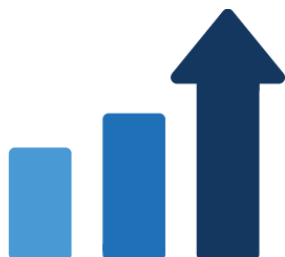




# Efforts to create a more financially-sustainable condition for SME's

*Alejandro Chávez Alor*  
*Play Business*



The **economic growth** of FEALAC countries increasingly requires the development of **innovative activities that increase productivity**, as it is a key aspect in creation of digital economy.



**The world is evolving** and so are its enterprises. The main objective for the productivity growth of any enterprise should be on increasing their access to **the global market** through universal connectivity and technology.

## How can enterprises accomplish this?

# Digital Innovation

The bottom of the slide features a series of overlapping, colorful geometric shapes, including triangles and polygons in shades of orange, purple, teal, and light blue, creating a modern, abstract design.



Increase innovation · Creation of networks ·  
Strengthening the links between enterprises and  
customers, reducing geographical limitations.



Promote new products and business models at a  
much faster rate.



Flexible structure



Digital native

# Access to Financing





Digital and innovative enterprises in the growth phase and enterprises in the development stage that are already offering their products or services to the market but wish to transform digitally to access a wider market through technology and digitalization, are faced with a big problem: access to financing.



There are more than 600 million people in Mexico and Latin America. More problems, more innovative ideas, difficult access to financing.



In the early growth phase, digital and innovative enterprises present a high risk and uncertainty.

# Alternative Financing



Difficult access to traditional financial services: credit history, high costs, commissions, administrative burdens.



9 out of 10 digital ventures created do not exceed three years of life due to factors such as lack of funding.

The difficult access to financial services and the adoption of technology and digitalization, has become a market and inclusion opportunity in Latin America. Information and communication technologies themselves have created tools to overcome these obstacles: alternative financing.





A large number of solutions have emerged in Latin America under new business models offering financing alternatives for enterprises.

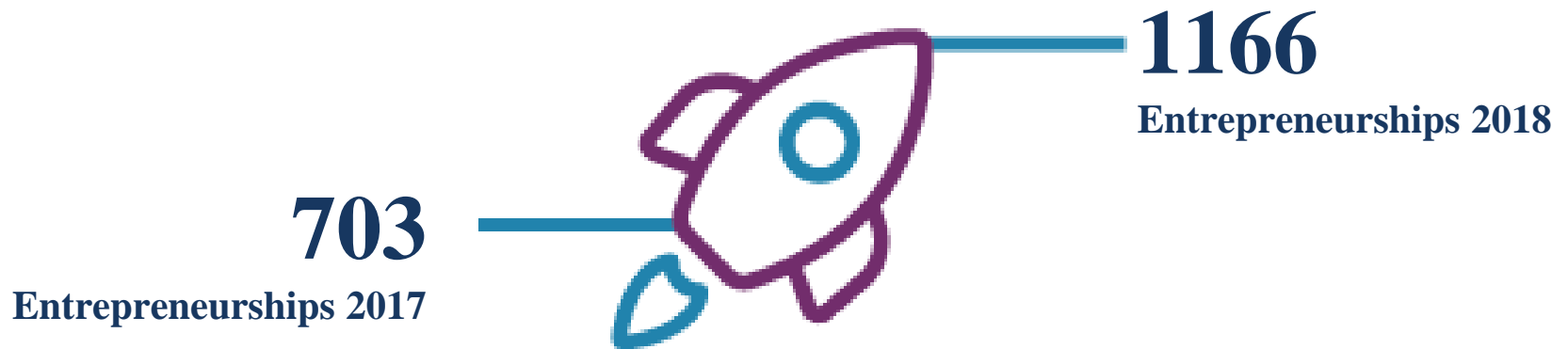
Alternative financing platforms emerged announcing a huge promise: to transform the existing market through innovation and technology under the premise that digitalization in developing countries represents a gateway for millions of SME's seeking financing.

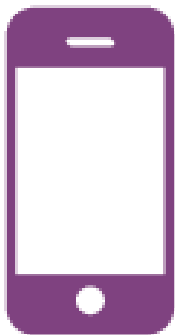
# Fintech in LATAM

**Language:** tool for Latin America region for a much more scalable **connectivity.**



Latin America has joined the global Fintech revolution, creating innovation and entrepreneurship ecosystems:





## Smart mobile devices

- In 2017 already reached 67% of the population.
- However, it is estimated that 45% of adults in the region are still excluded from traditional financial services.

There is **more** access to **technology** than to **traditional financial services**.

1,166 identified Fintech ventures distributed throughout 18 countries in Latin America.  
5 countries concentrate around 86% of the total Fintech activity in the region:

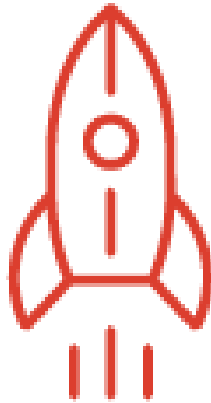


# Fintech in Mexico

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**Operation  
annual volume**

\$3,610 million dollars  
4.7 million registered users

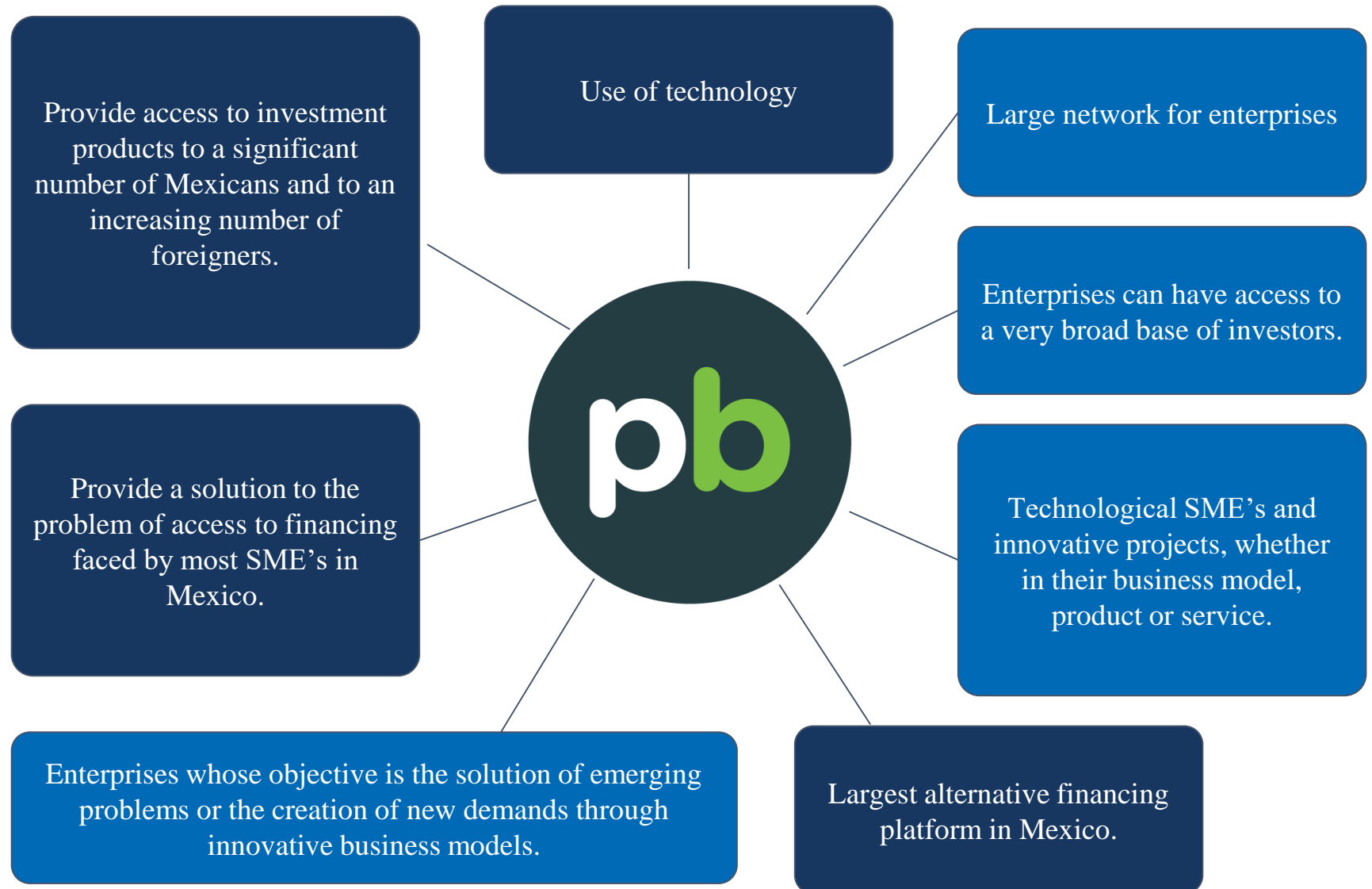


70% of startups  
\$34 million dollars



Fintech Mexican market: 48%  
Growth stage

Fintech enterprises generated sales, only in 2018,  
for more than \$85 million dollars.



**The first success story of Play Business  
was Play Business itself.**





**+135**  
SUCCESSFUL INVESTMENT  
ROUNDS (SINCE 2014)



**+77,000**  
USERS



**+15,000**  
INVESTMENTS



**+\$12.5M USD**  
INVESTED MONEY

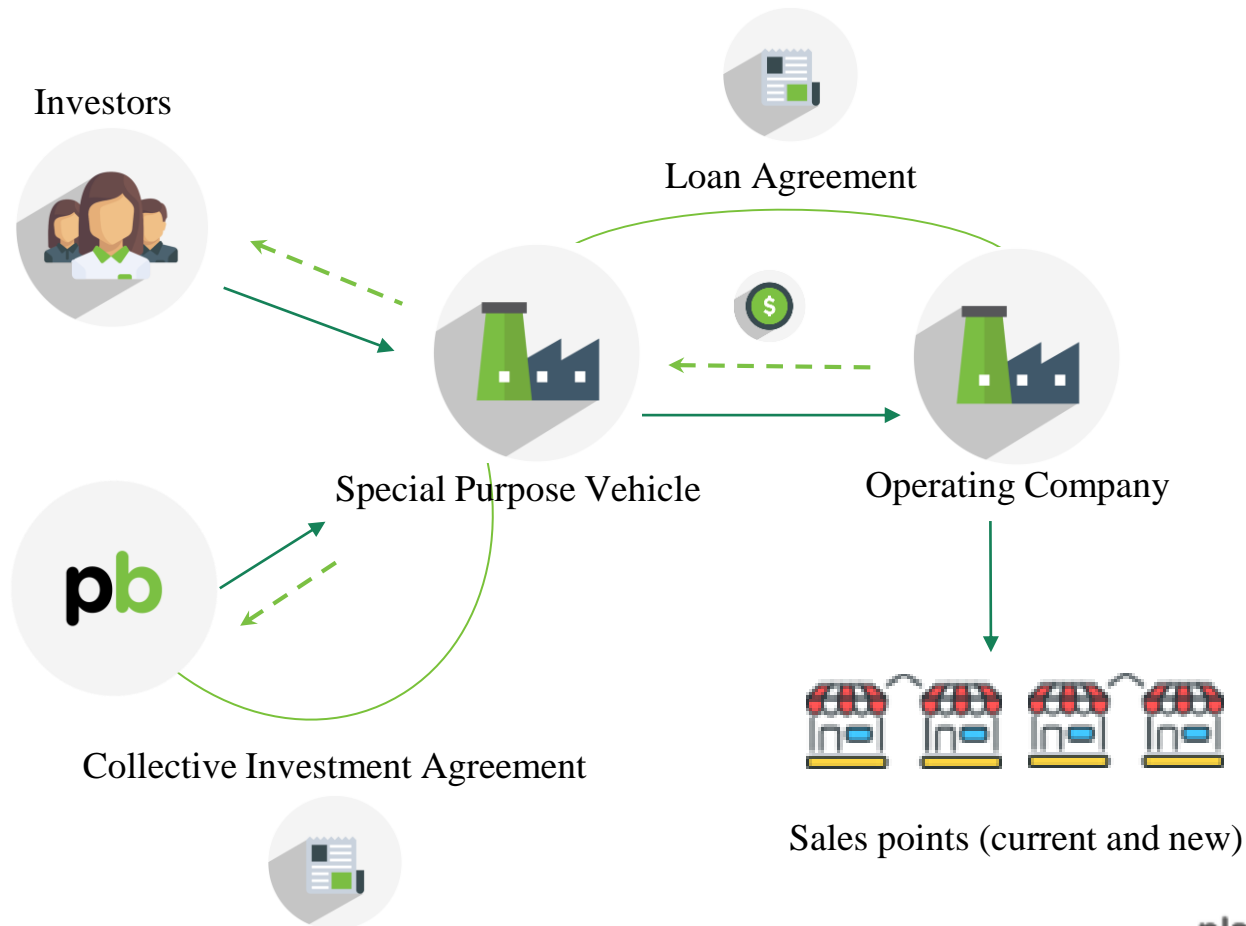


**+\$5.5M USD**  
INVESTED ONLY IN 2019

## CAPITAL FINANCING



## REVENUE BASED FINANCING





Encryption and  
contract control  
systems



Advanced  
electronic signature  
of contracts



Dynamic  
business plans



Dynamic  
shareholding  
structures



Real-time  
communication  
with Play Business



Investor reporting  
tools



Virtual money  
functionality for  
investors



Secondary  
market



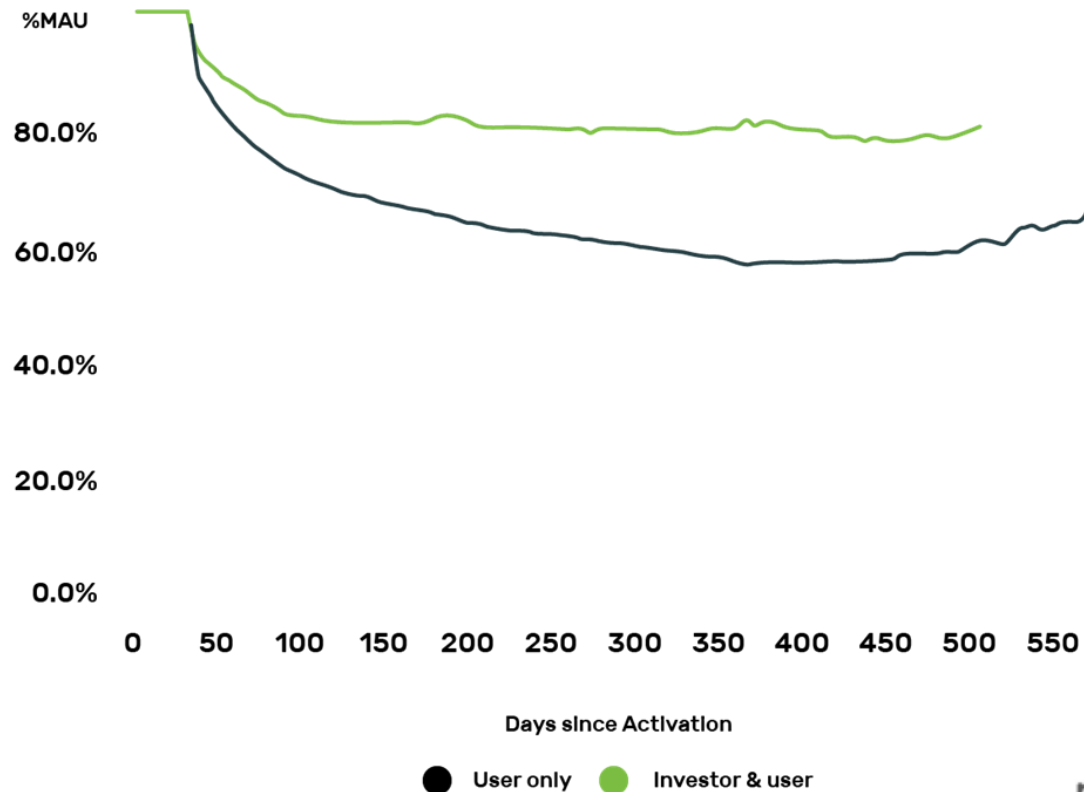
Protection protocols  
with automated  
processes to prevent  
cyber attacks



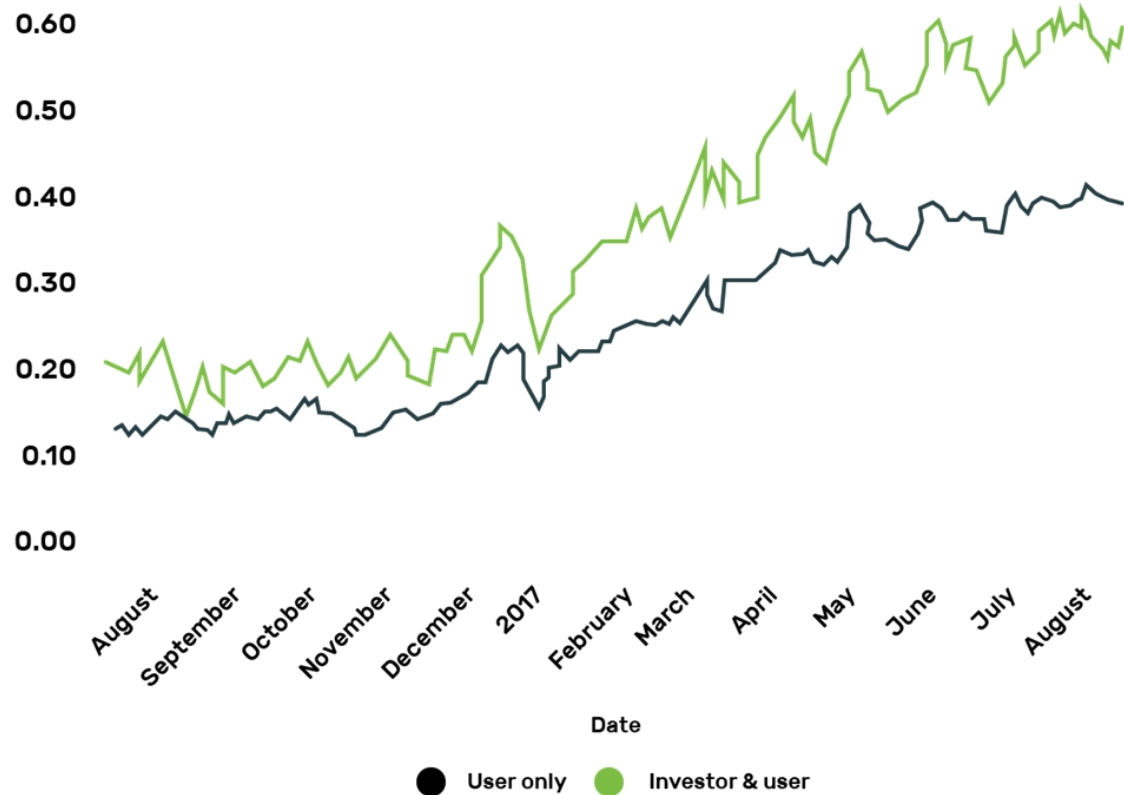
E-learning system  
for entrepreneurs  
and investors

## Benefits beyond money in a crowdfunding investment round: **commercial impact**

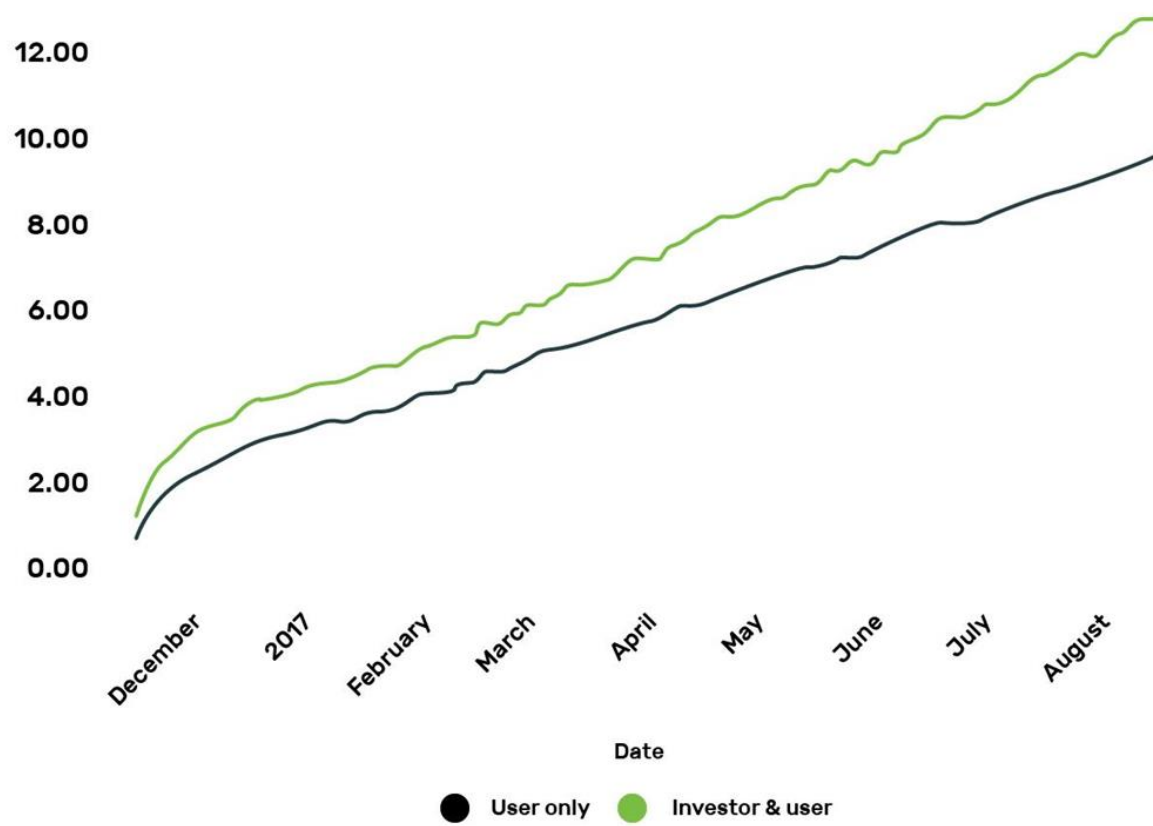
### Monthly Active Users (%)



**Average weekly transactions (#)**



**Average number of friends using service**



# Regulation



## Mexican Fintech Law

First of its kind and unique in Latin America, aims to promote innovation and technological financing enterprises, as well as to protect consumers and financial stability in order to create a very positive impact on national economy, job creation and growth and development of SME's.

So far the secondary laws issued from the Fintech Law,  
are restrictive for the fintech sector.

Limits too much · contracting services · cybersecurity · money laundering prevention guidelines · corporate governance · limits that projects may request through crowdfunding platforms.

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Compliance with the regulation is a competitive advantage

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Mexican authorities have a great task of analyzing the secondary regulation in order to understand what type of activity Fintech enterprises perform, what type of role they play in society, what is the systemic risk they bring together, what is the profile of people who invest through digital platforms, among others.

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Innovation will always come before regulation. Restrictions and obligations are already being discussed and negotiated with the mexican authorities.

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Fintech has been growing and attracting more enterprises and investors, increasing its number of transactions and revolutionizing the financial system a new service standard.

# Challenges

The background of the slide is a solid blue gradient. At the bottom, there is a decorative border composed of several overlapping triangles in various colors: orange, yellow, purple, teal, and light blue.



## Value in Latin America

SME's represent approximately 90% of enterprises in Latin America and the Caribbean → challenge of becoming digital.

More than 50% of the population in the region is in a situation of exclusion. Of the 2,000 million people without a bank account worldwide, 210 million are in the Latin American and Caribbean region.

Three main socio-economic problems in Mexico that triggered the creation of Fintech sector: financial education, the high use of cash in the economy and distrust or insecurity.

# Challenges



Excluded SME's from electronic commerce and digital management are in a disadvantageous position. Digital technology has helped enterprises reduce transaction costs, execute smart contracts, facilitate price transparency and improve communication with customers, suppliers, employees.



Use of technology

The unequal distribution between countries and social groups persists.



Online fraud, compensation mechanisms and the quality of products offered on the internet.

# Challenges



Promote innovative enterprises that can solve or address problems government can not.



Public policies that encourage incentives for the digital development of enterprises.



Governments in Latin America must focus on technological training, primary and secondary education and public expenditure for technological development in sectors that benefit both economic and social growth, as well as digital education in order to teach how, among others, security and privacy data can be protected from stealing and reproduction.

# Challenges



Access to information and communication technology as a right that the state must recognize, protect, procure and ensure.



Smart contracts



Open banking / open data



Capital as a Service

# Conclusions

The bottom of the slide features a series of overlapping, colorful geometric shapes, including triangles and polygons in shades of orange, purple, teal, and light blue, creating a modern, abstract design.





Digitalization of the financial sector opens the doors for entrepreneurs to accelerate innovation and change the way in which the population has interacted with their financial services.



Innovations and technology will always break first and then the regulation will come as a response that will give legal certainty to these new technologies.



Countries should continue to adopt and promote mechanisms in support of entrepreneurship systems and the Fintech sector specifically.



Collaboration between the main actors of the ecosystem. Information exchange always allows us to have a better understanding of the operation, requirements and processes of innovative models.



Combine interests and efforts to promote the development of financial innovation and expand knowledge about the benefits that this sector brings. Even so, the region still faces many questions about the perfect path to follow in regulatory terms.



Not all enterprises are technological, but given the difficulties of growth and the need for adequate support mechanisms, government and private sector must focus on the development of technological enterprises that allow the evolution of the digital ecosystem that we search.

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