Early Warning System

IADB-PE-T1527

Promote alternative financing to MSMEs through a -micro-investment crowdfunding- platform in Peru

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Quick Facts

Countries	Peru
Financial Institutions	Inter-American Development Bank (IADB)
Status	Proposed
Bank Risk Rating	U
Borrower	Government of Perú
Sectors	Finance, Technical Cooperation
Investment Type(s)	Advisory Services
Investment Amount (USD)	$ 0.59 million
Project Cost (USD)	$ 1.15 million

Project Description

Micro, small and medium enterprises (MSMEs) take a major role worldwide and contribute to economic reactivation and job creation in developing countries in the with/post COVID-19 era. MSMEs account for 90% of businesses and more than 50% of employment worldwide. According to the World Bank's estimation, 600 million jobs will be needed by 2030 to absorb the growing global workforce and, in emerging markets, most formal jobs are generated by MSMEs, which create 7 out of 10 jobs. However, access to finance is still a key constraint to MSME growth.

Peru is one of the most socially and economically affected countries by COVID-19. MSMEs in Peru count 99.5% of the total formal enterprises (95.2% is micro enterprises, 4.1% is small and 0.2% is medium), according to the Ministry of Production of Peru, and share more than 90% of economically active population (PEA) in the Peruvian private sector. In response to devastating economic impacts caused by COVID-19, the Peruvian government has been supporting MSMEs through financial instruments, providing them with central government's guarantee. However, MSMEs have limited access to traditional financing such as bank loans, and equity financing is almost non-existent, compared to large enterprises; only 30.9% of micro, 64.0% of small and 74.8% of medium have credit operation with financial intermediaries, while large enterprises have 80.9%. In addition, financial conditions such as interest rate are not favorable for MSMEs to access to credit, and capital market is not sufficiently developed to provide seed and risk money to their businesses.

Thus, the financial system needs innovative and scalable solutions to realize greater financial inclusion in Peru so that Peruvian MSMEs can launch, continue and expand their businesses. Especially, it is expected to take the advantage of newly available digital tools and fintech solutions to develop innovative financing schemes/platforms to facilitate MSMEs' access to financial products and services.

The proposed solution aims to deploy a "micro-investment crowdfunding" platform, an alternative financing scheme in the Peruvian financial sector, for channeling a massive number of Peruvian individuals' micro-investments to finance Peruvian MSMEs, and thereby to contribute to financial inclusion. The proposed micro-investment crowdfunding platform to be deployed in Peru is called "Securite" which has been developed and operated by Music Securities, Inc., a Japanese FinTech venture which was selected through JICA-IDB Lab open innovation challenge TSUBASA (Transformational Start Ups' Business Acceleration for the SDGs) (https://www.musicsecurities.com/en/company). Securite is a digital platform to aggregate individuals' small amount contributions to business owners as an equity-like financing (not as donation nor as traditional loan, since its financing scheme embeds revenue sharing-type of concept), has more than 20-year experience of operation as an impact investment crowdfunding platform in Japan and has raised 936 funds of US$105.7 million in total for providing financing to 604 businesses, most of which are Japanese MSMEs including the seriously damaged by natural disasters like earthquakes, flood, etc. The micro-investment crowdfunding is recognized as an effective tool to support MSMEs in the context of regional vitalization by the Cabinet Office in Japan.

Investment Description

- Inter-American Development Bank (IADB)

Contact Information

ACCOUNTABILITY MECHANISM OF IADB

The Independent Consultation and Investigation Mechanism (MICI) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an Inter-American Development Bank (IDB) or Inter-American Investment Corporation (IIC)-funded project. If you submit a complaint to MICI, they may assist you in addressing the problems you raised through a dispute-resolution process with those implementing the project and/or through an investigation to assess whether the IDB or IIC is following its own policies for preventing or mitigating harm to people or the environment. You can submit a complaint by sending an email to MICI@iadb.org. You can learn more about the MICI and how to file a complaint at http://www.iadb.org/en/mici/mici,1752.html (in English) or http://www.iadb.org/es/mici/mici,1752.html (Spanish).

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Bank Documents

- IDEATE 2022-07-19 Public Summary 1130 PE-T1527 [Original Source]