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SURVEY OF SMALL INDUSTRY  
IN RURAL AND URBAN AREAS  
HONDURAS

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## A SURVEY OF SMALL INDUSTRY IN RURAL AND URBAN AREAS - HONDURAS

### PREFACE:

The purpose of this "Interim Report" is to present the preliminary results of the sampling procedure and a brief description of the regions surveyed to provide an image of the conditions in the small industry sector. Additionally, this report contains a brief description of the types and sizes of the firms studied. It should be considered an overview and introduction to the Final Report. The final section contains a proposed outline for the contents of the final report.

### INTRODUCTION:

The National Small Industry Association (ANPI) has its main office in Tegucigalpa, but is divided into nine regions. In each region there is a Vice-president, treasurer, secretary and vocal. In order to study the association as a whole, and to gain an understanding of their conception of the small industry sector and the politico-economic climate in which they work, the project chief interviewed each regional vice-president and other members. The purpose of these informal interviews was to explain: 1) the purpose of the study, 2) what we would be interviewing within the region, 3) to elicit their assistance in providing access to the membership files plus introductions to the members, and 4) to gather the information for the general description.

The work began in the Tegucigalpa region at the October 1976 meeting. (The first contacts with ANPI were made in late 1974 when the Fundación Hondureña de Desarrollo (FUNHDESA) suggested to the author that ANPI could be helped with a survey of its members.) At the October meeting we presented ourselves to the National Board and the regional vice-presidents who attended (5). The objectives of the study were explained and the calendar of visits was discussed so that they could advise the membership in the regions at their next meetings of our pending arrival. An outline of the sampling procedure was presented

to impress upon the members the need to have the members aware of our arrival and also to have available the membership lists should they be needed. The consensus was that they were interested and willing to assist.

#### THE INTERVIEWS WITH THE REGIONAL BOARDS:

##### TEGUCIGALPA

In Tegucigalpa we had a long established acquaintance with the staff dating from the meetings encouraged by FUNHDESA. It was from these numerous visits that the survey was designed as presented in the project proposal. The regional and national membership records are kept in the national office because each new member should file two copies of his application with the regional office, which, in turn, should forward one of the copies to the Tegucigalpa office. The sample of each region was going to be drawn from the national files, but after the initial experience in the Tegucigalpa region it was decided to draw the sample at the regional level from the regional records which we estimated to be more correct. In practice some of the regionals had not sent the copy to Tegucigalpa, and, because there is not a systematic review of the files to cull non-existent firms, many of those who joined ARPI in the early 1970's are still listed although they have ceased operations.

The sample for the Tegucigalpa region was drawn from their complete membership file (235 members - see table I for an industry breakdown). The interviews with the staff during the previous year led us to believe that there were 300 members. In order to arrive at the planned sample size of 50 members a 20% sample was drawn instead of the planned 16%. We attempted to use the files to identify current members, but we found that the last recorded dues were paid in 1975. The secretary was interviewed concerning the records, but because she was newly employed she was only able to explain that very few ever paid

their dues. When they did pay, they were simply given a receipt and the dues placed in the general fund. The payment was not recorded on the membership card.

The field team began the interviews in early November as a field test of the questionnaire. While only a few questions had to be modified or eliminated for a lack of applicability, we found that our basic problem was going to be in the location of the members. The membership files has addresses, but there is a great deal of mobility as well as attrition among small businesses. They are a trial and error group in general, that is, they start a business, give it a try, drop out to take a job with others, and then try again. For the field team it was very frustrating, and, at best, the team of three interviewers was only able to complete an average of two interviews per day. This implied visiting five or six addresses per day per person and the tracking of references from neighborhood to neighborhood. Finally we had to redraw the sample. The proportion of the original sample of 50 which had ceased to exist was found to be 32%. In the end we were able to complete 34 member interviews. A major problem of locating the members was that of locating non-members from the members' references. In this process we learned that approximately 50% of the members were unable to provide the names of competitors or the location of a competitor (this was further supported in the questionnaire in the section concerning competition as will be explained in the final report). This reduced the non-member sample to 13 completed questionnaires. A couple rejected the interviewers because they suspected that they were investigating for a government agency. Another rejected because he did not want to have anything to do with ANPI.

Our conclusions from the experience in Tegucigalpa were:

- 1) In the other areas it would be better to depend

upon regional records rather than the outdated national files.

2) We would probably not be able to achieve the projected sample total although we hoped that the attrition would be less in the smaller more recently formed regions.

3) The real, existing membership in the Tegucigalpa region is probably closer to 160 members (the proportion of truly active members is much less as will be discussed in the Final Report under the "ANPI" chapter in the section concerning "meeting attendance" and "dues payment").

4) The questionnaire was more than adequate for the types of firms studied: it covered details which were not applicable for the Tegucigalpa firms, yet they may have been necessary in the more rural settings; but it was lacking the area of institutional services such as INFOP (Instituto Nacional de Fomento Profesional), BNF (Banco Nacional de Fomento), the Labor Ministry, the Ministry of Economics, TECHNOSERVE, and CCTI. These institutions were covered in the group level discussions held with the regional boards, but we could have obtained a more impressive analysis of these bureaucracies had we received each individual's reply).

While in Tegucigalpa and at the national meeting, we sought the names and addresses of the regional leaders who had not attended the meeting. Eventhough we were given the names, we found that certain regions had not been heard from in over two years (This was confirmed in the Siguatepeque-Camayagua region, where we were told that "we no longer exist as far as ANPI is concerned".). Contact with Santa Rosa de Copan was not attempted because the national office had not had a response from them in over two years. Danlí had never been established although one or two businessmen had inquired at the national office

#### CHOLUTECA

At th national meeting we had met Daniel Ayala - the Choloteca regional Vice-president. The local records were

provided and introductions made to some of the members as well as to other members of the regional board. The records were in very good condition, but, again, the number of members was less than the original, national, list of 63. There were only 47 members listed in Choluteca. The attrition rate was 23%, which is a smaller proportion than that of Tegucigalpa, but before we knew this we planned a 50% sample instead of the planned 33% in order to maintain the planned sample size of 21 members. In the end, 13 members and 8 non-members were interviewed. We were taken back by the isolation of the members from their competition in this relatively small center. We thought that they all would have been able to provide us with the name of a competitor. We were refused interviews in a few cases because of suspicion - related to apprentices and payrolls.

While preparing the sample and discussing the history of the region, it was stated that the principle motive for joining and the basis for promotion was credit. This work began in 1971, but they did not have the complete support of the private banks who were to be the channel for funds from the BNP. ANPI did not have the contacts to pressure the banking system. With the BNE however, they do have some rapport and a few members have received loans.

In the area of technical assistance it was learned that ANPI had also promoted the formation of consortium. The shoemakers seemed the most interested. Contact was made with the University, and also with the industrial development section of the Ministry of Economics, but nothing became of these contacts. Because of the lack of institutional support the region decided, in 1975, to form their own institute for credit and marketing. Again, they did not have access to credit or the technical assistance in the marketing field, and the institute never came into being. At the suggestion of the Industrial Development division of the Ministry of Economics, CCTI was called in to do a study of the woodworking and leather working industry. One of the firms was charged

Lps. 250.00 for this service which amounted to the study and a written report. They complained that they were never given a presentation of the changes which could have been made in the industries; nor were they briefed on the marketing aspects which the written report covered very generally. Their expressed impression of CCTI is that it is nothing more than another intermediary in the export field which is more interested in making a profit than in the wellbeing of the small industry sector.

A representative from TECHNOSERVE came to a regional meeting to explain and offer its services. A study was begun, but as far as the officers of the region can recall, the only accomplishment was the gathering of data. They did not return to talk with the members. This experience was the only one that an ANPI regional office has with the TECHNOSERV organization.

It may well be that the regional office did not follow the leads provided by these organizations. Nevertheless, the image of these institutions is not good.

#### TEGUCIGALPA

In Juticalpa, Olancho, the regional organization was well organized and had accomplished more for its members in the field of credit than had the previously described regions.

It is interesting to note that the initiative to form the regional organization came from Juticalpa. The present vice-president of the region, Gustavo Meza, saw an announcement in the paper concerning ANPI. For this reason he went to Tegucigalpa to enroll as a member and to ask the Tegucigalpa office to send someone to assist in forming a regional office. Virgilio Andino (the President of ANPI at that time and one of the founding and dynamic leaders from the beginning) was instrumental in this promotion. Here, too, credit was a prime motive for those

wishing to join the association. The local branch of the ENF supported the association, and Ruth Fletes, the treasurer of the region, assisted the other members in filing the applications for credit. Her abilities as an accountant were of considerable use to the association. Approximately half of the members received credit from the ENF. In 1975 the association participated in the artesans' fair held in Juticalpa and were planning to participate in the organization of the fair in 1976.

The field team was introduced to many of the members and non-members which was of great assistance. The membership applications were not available because both copies were being sent to the Tegucigalpa office by mistake. A suggestion to the national office of ANPI would be that greater communication be established between the regions and that the formalities of the national organization be reestablished. Nevertheless, the membership was available from the dues books (Juticalpa was the most current of the regionals in terms of dues as will be described later.). The number of members expected was 41, yet the records contained 28 members. In accordance with the prior experience in the other regions we drew a larger sample than planned (50% instead of 33%) to allow for attrition, but this was not a problem with the result that we obtained a sample of 46% of the members (13 cases). In the non-member category we also accomplished a better sample by completing 11 instead of the 6 firms planned in the original design. The term "better sample" is used here in the sense that if we were to make inferences concerning the membership and the industry composition of the Juticalpa area we would have smaller limits of error with the larger sample.

#### SAN PEDRO SULA

The San Pedro Sula office had the most formal record and organizational system of the regions. Mr. Caneles' (the

regional vice-president) cooperation with us was excellent. The projected membership list was to have been 300, and their records contained 296 members. However, only 154 had addresses. Separate files are maintained for those who attend meetings during the year. We decided to increase the probability of completing the interviews by drawing the sample from this file of 54 firms. In the list 19 were found to be from other areas such as El Progreso, La Ceiba, Tocoa, etc. Those who were in the other regions were included in those interviews. We ignored the idea of a certain proportion of members for the "sample" and attempted to get them all on the active list. Of those 35 members within the municipality on the active list we located and completed interviews with 22 (63%). It was an arduous task because of the geographical dispersion in the area. From these members references to 16 non-members who provided completed interviews were obtained. Because of the slow pace of the work in San Pedro Sula the region was left after two weeks in order to continue our calendar in the other regions. The team returned to San Pedro Sula for an additional weeks work in January of 1977.

In the interview with the regional vice-president it was learned that their trade fair of 1975 was not too successful. The regional office planned the fair and had premises of 40 exhibitors, but in the end less than a half dozen members appeared and the remainder of the stalls were let to non-members to cover the expenses. In all fairness to the members it should be reported that they (the members as opposed to the directors) did not attend as planned because a ruling was posted that in order to take possession of the stall one had to be current in his dues. This meant that most would have had to have paid for a couple of year's membership. This obstacle ended the enthusiasm for the fair.

The relationship with the BNF was described as good because some members had received loans.

This region was responsible for promoting the ANPI in the northern part of the country in general. In this regard some of the tension which has existed between San Pedro Sula and Tegucigalpa began. San Pedro Sula appears to have a more dynamic office than Tegucigalpa and the feeling is that the initiation fee and dues collected in the area should go to the San Pedro Sula office to support them in their region-wide effort. The national office in Tegucigalpa disagrees. In San Pedro Sula they also feel that credit for the bulk of the membership in the ANPI should be granted to them because of their promotional effort.

In 1975 the San Pedro Office hosted a regional meeting at which representatives from the Ministry of Economics, BNF, and the private banks presented the services which were available. Other institutions, for example: TECHICSERVE, INFOP, and CCTI, have not made similar presentations. Most of the comments related to INFOP are simply that they (the businessmen) have to pay a tax to support it, but they have not been able to take advantage of their services. The problem of apprentices with

#### EL PROGRESO

The region of El Progreso was the third non-city region studied. The regional vice-president, Mr. Mangua, was very cooperative. With him an extensive interview was held with Mr. Janssen, the treasurer. They explained the history of the region, which follows the other regions in terms of the pattern of promotion and interest on the part of the members in credit. This region, however, embarked upon an interesting project. The woodworking members attempted to form a woodworking cooperative in which the heavy wood working equipment would have been owned and operated by the cooperative. It was to have been established in the new market place (the new market was built next to

the cemetery with the result that it was not an attractive place to buy produce. Rumor had it that the flies which landed on the food might also have landed on a few bodies beforehand.) The municipality was interested in the plan to let the market to the cooperative, but the arrangement was never completed due to differences of opinion within the municipality. The plan was to have the cooperative equipment in the center area; and around it, have the individual shops. Considering the general individualistic approach to the members' shops this plan combined a cooperative effort to resolve a mutual problem (the lack of capital for heavy equipment on an individual basis) with the members' desire to have their own shops. The financing of the heavy equipment (Lathe, planer, jointer, etc.) as a cooperative would have been more attractive to men; and as individuals they simply do not have the volume of business to warrant the investment. In Juticalpa, in contrast, a few of the woodworkers expressed the desire to purchase planers, but they were taken back by the cost of purchasing the equipment. They had not considered a cooperative approach.

After they were able to obtain the necessary building there was a general let down in the spirit of some of the members. It was noted that the attendance at the meetings and the dues collections fell behind. They did, however, have fairs to present their products and the attendance at these was much better than at other regions.

In El Progreso they had had some experience with the CCTI. After the hurricane one of the members was having difficulty with marketing and production to the extent that the bank was going to foreclose upon his equipment. The bank suggested that the CCTI be called in to study the situation. The conclusion (after examining his products and markets - CCTI was one of his better customers) was to offer to buy the equipment from him so that he would not go into bankruptcy. In this way he would be able to maintain his reputation as well. The CCTI then took the

equipment to the vocational training center in Valle de Angeles where it is now producing the same product, which it sells in its distribution centers. In brief, the businessman retained his reputation, but lost his equipment and a substantial customer.

The relationship with INFOP has not been too good either. It was explained that in order to have an apprenticeship program (many of the interviewees, when asked how many employees they had, did not include apprentices and expressed a fear that we were investigating for the Ministry of Labor) which would enable them to hire at less than the minimum wage for the training period, they would have to file a detailed educational program with INFOP prior to obtaining permission from the Ministry of Labor. The program would have to specify the time to be spent on each training segment. They also said that an apprenticeship program required a classroom for the "theoretical" part of the training. This is simply beyond their means, and as will be discussed in the final report, most of the interviewed men had never been through a formal training program. They learned by experience at the side of those who knew the trade, or by trial

too much to ask. In this way they are being asked to become educators in the most formal sense.

From the information in the National office we had expected to find 63 members in the El Progreso area. In reality we identified 33 members which the directors considered active in their respective businesses. We drew a sample of approximately 42% of the members on the list and, of these, completed 13. Among non-members 11 were located and interviewed. In terms of attrition this region was as impressive as Juticalpa, but we were employing a revised membership list. If we had begun with the list of 63 members the attrition rate might have been as high as 50%.

LA COIBA

The La Coiba Region was the second to last region studied and is notable for the temperamental qualities of the businessmen. It is a very relaxed atmosphere in which to work, eventhough the volume and diversity of business in the town exceeds that of the other non-city regions. This region was self-promoted. A dynamic local leader (Francisco Pérez) who works with the Chamber of Commerce promoted its formation in 1974 by making contact with the San Pedro Sula office. Later a group from the region attended the previously mentioned meeting in San Pedro Sula at which the various banking groups and the Ministry of Economics presented the credit services. From that meeting, and with the cooperation of the local ENF office, most members received credit. The service given by the ENF is praised by the members who participated in the group level interviews. One member stated that his application was presented, reviewed, approved and disbursed in a matter of hours. He attributed this service to the assistance that he received from the ANPI regional office. References to other institutions which should be serving the small business sector were made during the regional level conference in November of 1976. It was attended by the members yet their only comment was that, "They (CENI) were too far removed from the reality of the small business sector to know what was needed". They were equally polite with regard to INTOP, "They do not have the knowledge to begin to seriously help us. They are better suited to those in the hotel and restaurant trade". The assistance that they received as a group from the ENF helped the regional organization. In the formation of groups of this nature the satisfaction of initial goals tends to support them and their belief in their own efforts. In contrast, the Tegucigalpa group was generally frustrated and not well formed. It would be good to use the experiences of these groups as a guide to future work with them - uncompleted projects or ideas for projects could be

reconsidered and related to know resources. The only reservation would be that those who are promoting the reformation of these regions should have "connections" so that the projects will not be a confirmation of previous frustrations.

As far as the membership list was concerned, the records of the region were not so formal; nevertheless, the directors and a few members of the region ( Ramón Mata, Abraham Lempira Trejos, Carlos Urbina, José María Escobar, and Rolando Meza) held a meeting and, from the different records of the officers and the good memories of all, they presented us with a list of 22 members within La Ceiba and three members in Olanchito and Coyoles Centra. We also had eight members from the San Pedro Sula list which were added to those interviewed. We expected the attrition rate to be less than the city regions, but a bit higher than the other rural regions; because this region included some members in the small towns mentioned (in the interior) the hypothesis was that among them less attrition would be experienced due to having less competition among men of the same trade. They also are newer members and the chances of their having gone out of business in mass, during larger population in the town proper than Cholutsaca or El Progreso and this may indicate a greater flow of business and attempts at the formation of business. (See table II for the population of the regions studied.) In order not to risk a small sample size we sought 100% of the list and obtained 27 completed interviews (80%). It should be noted that only one member on the list could not be located and the other two were not in town during the two weeks that the team worked there.

In La Ceiba there is an old market place near the neighborhood called "New York". It is a serviceable building, yet some of the members mentioned that although it was available for rent from the municipality, the rent was too high. No attempt had been made, to date, to form a cooperative venture to take advantage of the building. The potential is there, and considering that some of the members lost their shops in this past year's

floods it is probable that good use could be made of it. A final general observation concerning this region is that it has serious basic materials bottlenecks for those who use wood or steel. They have transportation problems, too, which accentuate the problem. Steel comes into the port of Cortés in a sporadic flow and is controlled by the larger purchasers because they have the ability to import the minimum size lots; then the steel passes through the distributors in San Pedro Sula and finally the small shops have a chance to buy. Aside from the price changes at each step the shops in La Ceiba have the additional problem of not knowing when to go to San Pedro Sula to buy. There does not appear to be any formality in the market place which would enable these men to place orders. They stress that it is a matter of "first-come, first-serve" and that they hear of the arrival indirectly. The wood problem also centers around the transportation system, but has an additional inefficiency in the marketing system. Apparently, as controlled by CCHDEFOR, the supply of wood for carpenters and other small scale consumers is not constant or stable. This problem was mentioned

#### SANTA BARBARA

The initial contact with the Santa Bárbara members and directors was very successful and they were most cooperative. They explained that the region had been promoted from Tegucigalpa in a manner which caused initial antagonism among the members. Evidently the representative from the national office arrived and named a leader, who did not live in the center of the town itself, and he was not well received by the future members of the region. Another directorship was formed and in their first year they planned and held an artisans' fair as part of the local annual fair. They had hoped to promote the annual fair as the national straw hat festival, but there was a conflict during the fair, that

year with the traditional fair organizers and the ANPI members did not try to formalize their participation as an organization in the annual event. The national straw hat festival never came into being.

Santa Bárbara is a small region and, because of the road system, it is more closely related to San Pedro Sula than to Tegucigalpa. They, as in most of the other regions, produce for the local market with one important exception - the straw hats. The hats are exported and the local vice-president (Miguel Paz) has traveled through Central America and parts of North America promoting the product. It should be noted, however, that the ANPI members who are in the hat trade are not hatters in the sense that they weave the hats. The hats are woven on a piece work basis in individual homes. The ANPI members are in the block or forming, and finishing stages as well as marketing of the hats.

It was mentioned that Miguel Paz had seen hats made, in Italy, of rice straw and that he thought that this might be an alternative to the "junco" fibre presently used because it is in short supply. The idea considered was to send someone to, or bring someone from, Italy who could show them the process that would make rice straw manageable. They have developed an interesting product which uses the brim and crown of the hats - a high platform shoe. This product was developed at a time when the value of hats was very low due to an over production. The plan was to withhold the hats from the market and to use them to cover the platform sole and to cover the straps. It uses the bulk of the hat with very little waste; yet, if they had a bit of technical assistance, a weaving system could be devised to produce cylinders which would reduce the waste even more (the top of the hat is not used at the present time). The esthetic beauty of the shoe is that, when covered with the material from the crown, it does not have a seam.

We had a long discussion with them about services being rendered by the public institutions which should be assisting them. Most of the remarks related to IIFOP and the Ministry of Labor.

The INFOP training responsibility was dismissed by the remark that "Here, we are the experts in the production of straw hats, and they would have to hire us to train ourselves, and this we do anyway." The other tradesmen had little to add to this comment. One of the men explained that he had more than five workers and therefore he had to pay a tax to support INFOP through the Ministry of Labor. He did not mind paying the tax, so much, as he did the trip to San Pedro Sula to pay the tax. This caused him to lose a days' work at the shop, plus, he had to pay the transportation which was more than the tax. He tried to arrange to pay the tax through a local bank, but the Ministry does not have this system of payment and, therefore, he has to make the trip each month (by the 10th) to San Pedro Sula. Others said that since the Labor Department had begun to enforce the law concerning apprentices and the collection of the tax from those with more than four employees, they had laid off enough workers to avoid the "problem". Others said that they are now sending out the work on a piece basis in order to limit the number of employees and in this way avoided the problem. The net result is that those workers most in need of the protection of the law, and the social security that accompanies it, are excluded.

One of the businessmen had had experience with the CCTI, but he stopped sending his products to them for marketing when they did not pay him for the products. He said that he has not been able to collect from them to date.

The sample attempted in this region was the "universe" (10 members), but because of the travels of the members the team was only able to complete five interviews in the week that they were there. The original design called for a sample, from the list, of 46 members, but this number just did not exist. As mentioned above, the businessmen in this region are notable for their travels to promote certain products. If we had had the time to return to the region (this was the last week of the field work) we would have completed the full list. Only three non-members were interviewed because of a lack of references and the small base.

THE NARANJO SAMPLE

For the sample from the "Naranjo Study" we selected 24 firms which were indicated as having the most potential in the areas studied. Three would not grant interviews because they said that they were too busy. Five were not at the shop when called and three of the cases could not be found. We completed 13 interviews with these men. For the most part they were mechanics who repair equipment. One was a builder of wooden truck bodies, and another was an assembler of pump parts. In addition, a leather worker (probably to make harness) was included in the list and from him we completed an interview. None could really be classified as manufacturers of agricultural implements, but, as shown in the "Naranjo Study", could provide the basis for such an industry given the designs and marketing. A couple were two-man shops, and the largest shop had 9 employees. The average firm employed 4 men.

The market area served by them was the immediate town in which they worked. These firms were added to the non-member section of the other firms and when tabulated are in their respective categories - leatherworkers, ironworkers, and various.

The final description of these firms will be determined by Mr. Burnett of the Capital Development Office of AID/Honduras. Otherwise they will be included in the general study of the small industry sector.

CONCLUSIONS CONCERNING THE SAMPLES AND REGIONS:

The first and most important conclusion, from the group level interviews and the sampling attempt, is that the ANPI national organization is in poor condition. Their actual membership, that is, members who exist at the end of 1976, is estimated to be between 374 and 476. The estimate covers this interval because in San Pedro Sula we used the attrition rate from the selected list and projected it to the full list giving them the benefit of the doubt. The regions of Siguatepeque-Comayagua,

Danlí and Copán do not exist in practice and do not appear to be areas that can be developed unless considerable promotional activity is invested and backed by concrete solutions to local problems. Among the other regions La Ceiba, Juticalpa, and El progreso would probably benefit and respond to organizational and technical assistance. This will be discussed in more detail in the final report under the section "Suggestions For The Support of ANPI".

The general impression of the association is that it was founded upon promises and the hope of credit and assistance which it never was able to deliver. The basis for this credit policy appears to have been a special industrial loan to the BNF from A.I.D.. As mentioned, in some of the regions there was widespread access to loans, but this did not form a strong association. At first glance the basic problem of the small industry sector appears to be a lack of markets or demand given the "capacity" they have to produce. In the regions where the bulk of the consumers are in the rural areas the actual consuming population is less than half of the actual population. Credit is a problem, but it does not resolve the marketing and supply problems.

The other major impression is in regard to the relation between the small industry sector and the bureaucracies which should be serving them. In certain regions the Ministry of Economics - through the BNF - has been of great assistance, and the proposed small industry law will provide these industries with some relief from certain taxes which may provide the basis for limited capital formation. The problem with the Ministry of Labor and INFOP is complex. On one hand, labor can not be expected to undergo exploitation in order to develop the sector; but the present application of the law appears to be counter productive when it causes workers to be layed off. On the other hand, its application hinders the employment of apprentices and the broadening of the skilled labor base while simply irritating the small

businessmen. It is possible that the people interviewed are poorly informed in this regard. Nevertheless, what we have recorded is their impression, and it is precisely their condition and impression that these public institutions should be interested in changing. CCTI and TECHNOSERV should undergo a complete analysis of their role in the development of this sector and the service that they have rendered to date. Their reputation is not good to say the least.

#### THE ACCOMPLISHMENTS OF THE PROJECT TO DATE:

As described in the previous section the interviews have been carried out - not to the extent planned, but, nevertheless, as far as could be completed. This experience has revealed the condition of the ANPI as an association. We will assume that among the industries sampled these members and non-members are representative of the small industry sector in general in terms of size, scale and markets. From this we can pursue the project goal of describing their state, problems and alternatives to break industry bottlenecks.

All of the 221 completed interviews have been coded and punched onto cards. Simple frequencies have been run on the variables and a series of cross-tabulations have been run to sort members from non-members by region and third variables such as: opinion of ANPI, marketing area, number and type of employees. From a preliminary perusal of the data it does not appear to be fruitful to pursue an analysis comparing members with non-members because they are similar as to scale, marketing, and organization. In the section concerning the reputation of ANPI their separate opinion will be presented, and, in the section concerning credit, the hypothesis that ANPI members have had access to and have obtained more loans than non-members will be tested.

The following section contains a general description of the firms and owners. It is suggested that the final report contain an analysis of the conditions and problems of the sector

in general with particular attention to the specific industry by region needs. Further description of the firms will be included, as per the general outline, which follows the "General Description of the Firms". The organizations to which the firms belong, and the services obtained, will be presented in order to assist in the creation of policy which will support the sector.

#### A GENERAL DESCRIPTION OF THE FIRMS:

As mentioned in the section concerning the sample the attrition rate was very high, especially in Tegucigalpa where we drew our sample from complete, unrevised files. In studies of small industry in other countries<sup>1/</sup> it has been found that the typical businessman makes various attempts at establishing a business. In the meanwhile he works as an employee where he may learn the business or trade. The result is that many small businesses exist for a year or so during one of these attempts. We attribute the attrition rate to the continual "in and out" pattern. To examine the pattern further, and to gain a better understanding of the sector, we asked the age of the business and if the entrepreneur had established another business prior to the present one. The average age or time in existence was 6.67 years, but the distribution was skewed toward the left, that is, the mode was closer to three years than the average. This explains, in part, the fact that we could not locate many of the firms which were on the books from the early 1970's. It also demonstrates that the small business sector is not one of long established firms. We found that 25% of the businessmen had established a business before the present firm. Interestingly 84% of those who had established a firm before had done so in an area not related to their present product.

<sup>1/</sup> Balán, et al "Men In a Developing Society", University of Texas Press, Austin, Texas, 1973.

Half of the men explained that they had been employed by a firm related to their present product line prior to establishing their present firm. A quarter of the men had never been employed before which demonstrates that the sector is not one dominated by people who are the "product" of an educational system. Their education was the product of on-the-job training which underlines the importance of the observations concerning the Ministry of Labor policy with INFOP and the tendency not to have apprentices. These figures also show that the small businessman will try various products rather than stay with one product if he does not succeed. Those who do not have the previous firm functioning established the new firm in the same community in 85% of the cases. The other 15% moved from the town in which the firm was located. An additional fact was that of those who had established a firm in the same community, prior to the present firm, half occupied the same location. It should be recalled that we are discussing only one quarter of the total sample when it comes to having had established another firm.

The question of size and change of size over time was examined. It must be recalled that, by definition, the firms interviewed should have had at least one and not more than 29 employees. Again we did not find a difference between members and non-members. The average number of employees at the time of establishment (including those firms who began without employees) was 2.6. For those who began with employees the average was 3.1 - not a considerable difference. Skewness was encountered again - toward the left of lower end of the scale - and the mode was between one and two members. At the time of the interviews the average size firm had increased to 5.1 employees. These are definitely not high growth industries, but, statistically, there is a difference between the initial average of 2.6 employees and their present size of 5.1 employees ( $t = 2.15$ ;  $df = 220$ ; sign. at the 2.5% level). In the final sample there were three cases

which did not have employees at the time of the interviews. There was also one firm which exceeded the limit of 29 by four employees.

The level of employment was constant throughout the year for 95% of the firms, that is, there was not a problem of seasonal employment. Those who worked in the clothing field experienced the fluctuation because of the Christmas and year-end demand.

Table III contains a breakdown of employee types and the percentage of the firms which have the specific type of employee. This reveals that most of the employed (62% worker; 17% piecework at home; 12% apprentices) were logically in the worker category, but it also demonstrates that within these firms there is not a formal hierarchy of status positions. The compensation of these workers averages Lps. 37,29 per week which is definitely in the marginal class, but, as will be described in the final report, the entrepreneur is not so well off either.

In the management of the firm we found that the owner (in 93% of the cases) did everything within the firm from actual labor input to sales and accounting. This reflects the situation in the small firm where the owner must fill the gaps and act to meet demand on a daily basis. The division of labor is accordingly limited.

We had anticipated that there would be various corporate types among the firms, but only 6% were partnerships with equal sharing of the labor and capital inputs; 1% of the firms (two cases) had a profit sharing plan with a partner who did not provide initial capital - his input was management and sales. Only one firm had a formal corporate structure with a legal title and registration. Where there were partners half stated that they worked side by side doing all of the tasks without a clear division of labor between them. The remaining partners had a division of labour according to their abilities. Only 3% stated that they limited their work to the office.

OUTLINE FOR THE FINAL REPORT:

The following outline for the contents of the final report is offered as a proposal, but it is expected that a meeting can be held during the first week of March, 1977 with all interested personnel in AID to discuss their immediate needs as well as the items that they would like added to the outline. In this way modifications in the contents can be made with ample time to complete the work before the March 31st deadline.

Because this is a survey to provide ANPI and AID with a sound basis for policy and projects which will stimulate and support the small industry sector in rural and urban areas, the general formate of the final report will be descriptive and interpretive. The basis for the descriptions and interpretations will be the variables in the questionnaire. As mentioned in the previous sections there will be some hypothesis testing! The emphasis will be upon the identification of material, credit, marketing, and labor bottlenecks. The organizational attempts made by the entrepreneurs within the sector to overcome these inefficiencies will be described and analyzed so that existing efforts may be strengthened or similar organizations created in other regions.

OUTLINE:

- I ANPI
  - Payment of dues
  - Attendance
  - Membership in the consortiums
    - Benefits
  - Opinion - promises made and kept
  - Non-members' knowledge and opinion
- II The Entrepreneur
  - Age, education and training
  - Occupation of the father
  - Migration
  - Membership in social, political and religious organizations
  - Self-confident or fatalist?
- III The Economics Of The Firms
  - Sources of working and investment capital
  - Interest paid
  - Investments in fixed and working capital
  - The tenancy of the shop
  - Contracts and their use
  - The extension of credit to customers
  - An attempt at an average profit and loss statement by industry type
- IV The Market Place
  - Competition and the geographical location of the firms
  - Types of consumers
  - Supply, quality, and origin of inputs
  - Exportation
  - Participation in fairs
- V Record or Bookkeeping
  - Types and condition

- VI            Power Supply
  - Type
  - Motors or plants
  - Service available
- VII          A Projection: If the volumn of your sales doubled
  - Labor supply
  - Material availability
  - Capital and credit
  - Standing capacity
- VIII        Conclusions and Policy Suggestions

TABLE I

NUMBER OF BUSINESSES SURVEYED BY TYPE AND REGION:

<u>REGION</u>	<u>INDUSTRY</u>						
	WOOD	CLOTHING	SHOES	METAL	FOODS	PRINTING	MISC.
<u>MEMBERS</u>							
Tegucigalpa	7	5	11	1	2	2	7
San Pedro Sula	5	5	4	1	2	2	3
La Ceiba	4	10	6	1	3	-	3
Sta. Bárbara	2	-	-	-	-	-	3
Cholulteca	4	3	3	2	1	1	4
Juticalpa	3	4	3	1	1	-	1
El Progreso	4	5	2	1	-	-	1
							n = 133
<u>NON-MEMBERS</u>							
Tegucigalpa	3	4	5	-	-	-	1
San Pedro	1	2	3	4	2	1	3
La Ceiba	5	10	9	1	1	-	-
Sta. Bárbara	-	1	-	-	2	-	-
Cholulteca	2	3	2	1	-	-	-
Juticalpa	3	3	3	-	1	-	1
El Progreso	3	3	2	2	-	-	1
							n = 88
Total	46	58	53	15	15	6	28
Percentage	21	26	24	7	7	3	13

TABLE II

POPULATION OF THE CENTERS STUDIED: 1/

<u>REGION</u>	Municipal Center	Non-Center Towns
Tegucigalpa	273,894	31,493
San Pedro Sula	991	49,890
La Ceiba	788	9,047
Sta. Bárbara	883	9,685
Choluteca	152	23,175
Juticalpa	075	28,067
El Progreso	105	34,353

1/ Secretaría de Economía, Dirección General de Estadística y Censos, Población y Vivienda Por Municipio y Departamento, Tegucigalpa, D.C., 1976.

TABLE III

## TYPES OF EMPLOYEES WITHIN THE SAMPLED FIRMS:

TYPE OF EMPLOYEE	% OF ALL FIRMS WHICH EMPLOYED THIS TYPE	AVERAGE NUMBER PER FIRM EMPLOYING THIS TYPE OF EMPLOYEE
WORKER	98	4.00
APPRENTICE	36	2.02
FORMAN	10	1.09
OFFICE	10	1.26
OFFICE MANAGERS	3	1.26
SECRETARIES	4	1.22
SALESMEN	6	1.92
BOOKKEEPERS		1.00
MESSENGERS	2	1.00
CLEANING PERSONNEL	5	1.18
WORKERS AT HOME <sup>1/</sup>	14	5.68

<sup>1/</sup> These workers generally receive compensation for piece work and may or may not be supplied with the materials.