SMES IN LATIN AMERICA AND THE CARIBBEAN:

CLOSING THE GAP FOR BANKS IN THE REGION

6th REGIONAL SURVEY 2013
100 banks interviewed

21 countries in Latin America and the Caribbean
This publication has been prepared by the Small and Medium Enterprise (SME) Finance Team of the Access to Finance Unit of the Multilateral Investment Fund (MIF), member of the Inter-American Development Bank Group (IDB). The team is composed of: Tetsuro Narita, Francisco Rojo, Marilu Ortega, and Xuan-Trang Ho.

The opinions expressed here are exclusively those of the authors and do not necessarily reflect the point of view of the IDB, its Board of Executive Directors, or the countries it represents.

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PREFACE

We are very happy to present the sixth banking survey on small and medium-sized enterprise (SME) finance. Since we first published this survey in 2004, Latin American and Caribbean economies have grown, the region’s socioeconomic landscape has changed significantly, and concurrently the topic of SME finance has attracted unprecedented levels of attention, not only from governments and development agencies, but also from private investors, corporations, universities, and research agencies.

This survey is unique because, for almost a decade, it has been tracking underlying banking trends, challenges, and opportunities for increasing SMEs’ access to finance. At the same time, just as the region’s economies have been dynamic, so has this survey been in incorporating new questions. In last year’s edition, the survey began tackling the issue of access to finance for women entrepreneurs. This year’s edition takes a deep dive on further segmentation between small and medium enterprises, and on general awareness of the innovative credit-scoring tool known as psychometric testing.

I wish to thank, first of all, the bank representatives who devoted their time to responding to the survey. The challenges SMEs face are multifaceted, but access to finance for growing their businesses to the next stage is the need they mention most frequently. Banks are expected to be the agent of change. I would also very much like to thank the Latin American Banking Federation (FELABAN) for its ongoing support and availability in conducting this survey, including, but not limited to, its technical comments on the design of the survey questionnaire. Finally, I would like to thank D’Alessio for conducting the survey and sorting the collected data while always patiently accepting our extensive requests.

TOMAS MILLER
CHIEF, ACCESS TO FINANCE UNIT
Multilateral Investment Fund (MIF)
of the Inter-American Development Bank (IDB)
Small and medium-sized enterprises (SMEs) are engines of economic growth, providing up to two-thirds of jobs in developing countries, according to the International Labor Organization. The challenges for tapping the great potential of these enterprises include access to markets, access to skills, access to networks, and, most importantly, access to finance. In this regard, it is encouraging that, in Latin America and the Caribbean, the results of this year’s survey indicate that banks foresee continuing loan portfolio expansion in the SME segment. Identical to 2012 results, 96% of banks surveyed share that they consider SMEs to be strategic to their business, an increase from 2008 when only 66% of banks shared this view. Ninety-two percent of banks have an active financing policy for these enterprises. In terms of bank size, 91% of large banks have a business unit that specializes in serving SMEs. It is also promising to see that as many as 87% of medium banks and 70% of small banks also have a specialized SME business unit.

The banks interviewed align with the view of research institutions and development agencies, which considers SMEs a dynamic segment and agents for national economic growth. This year’s survey reveals that, for 34% of banks, the main reason for working with SMEs is

to contribute to the country’s development. In terms of contributing to the banks’ business, their reason for the involvement in this segment is due to the accelerated growth of SMEs (31%) and the increased profitability (21%). To stress this point further, Ana Marina Menjivar de Carazo, Manager of SME Department of Banco Agrícola of El Salvador, has remarked that it is of crucial importance for her bank to serve this market segment because it contributes to “job creation, serving as an important pillar in the country’s economy, and catalyzing other productive sectors.”

In regards to the economic situation of SMEs for the next two years, 54% of banks in the survey believe it will be better compared to this year, while 32% believe it will be the same, and 11% expect it will be worse. When contrasting this data point with the results of 2011 and 2012 surveys, we notice a general decline, as 83% and 62%, respectively, expected the economic situation for SMEs would get better in the following two years. This decline, to some extent, may reflect the expectation that SME growth has been anchored at a realistic level. For example, the percentage of people who think that the economic situation of SMEs for the next two years will be the same has been increasing to 32% from 19% in 2012 and 6% in 2011. With these perceptions, half of the banks’ respondents of this year’s survey believe that the expected growth rate of the SME portfolio will be somewhere between 1% and 20%, and one-fourth believes it would grow between 21% and 40%. Several banks seek to position themselves as SME clients’ first choice: more than two-thirds of banks interviewed (67%) consider their banks specialized in SME financing.
BARRIERS CONFRONTING BANKS IN SERVING THE SME SEGMENT

While this year’s survey has revealed opportunities for growth within the SME segment, it also reconfirms barriers that prevent banks from fully serving these enterprises. Mainly, banks’ ability to serve SMEs adequately is constrained due to this segment’s informality; 27% of banks surveyed express this sentiment. Entrepreneurs can face high fees, inefficient procedures, and burdensome regulation that essentially make it too costly to incorporate their businesses legally, forcing many small and start-up enterprises to remain in the informal or extra-legal sector.

This view is substantiated by Giorgio Trettenero, Secretary General of the Latin American Banking Federation (FELABAN). For Mr. Trettenero, informality is a “product of poverty and the lack of incentives for economic agents to become formalized.” According to Matthew Gamser, Head of the SME Finance Forum at the International Finance Corporation (IFC), a bigger problem is the “requirements regulators set for documentation for new business accounts. In many countries, there are unreal expectations, such as audited accounts, business plans, tax certificates, full registration and license documents.” These requirements force SMEs to question why they should do this “when that entails lots of costs, but no real certainty of any benefits from loans,” Mr. Gamser says. In order to resolve this issue, it may be better to have the ‘appropriate documentation requirements to entice the informal SMEs into banks, and then advance, having already offered some benefits, further assistance in formalization or compliance.” Furthermore, it is also very likely that banks have a high number of SMEs hidden in the consumer loan portfolio. Therefore, Mr. Gamser also recommends that banks identify which of their consumer loan clients are actually using the financing for business purposes and see what kind of value proposition can be offered to such clients by modifying existing financial products and services.

While multilateral and bilateral agencies continue tackling the issue of informality, some banks have begun to think about employing innovative underwriting methodologies and credit scoring models, such as psychometric test as a complementary tool to overcome the restrictions that informality may cause. According to the Entrepreneurial Finance Lab (EFL), these tools “have been statistically proven to reduce risk and have been used by financial institutions in over 20 countries.” Ten Latin American and Caribbean banks have been implementing the tool. EFL also says that “results have shown that [they] can reduce default rates and expand lending while carefully controlling risk.” As such, 44% of banks surveyed confirm that they know about the credit scoring model based on psychometric testing and are interested in learning more about it. Only 14% have heard of it but are not interested while 19% have not and would like to learn more. The fairly high number of people interested indicates that there is an opportunity for the region to experiment more with innovative credit scoring models to be able to reach more SME clients and serve them better.

2  Please visit: Entrepreneurial Finance Lab.
Informality is not the sole reason which explains the existing enormous financing gap estimated at US$330~410 billion for all formal and informal micro, small and medium enterprises (MSMEs) and US$125~155 billion specifically for formal SMEs in Latin America and the Caribbean region, according to the study conducted jointly by IFC and McKinsey & Company. For example, 25% of surveyed banks in this year’s survey agree that obstacles related to the business environment make it difficult to grant credit. Guido Cordero, Vice-President of the Risk Department at Banco Pichincha in Ecuador, echoed this sentiment concerning the continued presence of barriers to reach SMEs. According to Mr. Cordero, regulations are the reason why banks are forced to “focus on the segment in which the risk profile is more clearly identified and the risk perception is significantly low, or those who generate the least operating cost.” When the government puts strict limits on interest rates, for example, it is inevitable that the banks “end up leaving the services” of SMEs.

**BETTER UNDERSTANDING OF SME NEEDS AND EXPLOITING UNDERSERVED MARKETS**

The fact that banks are generally interested in expanding their SME portfolio indicates the importance of client segmentation to establish, for each segment, adequate marketing strategy, internal procedures, underwriting methodology, and risk management, etc. In parallel to banks’ exercise of segmentation, increased dialogue between policy makers, regulators, banks, and SME business owners is needed. For example, the same regulation for corporate lending may not be applicable to SME lending.

When available financial and human resources are limited, segmentation exercise even among SMEs is of the utmost importance, concentrating such resources in sub-segments where the bank has a competitive advantage. For example, the survey results show that 72% of the banks interviewed have differentiated services for each of the small and medium enterprise segments. Further, 85% of the respondents have a different risk analysis tool for small enterprises from that of medium enterprises.

As far as market segmentation is concerned, data mining of the existing SME loan portfolio is the very first step to follow; however, it is surprising to find that many banks do not collect, and therefore do not use, such basic client information as sex classification. Access to finance for women entrepreneurs is an underexplored area of business opportunities for banks. For example, this year’s survey demonstrated that more than half of the banks in the region (51%) do not collect sex-disaggregated data. However, of the banks that do collect such data, 65% use this information to make decisions. It is important to stress that the lack of sex-disaggregated data is not unique to Latin America and the Caribbean. It is

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a problem in all parts of the world, according to Inez Murray, Chief Executive Officer of the Global Banking Alliance for Women.

The lack of data disaggregation and understanding of who make up banks’ portfolios presents lost opportunities for banks and, ultimately, women entrepreneurs in the region. Notably, the majority of banks believe that they are “gender-neutral.” Contrary to what the IFC report\(^4\) reveals—that the majority of women entrepreneurs are unserved or underserved—84% of bank representatives interviewed for this survey think that this segment is not underserved. There appears to be a disconnect between how banks see their practices and how they are seen by women entrepreneurs. As Ms. Murray has shared, “banks have to understand women entrepreneurs’ needs and create the kind of value proposition that they require. Women often need support in the loan application process, they require more information than men to make a decision, need supportive networks and some form of financial education or business management education. It is in the interest of banks to meet these needs including providing financial education for their clients either themselves or by forming strategic alliances with other providers.” Once these needs are met, the banks will build a “very loyal and profitable segment.”

**SUSTAINING THE MOMENTUM TO CLOSE THE GAP**

Latin America and the Caribbean have weathered the latest global financial crisis relatively well and have experienced positive economic growth in the last several years. Due to this fact, many people have escaped poverty and improved their economic well-being relatively. However, they still remain in a state of “vulnerability” as their economic conditions have not been consolidated as real middle-class.\(^5\) It is also pertinent to understand that the current volatile economic conditions of numerous countries in the world may affect the region negatively. This view is highlighted further by Giorgio Trettenero of FELABAN: “Lower prices of commodities, low demand for exports to industrialized countries, slower pace of growth in BRICS\(^6\) countries and the volatility of international financial markets are some factors that affect negatively the economies of Latin America.” Confronted with these current challenges, it is pertinent to recognize that SMEs can be considered an engine of economic growth, and the jobs they create can be a central part of continuing economic upward mobility and helping the vulnerable rise to a position of security and stability. Banks should continue innovating to unleash the potential of SMEs in a sustainable and profitable way so that SMEs can be a catalyst in improving the living conditions of people in the region. Now is the time to sustain the momentum to close the gap and serve this segment better.

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6. BRICS countries are commonly understood as: Brazil, Russia, India, China, and South Africa.
METHODODOLOGY

This report presents general results of the sixth survey, incorporating the opinions of officials responsible for the SME segment—directors, deputy directors, and managers in the areas related to the extension of financial services—with 100 banks located in 21 countries in Latin America and the Caribbean. It also includes a detailed analysis of the responses according to the size and location of the entities, as well as other behaviors and aspects of the SME segment. The goal is to understand the predisposition of banks in the region for the financing of SMEs. Previous editions were done in 2004, 2006, 2008, 2011, and 2012.

The current survey was conducted by the Argentinean consulting firm D’Alessio between July and October of 2013. The quality of D’Alessio’s market research processes, telephone surveys, and online questionnaire techniques is certified with ISO 9001:2008 for the fourth consecutive time. The survey divided countries into two regions: Mexico, Central America, and the Caribbean (47%) and South America (53%). The surveys kept similar proportions of banks according to size as in previous editions, with medium banks representing the largest number (53%). Mexico, Central America, and the Caribbean have the largest number of medium banks (59%), and South America has a slightly higher number of large banks (33%).

The survey was a collaboration between the Multilateral Investment Fund (MIF), the Inter-American Investment Corporation (IIC), and the Structured and Corporate Finance Department (SCF) of the Inter-American Development Bank (IDB) and the Latin American Banking Federation (FELABAN).

“BANK SIZE” INDICATOR

SMALL BANKS:
Institutions that have less than 300 employees or those with more than 300 employees that have up to 10 branches.

MEDIUM BANKS:
Institutions that have between 301 and 5,000 employees and between 11 and 150 branches.

LARGE BANKS:
Entities that have more than 150 branches.
FIRST PART

SMES AS BANKS’ CLIENTS
CAN YOU TELL US IF YOUR BANK …

CONSIDERS SMES AS A STRATEGIC PART OF ITS BUSINESS?

<table>
<thead>
<tr>
<th>Year</th>
<th>Affirmative Answers %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>84</td>
</tr>
<tr>
<td>2006</td>
<td>80</td>
</tr>
<tr>
<td>2008</td>
<td>66</td>
</tr>
<tr>
<td>2011</td>
<td>93</td>
</tr>
<tr>
<td>2012</td>
<td>96</td>
</tr>
<tr>
<td>2013</td>
<td>96</td>
</tr>
</tbody>
</table>
CONSIDERS SMES AS A STRATEGIC PART OF ITS BUSINESS?

- **Small Banks**: 91%
- **Medium Banks**: 96%
- **Large Banks**: 100%

**By Region**

- **Mexico, Central America, and the Caribbean**: 96%
- **South America**: 96%
CAN YOU TELL US IF YOUR BANK …

... HAS A FINANCING POLICY FOR SMES IN PLACE?

<table>
<thead>
<tr>
<th>Year</th>
<th>Affirmative Answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>69</td>
</tr>
<tr>
<td>2006</td>
<td>82</td>
</tr>
<tr>
<td>2008</td>
<td>76</td>
</tr>
<tr>
<td>2011</td>
<td>89</td>
</tr>
<tr>
<td>2012</td>
<td>96</td>
</tr>
<tr>
<td>2013</td>
<td>92</td>
</tr>
</tbody>
</table>

... HAS AN AREA SPECIALIZED IN LOANS FOR SMES?

<table>
<thead>
<tr>
<th>Year</th>
<th>Affirmative Answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>84</td>
</tr>
<tr>
<td>2006</td>
<td>73</td>
</tr>
<tr>
<td>2008</td>
<td>78</td>
</tr>
<tr>
<td>2011</td>
<td>93</td>
</tr>
<tr>
<td>2012</td>
<td>82</td>
</tr>
<tr>
<td>2013</td>
<td></td>
</tr>
</tbody>
</table>
... HAS A FINANCING POLICY FOR SMES IN PLACE?

... HAS AN AREA SPECIALIZED IN LOANS FOR SMES?
CAN YOU TELL US IF YOUR BANK …

... PROVIDES A DIFFERENT SERVICE DEPENDING ON WHETHER IT IS A SMALL OR MEDIUM ENTERPRISE?

72%

... HAS A DIFFERENT RISK ANALYSIS METHODOLOGY DEPENDING ON WHETHER IT IS A SMALL OR MEDIUM ENTERPRISE?

85%
...PROVIDES A DIFFERENT SERVICE DEPENDING ON WHETHER IT IS A SMALL OR MEDIUM ENTERPRISE?

...HAS A DIFFERENT RISK ANALYSIS METHODOLOGY DEPENDING ON WHETHER IT IS A SMALL OR MEDIUM ENTERPRISE?
WHAT PARAMETERS DOES YOUR BANK USE TO CLASSIFY SMES?

- **Annual sales**: 84%
- **Number of employees**: 37%
- **Total assets**: 26%
- **Highest amount of loan**: 14%
- **Annual net income**: 10%

(% multiple answers)
ANNUAL SALES

TOTAL ASSETS

HIGHEST AMOUNT OF LOAN

ANNUAL NET INCOME

BY BANK SIZE

SMALL BANKS

MEDIUM BANKS

LARGE BANKS

%
DOES YOUR BANK HAVE AN EXCLUSIVE DEPARTMENT DEDICATED TO SMES?

<table>
<thead>
<tr>
<th>Small Banks</th>
<th>Medium Banks</th>
<th>Large Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>11</td>
<td>21</td>
</tr>
</tbody>
</table>

Management Unit / SME Department
### WHICH ARE THE MAIN REASONS WHY YOUR BANK WORKS WITH SMES?

#### CONTRIBUTION TO THE COUNTRY’S DEVELOPMENT

<table>
<thead>
<tr>
<th>Reason</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Importance for the creation of the country’s wealth</td>
<td>57</td>
<td>34</td>
</tr>
<tr>
<td>Importance for job creation</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Supporting business growth</td>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>

*This option was not included in the 2012 survey*

#### CONTRIBUTION TO THE BANK’S BUSINESS

<table>
<thead>
<tr>
<th>Reason</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid expansion of SMEs</td>
<td>16</td>
<td>31</td>
</tr>
<tr>
<td>Greater profitability</td>
<td>31</td>
<td>21</td>
</tr>
<tr>
<td>Portfolio/risk diversification</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>Untapped market</td>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td>Specialization in SME banking</td>
<td>15</td>
<td>11</td>
</tr>
</tbody>
</table>

*This option was not included in the 2012 survey*
WHAT PERCENTAGE OF THE PORTFOLIO’S LOANS ARE TARGETED AT SMES?

An average of $37\%$, $33\%$, and $41\%$ of these portfolios are targeted at SMEs in 2011, 2012, and 2013, respectively.
BY BANK SIZE %

1% TO 20%
- SMALL BANKS: 15%
- MEDIUM BANKS: 28%
- LARGE BANKS: 28%

21% TO 40%
- SMALL BANKS: 40%
- MEDIUM BANKS: 35%
- LARGE BANKS: 11%

41% A 60%
- SMALL BANKS: 20%
- MEDIUM BANKS: 19%
- LARGE BANKS: 16%

61% TO 80%
- SMALL BANKS: 20%
- MEDIUM BANKS: 9%
- LARGE BANKS: 17%

81% TO 100%
- SMALL BANKS: 5%
- MEDIUM BANKS: 9%
- LARGE BANKS: 28%
WHAT IS YOUR PERCEPTION ABOUT THE PROPORTION OF YOUR SME PORTFOLIO MANAGED/OWNED BY WOMEN?

- Less than 5%: 1
- Between 5% and 20%: 18
- Between 21% and 40%: 16
- Between 41% and 50%: 9
- More than 51%: 11
- Do not know: 45

Mostly men: 44%
Mostly women: 11%
Do not know: 45%
DOES YOUR BANK HAVE INFORMATION CLASSIFIED ACCORDING TO THE SEX OF THE PERSON THAT MANAGES OR OWNS THE SME?

- Yes, and we use it: 28%
- Yes, but we do not use it: 15%
- No: 51%
- I do not know: 5%
- Other: 1%

IS THE MARKET FOR SMES MANAGED BY WOMEN UNDER-SERVED?

- Yes: 9%
- No: 87%
- No answer: 4%

2012 2013 %
SECOND PART

TRENDS IN SME FINANCING
## ECONOMIC SITUATION OF SMES IN 2012 AS COMPARED TO 2011; AND THE SITUATION IN 2013 AND 2014

<table>
<thead>
<tr>
<th>SITUATION IN 2012 COMPARED TO 2011</th>
<th>SITUATION IN 2013 AND 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better</td>
<td>Better</td>
</tr>
<tr>
<td>56%</td>
<td>54%</td>
</tr>
<tr>
<td>No changes</td>
<td>No changes</td>
</tr>
<tr>
<td>23%</td>
<td>32%</td>
</tr>
<tr>
<td>Worse</td>
<td>Worse</td>
</tr>
<tr>
<td>18%</td>
<td>11%</td>
</tr>
<tr>
<td>Other / No answer</td>
<td>Other / No answer</td>
</tr>
<tr>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>
PERSPECTIVE OF THE ECONOMIC SITUATION OF SMES IN THE FUTURE

### WHAT IS THE EXPECTED GROWTH OF THE SME PORTFOLIO?

<table>
<thead>
<tr>
<th>Option</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>It will increase by 1% to 20%</td>
<td>57</td>
<td>50</td>
</tr>
<tr>
<td>It will increase by 21% to 40%</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>It will increase more than 40%</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>There will be no changes</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>It will decrease</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>No answer</td>
<td>22</td>
<td>18</td>
</tr>
</tbody>
</table>
WHAT IS THE EXPECTED GROWTH OF THE SME PORTFOLIO IN 2013?

- **Small Banks**
  - Increase by 1% to 20%: 48%
  - Increase by 21% to 40%: 22%
  - Increase more than 40%: 4%
  - No change: 13%
  - Decrease: 2%
  - No answer: 17%

- **Medium Banks**
  - Increase by 1% to 20%: 48%
  - Increase by 21% to 40%: 21%
  - Increase more than 40%: 18%
  - No change: 10%
  - Decrease: 5%
  - No answer: 15%

- **Large Banks**
  - Increase by 1% to 20%: 59%
  - Increase by 21% to 40%: 18%
  - Increase more than 40%: 15%
  - No change: 10%
  - Decrease: 5%
  - No answer: 18%
DOES YOUR BANK CONSIDER ITSELF SPECIALIZED IN SME FINANCING?

- **YES**
  - Small Banks: 65%
  - Medium Banks: 62%
  - Large Banks: 82%

- **NO**
  - Small Banks: 35%
  - Medium Banks: 36%
  - Large Banks: 18%

- **NO ANSWER**
  - Small Banks: 1%
  - Medium Banks: 2%
  - Large Banks: 0%
Mexico, Central America, and the Caribbean

- Yes: 70%
- No: 30%

South America

- Yes: 64%
- No: 34%
- Answer: 2%
WHAT IS THE AVERAGE TERM OF YOUR BANK’S FINANCING PRODUCTS FOR SMES?

- Between 46 and 120 days: 4
- Between 121 and 180 days: 3
- Between 181 and 365 days: 4
- Between 1 and 2 years: 30
- Between 3 and 5 years: 44
- Between 6 and 10 years: 8
- No answer: 7
BETWEEN 46 AND 120 DAYS
- SMALL BANKS
- MEDIUM BANKS
- LARGE BANKS

BETWEEN 121 AND 180 DAYS

BETWEEN 181 AND 365 DAYS

BETWEEN 1 AND 2 YEARS

BETWEEN 3 AND 5 YEARS

BETWEEN 6 AND 10 YEARS

NO ANSWER

BY BANK SIZE %

SECOND PART 39
THIRD PART

BARRIERS TO SME FINANCING
ARE THERE INTERNAL BANK BARRIERS TO SME FINANCING?

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
<th>No Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>56</td>
<td>40</td>
<td>4</td>
</tr>
<tr>
<td>2013</td>
<td>61</td>
<td>38</td>
<td>1</td>
</tr>
</tbody>
</table>
**WHAT ARE THE INTERNAL BANK BARRIERS FOR SME FINANCING?**

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks’ internal processes are insufficient due to SMEs’ level of formality</td>
<td>27%</td>
</tr>
<tr>
<td>Inadequate credit scoring to measure risk</td>
<td>8%</td>
</tr>
<tr>
<td>Insufficient telecommunications infrastructure</td>
<td>5%</td>
</tr>
<tr>
<td>Difficulty in credit applications processing</td>
<td>5%</td>
</tr>
<tr>
<td>Banks’ excessive requirements of information</td>
<td>5%</td>
</tr>
<tr>
<td>Untrained staff</td>
<td>2%</td>
</tr>
<tr>
<td>Difficulties in collecting client data</td>
<td>1%</td>
</tr>
<tr>
<td>Insufficient ATMs and branches</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>19%</td>
</tr>
</tbody>
</table>

**MULTIPLE ANSWERS**
ARE THERE OBSTACLES RELATED TO THE BUSINESS ENVIRONMENT WHICH HINDER LENDING?

2012

- Yes: 29%
- No: 67%
- No answer: 4%

2013

- Yes: 25%
- No: 72%
- No answer: 3%
OBSTACLES WHICH HINDER THE GRANTING OF CREDIT

- Regulations: 10
- Informality: 3
- Difficulties regarding legal due diligence of enterprises: 2
- Paperwork/Bureaucracy: 2
- Difficulties in executing collaterals: 1
- Lack of data at credit bureau: 1
- Other: 6

ARE THERE FINANCIAL REGULATIONS THAT IMPEDE FINANCIAL INCLUSION?

- 2012:
  - Yes: 33
  - No: 60
  - No answer: 7

- 2013:
  - Yes: 37
  - No: 61
  - No answer: 2
**HAVE YOU EVER HEARD OF CREDIT SCORING MODELS BASED ON PSYCHOMETRIC PARAMETERS?**

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, I have heard and I am interested</td>
<td>44%</td>
</tr>
<tr>
<td>Yes, I have heard but I am not interested</td>
<td>14%</td>
</tr>
<tr>
<td>No, I have not heard of it but I would like to know about it</td>
<td>19%</td>
</tr>
<tr>
<td>No, I have not heard of it and I am not interested</td>
<td>16%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
</tbody>
</table>
YES, I HAVE HEARD AND I AM INTERESTED

YES, I HAVE HEARD BUT I AM NOT INTERESTED

NO, I HAVE NOT HEARD OF IT BUT I WOULD LIKE TO KNOW ABOUT IT

NO, I HAVE NOT HEARD OF IT AND I AM NOT INTERESTED

OTHER

BY BANK SIZE %

SMALL BANKS
MEDIUM BANKS
LARGE BANKS

%
ARE THERE MAIN OBSTACLES WHICH CAUSE YOUR BANK TO NOT SERVE THE SEGMENT OF SMALLER ENTERPRISES?

- YES: 45
- NO: 49
- NO ANSWER: 6

%
WHAT ARE THE OBSTACLES THAT YOUR BANK FACES IN SERVING SMALLER ENTERPRISES?

<table>
<thead>
<tr>
<th>ENTERPRISES</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informality/Lack of information</td>
<td>16</td>
</tr>
<tr>
<td>Difficulties regarding legal due diligence of enterprises</td>
<td>7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BANKS</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is not the focus of the bank</td>
<td>8</td>
</tr>
<tr>
<td>Lack of tools to analyze risk</td>
<td>5</td>
</tr>
<tr>
<td>Lack of tools for standard risk analysis for SMEs</td>
<td>3</td>
</tr>
<tr>
<td>Lack of capacity to execute collaterals easily</td>
<td>2</td>
</tr>
<tr>
<td>High transaction costs</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GOVERNMENT</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory barriers</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>9</td>
</tr>
</tbody>
</table>
DOES YOUR BANK SERVE INFORMAL SMALL ENTERPRISES?

- Yes: 51%
- No: 43%
- Other answers: 6%

%
FOURTH PART

PRODUCTS, CREDIT METHODOLOGY, AND FINANCING SOURCES
### WHAT TYPE OF FINANCIAL PRODUCTS DOES YOUR BANK OFFER TO SMES?

<table>
<thead>
<tr>
<th>Financial Product</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital financing with collateral</td>
<td>51%</td>
</tr>
<tr>
<td>Medium/long-term loans with a mortgage security</td>
<td>43%</td>
</tr>
<tr>
<td>Working capital financing without collateral</td>
<td>39%</td>
</tr>
<tr>
<td>Checking accounts</td>
<td>37%</td>
</tr>
<tr>
<td>Savings accounts</td>
<td>34%</td>
</tr>
<tr>
<td>Medium/long-term loans without a mortgage security</td>
<td>33%</td>
</tr>
<tr>
<td>Credit cards</td>
<td>33%</td>
</tr>
<tr>
<td>Leasing</td>
<td>29%</td>
</tr>
<tr>
<td>Factoring (invoices)</td>
<td>28%</td>
</tr>
<tr>
<td>Investment products</td>
<td>21%</td>
</tr>
<tr>
<td>Insurance</td>
<td>17%</td>
</tr>
<tr>
<td>Foreign trade</td>
<td>14%</td>
</tr>
<tr>
<td>Financing for SME internationalization</td>
<td>13%</td>
</tr>
<tr>
<td>Cash management (collection)</td>
<td>13%</td>
</tr>
<tr>
<td>Pledge loans</td>
<td>12%</td>
</tr>
<tr>
<td>Factoring (commercial documents other than invoices)</td>
<td>12%</td>
</tr>
<tr>
<td>Other</td>
<td>21%</td>
</tr>
</tbody>
</table>
WHAT TYPE OF FINANCIAL PRODUCTS DOES YOUR BANK OFFER TO SMES?

- **Working Capital Financing with Collateral**: 68%
- **Medium/Long-Term Loans with a Mortgage Security**: 59%
- **Medium/Long-Term Loans without a Mortgage Security**: 59%
- **Credit Cards**: 50%
- **Leasing**: 41%
- **Cash Management (Collection)**: 27%
- **Pledge Loans**: 27%
- **Financing for SME Internationalization**: 9%
WHICH OF THESE TOOLS DOES YOUR BANK USE WHEN PERFORMING RISK ANALYSIS OF SMES?

- Financial statements analysis: 86%
- Cash flow analysis: 85%
- Owner’s net worth analysis: 84%
- Visit to the client: 84%
- Credit Bureau: 78%
- Revision of assets quality: 76%
- Business plan analysis: 74%
- Credit scoring: 62%
- Management of social and environmental risks: 59%
IS YOUR BANK SEEKING FINANCING IN ORDER TO EXPAND THE SME PORTFOLIO?

- YES: 41
- NO: 47
- NO ANSWER: 12
DOES YOUR BANK HAVE A PROGRAM OF PARTIAL CREDIT GUARANTEES FOR THE SME PORTFOLIO?

Yes, Public Sector
- 2012: 23
- 2013: 20
- Mexico, Central America and the Caribbean: 15
- South America: 25

Yes, International Financial Institutions
- 2012: 5
- 2013: 11
- Mexico, Central America and the Caribbean: 13
- South America: 8

Yes, Other
- 2012: 10
- 2013: 13
- Mexico, Central America and the Caribbean: 15
- South America: 11

No
- 2012: 59
- 2013: 56
- Mexico, Central America and the Caribbean: 62
- South America: 51

No answer
- 2012: 9
- 2013: 6
- Mexico, Central America and the Caribbean: 2
- South America: 10
FIFTH PART

SAMPLE CHARACTERISTICS
SAMPLE REGIONAL DISTRIBUTION

MEXICO, CENTRAL AMERICA AND THE CARIBBEAN: 47%
SOUTH AMERICA: 53%
SAMPLE COUNTRY DISTRIBUTION

ARGENTINA: 10 cases
BELIZE: 1 case
BOLIVIA: 6 cases
BRAZIL: 5 cases
CHILE: 2 cases
COLOMBIA: 5 cases
COSTA RICA: 6 cases
ECUADOR: 7 cases
DOMINICAN REPUBLIC: 8 cases
EL SALVADOR: 8 cases
GUATEMALA: 5 cases
HONDURAS: 9 cases
JAMAICA: 3 cases
MEXICO: 3 cases
NICARAGUA: 2 cases
PANAMA: 2 cases
PARAGUAY: 7 cases
PERU: 6 cases
SURINAME: 1 case
URUGUAY: 3 cases
VENEZUELA: 1 case
SAMPLE “BANK SIZE” INDICATOR
MEXICO, CENTRAL AMERICA AND THE CARIBBEAN

- SMALL BANKS: 11%
- MEDIUM BANKS: 30%
- LARGE BANKS: 59%

SOUTH AMERICA

- SMALL BANKS: 33%
- MEDIUM BANKS: 18%
- LARGE BANKS: 49%

BY BANK SIZE

- SMALL BANKS
- MEDIUM BANKS
- LARGE BANKS

BY REGION
DISTRIBUTION OF BANKS ACCORDING TO NUMBER OF BRANCHES

Mexico, Central America and the Caribbean

- UP TO 10: 26
- BETWEEN 11 AND 50: 34
- BETWEEN 51 AND 150: 25
- OVER 151: 11

South America

- UP TO 10: 19
- BETWEEN 11 AND 50: 15
- BETWEEN 51 AND 150: 30
- OVER 151: 26

DISTRIBUTION OF BANKS ACCORDING TO NUMBER OF EMPLOYEES

Mexico, Central America and the Caribbean

- LESS THAN 300: 28
- BETWEEN 301 AND 999: 25
- BETWEEN 1,000 AND 4,999: 11
- OVER 5,000: 6

South America

- LESS THAN 300: 12
- BETWEEN 301 AND 999: 17
- BETWEEN 1,000 AND 4,999: 11
- OVER 5,000: 30
### ORIGIN OF CAPITAL

<table>
<thead>
<tr>
<th>Year</th>
<th>Local</th>
<th>International</th>
<th>Mixed</th>
<th>Other</th>
<th>No Answer</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>18</td>
<td>58</td>
<td>24</td>
<td>6</td>
<td>17</td>
<td>100</td>
</tr>
<tr>
<td>2006</td>
<td>17</td>
<td>60</td>
<td>17</td>
<td>8</td>
<td>21</td>
<td>100</td>
</tr>
<tr>
<td>2008</td>
<td>21</td>
<td>50</td>
<td>21</td>
<td>13</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>2011</td>
<td>24</td>
<td>50</td>
<td>15</td>
<td>5</td>
<td>6</td>
<td>100</td>
</tr>
<tr>
<td>2012</td>
<td>33</td>
<td>43</td>
<td>12</td>
<td>-</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>2013</td>
<td>23</td>
<td>50</td>
<td>11</td>
<td>3</td>
<td>4</td>
<td>100</td>
</tr>
</tbody>
</table>

### RELATIONSHIP BETWEEN NUMBER OF BRANCHES AND NUMBER OF EMPLOYEES

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Number of Bank Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Up to 10</td>
</tr>
<tr>
<td>Up to 300</td>
<td>17</td>
</tr>
<tr>
<td>From 301 to 999</td>
<td>1</td>
</tr>
<tr>
<td>From 1,000 to 4,999</td>
<td>-</td>
</tr>
<tr>
<td>More Than 5,000</td>
<td>-</td>
</tr>
<tr>
<td>No Answer</td>
<td>2</td>
</tr>
</tbody>
</table>
# LIST OF BANKS

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Banco Credicoop&lt;br&gt;Anonymous*&lt;br&gt;Banco de la Nación Argentina&lt;br&gt;Banco Julio&lt;br&gt;Banco Macro&lt;br&gt;ICBC&lt;br&gt;Banco Comafi&lt;br&gt;Banco Ciudad de Buenos Aires&lt;br&gt;Banco Galicia&lt;br&gt;Banco Industrial</td>
</tr>
<tr>
<td>Colombia</td>
<td>Coltefinanciera&lt;br&gt;Bancolombia&lt;br&gt;Bancóldex&lt;br&gt;Banco Popular&lt;br&gt;Banco CorpBanca</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>Banco Nacional de Costa Rica&lt;br&gt;Banco Popular&lt;br&gt;Banco de Costa Rica&lt;br&gt;Banco Improsa&lt;br&gt;Banco Davivienda&lt;br&gt;Banco Interfin</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>Banco Ademi&lt;br&gt;Banco de las Américas de Ahorro y Crédito&lt;br&gt;Banco Vimenca&lt;br&gt;Banco Adopem&lt;br&gt;Banco BDI&lt;br&gt;Banco Santa Cruz&lt;br&gt;Banco Citi&lt;br&gt;Banco Caribe</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Banco del Pacífico&lt;br&gt;Banco de Machala&lt;br&gt;Banco Pichincha&lt;br&gt;Banco General Rumiñahui&lt;br&gt;Banco Central de Ecuador&lt;br&gt;Banco Amazonas&lt;br&gt;Banco Solidario</td>
</tr>
<tr>
<td>Belize</td>
<td>Belize Bank</td>
</tr>
<tr>
<td>Bolivia</td>
<td>Banco Nacional de Bolivia&lt;br&gt;Banco Ganadero&lt;br&gt;Banco Económico&lt;br&gt;Banco Los Andes ProCredit&lt;br&gt;Banco de Crédito BCP&lt;br&gt;Banco Mercantil Santa Cruz</td>
</tr>
<tr>
<td>Brazil</td>
<td>Banco Santander Brasil&lt;br&gt;Banco Itaú&lt;br&gt;HSBC Bank Brasil&lt;br&gt;Caixa Econômica Federal&lt;br&gt;Banco Bradesco</td>
</tr>
<tr>
<td>Chile</td>
<td>Banco del Estado de Chile&lt;br&gt;Banco de Chile</td>
</tr>
</tbody>
</table>

*These banks wish to remain anonymous
<table>
<thead>
<tr>
<th>Country</th>
<th>Banks and Microcredit Institutions</th>
</tr>
</thead>
</table>
| El Salvador | Banco de Desarrollo de El Salvador (Bandesal)  
Banco Agrícola  
Banco Hipotecario  
Banco Credomatic  
Banco G&T Continental  
Banco ProCredit  
Anonymous*  
Banco Davivienda |
| Guatemala   | Banco de Antigua  
Banco Reformador  
InterBanco  
Banco de la Producción - Banpro  
G&T Continental |
| Honduras    | Banco Ficensa  
Banhcafe  
Banco Popular Covelo  
Banco Atlántida  
Banco Davivienda  
Banpaís  
Banco Centroamericano de Integración Económica  
Banco Ficohsa  
Banco de América Central |
| Jamaica     | Anonymous*  
Jamaica National Small Business Loans  
Micro Credit Limited |
| Mexico      | Banca Mifel  
Ve por Más  
Banorte |
| Nicaragua   | Banco Lafise  
Banco de Finanzas |
| Panama      | Banco Panamá  
Scotiabank |
| Paraguay    | Banco de la Nación Argentina  
Banco Nacional de Fomento  
BBVA Paraguay  
Banco Continental  
Visión Banco  
Sudameris Bank  
Banco Atlas |
| Peru        | Banco Interamericano de Finanzas  
Caja Municipal de Ahorro y Crédito  
Scotiabank  
BBVA  
Mibanco  
Banco de Crédito del Perú |
| Suriname    | Hakrinbank |
| Uruguay     | Banco República  
Banco de la Nación Argentina  
Lloyds TSB |
| Venezuela   | Bangente |