

PROJECT SUMMARY

INCREASING ACCESS TO FINANCE FOR SMEs IN EL SALVADOR WITH A SPECIAL FOCUS ON WOMEN ENTREPRENEURS (ES-M1046)

Micro, Small and Medium Enterprises (MSMEs) in El Salvador are a key driver of GDP and generate a large amount of employment. However, limited access to finance restricts them from achieving their full growth potential. MSMEs contribute to 43% of GDP in El Salvador and employ 65% of the active workforce, while Small and Medium Enterprises (SMEs) alone represent about 23% of the workforce and 31% of the value added. When viewed with a gender lens, according to the Comisión Nacional de la Micro y Pequeña Empresa (CONAMYPE) in El Salvador, women represent 65% of the owners of microbusinesses in 2009, 50% of the owners of small companies and only 30% of the owners of medium-sized enterprises. Therefore, there is a clear pattern that women who lead or own businesses are concentrated in micro-sized companies, and their participation in ownership diminishes as business size increases.

Commercial banks are in the early stages of tapping into the SME market, but there is hesitation given the lack of knowledge about whether or not the market offers profit margins with risks under tolerable levels. In particular, commercial banks lack the capability of providing targeted services to SMEs in a cost effective manner, and as a result, do not meet demand. Women entrepreneurs face even greater obstacles to access credit as they tend to have less savings and collateral than their male counterparts, making them less equipped to meet the bank's lending requirements.

Women-owned and led small businesses¹ represent between 13% and 18% of small businesses throughout Latin America². Supporting these businesses can promote economic development, create employment and increase income. While women's businesses report higher labor productivity in terms of sales and profit per employee than men's, men's businesses often grow larger and faster than women's. There is a clear business case for lending to women led/owned SMEs, which justifies providing technical assistance in addition to financing to women to address their specific needs. World Bank Data regarding SMEs shows that up to 70 % of women-owned SMEs report underserved credit needs in Latin America³.

The Multilateral Investment Fund (MIF), in partnership with the Structured and Corporate Finance Department (SCF), will contribute to fill the market gap between the supply of financing to SMEs and the increasing demand, particularly to women led/owned SMEs in El Salvador through Banco G&T Continental El Salvador (G&TCES).

¹ Women leadership is defined for this project as female ownership of at least 51% of an enterprise, and/or by having a Chief Executive Officer or Chief Operational Officer who is a woman.

² "Pure Perseverance: A study of Women's Small Businesses in Colombia"

³ GPF/IFC, 2011.

The purpose of this project is to financially support the growth of G&TCES loan portfolio in the area of SMEs through the loan provided by SCF (ES-L1074), and increase its technical capability, including specific efforts to serve SMEs led/owned by women with at least 24% of the proceeds of the technical cooperation provided by MIF. To further enhance the reach of the project, G&TCES has partnered with Vital Voices El Salvador, a non-governmental organization (NGO) that identifies, trains and empowers emerging women leaders and social entrepreneurs around the globe, to better serve and target the financing and technical assistance needs of women led/owned SMEs and increase awareness of G&TCES services among women clients.

This project is part of the women entrepreneurship Banking (weB)⁴ initiative, a joint effort between SCF's Beyond Banking Program, and the MIF through its Line of Activity for Promoting Small Enterprise Financing (LASEF). In addition, The Inter-American Investment Corporation (IIC) is participating in this initiative with Financiamiento para Pequeñas y Medianas Empresas FINPYME, a key initiative to provide not only financing to SMEs in the region, but also technical assistance, through its FINPYME Diagnostics Program in order to support women led/owned SMEs in El Salvador.

⁴ <http://www5.iadb.org/mif/Portals/0/Topics/MIF2012-Factsheet-Women-Entrepreneurship-Banking.pdf>