional changes.

34 The report uses the World Development Indicators series "Official exchange rate (LCU per US$, period average)" (PA.NUS.FCRF) as the primary source for currency conversion. For economies where WDI exchange rate data are unavailable, the report substitutes annual averages computed from historical daily exchange rates obtained from www.moneyratestoday.com.

- **Services value added**: Services, value added (current $). Series code NV.SRV.TOTL.CD.
- **Manufacturing value added**: Manufacturing, value added (current $). Series code NV.IND.MANF.CD.

Annual average exchange rates are applied to convert WBES sales from local currency units to current US dollars.

UNIDO Industrial Statistics Database (INDSTAT4). The *UNIDO INDSTAT4* database provides detailed manufacturing sector statistics at the 4-digit ISIC level for over 170 countries. The report uses INDSTAT4 data on manufacturing value added (current $) as the primary source for computing manufacturing-sector rescaling factors. Where INDSTAT4 data are unavailable, WDI manufacturing value added serves as a fallback.

UN National Accounts Official Country Data (UNdata). Retail sector value added is obtained from UN National Accounts statistics accessed via *UNdata* (https://data.un.org). Coverage is less complete than for manufacturing and services; imputation procedures (Section A4) address missing observations.

A5 Informal Economy Estimates

Estimates of informal economic activity are drawn from the **World Bank Group's Informal Economy Database**,[35] which compiles cross-country measures of informality based on multiple estimation methodologies:

- **MIMIC (Multiple Indicators Multiple Causes):** A structural equation model that relates observable indicators (e.g., currency demand, labor force participation, tax revenue) to a latent informality variable.
- **DGE (Dynamic General Equilibrium):** A model-based approach developed by the IMF that infers informal activity from discrepancies between national expenditure and income accounts, embedding structural assumptions about household and firm behavior.

The report uses **DGE-based estimates** as the primary measure of informality for extrapolating potential demand to the informal sector (Section A12). DGE estimates are preferred because they impose internal consistency constraints derived from economic theory, though they are sensitive to model specification. MIMIC-based estimates are retained for sensitivity analysis. Informality estimates are expressed as the percentage share of informal output in total GDP and are matched to countries by ISO3 code.

35 Available at https://www.worldbank.org/en/research/brief/informal-economy-database.

A6 Data Vintage and Coverage Summary

Data Source	Coverage	Vintage	Primary Use
Orbis	14 benchmark economies	2011–2023	Benchmark debt-to-sales ratios
WBES	140+ emerging economies	2006–2024	Firm sales, MSME shares, gender composition
WDI	Global	2010–2023	Exchange rates, value added (services, manufacturing)
UNIDO INDSTAT4	170+ countries	2010–2021	Manufacturing value added
UNdata	Variable	2010–2023	Retail value added
Informal Economy Database	160+ countries	2015–2023	Informal economy shares (DGE)

Data were accessed between April and December 2025. Users seeking to replicate results should note that Orbis and WDI are updated on a rolling basis; minor discrepancies may arise from subsequent data revisions.

A7 Estimation of Potential Demand

Using the assembled data, potential MSME credit demand for each firm *i* in sector *s*, country *c*, and year *t* is computed according to the following equation:

$$PD_{i,s,c,t} = \left(\frac{M_{i,s,c,t}}{R_{s,c,t}}\right) \times B_{s,z,a} \times \alpha_{c,t}$$

where:

$M_{i,s,c,t}$ denotes reported sales (in current $) of firm *i* operating in sector *s*, located in country *c*, observed at time *t*;

$R_{s,c,t}$ is the rescaling factor that aligns WBES sample sales with national accounts value added for sector *s*, country *c*, and year *t*;

$B_{s,z,a}$ is the benchmark debt-to-sales ratio derived from advanced-economy firms in sector *s*, size class *z*, and age category *a*; and

$\alpha_{c,t}$ is a temporal smoothing parameter that attenuates inter-survey variation in MSME representation.

Sector- and country-level potential demand is obtained by aggregating firm-level estimates:

$$PD_{s,c,t} = \sum_{i} P\,D_{i,s,c,t}$$

The sections below describe how each component (B, R, and α) is constructed.

A8 Benchmark

The benchmark represents potential demand for credit among firms of a given sector, size, and age operating in advanced economies where credit markets function efficiently. The underlying assumption is that observed leverage in these markets approximates unconstrained demand. To construct the benchmark, firm-level data from Bureau van Dijk's *Orbis* database is filtered to include only firms domiciled in the fourteen selected high-income economies with non-zero and non-missing values for both employment and operating revenue. Each firm observation is assigned to one of thirty mutually exclusive groups defined by:

- **Sector**: manufacturing, retail, or services;
- **Size**: 0–9, 10–19, 20–49, 50–99, or 100–249 employees; and
- **Age**: young (established within 5 years) or mature (established 5 years or more).

For each firm *i*, the debt-to-sales ratio is computed as:

$$\left(\frac{\text{Debt}}{\text{Sales}}\right)_i = \frac{\text{Short-term loans}_i + \text{Long-term debt}_i}{\text{Operating revenue}_i}$$

Observations with missing components are excluded. To limit the influence of extreme values, leverage ratios are winsorized at the 1st and 99th percentiles of the pooled sample. The benchmark for each sector-size-age group is then defined as the mean debt-to-sales ratio across all firms within that group:

$$B_{s,z,a} = \frac{1}{N_{s,z,a}} \sum_{i \in (s,z,a)} \left(\frac{\text{Debt}}{\text{Sales}}\right)_i$$

This yields a 30-cell benchmark matrix (3 sectors × 5 size classes × 2 age categories) applied uniformly across all target countries.

A9 Firm-level Sales and Sector-level Rescaling Factor

Firm-level sales are drawn from the *World Bank Enterprise Surveys* and converted from local currency units to current US dollars using annual average exchange rates from the World Development Indicators. Firms with missing sales are assigned the mean sales value of their corresponding sector-size-age group within the same country. Because the WBES captures only a sample of national economic activity, direct aggregation of survey-reported sales would understate true sector-level output. To correct for this, a **rescaling factor** aligns micro-level WBES sales with macro-level sectoral output:

$$R_{s,c,t} = \frac{\mathrm{M}_{s,c,t}}{\mathrm{Output}_{s,c,t}}$$

where $\mathrm{M}_{s,c,t}$ denotes aggregate sales reported by surveyed firms in sector *s*, country *c*, and year *t*, and is obtained from national accounts sources. For the services sector, value-added was used as a proxy for sector output owing to a lack of sales or output data. The rescaling factor thus measures the fraction of sectoral output represented in the survey sample; values are typically less than one.

Data sources for value added:

- **Manufacturing**: *UNIDO Industrial Statistics Database* (INDSTAT4) and WDI series "Manufacturing, output (current $)" (NV.IND.MANF.CD).
- **Retail**: *UN National Accounts Official Country Data* (UNdata).
- **Services**: WDI series "Services, value added (current $)" (NV.SRV.TOTL.CD).

Imputation of missing values:

Because many countries have intermittent data coverage, missing observations are filled through a sequence of conservative adjustments:

1. Compute annual growth rates of sectoral value added using available WDI observations.
2. Fill missing growth rates with the average growth rate from countries in the same geographic region.
3. Using UNIDO 2015 value added as the baseline for manufacturing, project annual values forward and backward using computed growth rates. If UNIDO 2015 is unavailable, scale the nearest available UNIDO year (e.g., 2014 or 2016) by corresponding WDI growth rates to impute the 2015 anchor. Expand the search window iteratively (2013/2017, 2012/2018, etc.) until a valid observation is found.
4. If value added for manufacturing remains missing across all reference years, substitute a regional composite computed from countries in the same income group and geographic region.
5. Repeat steps 3–4 for 2019 and 2023 anchor years.
6. Cross-sector imputation: If the services rescaling factor is missing, adopt the manufacturing rescaling factor for the same country-year. If the retail rescaling factor is missing, adopt the services rescaling factor.

A10 Temporal Smoothing

The *World Bank Enterprise Surveys* are conducted at irregular intervals, typically every three to five years. As a result, the share of MSME activity captured in successive survey rounds may vary due to changes in sampling frames, survey coverage, or response rates: variation that does not necessarily reflect underlying structural change in the economy. Absent correction, such inter-survey fluctuations would propagate through the rescaling factor and distort estimated trends in aggregate potential demand.

To address this concern, a **temporal smoothing parameter** that attenuates abrupt changes in MSME representation between adjacent periods is applied:

$$\alpha_{c,t} = \frac{\text{MSME Share}_{c,t-1} + \text{MSME Share}_{c,t}}{2 \times \text{MSME Share}_{c,t}}$$

where $\text{MSME Share}_{c,t}$ denotes the share of total surveyed sales attributable to MSMEs in country c at time t.

Interpretation:

The smoothing parameter can be rewritten as:

$$\alpha_{c,t} = \frac{1}{2}\left(1 + \frac{\text{MSME Share}_{c,t-1}}{\text{MSME Share}_{c,t}}\right)$$

This formulation has intuitive properties:

- When MSME shares are **stable** across periods, the smoothing parameter approaches **unity**, leaving potential demand estimates unchanged.
- When the current-period share **exceeds** the prior-period share (potentially reflecting improved survey coverage of smaller firms rather than genuine MSME expansion), the parameter is **less than one**, dampening the implied increase in estimated demand.
- When the current-period share **falls below** the prior-period share, the parameter **exceeds one**, attenuating the implied decline.

Rationale. This adjustment is equivalent to applying a symmetric two-period moving average to the MSME share series before computing rescaled demand. Moving-average smoothing is a standard approach in applied econometrics when working with survey data collected at irregular intervals, as it reduces the influence of period-specific measurement error without imposing strong parametric assumptions on the underlying data-generating process (Deaton, 1997; Bound, Brown, and Mathiowetz, 2001).

The approach is deliberately conservative: it does not attempt to model the precise source of inter-survey variation but ensures that estimated trends in potential demand reflect **persistent structural change** rather than sampling artifacts. In sensitivity analyses, alternative smoothing windows (e.g., three-period moving averages or exponential smoothing with decay parameters) yielded qualitatively similar results, supporting the robustness of reported estimates.

A11 Aggregating Potential Demand

Once firm-level potential demand is calculated, sector- and country-level aggregates are obtained by summation:

$$PD_{s,c,t} = \sum_{i \in (s,c,t)} P\,D_{i,s,c,t} \qquad PD_{c,t} = \sum_{s} P\,D_{s,c,t}$$

Global potential demand is computed as the sum across all countries:

$$PD_{t}^{\text{global}} = \sum_{c} P\,D_{c,t}$$

These aggregates form the basis for subsequent estimation of financing gaps, computed as the difference between potential demand and observed credit supply.

A12 Informal Sector Extrapolation

Potential demand estimates derived from the WBES pertain exclusively to formally registered enterprises. To extend coverage to the informal sector, comprising unregistered firms and own-account workers that constitute a substantial share of MSME activity in many emerging economies, formal-sector demand is scaled by the estimated size of the informal economy.

Let $I_{c,t}$ denote the informal economy as a percentage share of total economic output in country c at time t, as reported in the World Bank Group's Informal Economy Database. The report uses estimates derived from the **Dynamic General Equilibrium (DGE)** model, which infers informal activity from discrepancies between national expenditure and income accounts while imposing structural assumptions on household and firm optimization behavior.

Informal-sector potential demand is computed as:

$$PD_{c,t}^{\text{informal}} = PD_{c,t}^{\text{formal}} \times \frac{I_{c,t}}{100 - I_{c,t}}$$

Derivation. If total output Y is partitioned into formal output Y^F and informal output Y^I, with $I = 100 \times (Y^I/Y)$, then:

$$\frac{Y^I}{Y^F} = \frac{I}{100 - I}$$

Under the assumption that credit intensity (potential demand per unit of output) is identical across formal and informal sectors, the ratio of informal to formal potential demand equals the ratio of informal to formal output, yielding the expression above.

Assumptions and caveats. This formulation rests on the assumption of **proportionality;** informal enterprises exhibit the same debt-to-sales ratios as their formal counterparts of a similar sector, size, and age. In practice, informal firms may face binding credit constraints, lack collateralizable assets, or operate in sectors with different capital intensity, suggesting that true informal credit demand could differ from the imputed value. The estimate should therefore be interpreted as an **upper bound** on latent demand under the counterfactual of equal credit access, rather than a measure of effective or realized demand.

Additionally, DGE-based informality estimates carry model-specific uncertainty. Alternative measurement approaches, including the Multiple Indicators Multiple Causes (MIMIC) model, labor force survey methods, and electricity consumption proxies, yield varying estimates of informal activity. Sensitivity analyses using MIMIC-based shares are available upon request.

A13 Total Potential Demand

Total potential MSME credit demand combines formal and informal sector estimates:

$$PD_{c,t}^{\text{total}} = PD_{c,t}^{\text{formal}} + PD_{c,t}^{\text{informal}} = PD_{c,t}^{\text{formal}} \times \frac{100}{100 - I_{c,t}}$$

This aggregation is performed at the country-year level prior to global summation.

A14 Gender Disaggregation

Gender-disaggregated potential demand is estimated by apportioning total MSME potential demand between women-owned and men-owned enterprises according to their respective shares of sales revenue in the WBES.

Let $\omega_{c,t}^{W}$ denote the share of total MSME sales attributable to women-owned firms in country c at time t, defined as:

$$\omega_{c,t}^{W} = \frac{\sum_{i \in W} M_{i,c,t}}{\sum_{i} M_{i,c,t}}$$

where W denotes the set of firms classified as women-owned in the WBES (typically defined as firms with majority female ownership or a female top manager, depending on survey round). Potential demand for women-owned MSMEs is then:

$$PD_{c,t}^{\text{women}} = \omega_{c,t}^{W} \times PD_{c,t}^{\text{total}}$$

with the residual allocated to men-owned firms:

$$PD_{c,t}^{\text{men}} = (1 - \omega_{c,t}^{W}) \times PD_{c,t}^{\text{total}}$$

Methodological notes.

1. Definition of women-owned. The WBES defines women-owned enterprises using ownership shares and management roles. Across survey rounds, the precise threshold has varied (e.g., majority female ownership vs. at least one female owner). This report follows the classification used in the 2019 MSME Finance Gap methodology for consistency, which defines a women-owned firm as one with at least 51% female ownership or a female top manager.

2. Implicit assumptions. Allocating potential demand by sales share assumes that women- and men-owned firms within the same sector-size-age group exhibit similar benchmark leverage ratios. If women-owned firms systematically face tighter credit constraints, resulting in lower observed leverage, this approach may understate the relative financing gap facing women entrepreneurs.

3.Informal sector: Gender shares are computed from the formal WBES sample and applied uniformly to total (formal plus informal) potential demand. This assumes gender composition of informal enterprises mirrors that of formal enterprises, which may not hold in economies where women are disproportionately represented in informal self-employment.

The gender-disaggregated estimates provide an **indicative measure** of the structural financing imbalance facing women-owned MSMEs and are intended to inform policy prioritization rather than precise targeting.

A15 Limitations

The methodology outlined in this appendix is subject to several limitations that users should consider when interpreting results.

Data coverage and representativeness:

- The World Bank Enterprise Surveys cover formal, registered enterprises and systematically underrepresent micro-enterprises (fewer than 5 employees) and informal firms. Estimates of informal-sector demand rely on model-based extrapolation rather than direct observation.
- Bureau van Dijk's Orbis database, while comprehensive for advanced economies, exhibits uneven coverage across firm sizes and legal forms. Sole proprietorships and partnerships (common organizational structures among MSMEs) are underrepresented relative to incorporated entities.
- Survey timing varies across countries, with some WBES rounds dating to the early 2010s. Temporal smoothing mitigates but does not eliminate the influence of stale survey data on country-level estimates.

Measurement and conversion:

- Firm-level sales are converted to US dollars using annual average exchange rates. In countries experiencing significant exchange rate volatility or currency crises, this approach may introduce measurement error that either inflates or deflates estimated demand relative to purchasing-power-adjusted values.
- Value-added data from UNIDO and WDI are themselves estimates subject to revision. The imputation hierarchy for missing observations (Section A4) propagates uncertainty from regional averages into country-specific estimates.

Structural assumptions:

- The benchmark methodology assumes that debt-to-sales ratios observed in advanced economies with well-functioning credit markets approximate unconstrained demand. If firms in benchmark economies are themselves credit-constrained, or if optimal leverage varies with institutional context, the benchmark may misstate true potential demand.
- The proportionality assumption underlying informal-sector extrapolation (Section A12) implies equal credit intensity across formal and informal enterprises. Empirical evidence suggests informal firms may have lower capital intensity or substitute labor for capital, potentially overstating imputed informal demand.
- Gender disaggregation assumes uniform leverage within sector-size-age groups across firm ownership types. Differential access to finance by gender would bias estimated shares.

Scope:

- Estimates pertain to credit demand and do not capture demand for other forms of finance, including equity, trade credit, or lease financing.
- The methodology does not distinguish between demand for working capital and demand for investment finance, which may respond differently to macroeconomic conditions and policy interventions.

These limitations notwithstanding, the methodology provides a consistent, transparent, and replicable framework for estimating MSME finance gaps across a large sample of emerging economies. Results should be interpreted as indicative magnitudes subject to uncertainty rather than precise point estimates.

A16 References

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A17 List of WBES Countries

Country	Region	Income group
Afghanistan	Middle East and North Africa	Low income
Albania	Europe and Central Asia	Upper middle income
Angola	Africa	Lower middle income
Argentina	Latin America and Caribbean	Upper middle income
Armenia	Europe and Central Asia	Upper middle income
Azerbaijan	Europe and Central Asia	Upper middle income
Bangladesh	South Asia	Lower middle income
Belarus	Europe and Central Asia	Upper middle income
Belize	Latin America and Caribbean	Upper middle income
Benin	Africa	Lower middle income
Bhutan	South Asia	Lower middle income
Bolivia	Latin America and Caribbean	Lower middle income
Bosnia and Herzegovina	Europe and Central Asia	Upper middle income
Botswana	Africa	Upper middle income
Brazil	Latin America and Caribbean	Upper middle income
Burkina Faso	Africa	Low income
Burundi	Africa	Low income
Cabo Verde	Africa	Lower middle income
Cambodia	East Asia and Pacific	Lower middle income
Cameroon	Africa	Lower middle income
Central African Republic	Africa	Low income
Chad	Africa	Low income
China	East Asia and Pacific	Upper middle income
Colombia	Latin America and Caribbean	Upper middle income
Congo	Africa	Lower middle income
Costa Rica	Latin America and Caribbean	Upper middle income
Côte d'Ivoire	Africa	Lower middle income
Democratic Republic of Congo	Africa	Low income
Djibouti	Middle East and North Africa	Lower middle income
Dominica	Latin America and Caribbean	Upper middle income

Country	Region	Income group
Dominican Republic	Latin America and Caribbean	Upper middle income
Ecuador	Latin America and Caribbean	Upper middle income
Egypt	Middle East and North Africa	Lower middle income
El Salvador	Latin America and Caribbean	Upper middle income
Eswatini	Africa	Lower middle income
Ethiopia	Africa	Low income
Fiji	East Asia and Pacific	Upper middle income
Gabon	Africa	Upper middle income
Gambia	Africa	Low income
Georgia	Europe and Central Asia	Upper middle income
Ghana	Africa	Lower middle income
Grenada	Latin America and Caribbean	Upper middle income
Guatemala	Latin America and Caribbean	Upper middle income
Guinea	Africa	Lower middle income
Guinea-Bissau	Africa	Low income
Honduras	Latin America and Caribbean	Lower middle income
India	South Asia	Lower middle income
Indonesia	East Asia and Pacific	Upper middle income
Iraq	Middle East and North Africa	Upper middle income
Jamaica	Latin America and Caribbean	Upper middle income
Jordan	Middle East and North Africa	Lower middle income
Kazakhstan	Europe and Central Asia	Upper middle income
Kenya	Africa	Lower middle income
Kosovo	Europe and Central Asia	Upper middle income
Kyrgyz Republic	Europe and Central Asia	Lower middle income
Lao PDR	East Asia and Pacific	Lower middle income
Lebanon	Middle East and North Africa	Lower middle income
Lesotho	Africa	Lower middle income
Liberia	Africa	Low income
Madagascar	Africa	Low income
Malawi	Africa	Low income
Malaysia	East Asia and Pacific	Upper middle income
Mali	Africa	Low income

Country	Region	Income group
Mauritania	Africa	Lower middle income
Mauritius	Africa	Upper middle income
Mexico	Latin America and Caribbean	Upper middle income
Micronesia	East Asia and Pacific	Lower middle income
Moldova	Europe and Central Asia	Upper middle income
Mongolia	East Asia and Pacific	Upper middle income
Montenegro	Europe and Central Asia	Upper middle income
Morocco	Middle East and North Africa	Lower middle income
Mozambique	Africa	Low income
Myanmar	East Asia and Pacific	Lower middle income
Namibia	Africa	Upper middle income
Nepal	South Asia	Lower middle income
Nicaragua	Latin America and Caribbean	Lower middle income
Niger	Africa	Low income
Nigeria	Africa	Lower middle income
North Macedonia	Europe and Central Asia	Upper middle income
Pakistan	Middle East and North Africa	Lower middle income
Papua New Guinea	East Asia and Pacific	Lower middle income
Paraguay	Latin America and Caribbean	Upper middle income
Peru	Latin America and Caribbean	Upper middle income
Philippines	East Asia and Pacific	Lower middle income
Rwanda	Africa	Low income
Samoa	East Asia and Pacific	Lower middle income
Senegal	Africa	Lower middle income
Serbia	Europe and Central Asia	Upper middle income
Sierra Leone	Africa	Low income
Solomon Islands	East Asia and Pacific	Lower middle income
South Africa	Africa	Upper middle income
South Sudan	Africa	Low income
Sri Lanka	South Asia	Lower middle income
St Lucia	Latin America and Caribbean	Upper middle income
St Vincent and Grenadines	Latin America and Caribbean	Upper middle income
Sudan	Africa	Low income

Country	Region	Income group
Suriname	Latin America and Caribbean	Upper middle income
Tajikistan	Europe and Central Asia	Lower middle income
Tanzania	Africa	Lower middle income
Thailand	East Asia and Pacific	Upper middle income
Timor-Leste	East Asia and Pacific	Lower middle income
Togo	Africa	Low income
Tonga	East Asia and Pacific	Upper middle income
Tunisia	Middle East and North Africa	Lower middle income
Türkiye	Europe and Central Asia	Upper middle income
Uganda	Africa	Low income
Ukraine	Europe and Central Asia	Upper middle income
Uzbekistan	Europe and Central Asia	Lower middle income
Vanuatu	East Asia and Pacific	Lower middle income
Viet Nam	East Asia and Pacific	Lower middle income
West Bank and Gaza	Middle East and North Africa	Lower middle income
Yemen	Middle East and North Africa	Low income
Zambia	Africa	Lower middle income
Zimbabwe	Africa	Lower middle income



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