

BANCOLDEX



The role of national development banks in fostering SME access to finance

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Septembre de 2017

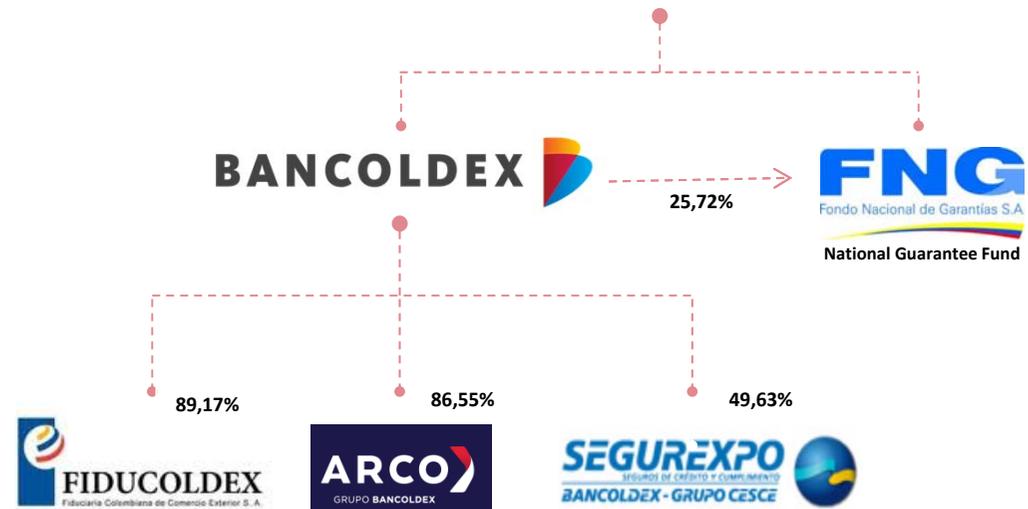


Bancoldex's Ownership Structure

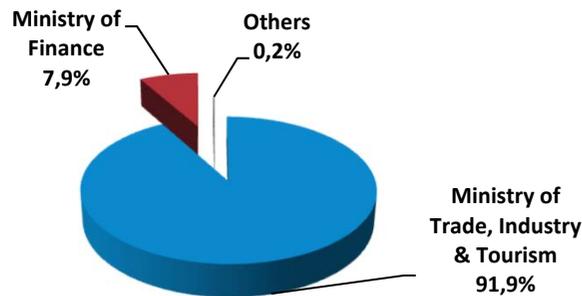
Generalities

- Incorporated as a mixed-stock company
- Operates under an equal legal regime as private sector financial institutions
- All actions and contracts are subject to private law
- An exchange market intermediary, securities issuer & securities intermediary
- Supervised by the Financial Superintendence

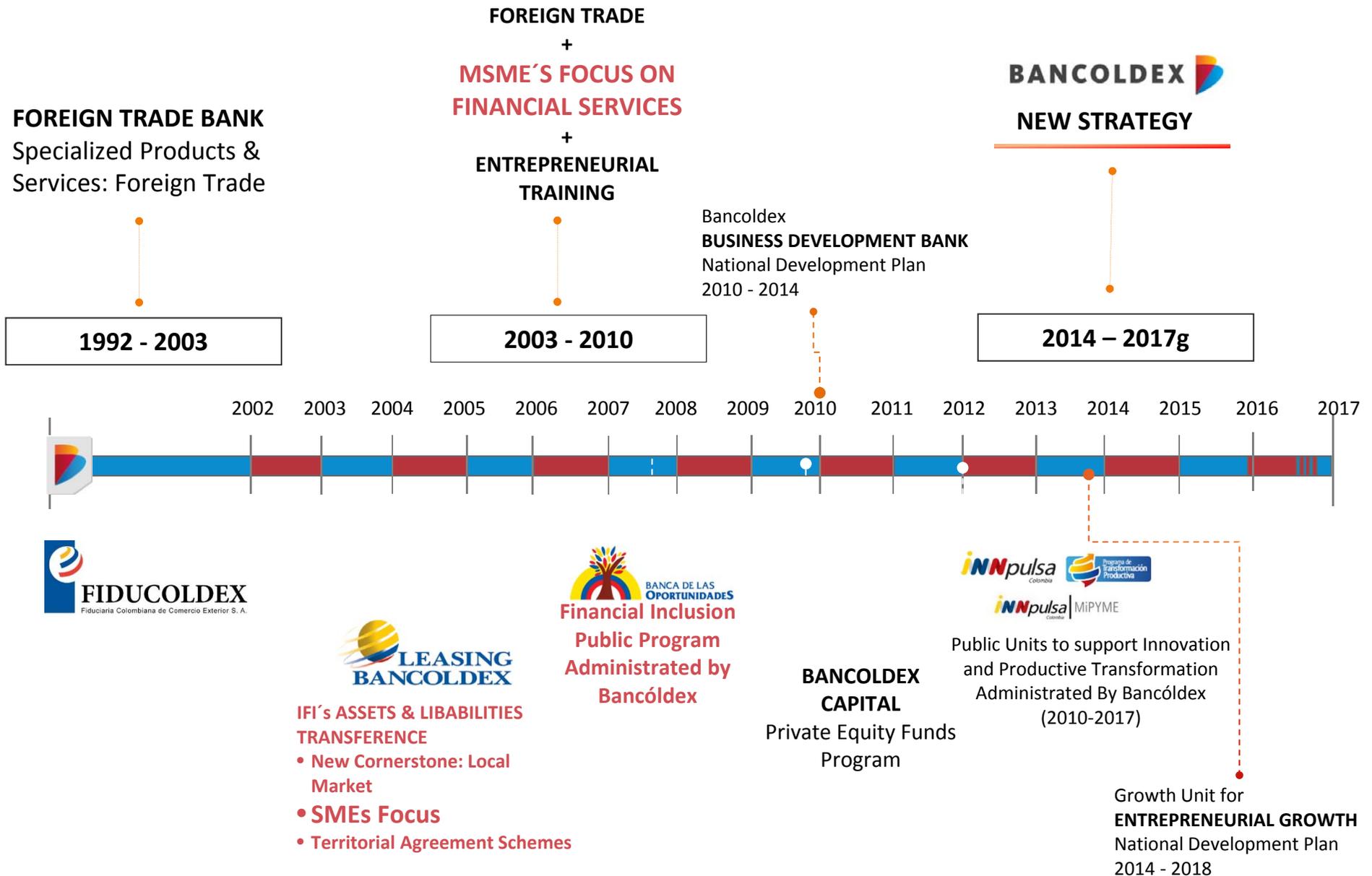
Bancoldex's relation with its Strategic Allies



Ownership structure as of April, 2017



Bancoldex's Evolution

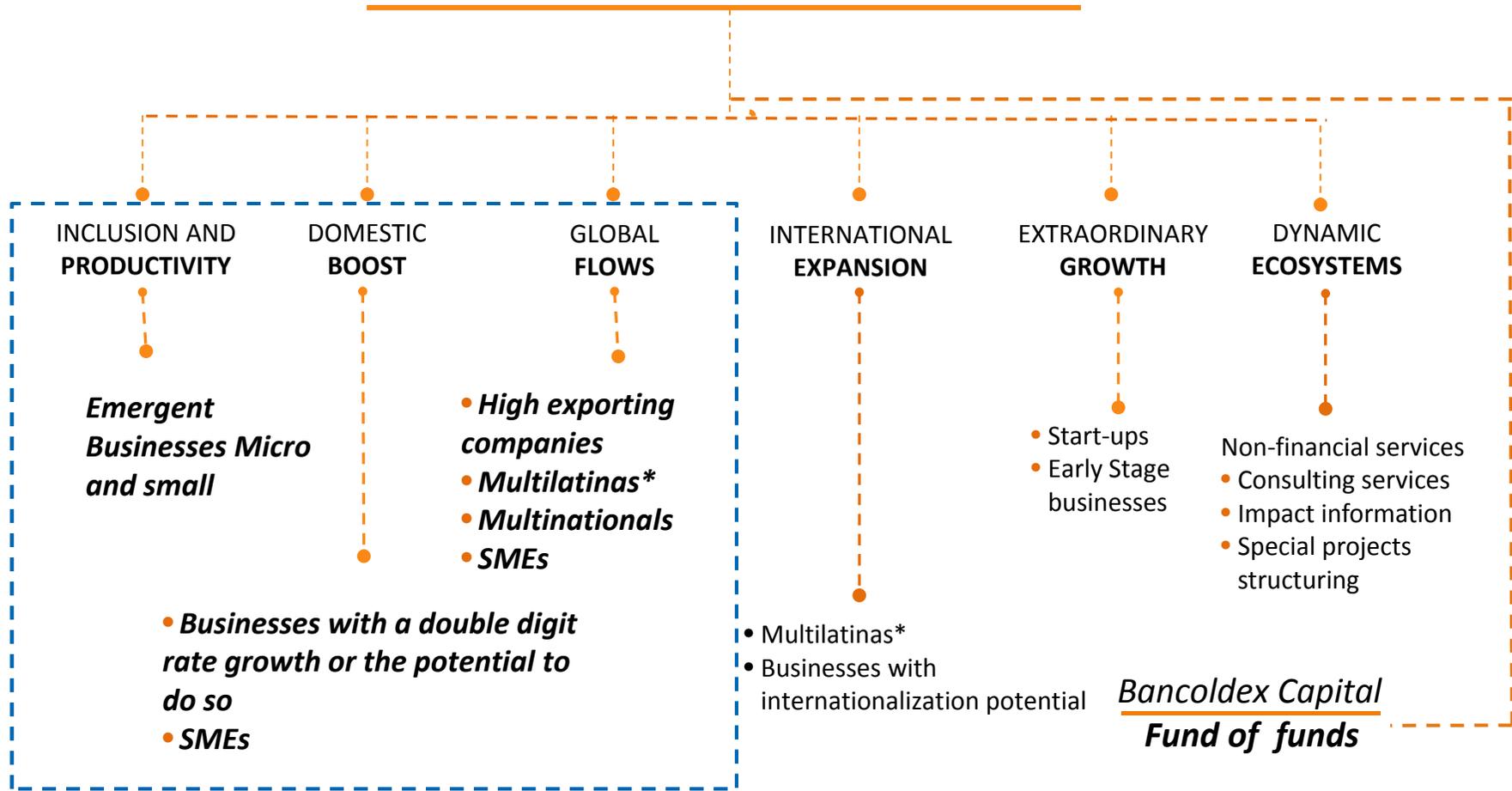


Challenges And Opportunities For Bancoldex

- 1** To structure a **strategic vehicle** of the Government focused exclusively on **entrepreneurial growth** and another focused on financial inclusion and productive insertion
- 2** To catalyze **the extraordinary growth** of more companies in Colombia
- 3** To meet the **entrepreneurial needs of the regions** and strengthen the links between Bancoldex, and its subsidiaries
- 4** To contribute to the country's industry growth
- 5** To strengthen Bancoldex's relevancy in the financial sector and to assure its financial sustainability



Financing and knowledge for corporate growth



- Contribute to increment productivity levels
- Supplement economies of scale
- Develop a strategic role for productive cluster creation

*Multilatinas: multinational firms with headquarters in Latin America



Financial Services For Companies

Growth platforms					
Products and services	EXTRAORDINARY GROWTH	PRODUCTIVE INSERTION AND FINANCIAL INCLUSION	DOMESTIC BOOST	GLOBAL FLOWS	INTERNATIONAL EXPANSION
	CREDIT FOR INNOVATION	MICROFINANCES		LIQUIDITY CREDIT	
	CREDIT FOR COMPANIES WITH HIGH GROWTH POTENTIAL	CREDIT FOR ENTREPRENEURIAL FORMALIZATION	CREDIT FOR INVESTMENT / ENTREPRENEURIAL MODERNIZATION		
		MICRO-INSURANCE	SUSTAINABLE DEVELOPMENT		FINANCING OVERSEAS POST-SHIPMENT
			DISCOUNTS FOR DOCUMENTS		
		SPECIAL QUOTAS / REGIONAL AGREEMENTS AND OTHER PARTNERS		PREFINANCING AND FINANCING OF EXPORTS	
				INTERNATIONAL BANKING OPERATIONS	
				CREDIT FOR PURCHASER, PROVIDER AND CORRESPONDENT	
				CREDIT FOR CORRESPONDENT BANK	
			PRIVATE CAPITAL FUNDS PROGRAM - BANCÓLDEX CAPITAL		



NON FINANCIAL SERVICES - Dinamic Ecosystems



Dynamic Ecosystems

Joint work with companies and institutions



Project Structuring

To structure relevant initiatives to trigger business growth.



Intelligence

Valuable knowledge for decision-making (companies and institutions).



Consulting and Services

Enhancing management skills (Strategy, Corporate Governance and Financial Structuring).

Joint work for Regional Business Growth

To micro....What was the problem to solve?



Low access to credit



Low % of municipalities (70%) with presence of financial institutions



Low % of Banked adults **51,1%**



Gobierno de Colombia



What was the problem to solve?

Lack of digital products

High costs penetration

Lack of regulatory framework

Low supply of products

Low Financial Literacy

Lack of information of the supply and demand



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The Solution...



Without taking risks of commercial banks

Without distorting the financial market

Optimizing public resources

Looking to complement and not replace the financial system

Sustainable in a long- term



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Banca de las oportunidades



Banca de las Oportunidades is a public institution in charge of implementing projects to promote higher Financial Inclusion in Colombia.

Reduce poverty, promote economic development, promote social equity, improve the quality of life of the base of the pyramid.



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Supply

Technical
assistance
projects

Co-financing
cost subsidies

Competitive
Funds

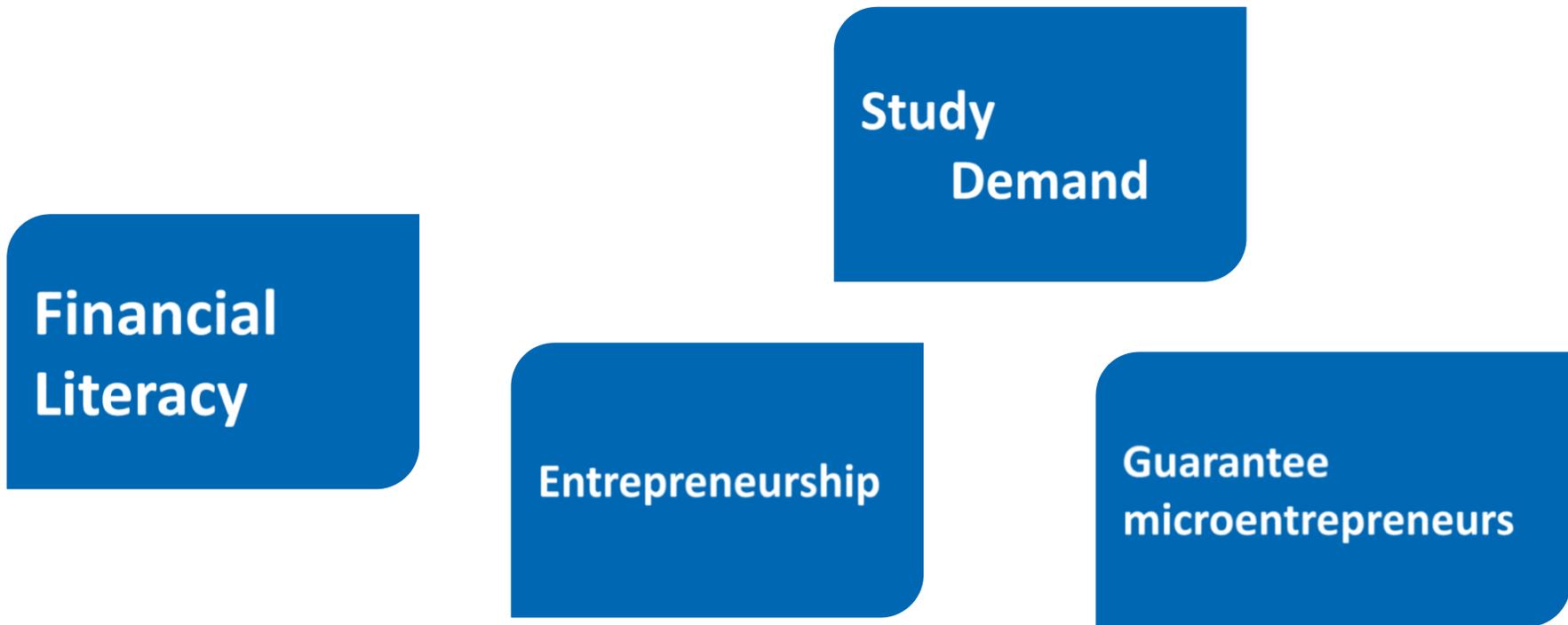
Financial
information
system



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Demand



With these projects seeks to bring supply and demand, studies and research to develop new products and propose regulatory adjustments when required.



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Lessons learned

Financial inclusion policy must be a state-policy not just an item in the government's agenda.

A comprehensive financial inclusion strategy must involve all relevant actors.

It is essential to have a proportional regulatory framework.

To move forward the financial inclusion strategy it is essential to have the commitment of the private sector: banks, financial cooperatives, financial companies and microcredit institutions.

Incentives are necessary, in some cases, in order to reach low income population with suitable products: micro-loans, micro-savings and micro-insurances.

But.. These (incentives) must be transitory, decreasing and promote sustainability along time.



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Lessons learned

Supporting the adoption of new technologies (for example mobile banking) is powerful to increase financial inclusion specially in remote areas.

In the middle of the peace negotiation, Colombia must include the rural sector in the financial inclusion strategy.

Pilots (low scale experiments) are a great tool to learn and correct before launching massive initiatives. Going massive must be based on concrete results evaluation and best practices derived from pilots.

Auctioning allowances are a good way to allocate public resources, other alternatives might be used if those set clear conditions to avoid paying for market inefficiencies.

Banca de las Oportunidades is a good example of how the National Government has promoted higher financial inclusion in Colombia in the last 8 years.



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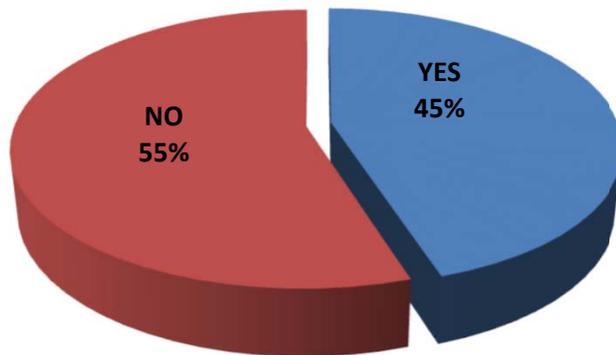
ABOUT BANCOLDEX

Bancóldex is the Business Development Bank of Colombia, focused on financial and non financial products and services towards supporting the growth of Colombian companies, their internationalization and the arrival of foreign investment to enhance the country's economic development.

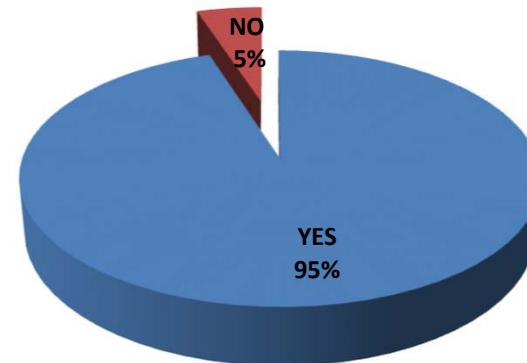


SURVEY AMONG SME'S TO EVALUATE THEIR PROGRESS

**Request credit to the financial sector ?
Self Exclusion**



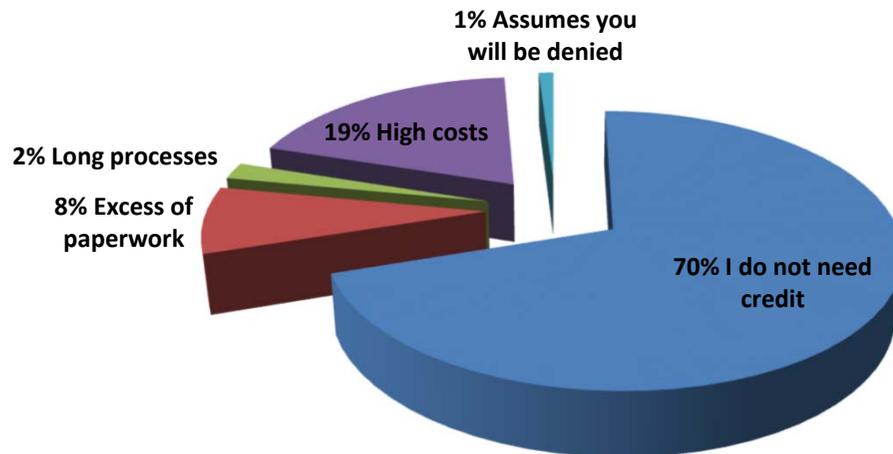
**Have the credit approved?
Not a problem of acces or affordability**



SURVEY AMONG SME'S TO EVALUATE THEIR PROGRESS

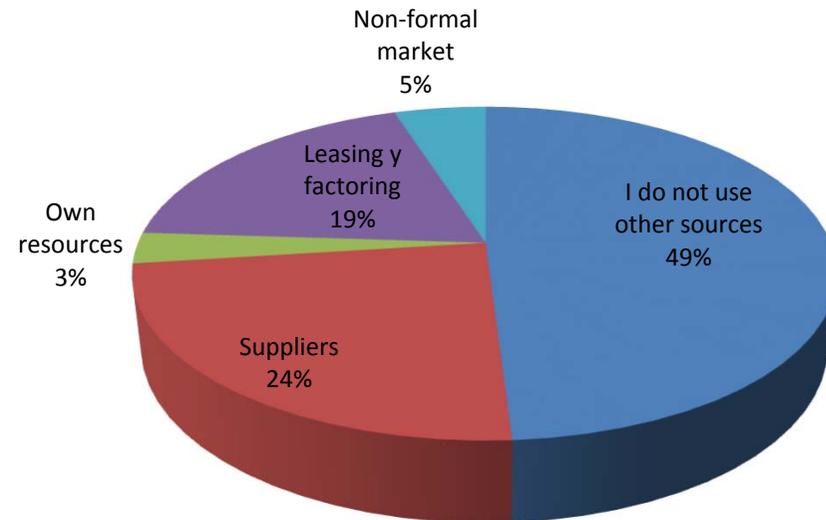
SELF EXCLUSION

I do not request credit from the financial system because:



SELF EXCLUSION

Did you access other sources of funding?



SURVEY AMONG SME'S TO EVALUATE THEIR PROGRESS.....

In Colombia, we carry out a survey among SMEs to evaluate their progress. The survey is executed quarterly by professional interviewers in Colombia and in the region. It is done with the methodological collaboration of the ANIF study center (National Association of Financial Institutions in Colombia) the participation of the IDB, Bancóldex, the Central Bank (Bank of the Republic of Colombia), and the Swiss Confederation. The survey is known for being the most accurate among the funding issues of small and medium-sized enterprises in the country.

Consistently for many years, the answers have correlated year after year. They show a similar behavior, and it is important to highlight the following:

45% of the companies in the industry, commerce and service sector answered that they asked for a loan to the financial system. The other 55% answered that they had never done so. Therefore this proves a first important percentage of self-exclusion.

Of the 45% that requested a credit, 95% of them were approved and given the credit. Thus it is clear that there is NO specific refusal to SMEs by the Colombian financial system. IT IS NOT A PROBLEM OF ACCESS OR AFFORDABILITY. There is no denial of the financial system to serve this division of companies.



SURVEY AMONG SME'S TO EVALUATE THEIR PROGRESS.....

The entrepreneurs were asked the following questions: Was the amount given the same they requested for? Were the terms the ones they inquired for? Was the interest rate approved for the loan the same as the asked for? 90% of the entrepreneurs answered that their requirements were totally full-filled and that the approval was given under the conditions initially raised by them.

Within the group of the entrepreneurs who were assisted by the banks, 70% stated that they have requested resources for working capital and consolidation of liabilities. Only 30% of the entrepreneurs asked for the resources to purchase machinery or productive equipment with resources from the financial system. In addition, 98% of the SMEs surveyed, answered that they have NOT tried to have access to funds from private equity or venture capital during the time period analyzed.



ANSWERS ON AUTOEXCLUSION

The answers to these questions are still difficult to obtain. When the entrepreneurs were enquired why didn't they asked for a credit to the financial system, 70% of the entrepreneurs said they did not need it. And the other 30% stated that they perceived the costs were too high, or that there was an excessive paperwork, or that the credit processes were extremely long.

Therefore, when they were asked how did they financed their productive processes they expressed the following answers. 49% of the entrepreneurs answered they have not access other sources of resources. 24% were financed with suppliers, 27% with their own resources, and the remainder with discount invoices or other smaller mechanisms. It is evident that in these financing processes there are hidden costs at the suppliers' prices and in the entire production chain.

Bancóldex as a development bank and the commercial financial institutions that serve the business sector has a great challenge. Each day we have to bring more of the SMEs to access the system in order to generate a more effective inclusion. The latter implies that huge efforts will be demanded on our side in the following:

- Financial literacy
- Business training
- Planning and production costs
- Special lines in favorable conditions
- Inclusion and automated attention systems
- Guarantees

Bancóldex bases its strategy in three specialized vehicles of attention as follows:

1. Bancoldex as a catalyst for business and growth of the Great and Medium Business.
2. Arco is dedicated and focused on the financing of the modernization of SMEs.
3. An segment that will be dedicated only to the micro-business. It will offer effective inclusion mechanisms for the microentrepreneur and its focus will mainly offer working capital.

And BANCA DE LAS OPORTUNIDADES.

activities:

- Technical assistance
- Subsidies of costs for IFS and their expansion to the rural sector and small municipalities without financial presence
- Subsidizing costs to implement new methodologies and technologies
- Competitive funding at low rates through Bancoldex
- Subsidize the costs of guarantees for microentrepreneurs
- Development of financial enterprises and fintech.
- Financial Literacy

With these projects, Bancòldex and Banca de las Oportunidades seek to bring supply and demand, studies and research to develop new products and propose regulatory adjustments when required.



Socio de los empresarios que se atreven a **crecer**