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CREDIT ACCESSIBILITY AND THE SOCIAL COLLATERAL MODEL: EXAMINING THE CONDITIONS OF LOAN ACQUISITION AMONG TRADERS IN BODIJA MARKET IBADAN, NIGERIA

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ABSTRACT
Access to credit remains uneven among women traders in Nigeria's informal economy, despite the proliferation of cooperative societies and microfinance institutions. This study examines how credit accessibility is structured through the social collateral model, with particular attention to the conditions attached to loan acquisition among women traders in Bodija Market, including women traders. Rather than evaluating the impact of credit on welfare outcomes, the study shifts focus to the entry requirements, governance mechanisms and risk management practices that shape who qualifies for loans and under what terms. Adopting a qualitative research design, data were collected through in-depth interviews, focus group discussions and key informant interviews with women traders, cooperative leaders and microfinance staff. Thematic analysis reveals that credit access is governed by layered social, behavioural and material conditions that substitute for conventional physical collateral. These include compulsory savings thresholds, sustained membership duration, regular meeting attendance, guarantorship requirements, shop and home inspections, business longevity, age restrictions and assessments of market reputation. Collectively, these mechanisms constitute social collateral. The findings show that while social collateral expands access beyond traditional asset-based lending, it simultaneously redistributes financial risk into social relationships and intimate spaces. Guarantors and group leaders bear liability for defaults, and borrowers are subjected to continuous monitoring. Also visible material stability influences loan size and approval. Consequently, women lacking strong networks, established market presence or demonstrable assets remain disadvantaged. The study highlights a paradox of conditional inclusion, a situation where credit facilities are available, yet accessibility remains socially stratified. The paper concludes that financial inclusion efforts in informal markets must move beyond expanding loan availability to critically examining the governance structures that define eligibility. More flexible and context-responsive risk assessment models are required to prevent structural inequalities under alternative collateral systems.
Keywords: *Social collateral, Bodija market, Moral credibility, Credit acquisition, Asset visibility*

INTRODUCTION
Access to credit remains one of the most persistent barriers facing women entrepreneurs in Nigeria. Although women play a central role in trade, agriculture, and small-scale enterprise, they continue to experience structural disadvantages in accessing formal financial services. Across sub-Saharan Africa, women are less likely than men to own land, hold registered property, or control high-value assets, (i.e. resources that conventional banking systems typically require as collateral) (World Bank, 2021). In Nigeria, gender gaps in property ownership and financial inclusion continue to shape who can borrow, how much they can borrow and under what terms (Demirgüç-Kunt et al., 2022). As a result, many women remain either excluded from formal credit or confined to smaller, more expensive loan products.
At the same time, informal markets across Nigeria function as powerful economic hubs. These markets are not peripheral spaces; they are central to urban food systems, retail distribution and household survival. Women dominate many of these trading spaces, often operating small and medium-scale businesses that sustain families and local economies. Yet despite their economic importance, the financial systems that surround these markets rarely align with the realities of women's work. Formal banks often view informal traders as high-risk borrowers due to irregular income streams, lack of documented credit histories, and absence of titled collateral (Beck & Cull, 2014). Microfinance institutions emerged partly to address this gap, offering smaller loans tailored to low-income entrepreneurs. However, even microfinance models rely on structured eligibility criteria that may reproduce new forms of exclusion (Armendáriz & Morduch, 2010).

One of the most enduring barriers to women's credit access is the requirement for collateral. Conventional financial institutions depend on physical assets, such as land titles, vehicles, or registered property, to secure loans and mitigate default risk. Yet many women traders operate in environments where property is either jointly owned, informally held, or legally registered in the name of male relatives. Studies consistently show that women's limited asset ownership restricts their ability to leverage formal finance (Okezie & Igwebuike, 2017; World Bank, 2021). Even when policy reforms aim to expand financial inclusion, underlying structural inequalities continue to shape outcomes.

While a significant body of research (e. g; Abdulkareem &Iddrisu, 2025; Akande, 2025) has examined the impacts of microfinance on women's empowerment, income generation and household welfare, less attention has been paid to the conditions under which women access loans in the first place. Much of the literature evaluates whether microcredit improves livelihoods (Banerjee et al., 2015), but fewer studies ask: "What must women demonstrate before they qualify? What forms of scrutiny, discipline or verification do they undergo? And how do lenders manage risk in environments where formal collateral is scarce?"

In many informal economies, lenders substitute physical collateral with relational and social mechanisms. Group lending models, guarantorship requirements, savings thresholds and repeated interactions between borrowers and lenders function as alternative systems of risk management (Berger (& Udell, 2006; Karlan & Zinman, 2009). These mechanisms rely on social trust, reputation and community enforcement rather than titled assets. However, while this shift appears inclusive on the surface, it raises important questions about surveillance, accountability and the redistribution of risk within social networks.

This paper examines these dynamics in Bodija Market, one of the largest and most vibrant markets in southwestern Nigeria. Bodija serves as a commercial hub connecting rural producers, urban traders and household consumers. Women traders in the market engage in a wide range of activities, from foodstuffs and provisions to cosmetics and herbal products, and are deeply involved in both cooperative societies and microfinance networks. Multiple credit options exist within this space, including general cooperative societies, faith-based cooperatives, daily savings schemes, and microfinance banks. On paper, the availability of these options suggests a relatively accessible financial environment. Yet, availability does not automatically translate into accessibility.

Preliminary observations in Bodija reveal that women must meet layered conditions before accessing credit. These include maintaining consistent savings contributions, attending meetings regularly, providing guarantors, undergoing shop and home inspections, demonstrating longevity in business and falling within approved age brackets. In some cases, lenders verify household assets, assess stock levels and evaluate the borrower's market reputation before approving a loan. These practices indicate that, even in the absence of formal land titles, risk management remains central to credit governance.

This study addresses a gap in existing scholarship by shifting attention from loan outcomes to loan conditions. Rather than asking whether microfinance improves women's welfare, this paper asks how women gain entry into credit systems and what forms of social and material capital they must mobilize to do so. In particular, it introduces and empirically examines the concept of social collateral, which is the use of social networks, group liability, savings discipline, guarantorship, and market visibility as substitutes for conventional collateral.

This study explore how social collateral influences credit accessibility, specifically examining the requirements and conditions for loan acquisition among Bodija traders.

LITERATURE REVIEW

Gender and Credit Constraints in Nigeria

Access to credit in Nigeria is deeply shaped by gender. Although women are active participants in trade, agriculture and small-scale enterprise, their financial participation remains constrained by structural inequalities in asset ownership, legal recognition, and institutional practices. Understanding these constraints requires attention not only to financial systems but also to

broader political and social arrangements. One of the most persistent barriers is the gender gap in property ownership. Across Nigeria, women are significantly less likely than men to own land or titled property in their own names. Legal reforms have improved aspects of women's economic rights, yet customary practices and inheritance norms continue to limit women's control over productive assets (World Bank, 2021). Without secure property rights, women are less able to provide the kind of collateral that formal financial institutions require.
Collateral plays a central role in conventional banking. It reduces risk for lenders and signals borrower credibility. However, when access to titled assets is unevenly distributed, collateral requirements reproduce existing inequalities. Okezie and Igwebuike (2017), in their study of women entrepreneurs in Nigeria, found that lack of acceptable collateral was one of the primary reasons for loan rejection. Even when women operate profitable businesses, their inability to present land titles or high-value assets often disqualifies them from larger facilities. Financial exclusion in Nigeria also reflects broader patterns in global financial inclusion data. According to the Global Findex Database, women in developing economies are less likely than men to hold formal bank accounts or access formal credit products (Demirgüç-Kunt et al., 2022). While Nigeria has made progress in expanding access to digital payments and financial services, gender gaps persist. These disparities are not simply about income differences; they are rooted in institutional design, social norms and risk assessment models.
Feminist scholars help explain why women continue to be left out of the financial system. They argued that this is not just a technical issue or a lack of information; instead, it is built into the way the markets and households are organised (Elson, 1999). Women's unpaid care responsibilities, limited control over assets and concentration in informal sectors shape how they are perceived by lenders. Financial institutions often interpret irregular income streams and small-scale operations as indicators of higher risk, even when women demonstrate consistent business activity. Microfinance emerged as a response to such exclusion. Designed to extend small loans to low-income entrepreneurs without traditional collateral, microfinance institutions (MFIs) promised to empower women and reduce poverty. Early narratives portrayed microcredit as a transformative tool for women's economic autonomy (Yunus, 1999). However, critical scholarship has challenged these optimistic assumptions.
Armendáriz and Morduch (2010) explained that microfinance institutions often give loans through groups rather than to individuals alone. Group members are expected to monitor one another and share responsibility for repayment. This arrangement helps reduce the risk of non-payment, but it can also place social and emotional pressure on borrowers to meet their obligations. Bateman (2010) further critiqued microfinance as potentially trapping borrowers in cycles of debt when interest rates are high and profit margins are thin. Empirical studies showed mixed results regarding the impact of microcredit on long-term poverty reduction and empowerment (Banerjee et al., 2015). While some scholars argued that access to credit facilitates the efficient management of household expenses during periods of income fluctuation and provides a safety net for informal traders, others contend that high-interest rates and rigid repayment schedules can lead to debt traps (Guérin et al., 2013).

Collateral and Risk in Informal Economies

Collateral is central to the functioning of modern finance. Traditionally, it involves the pledging of tangible assets, such as land, buildings, vehicles, that can be seized in case of default. This model works most effectively in formal economies where property rights are well documented and legally enforceable. However, in informal economies, where asset ownership may be undocumented or shared, traditional collateral mechanisms are less feasible. As a result, lenders have developed alternative systems of risk management. One of such is relational lending. Berger and Udell (2006) explained relational lending as a system built on ongoing relationships between borrowers and lenders. Over time, these repeated interactions help lenders better understand the borrower's character, business and reliability. Rather than depending only on physical collateral, lenders rely on the trust and knowledge developed through continued engagement.

Group lending is another way lenders manage risk. It became widely known through institutions such as the Grameen Bank. In this model, borrowers do not provide individual collateral. Instead, members of a small group guarantee one another's loans. If one person fails to repay, the others must cover the debt. This system relies on peer support and social pressure to ensure repayment (Armendáriz and Morduch 2010). Karlan and Zinman (2009) explained that it works by drawing on social capital, meaning the networks, trust and shared norms within a community. In this way, social relationships serve as a substitute for physical collateral. Borrowers are often less likely to default because doing so could harm their reputation and weaken their ties within the group or community.

Social capital theory, originally developed by scholars such as Coleman (1988), emphasised how social networks create obligations and expectations. In credit systems, these obligations become financial enforcement tools. Reputation, trust and community standing influence access to resources. However, relational and group-based lending systems are not automatically fair or equal for everyone. They depend on borrowers being socially connected. Individuals who lack strong networks or who are new to a community may struggle to secure guarantors or join lending groups. Moreover, joint liability systems can generate internal tensions, as group members monitor and pressure one another.

In informal markets, lenders do not rely only on financial records to judge risk. They often look at visible signs such as the size of a shop, the amount of stock available, household possessions, and how long the business has existed. These factors help them estimate whether the borrower can repay the loan. Even when formal collateral is not required, visible assets still play an important role in deciding who is creditworthy. Therefore, informal economies do not remove risk management practices. Rather, they reshape them, by entrenching them within everyday social and economic relationships.

The Concept of "Social Collateral"

In the traditional financial sector, creditworthiness is almost exclusively determined by hard collateral or tangible assets such as land titles or equity that can be liquidated in the event of default. However, for women traders in the informal economy, including those in Bodija Market, these requirements often become obstacles that limit their access to credit. In this context, social collateral emerges as a practical alternative that allows lenders to rely on relationships and community ties instead of formal assets. Social collateral refers to the strategic use of social relationships, reputation and material visibility as substitutes for conventional physical assets. According to Postelnicu and Hermes (2018), social collateral relies on the threat of social sanctions, such as loss of reputation or exclusion from future social and economic interactions, which acts as a powerful incentive for repayment in environments where formal legal enforcement is weak.

In contemporary microfinance and informal credit systems, social collateral serves as a sophisticated governance mechanism that substitutes for traditional assets, such as land titles or formal credit scores. Far from being a loose or disorganised arrangement, social collateral is a structured and institutionalised system of risk management. It functions by transforming intangible social capital, including trust, reputation and communal ties, into a tangible form of security that enables financial access for individuals otherwise excluded from the formal banking sector (Postelnicu & Hermes, 2018). One of the primary drivers of social collateral is the use of human intermediaries and behavioral indicators to signal creditworthiness. Guarantors play a central role by assuming legal or moral responsibility for repayment, thereby bridging the information gap between the lender and the borrower. Beyond personal endorsements, lenders evaluate "moral credibility" and "market reputation," which are built over years of consistent trading and visibility within a community. Recent scholarship suggests that these non-traditional data points, such as a borrower's longevity in a specific market or their recognition among peers, provide a more accurate prediction of repayment behavior in emerging economies than standardized credit models (Amoah & Adenutsi, 2023).

Furthermore, social collateral is maintained through rigorous monitoring and participatory norms. Physical inspections of shops, stock levels and household assets serve as a "soft" form of verification that confirms a borrower's economic stability. Additionally, behavioral requirements, such as consistent meeting attendance and a disciplined savings history, act as continuous tests of a borrower's commitment to cooperative norms (Karlan & Goldberg, 2011). These mechanisms are often reinforced by group liability structures, where the collective accountability of the group ensures that peer pressure acts as a deterrent against default (Armendáriz & Morduch, 2010). In essence, the formalisation of these social bonds represents a shift in how financial institutions operate in developing countries. Cooperative societies and microfinance banks have integrated these informal practices into their official protocols through written rules and eligibility criteria, such as age qualifications to mitigate health-related risks. As noted by Banerjee et al., (2015), social collateral is not merely a temporary alternative to formal systems; it is a specialised institutional framework that leverages the power of community to ensure financial sustainability.

THEORETICAL FRAMEWORK

The social support theory propounded by Kort Butler was used to theoretically facilitate the effect of reliance on various types of credit schemes and the economic security of women traders in Bodija market. Social Support theory, as propounded by Butler (2017), emphasizes that emotional and instrumental support from family, friends and community members can significantly reduce crime rates caused by reaction to stress. The core idea of the theory is that positive social relationship can serve as protective factors, helping to prevent or mitigate the risk caused by burdens (Cao et al..,2010). Social support is generally understood as the network of social resources that individuals can rely on during times of difficulty or stress. The underlying assumption of social support as a concept is that both the quality and quantity of support available to individuals can significantly cushion the effects of adverse events, enabling them to cope more positively and effectively.

In general, the global business environment is inherently dynamic and unpredictable, characterized by various uncertainties and risk that pose constant threats to business and their owners. To remain economically active and avoid being plunged deeper into poverty, these traders require some form of social support whether emotional or communal that can provide a safety net. The presence of a reliable support system can lessen the psychological impact of stress by enabling individuals to reinterpret or downplay the severity of their problems. In this context, it is not just the actual support received, but the belief in the availability of such support, that has the most profound positive effect

METHODOLOGY

This study adopts a qualitative research design to examine how women traders in Bodija Market, Ibadan, access loans and the conditions attached to such access. A qualitative approach allows the study seeks to understand processes, meanings, and lived experiences surrounding credit acquisition—issues that are not easily captured through quantitative measures. In particular, the concept of "social collateral" requires attention to social interactions, institutional practices, and everyday negotiations between borrowers and lenders. Data were collected through three complementary methods: in-depth interviews (IDIs), focus group discussions (FGDs), and key informant interviews (KIIs). In-depth interviews were conducted with women traders to explore their personal experiences of applying for, obtaining, or being denied loans. Focus group discussions provided insight into shared norms around savings, group lending, guarantorship and repayment practices. Key informant interviews were carried out with cooperative leaders and microfinance bank staff to understand institutional criteria, risk assessment procedures, and eligibility requirements. The combination of these methods enabled triangulation of perspectives across borrowers and lenders.

The research was conducted in Bodija Market, Ibadan, OyoState, Nigeria. Bodija is one of the largest urban markets in Southwestern Nigeria and serves as a key commercial hub for food

distribution and retail trade. The market hosts a diverse range of traders engaged in the sale of agricultural produce, provisions, cosmetics, herbs and other consumer goods. Bodija was selected because of its active financial environment. Women traders participate in various credit arrangements, including cooperative societies, rotating savings schemes and microfinance bank facilities. This diversity of credit options provides an appropriate setting for examining how different loan systems structure access and manage risk. Participants comprised three main groups: women traders, cooperative society leaders and microfinance bank staff. Women traders were drawn from different lines of trade and levels of business experience to capture variation in loan access and eligibility. Cooperative leaders were included to provide information on membership rules, savings requirements and internal loan processes. Microfinance staff and management officers were interviewed to explain formal lending procedures, inspection practices, guarantor requirements, and age restrictions. Purposive sampling was used to select participants with direct experience in credit acquisition or administration. This ensured that respondents could provide detailed and relevant information about the processes under study.
Data were transcribed and analysed using thematic analysis. Through iterative reading of the transcripts, recurring themes were identified, including savings discipline, guarantorship, asset inspection, group liability, market reputation and age restrictions. These themes were subsequently organized under the broader analytical framework of "social collateral." The analysis focused on how these mechanisms function collectively as alternative forms of risk management in the absence of conventional physical collateral. Ethical approval was obtained prior to data collection. Participants were informed about the purpose of the study and provided voluntary consent. Confidentiality was ensured through the use of pseudonyms and the removal of identifying details from transcripts. Given the sensitivity of financial matters, interviews were conducted in a manner that prioritised privacy and participant comfort. All data were securely stored and used solely for academic purposes.

RESULTS AND DISCUSSION OF FINDINGS

Mechanisms of Credit Access

Drawing from interviews with women traders, cooperative leaders, and microfinance staff, the findings show that credit access in Bodija Market is structured through social, behavioral and material conditions that substitute for traditional physical collateral. Women in Bodija Market access credit primarily through cooperative societies and microfinance banks. Although both channels appear accessible, entry into either system requires meeting specific institutional criteria.

Cooperative Access: Savings and Membership Discipline

Access to cooperative loans begins with membership registration, savings contributions and active participation. In general cooperatives, members must contribute a minimum weekly savings of ₦2,000 alongside a compulsory ₦200 service charge. Even when a member does not save in a given week, the service charge remains mandatory. More importantly, members must maintain active participation for at least six months before qualifying for loan eligibility.
As one cooperative head explained:
"There are guidelines… there must be share and savings… They must attend meeting regularly… You must have been a financial member for not less than 6 months."
Savings and meeting attendance therefore function as preconditions for credit access. These practices operate as behavioral screening tools. Members who are irregular in attendance or inconsistent in savings may have their loans delayed or denied. In this sense, savings operates not only as financial accumulation but as continuous performance of reliability.

Microfinance Access: Documentation, Inspection and Account History

Microfinance banks apply more formalized procedures. Applicants must own a shop, open and operate an account (often for at least one month), provide identification documents (NIN, BVN,

voterscard), submit bank statements and present guarantors. For larger facilities, business registration (CAC documents) and asset verification are required.
A management officer explained the "window period" approach:
"You open current account. You run it for a period of one month… Between that one month, we would have known you better… Before you assess, you open an account."
This waiting period allows the institution to evaluate transaction patterns and behavioral consistency. Access is therefore gradual and monitored.
For larger loans, verification extends beyond financial records. As one staff member stated:
"If you want to collect 1 million naira from us, we go to your house… If you don't even have chair, television… we will just write it on our report that not qualify."
Credit assessment thus moves into the borrower's domestic space. Shop size, household possessions, and living conditions become indicators of repayment capacity. These mechanisms demonstrate that credit acquisition is not immediate or automatic. It is structured, conditional and evaluative.

Social Collateral as an Alternative Governance Framework
The findings reveal that in the absence of widespread property ownership among women, lending institutions rely on what this study conceptualizes as social collateral, which is a structured system of relational, behavioral and material indicators used to manage risk.

Guarantorship and the Redistribution of Risk
Guarantorship is central to both cooperative and microfinance lending. Women are required to present one to three guarantors. In some cases, guarantors must not be spouses or traders selling similar goods. Certain institutions prefer government workers. Guarantors may be required to submit signed cheques and bank statements.
A participant described the challenge:
"Some can ask for guarantor… Some even specify that the guarantor must not sell the same goods as you… Those are the challenges."
Through guarantorship, financial risk is redistributed from the institution to social networks. Default becomes socially consequential. In group-based schemes, leaders are held responsible for members' defaults. One trader explained:
"Anybody that cannot pay… it is the leader that they will hold responsible… If the leader is unable, the leader's savings will not be paid."
This mirrors what Armendáriz and Morduch (2010) described as joint liability systems, where peer monitoring substitutes for traditional collateral. Risk enforcement becomes social rather than purely legal. However, this mechanism is not neutral. Women without strong or financially credible networks face exclusion. As social capital theory suggests (Coleman, 1988), access to resources depends on one's position within networks. Those lacking such networks are disadvantaged.

Savings, Monitoring, and Moral Credibility
Savings discipline also operates as social collateral. Regular contributions and meeting attendance signal trustworthiness. In cooperatives, irregular attendance can disqualify members from timely loan access. This aligns with Karlan and Goldberg's (2011) argument that microfinance institutions use behavioral indicators as proxies for repayment probability. Savings becomes evidence of self-control and financial responsibility.

Asset Visibility and Material Evaluation
Although formal land titles are rarely required, asset visibility remains decisive. Shop size determines loan category. Home visits verify material stability. Property documents may be requested. Car ownership may also influence approval. This practice reflects broader patterns identified in informal economies, where lenders rely on visible indicators to assess risk (Berger & Udell, 2006). Even without formal collateral, material presence substitutes for legal

documentation. Women who lack visible assets, such as small shops, rented apartments, limited stock, are often confined to smaller loans or excluded entirely. This finding echoes Okezie and Igwebuike's (2017) argument that collateral barriers continue to shape women's financial exclusion, even within alternative lending models.

Market Reputation

Another crucial dimension of social collateral is longevity and reputation. Loan officers emphasised that loans are not granted to "freshers." Applicants must have operated in the market for some time and demonstrate understanding of business risks.

As one management officer stated:

"You must have something doing… Not that you come to the market today, you want to obtain loan today."

Being known within the market functions as informal credit history. This resembles relational lending models described by Berger and Udell (2006), where repeated engagement builds trust over time. Reputation therefore substitutes for formal credit scoring, as social recognition becomes financial recognition.

Age and Risk Governance

Age restrictions further illustrate how creditworthiness is socially constructed. Applicants must be at least 18 years old. At the same time, elderly individuals, often above 65 or 70, may be excluded due to perceived health risks.

One officer explained:

"There is what we call overage… If such person says, I have heart attack… The law of the country does not support the lender."

Age thus becomes a risk-calculation tool. The ideal borrower is constructed as legally capable, economically active and physically stable.

Structural Barriers and the Paradox of Inclusion

Despite the presence of multiple credit schemes, structural barriers persist. High interest rates in microfinance institutions were frequently criticized. One participant observed:

"When you check their interest rates, it is not worth it… By the time you finish paying the loan, you discover that you don't really have much to fall back on."

Processing fees, default histories, delayed disbursement and stringent conditions further restrict access. As Bateman (2010) and Guérin et al. (2013) cautioned, high interest rates and rigid repayment schedules can undermine the empowering potential of microcredit. The findings therefore reveal a paradox. Credit facilities are available, yet accessibility remains uneven. Women without property, strong networks, visible assets, or established market reputations remain disadvantaged. This supports the broader literature on gendered financial exclusion in Nigeria (World Bank, 2021; Demirgüç-Kunt et al., 2022). While social collateral can widen access compared to traditional banking, it does not remove deeper structural inequalities. Instead, it reshapes them around factors such as visibility, social standing, and strict repayment discipline.

Conclusion

Credit systems in Bodija Market reveal a deeper truth about financial inclusion in informal economies, which is that access is never neutral. It is structured, negotiated and governed through social relations. This study has shown that what appears as an alternative to traditional collateral is, in fact, a sophisticated system of regulation built around discipline and visibility. Social collateral does not merely fill a gap left by the absence of land titles, it reorganises how risk, trust and eligibility are defined. At one level, this system represents innovation. In a situation where women are structurally disadvantaged in property ownership and formal asset control, social collateral enables lending to occur. It leverages reputation, networks, savings behavior and community accountability to make credit possible where conventional banking

would exclude. In this sense, cooperative societies and microfinance institutions have adapted to local realities.
Yet the findings also show that social collateral is not inherently emancipatory. It transfers risk into intimate spaces, such as friendships, associations, households and market relationships. It rewards visibility and longevity, while disadvantaging newcomers, the socially disconnected, and those with limited material presence. It disciplines borrowers through monitoring and group liability. It ties financial inclusion to social conformity. Therefore, the central implication of this study is not simply that women need more credit. It is that credit governance must be redesigned in ways that do not reproduce the very inequalities financial inclusion seeks to address. Expanding loan products without addressing structural gender constraints risks deepening conditional inclusion rather than achieving equitable access.

Policy Recommendations

1. Develop Flexible and Context-Sensitive Collateral Models

Financial institutions working in informal markets need more flexible ways of assessing collateral. Relying mainly on guarantors or visible physical assets can exclude capable borrowers. A cash-flow–based approach, which looks at business turnover and transaction patterns, may offer a clearer picture of a trader's ability to repay. Records of digital transactions, mobile payments, and regular savings can also serve as alternative signs of creditworthiness. These methods can reduce bias against women who operate small shops, live in rented homes, or lack visible assets, while still allowing lenders to manage risk responsibly.

2. Reduce the Guarantor Burden

Requiring several guarantors, particularly those in formal employment, can create barriers that exclude many potential borrowers. Policymakers and regulators could encourage financial institutions to adopt more flexible approaches. These may include partial guarantee schemes, credit insurance options, and tiered lending models where loan amounts increase gradually based on a borrower's repayment record rather than the strength of their social connections.

3. Introduce Gender-Sensitive Risk Assessment Frameworks

Risk assessment models need to consider the real-life conditions that affect women's economic activities. Factors like irregular income, caregiving responsibilities, and working mainly in informal trade should not automatically be treated as signs of high risk.

4. Address Structural Barriers Beyond Credit

Simply increasing access to credit is not enough if deeper structural inequalities persist. Policies should focus on strengthening women's property rights, making business registration easier, and providing affordable financial literacy programs designed for informal traders. Consumer protection rules should also tackle high interest rates and hidden fees that reduce the actual value of loans.

5. Reframe Financial Inclusion Metrics

Finally, policymakers should stop judging financial inclusion just by how many accounts are opened or loans given. True inclusion should be measured by fair access, affordability, protection for borrowers, and the ability of people to build long-term economic stability. Decisions about who can access credit, under what conditions, and at what social cost should be central to these evaluations.

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