Can Regulatory Policies Foster Women’s Financial Inclusion?
The Role of Loan Loss Provisioning

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EBRD, We-Fi, CEPR Research Conference “Financing Women-led SMEs”
1. **Research Question:**

   → Investigate the effects of regulatory policies on women’s financial inclusion

2. **Data & Context:**

   - July 2021: reduction in loan loss provisions required for loans granted to women in Mexico
   - Proprietary dataset with information on all consumer loans extended by commercial banks
   - **Empirical strategy:** $2 \times 2$ DiD and dynamic DiD estimations (by bimester)

3. **Key Results:**

   - ↑ in personal loans to women; ↓ in interest rates (0.52 pp); ↑ in credit amount (2%)
   - Effects stronger for first-time borrowers and women living in municipalities w/ higher labor informality
   - Increase in overall financial stability, with a reduction in subsequent probability of defaulting
   - No effect for other types of credit that benefit less from lower loan loss provisions
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Comments on the Main Results

1. **Important Assumption:** are we sure that a borrower’s *identity* represents whom benefits from the loan?

2. **Heterogeneous Effects:**
   - **Effect stronger in municipalities with high labor informality:** who is the real borrower?
     → Municipalities FE cannot exclude men make wives or female relatives take out loans for them
   - **Effect stronger for new clients:** (real) first-time borrowers or switching from other banks?
     → Maybe use the sample in Figure 4 (BoM panel of new clients) to include pre-reform bank FE
     → With pre-2021 data, can look at compositional changes in size/type of borrowers across banks
     → See if borrowers switch between affected banks of between non-affected and affected ones

3. **Effect on (Future?) Financial Inclusion:**
   - The paper uses data on *past* and not future loans (2020 as opposed to say 2022...)
     → Not about future inclusion but rather incremental improvement for existing borrowers!
Questions on the Empirical Strategy

1. **Unclear sample:** 292 intermediaries in Mexico, 28 in your sample, how many affected by the reform?

2. **Identification:**
   - Can the upward sloping pre-trend in new women’s loans bias the estimation of pass-through effects?
   - Since the ↑ in women’s loans is not within banks, why not controlling for previous client-bank links?
   - *Pre-treatment coefficients*: small but not 0, use pre-2021 data to investigate potential seasonality?

3. **Placebo Test:** same sample of affected banks but different year (2019)
   - ✓ No treatment effect for loss provisions or credit conditions compared to 3rd bimester...
   - ✗ But clear seasonal pattern: first 2 bimesters have lower provisions and lower loan amount!
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What is There to Learn for Policy Makers

- Regulatory policies can affect women’s financial inclusion in LMIEs

- But under which conditions? And what’s the story behind?

- Why the effect is there only for consumer loans?
  → No effect of lower loan provisions on (female) automotive and salary-based loans...
  → Is it because of other gender gaps prevail, eg: wage and employment differences?
  → Do we care about what the credit is used for when designing inequality-decreasing policies?
  → Can lower loan provisions mitigate other gaps such as gender-based collateral constraints?
  → How to foster women’s inclusion in investment-related financing i.e: house, business credit?
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Concluding Remarks

Congrats!!!

- Interesting contribution to understand policies aimed at reducing the gender gap in credit
- Causal evidence from a specific regulatory policy change in Mexico in 2021
- Documents pass-through effects of the reform on spread, loan amount, and number of loans
- Highlights the importance of women’s financial inclusion for macro financial stability
- Polished paper, well-explained and a pleasure to read
- Scope for a rich and broad research agenda