Case Study



Colombia: Building a Modern Secured Transactions System to Expand Access to Finance for MSMEs

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Teresa at her home and store in Buga.

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About SECO

The State Secretariat for Economic Affairs (SECO) implements Switzerland's economic and trade policy measures for the benefit of developing countries. It coordinates its activities with the Swiss Agency for Development and Cooperation (SDC) and the Peace and Human Rights Division (PHRD) of the FDFA. The three administrative offices implement Switzerland's international cooperation together. For more information, visit www.seco-cooperation.ch

Introduction

Access to finance remains one of the most binding constraints facing micro, small, and medium-sized enterprises (MSMEs) across Latin America.

In Colombia, as in many emerging markets, formal financial institutions have historically demanded immovable property — primarily real estate — as collateral for business loans. Yet the overwhelming majority of Colombian MSMEs hold their productive wealth not in land or buildings, but in equipment, machinery, inventory, accounts receivable, and other movable assets. This fundamental mismatch between creditor requirements and the assets that MSMEs actually own locked millions of small businesses out of the formal credit market.

To address this structural barrier, the International Finance Corporation (IFC), with funding from the Swiss State Secretariat for Economic Affairs (SECO), launched the Secured Transactions and Collateral Registries (STCR) Program in Colombia in 2012. Operating under the broader SECO–World Bank Group Global Financial Infrastructure Partnership (GFIP), the Program set out to modernize the country's legal and institutional framework for secured lending, enabling movable assets to serve as bankable collateral for the first time at scale.

The reform was built on a dual recognition: that the legal architecture governing credit transactions needed to be fundamentally redesigned, and that a functioning, modern collateral registry was indispensable to give creditors the certainty they needed to lend. Together, these two pillars — law and infrastructure — would form the foundation of a new secured transactions ecosystem in Colombia.

The Program was implemented in two phases. Phase 1 (2013–2015) focused on establishing the legal and regulatory framework and launching the central collateral registry. Phase 2 (2015 onwards) deepened implementation by strengthening enforcement mechanisms, expanding financial institution engagement and capacity building, supporting the development of electronic invoicing as a new collateral instrument, and enabling Colombia to serve as a regional model for neighboring countries across Latin America and the Caribbean (LAC).

Key Achievements

- **Landmark legislation enacted**: Colombia's new Secured Transactions Law (Law 1676 of 2013) was passed, consolidating multiple legacy instruments into a unified *garantía mobiliaria* and introducing internationally recognized concepts of security interests, priority rules, and third-party effectiveness.
- **National collateral registry established**: The Collateral Registry (Registro de Garantías Mobiliarias, RGM), operated by Confecámaras (the federation of Colombian chambers of commerce), was launched in March 2014 — the first online, centralized, publicly searchable registry of its kind in Colombia.
- **Dramatic improvement in the enabling environment**: Colombia's ranking on the World Bank Doing Business Getting Credit[1] index rose from 55th in 2014 to 2nd in 2015, reflecting the depth of the legal and institutional reforms supported by the Program.
- **Sustained decade of secured lending growth**: Between 2015 and 2024, the RGM recorded 345,679 secured-loan registrations (excluding commercial vehicles), underpinning a total Value of Financing Facilitated (VFF) of USD 161.30 billion — representing 76.5% cumulative growth over the period, with an average annual growth rate of 6.5%.
- **Electronic invoicing as a new collateral frontier**: With IFC support, the RADIAN electronic invoice registry — operated by Colombia's tax authority (DIAN) — was launched in 2022. By 2025, 5.67 million electronic invoices had been financed through RADIAN, representing USD 32.4 billion in financed value and a cumulative financed-to-registered conversion rate of 94%.
- **Regional leadership**: Colombia became one of only a handful of countries in LAC — alongside Costa Rica, Honduras, Jamaica, and Mexico — to build a secured transactions system grounded in international standards and best practices, and IFC established a structured peer-to-peer learning program to allow neighboring countries to learn from the Colombian experience.

1 The World Bank Doing Business "Getting Credit" indicator provided a comparative assessment of countries' credit infrastructure, including legal rights in secured lending and the availability of credit information. While the Doing Business series is no longer updated, its historical data can still serve as a reference point for understanding the evolution of MSME finance-enabling conditions.

Approach

Building the Legal and Regulatory Foundation (Phase I)

The Program's first task was to create a legal framework that would give lenders and borrowers alike the certainty needed to transact with movable collateral. Prior to the reform, Colombia's approach to secured lending was fragmented across multiple instruments — pledges, chattel mortgages, promissory notes — with no unified registry and no clear priority rules in the event of borrower default. This fragmentation created legal risk for lenders, discouraging them from accepting movable assets.

IFC worked closely with the Colombian government — most notably the *Superintendencia de Sociedades* and the Ministry of Commerce, Industry and Tourism (*Mincit*) — to draft and enact Law 1676 of 2013. The new law consolidated all security interest instruments into a single *garantía mobiliaria*, established clear rules for the creation, perfection, priority, and enforcement of security interests in movable property, and recognized a broad range of assets — equipment, machinery, inventory, livestock, crops, accounts receivable, financial instruments, patent rights — as eligible collateral. The legal reform was followed by a cascade of supporting regulations: Decree 400 of 2014 (establishing the registry), Decree 1835 of 2015 (governing enforcement), External Circular 032 of 2015 from *the Superintendencia Financiera de Colombia* (adapting prudential regulation to the new framework), Decree 466 of 2016 from the Ministry of Finance, and an Alternative Dispute Resolution regulation from the Ministry of Justice in 2018.

Establishing and Strengthening the Collateral Registry (Phase I)

A modern secured transactions system is only as strong as the registry that gives it public notice. IFC advised the Government of Colombia on the design, launch, and operational arrangements for a centralized, online collateral registry. The registry was entrusted to Confecámaras and opened in March 2014. It enables any creditor to perfect a security interest, search for prior interests against a debtor's assets, and establish priority of claims — functions that had never been available on a unified, publicly accessible basis in Colombia.

IFC's engagement with Confecámaras was sustained throughout both phases of the Program. In Phase 2, IFC supported Confecámaras in developing the procedures governing the extrajudicial enforcement process for secured assets — a critical feature for financial institutions, who need confidence that, in the event of borrower default, they can recover collateral efficiently and at reasonable cost. IFC also supported Confecámaras in the design of online auction platforms for repossessed goods, providing an additional recovery mechanism that increases the attractiveness of movable-asset lending.

Building Institutional Capacity Across the Ecosystem (Phase I & II)

The passage of a law and the launch of a registry are necessary but not sufficient conditions for a functioning secured transactions market. Judges must be able to apply the new legal standards in enforcement proceedings. Financial institutions must understand how to structure movable-asset lending products and manage the associated risks. Government regulators must adapt their supervisory frameworks. IFC invested substantially in capacity building across each of these groups.

In partnership with Confecámaras, the *Escuela Judicial Rodrigo Lara Bonilla* (Colombia's judicial training institute), and regional chambers of commerce, IFC trained judges and judicial officials to ensure familiarity with the new secured transactions framework and the procedures applicable to enforcement and dispute resolution. This training was reinforced by support to the Ministry of Justice in developing online dispute resolution regulations — allowing settlement processes and arbitration to proceed through fast-track digital procedures, including during the COVID-19 pandemic when in-person proceedings were suspended.

For financial institutions (FIs), IFC coordinated large-scale awareness-raising events and provided targeted capacity building in new product development and risk management. Working in collaboration with IFC's regional Financial Institutions Group (FIG) Advisory and Investment Services, the Program identified lending institutions willing to serve as pilots for movable-asset lending products — including floor plan financing, crop and inventory finance, and secured and revolving lines of credit — and supported the development and rollout of these products. Workshops and training sessions engaged participants across the program period, with substantial participation from women.[2]

The *Superintendencia Financiera de Colombia* and the *Superintendencia de Industria y Comercio* also received IFC support in adapting their regulatory frameworks — including the development of supervisory guidance for online auction platforms for repossessed goods — to facilitate the practical operation of the new secured transactions system.

Pioneering Electronic Invoice Financing (Phase II)

A distinctive feature of Colombia's Phase 2 program was its focus on electronic invoices as a new category of movable collateral. For many MSMEs — particularly those in supply chains — accounts receivable in the form of electronic invoices represent their most liquid and readily verifiable asset. Enabling MSMEs to use these invoices as collateral for short-term financing (factoring and invoice discounting) has the potential to unlock working capital at scale.

IFC supported the regulatory development and institutional preparation for Colombia's electronic invoice financing regime, which culminated in the operationalization of the RADIAN platform, the national electronic invoice registry operated by DIAN. RADIAN functions as a registry for the negotiation and endorsement of electronic invoices, enabling their use as financial instruments and allowing creditors to verify and perfect their security interests in invoice receivables in real time.

Enabling Colombia as a Regional Model (Phase II)

Recognizing Colombia's potential as a demonstration case for secured transactions reform across Latin America and the Caribbean, IFC built a peer-to-peer learning component into Phase 2 of the Program. Colombia's reformed system — featuring modern legislation, a functioning online registry, and a developing enforcement infrastructure — was one of the most advanced in the region. IFC facilitated structured exchanges that allowed policymakers, regulators, and registry operators from other LAC countries to study Colombia's model, adapt lessons to their own contexts, and accelerate their own reform processes.

2 Across the 2016–2020 reporting periods, workshops and training sessions engaged 1,274 participants, of whom 42 percent were women.

Results

A Decade of Growth in Secured Lending

The RGM has operated continuously since its launch in March 2014. Between 2015 and 2024, the registry recorded 433,699 secured-loan registrations (including commercial vehicles) and 345,679 registrations when commercial vehicles are excluded — figures that represent activity on a scale that had not occurred in the previous four decades of Colombian financial history.

The total Value of Financing Facilitated over the 2015–2024 period reached USD 242.78 billion when commercial vehicle financing is included, and USD 161.30 billion when excluded. This represents 63% cumulative growth (incl. vehicles) and 76.5% cumulative growth (excl. vehicles) over the decade, with average annual growth rates of 5.5% and 6.5% respectively. Across all collateral categories combined — commercial vehicles, accounts receivable, cashflows, inventory, machinery and equipment, and shares — the registry has underpinned more than USD 253 billion in cumulative registered financing.

The composition of registered collateral has shifted in ways that reflect the deepening of the reform. While commercial vehicles remain the single largest category by value (USD 87.17 billion), the growth of non-vehicle categories is particularly significant. Accounts receivable account for USD 62.63 billion and cashflows for USD 29.94 billion — illustrating that businesses are increasingly using intangible and financial assets, not just physical goods, to secure credit. Peaks in overall VFF were observed in 2018 and 2021, reflecting specific market dynamics including large-value public transportation financing in certain years.

In terms of borrower profile, large firms and natural persons have consistently accounted for the highest VFF levels by value, reflecting the scale of transactions in those segments. At the same time, micro and small enterprises represent a substantial share of registrations by number,[3] confirming that the registry is being used across the enterprise size spectrum and that smaller businesses are accessing movable-asset credit in meaningful volumes.

A New Era for Electronic Invoice Financing

Since RADIAN's launch in 2022, the uptake of electronic invoice financing has been rapid and substantial. Over the 2021–2025 period:

5.67M
electronic invoices were financed through RADIAN

94%
The cumulative financed-to-registered conversion rate

USD 32.4B
The total value of financed invoices

These figures confirm that electronic invoice financing has rapidly become a mainstream working capital channel for Colombian businesses, with RADIAN functioning as the infrastructure backbone for a market that did not exist in its current form prior to the Program's engagement.

Strengthening the Legal Rights Index

Colombia's score on the World Bank's Strength of Legal Rights Index reached the maximum score of 12 following the enactment of Law 1676 and its supporting regulations — and has remained at 12 throughout the monitoring period. This score reflects the comprehensiveness of the legal framework: the existence of clear rules for the creation, perfection, priority, and enforcement of security interests in movable property, available to both businesses and individuals.

3 Micro and small enterprises accounted for approximately 91 percent of registrations by number when commercial vehicles were included (246,879 of 270,124 registrations), and approximately 54 percent when commercial vehicles were excluded (about 14,815 of 27,452 registrations).

Impact

Expanding the Credit Frontier for MSMEs

The fundamental purpose of the STCR Program was to extend the frontier of credit access for enterprises that had historically been excluded from formal finance by their inability to offer immovable collateral. The decade of registry data confirms that this goal is being achieved at scale. More than 345,000 secured-loan registrations over ten years — backed by movable assets ranging from industrial machinery to accounts receivable — represent a fundamentally different credit market from the one that existed before 2014.

The case studies conducted as part of the 2021 independent evaluation illustrate the micro-level impact of this transformation. One borrower firm, a machinery financing company established in 2014 explicitly to capitalize on the new secured transactions framework, grew its loan portfolio to approximately USD 4 million across some 130 loans within its first years of operation — financing medium-sized enterprises that lacked access to traditional credit. The company used the reform on both sides of its balance sheet: pledging its own cash flows and contractual rights to borrow from banks, while accepting machinery and equipment from its SME clients as collateral for the loans it extended. With a 92% on-time repayment rate among its borrowers, the model demonstrated both the commercial viability and the development impact of movable-asset lending.

A second borrower firm — a printing and lithography company in Medellín active since 1995 — secured loans backed by printing machinery in 2019 and 2020 at interest rates that were materially lower than available alternatives, including the National Guarantee Fund and unsecured credit lines. The availability of a legally enforceable, registry-supported collateral mechanism translated directly into better pricing and more favorable repayment terms for this established but asset-constrained MSME.

A More Resilient Financial Sector

The evaluation found that the ST reform has contributed to the development of a more diversified, robust lending environment. Financial institutions engaged by the Program reported that the new framework — despite requiring time and cultural adjustment — had provided them with greater confidence in the legal and institutional context for movable-asset lending. Several FIs reported active plans to expand their asset-based lending portfolios, with the agriculture sector (using livestock, crops, and orchard assets as collateral) and inventory financing identified as priority growth areas.

The COVID-19 pandemic tested the resilience of the new system. The extrajudicial enforcement mechanisms developed with IFC support — including online dispute resolution processes established by the Ministry of Justice — proved their value during the pandemic period, when in-person proceedings were suspended and digital processes became essential. The ability to conduct mediation and settlement processes online ensured continuity in the resolution of secured lending disputes even under exceptional conditions.

Colombia as a Regional Benchmark

Colombia's secured transactions reform has had an impact that extends well beyond its national borders. As one of only five countries in LAC to have built a secured transactions system based on international standards and best practices, Colombia serves as a living demonstration that ambitious reform is achievable, and that the institutional machinery required for a modern secured lending market can be built and sustained in a middle-income country context.

Through IFC's structured peer-to-peer learning program, Colombia's experience has been shared with policymakers, regulators, and registry operators across the LAC region, contributing to reform momentum in multiple neighboring countries. This regional multiplier effect — leveraging the investment made in Colombia to catalyze change elsewhere — represents a dimension of impact that goes beyond what the Colombian data alone can capture.

Results in Numbers

Indicator	Result
Secured-loan registrations (RGM, 2015–2024, excl. vehicles)	345,679
Secured-loan registrations (RGM, 2015–2024, incl. vehicles)	433,699
Total VFF (excl. vehicles, 2015–2024)	USD 161.30 billion
Total VFF (incl. vehicles, 2015–2024)	USD 242.78 billion
Cumulative VFF growth over decade (excl. vehicles)	76.5%
Average annual VFF growth rate (excl. vehicles)	6.5%
Accounts receivable financing (cumulative)	USD 62.63 billion
Cashflow-secured financing (cumulative)	USD 29.94 billion
RADIAN electronic invoices financed (2021–2025)	5.67 million
RADIAN cumulative financed-to-registered conversion rate (2021–2025)	94%
Value of financed invoices via RADIAN (2021–2025)	USD 32.4 billion
Strength of Legal Rights Index score	12 / 12
Supporting laws and regulations enacted	6+

Next Steps

Colombia's secured transactions reform has demonstrated, over more than a decade, that sustained institutional engagement can fundamentally transform the landscape of MSME finance. The infrastructure is in place, the legal foundation is solid, and the data confirms a market that is expanding. Yet the evaluation also found that the full potential of the reform remains to be realized: financial institution engagement in movable-asset lending — while growing — still falls short of what the legal framework makes possible, and many MSMEs remain unaware of or unable to access the new financing instruments available to them.

Under the Global Financial Infrastructure Partnership Phase 2 (GFIP-2, 2022–2027), IFC and SECO continue to deepen the work in Colombia with a focus on three priorities. First, expanding the use of the secured transactions framework among financial institutions, through targeted capacity building and pilot product development — with particular attention to agriculture finance, inventory lending, and supply chain finance products that can reach rural and underserved MSME segments. Second, strengthening the electronic invoice financing market through continued support to RADIAN's institutional development and to the financial sector's capacity to use electronic invoices efficiently as collateral. Third, leveraging Colombia's continued role as a LAC regional demonstration case, channeling the lessons of a decade of reform into peer learning that accelerates progress in countries at earlier stages of their secured transactions journeys.

Colombia's experience shows that the combination of strong law, functioning infrastructure, and sustained capacity building — delivered through a long-term, patient program model — can genuinely shift the boundaries of credit access for small businesses. GFIP-2 builds on this foundation, working toward a financial system in which the productive assets of Colombia's millions of MSMEs are recognized, registered, and routinely used to unlock the financing those businesses need to grow.

