



Mexico

Financing for SMEs in Mexico

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09/2006
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Summary

Although Mexico is the United States' second largest trading partner, the lack of financial options for small and medium sized enterprises (SMEs) is often cited as the primary obstacle for U.S. companies selling to Mexico. The Government of Mexico recognizes the importance of SMEs, which produce 50% of Mexico's GDP, and encourages financial institutions to provide more favorable financing terms to these companies.

This is good news for U.S. firms since their Mexican partners and clients will be more likely have access to financing to buy from the United States.

It is very important to recognize that many Mexican SMEs are typically very small family- owned businesses. Most of them have between 1 and 9 employees. In the U.S. context, these are micro-enterprises.

Government of Mexico Programs

The Ministry of Economy has signed agreements with financial institutions to provide credit to small and medium-sized companies.

These loans differ greatly from other types of commercial loans in that they offer preferential low-interest rates and convenient payback terms. Credit is granted based on the applying company's financial background and the proposed use of the funds.

Additionally, Mexican SMEs can have access to financial advisers, accredited by the Ministry of Economy, whose job is to support and guide them during the financing process. The U.S. Commercial Service can provide such a list to Mexican SMEs.

Moreover, the Ministry of Economy's working capital program can support SMEs with:

- Operating expenses
- Business services and product payments
- Wages/salaries of employees
- Rent of business commercial premises
- Purchase of merchandise
- Purchase of raw materials

Alternatively, there is a fixed-asset acquisition program that supports SMEs access to credit for:

- Transportation equipment, expansion and modernization of facilities
- Machinery and tools
- Land purchase
- Building purchase

NAFINSA Financing Programs for SMEs

NAFINSA, Mexico's development bank, works directly with the Ministry of Economy and financial brokers (banking and non-banking) and provides financing, training and technical assistance to promote the development and growth of SMEs. NAFINSA provides credit only to the Mexican SMEs that are focused on efficiency, productivity and development. These companies are carefully screened whenever they apply for credit and have to follow a rigorous series of procedures.

NAFINSA along with Santander Serfin provides financing through a specific product called “PYME credit” where both provide a percentage of the credit. Nevertheless, other commercial banks listed below offer credit to SME’s and NAFINSA along with the Ministry of Economy support these loans with guarantees.

Products developed by the trade banks supported by NAFINSA include:

Bank	Product
Banamex	Banamex Sí
Banco del Bajío	Factor del Bajío
Bancomer	Crédito Simple
Banorte	Crediaactivo Banorte
Banregio	Regio Crédito
Santander Serfin	Crédito Pyme
Scotiabank	Línea operativa

Private Banks

This representative list of the following banks and services is intended to provide general information about financing options for SMEs. The U.S. Commercial Service cannot recommend specific services or banks to use. We recommend that U.S. and Mexican companies use this guide as a first step of research to determine which method of financing is optimal for each company.

Banamex

Banamex offers customized counseling and assistance to small and medium-sized companies and has standardized financial products.

This trade bank operates throughout Mexico and has 1,400 specialized branches offering credit to duly incorporated businesses, which have been operating for at least three years.

Among the conditions for the granting of credit, the SME must present acceptable banking and legal references and make its financial information available for verification from the credit bureau.

These loans do not require real-estate guarantees and the amount of credit granted will depend on the SME’s annual revenue. The payback period can be up to 360 days and the credit can be made available electronically.

Banamex also participates in the Mexican program supply chains, providing enrolled companies with immediate cash flow for quicker payments. This credit can also be available electronically.

Banco del Bajío

Banco del Bajío participates in the productive network set up by NAFINSA by providing factoring services. The factoring services are provided via an agreement between a private company and a factoring company, whereby the former receives financial and administrative services from the latter in exchange for transferring the private company’s collections rights to the factoring company.

Factor del Bajío specializes in supporting clients who sell on credit and need cash for working capital. It offers:

- a. Administration of debt collection
- b. Factoring services with resources
- c. Factoring services without resources
- d. Factoring services for big suppliers
- e. International factoring services
- f. Factoring services for production chains

BBVA Bancomer

The financial products that Bancomer provides are aimed at working capital:

- Procurement of machinery and equipment
- Improvement of business premises
- Business services and product payments
- Imports and exports

Promoting a financing product for SME's called "simple credit," BBVA Bancomer has implemented a system for a rapid evaluation of, and response to, each credit request.

Banorte

Banorte has created a financial product for SMEs called "Crediativo Banorte," and grants loans based upon the applying company's annual turnover within 48 hours, allowing the SME to decide how it will use the credit.

Jointly with NAFINSA, Banorte offers credits to be used for working capital, machinery, warehouses, furniture, transportation equipment, buildings, technological development, or environmental improvements.

The loans range from USD\$11,340 to \$113,400, and credits can be granted in pesos or dollars, with payback periods of up to five years.

Banorte provides credit for the importation of machinery and equipment via insurance institutions, thus making the process more efficient. It also assists Mexican companies during the importation process, manages the credit and pays the U.S. manufacturer/supplier. Through the bank's website, clients can chat with a representative.

Banregio

Banregio offers a financial product named "Regio Crédito," consisting of an amount up to USD\$56,700 which is deposited in the client's bank account. The SME can withdraw from the account either using a debit card or electronically.

Among other requirements, the SME must have a monthly turnover of at least \$20,000 pesos, and a good financial background. Banregio also offers factoring services.

Santander Serfin

Santander Serfin has also developed customized financing programs for small and medium-sized companies, and has established strategic alliances with the Ministry of Economy and with NAFINSA in order to share the financial risks and infrastructure pertaining to credits granted to SMEs.

Santander Serfin imposes minimum requirements for providing credit. It has financing products designed both for companies that have been operating for many years and for recently established enterprises. In the latter case, the loan is granted based on an evaluation of the SME's project.

Among other things, the SME must have been in business for at least 2 years, and have an annual turnover of between USD\$128,595 and USD\$226,800. Nevertheless, both new companies and independent entrepreneurs can have access to credit. In such cases, no minimum turnover is required, though applicants must submit a business plan and provide their financial statements for inspection.

Scotiabank Inverlat

Scotiabank Inverlat has a financial product called “operative line,” consisting of a revolving credit for working capital whereby the SME can withdraw, pay and check its credit electronically. Among other requirements, the SME must be legally established, provide all the documentation and information required, receive authorization from the bank, sign the corresponding contract, enable the Scotiabank on-line service, and have a functioning Scotiabank checking account.

Among other benefits, cash flow is available whenever needed, the SME does not need to sign promissory notes or visit the bank’s headquarters’ in person, interest and other payments can be made monthly, the SME can pay back the loan before the deadline if it so wishes, the electronic system is secure, and the status of the credit can be checked on-line.

Non-Banking Brokers

These are public and private organizations set up as trusts to support SMEs. They include credit unions, known as SOFOLES (privately owned institutions that provide financial support to SMEs in various economic niche sectors such as housing (mortgage) and automotive to target SMEs and middle class customers), financial cooperatives, savings cooperatives, credit societies and government-authorized leasing companies. Non-banking brokers can lend up to USD \$343,000 and finance 50% of a project’s cost. They lend up to USD\$11,000 for business-project development, training and counseling.

SME Credits

Along with these institutions, NAFINSA has created and is implementing a series of financial services for SMEs such as the “SMEs Credit” which finances Mexican government’s projects where SMEs participate as products and services providers. Loans, provided for investment in working capital or fixed assets, are granted fixed interest rates and flexible payment terms, without a mortgage surety being required, and are granted through the wide network of financial brokers.

Automatic guarantees and guarantee fund

One of the benefits of this kind of credit is the automatic guarantee where NAFINSA shares the risk of repaying credits granted to SMEs by financial brokers, thus making it easier for the SMEs to gain access to credit. This guarantee covers 50% of working-capital investment and 70% of fixed asset investment. The maximum amount of working capital eligible for a guarantee is 3.26 million UDIS.

UDIS (Unidades de Inversión) are peso debt-based financial instruments issued by both private and Mexican government entities that may carry a low nominal interest rate as well as an inflation price indexed value, calculated daily by the Banco de Mexico (Mexico’s central bank), that is accumulated each day to the principal value of the outstanding UDIS until maturity. In this way, investors are protected against inflation in Mexico and generally, earn nominal rate of interest. Some examples include: selected Mexican government bonds, selected Certificados Bursátiles and selected home mortgages.

NAFINSA has also created another guarantee fund where private and public institutions participate in a trust to ensure that the loan will be paid back, and thus improve the credit rating.

For More Information

For more information on how Mexican SMEs can access financing, please contact Alejandra Calderón Gerling:

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