



## OPPORTUNITIES *for the* MAJORITY

# Empowering Uruguay's Small Store Owners to Grow

### Leveraging Wholesale Networks and Information

Corner stores in Uruguay's suburbs and outlying areas are crucial cornerstones of their neighborhoods, selling everything from tomatoes to toothpaste. But no matter how loyal their customers, small shop owners cannot grow their businesses without access to credit.

With support from the Inter-American Development Bank's Opportunities for the Majority Initiative (OMJ), Microfinanzas del Uruguay S.A. offers small entrepreneurs an innovative way to leverage their relationships with distributors so they can obtain the credit they need to expand their inventory and enter the formal banking system without leaving their store.

OMJ is providing a partial credit guarantee of up to 51.4 million Uruguayan pesos to Microfinanzas S.A. for the *Mayorista* program that uses shopkeepers' payment records with distributors to offer them a line of credit. OMJ pioneered leveraging distribution platforms to reach the unbanked at the base of the pyramid; Mayorista builds on that success.

### Mobile Credit for Small Shopkeepers

It is expensive and time consuming for financial institutions to offer credit to small business owners in Uruguay and elsewhere in Latin America as they often have no credit history, no way of establishing one and live far from banks. What's more, Uruguay's market for microfinance is small and constrained by regulation.

Wholesale distributors have the information microfinanciers like Microfin need to offer credit. Distributors regularly deliver goods to thousands of neighborhood shops around Uruguay and keep records of how much shopkeepers order and whether they pay on time.

By partnering with seven different wholesalers, Microfin can affordably assess the credit-worthiness of hard to reach small entrepreneurs. Through their Mayorista program, Microfin

will offer tailored lines of credit so each shopkeeper can buy goods on credit from a combination of distributors.

Point of Sale units set up in wholesalers' trucks allow shopkeepers to swipe their Microfin card to pay for products. Credit allows shopkeepers to increase their inventory while lowering prices and increasing profits, since Microfin's interest rates are lower than those usually available to informal borrowers.

Over time, small shopkeepers will build a credit history with Microfin and become eligible for their other micro-products, like insurance.

With technical assistance, Microfin is developing an innovative financial education program for its small creditors. Text messages sent to cell phones will teach store owners about financing while building their trust in the banking system and helping them avoid taking on too much debt.

### Expansion of a Pioneering Model

OMJ pioneered the transformation of distribution platforms and business relationships into opportunities for the majority who are mostly outside the banking system. OMJ's model combines innovation and practicality to increase the reach of lenders and reduce their costs while bringing banking directly to micro-entrepreneurs. Using this model and with OMJ's financial support, these programs are successfully offering credit to unbanked food vendors in Brazil and lending to thousands of neighborhood shopkeepers in Mexico.

The Mayorista program is OMJ's third successful use of this model. The Uruguay branch of Citibank N.A. is giving a loan in local currency to Microfin to expand this program. The partial credit guarantee OMJ provides Microfin covers all of Citibank's credit risk exposure to the microfinance institution.

OMJ's support frees Microfin to scale up while offsetting constraints set by Uruguay's caps on microfinance interest rates, and it will catalyze Microfin's access to financing from other local lenders in the future.

Mayorista is expected to offer credit to 25,000 micro-entrepreneurs across Uruguay.



For more information about the program, contact: [OM-IDB@iadb.org](mailto:OM-IDB@iadb.org)  
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