



**Asia-Pacific  
Economic Cooperation**

---

**2016/SMEWG42/032**

Agenda: 20.1

## **Factoring As a Financing Mechanism for SMEs and MEs**

Purpose: Information

Submitted by: Peru



**APEC PERU**  
2016

**42<sup>nd</sup> Small and Medium Enterprises Working Group  
Meeting  
Ho Chi Minh City, Viet Nam  
27–28 April, 2016**

## Factoring as a financing mechanism for SMEs and MEs

42<sup>nd</sup>. Meeting of the APEC SME Working Group  
Ho Chi Minh, Viet Nam

April 2016



## Principal actions towards Productive Diversification

Six main lines  
of action

1. Implementing sectoral **working groups** to facilitate the emergence of new drivers of growth.
2. Non financial tools to **enhance productivity** of MSMEs.
3. Financial tools to **increase MSMEs productivity**.
4. Developing tools and incentives to boost productive innovation.
5. Setting up the National Institute of Quality and strengthening the quality infrastructure to improve productivity in the private sector.
6. Development and promotion of modern industrial parks.



2

### What was the context in Peru?

- A very small percentage of micro enterprises have access to loans from the financial system.
- Those MSMEs that do have access to loans, pay high rates (well above 20% and often even higher than 30%).
- Lack of access to credits or high rates is a result of market failure, which in turn is a consequence of asymmetric information and excessive risk aversion by the financial system.
- The high cost of financing reflects to a large extent actual issues including default risks, the high operating cost of lending to SMEs and the cost of capital.



3

## MSME financing framework

### What was the context in Peru?

- The high cost of financing for MSMEs hampered their growth as businesses, particularly among micro and small companies.
- To mitigate such cost through market mechanisms, two tools are available:
  1. **Guarantee fund financing:** adding impetus to the mutual guarantee societies markets for MSMEs' loan warrant certificates.
  2. **Promoting factoring to increase liquidity and access to short term financing for MSMEs.**

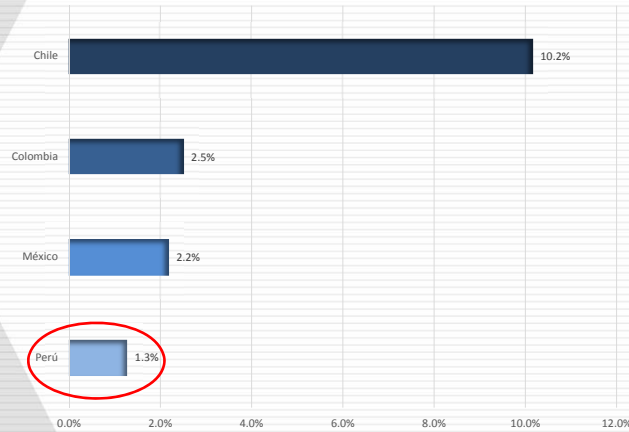
**This tool seeks to create a tradable invoice market, unavailable until recently.**



4

## What is the potential of factoring ?

Factoring domestic sales as a percentage of GDP (%) - 2014



Source: Factors Chain International (FCI)

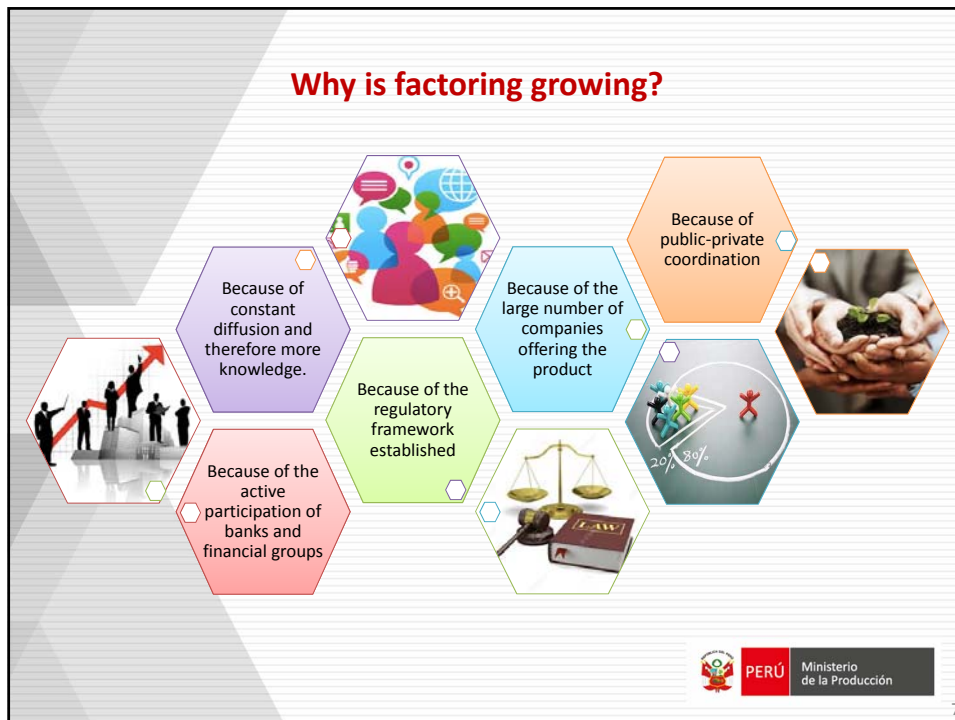


5

## Factoring bottlenecks

Bottlenecks	Approaches
Difficult or non-existent access to financing for working capital for micro and small enterprises	<ul style="list-style-type: none"> <li>- New improved regulations, such as the obligation to include a “third copy” (tradable invoice), enable mechanisms for electronic invoice trading,</li> <li>- Tradable invoices have the nature of a “transferable by endorsement” security that can be directly executed.</li> <li>- Streamlining the regulatory load applicable to factoring companies, have all encouraged new market players and thereby the mass use of this financing tool.</li> </ul>
High interest rates for MSMEs that effectively access this system	
The use of the tradable invoice as a security wasn't greatly expanded	
Lack of short term working capital because of clients payment terms exceeding 30 days or longer after the good or service was delivered	
A factoring regulation was passed in 2011 but to the extent it had never been completed, it was never enacted	





## Progress so far

The use of tradable invoices has grown almost **30** times but still has a greater potential.

- Last year the number of operations was **70** per month (before the regulatory reform) and now it is around **2,000** operations.
- This new dynamic is also reflected in the market entry of new factoring companies.

PERÚ Ministerio de la Producción