

## SPURRING GROWTH: SMES ACCELERATING LOCAL ENTREPRENEURSHIP



*A LOAN FROM AN IFC CLIENT HELPED SAYEDA BAYOUMI EXPAND HER SOUVENIR SHOP NEAR THE EGYPTIAN PYRAMIDS.*

When Sonia Arias launched her small textile business seven years ago in Medellin, Colombia, she had a loan and a high interest rate that left her short of cash to reinvest. Repaying the loan felt like “being hit with a stick,” she remembers.

Now, a little-known financial tool is having a big impact on Arias and other small-business entrepreneurs who lack the right kind of collateral to secure traditional loans. Smaller businesses make up the majority of businesses in Latin America. A new collateral registry in Colombia allows them to leverage assets as small as a sewing machine to receive loans.

The results have been striking. Since the registry went live in 2014, thousands of business owners have registered more than a million items worth more than \$93 billion. Some of the country’s largest banks are among the lenders.

Local entrepreneurship drives emerging economies. Micro, small, and medium enterprises, or MSMEs, account for about 90 percent of businesses and more than 50 percent of employment worldwide. Yet access to capital — especially for women-owned enterprises — is often limited to loans with crippling interest rates.

IFC believes strengthening such businesses is key to ending extreme poverty and boosting shared prosperity. We provide investment and advice to smaller enterprises in more than 80 countries, focused on every phase of business development — investment-climate reform, strengthening management skills, and access to finance and

markets. We also play a key role in mobilizing SME finance globally, serving as the technical advisor in this area to the Group of 20 leading economies.

In 2014, we worked across the world with financial institutions that focus on lending to MSMEs. These institutions had an outstanding loan portfolio of nearly \$270 billion in micro, small, and medium loans. Our Global SME Banking program advised clients on more than 70 projects in more than 40 countries. Nearly two-thirds of these projects were in the poorest countries, and 15 percent were in conflict-affected areas.

In Jordan, we helped Bank Al Etihad launch a new banking model that supports women, particularly those who own small businesses. The program is part of a larger initiative that has facilitated more than \$1.7 billion in lending for such businesses, supporting nearly 120,000 jobs.

In Peru, small businesses face challenges in obtaining financing. To help address the problem, IFC agreed to invest \$15 million in HMC Capital High Yield Peru Fund — the first fund in the country to invest solely in bonds issued by SMEs.

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