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New Programs to Aid Small, Medium-Sized Businesses

by LADB Staff

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In August and September, the federal government announced two separate but related initiatives to provide direct assistance to the country's beleaguered small and medium-sized businesses. Both initiatives involve partnerships between the federal government and the private sector. In the first initiative, unveiled in mid-August, the Finance Secretariat (SHCP) announced the creation of a program to provide 13 billion pesos (US\$1.72 billion) in low-interest loans to help small and medium-sized enterprises reduce their current and overdue debt and obtain fresh loans.

The three-year program funded by the SHCP, the government's development banks, and private commercial banks will provide assistance for 370,000 small and medium-sized companies through year-end 1999. According to the SHCP, the program is open to businesses with annual net sales of up to 50 million pesos (US\$6.62 million).

The second initiative, announced in mid-September, involves the creation of a special program to provide consulting services, including export advice, to small and medium-sized enterprises. The federal government has already allocated 22 million pesos (US\$2.9 million) for the project. Under this program, the Trade Secretariat (SECOFI) and several of Mexico's private business organizations announced the creation of 32 regional industrial competitive centers (Centros de Competividad Industrial, CRECE), which will offer a variety of consulting and financial services to small and medium-sized businesses, especially export-related assistance.

The consultation services are particularly aimed at helping small businesses increase exports, a move observers say will benefit the country's overall economic growth. The first of these CRECE centers went into operation in Mexico City in late September. Another 10 offices are scheduled to begin operations throughout Mexico by the end of the year. The assistance provided under the CRECE program is more comprehensive than similar efforts in the past. According to deputy trade secretary Decio de Maria Serrano, SECOFI and business specialists will help businesses conduct a thorough assessment of their plans and discuss ways to make the business more competitive. "This project is of extreme importance because one of the main problems facing the majority of small and medium-sized businesses is that they cannot compete with the quality of foreign goods," said Hector Larios Santillan, president of the business coordinating council (Consejo Coordinador Empresarial, CCE).

According to SECOFI, 99% of all enterprises in Mexico can be classified as either small or medium in size. Together, these companies generate 78% of the jobs in the manufacturing, commerce, and service sectors. A separate report produced by the government's statistics agency (Instituto Nacional de Estadísticas, Geografía e Informática, INEGI) pointed out that almost 50% of all small businesses in Mexico are unable to survive more than five years. Mexico's economic crisis has placed a high number of companies in peril. According to the study, roughly 31% of the companies surveyed had an average life span of three years, another 38% of five years, while another 31% either survived

for 10 years or expanded enough to be considered a "small industrial company." [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Sept. 23, reported at 7.55 pesos per US\$1.00] (Sources: Novedades, 09/18/96, 09/19/96; El Financiero, El Universal, The News, 09/19/96)

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