

1. SUBJECT CLASSIFICATION	A. PRIMARY Development and economics DM00-0000-G358
	B. SECONDARY Industries and industrialization--Honduras

2. TITLE AND SUBTITLE
 Survey of small industry in rural and urban areas, Honduras; final report

3. AUTHOR(S)
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4. DOCUMENT DATE 1977	5. NUMBER OF PAGES 59p.	6. ARC NUMBER ARC H0338.64.M574
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7. REFERENCE ORGANIZATION NAME AND ADDRESS
 Merschrod

8. SUPPLEMENTARY NOTES (*Sponsoring Organization, Publishers, Availability*)

9. ABSTRACT

10. CONTROL NUMBER PN-AAG-628	11. PRICE OF DOCUMENT
12. DESCRIPTORS Small scale industries Surveys Rural areas Urban areas Honduras	13. PROJECT NUMBER
	14. CONTRACT NUMBER AID-522-352-T
	15. TYPE OF DOCUMENT

1 u

PN-AAG-628

FINAL REPORT

SURVEY OF SMALL INDUSTRY
IN RURAL AND URBAN AREAS
HONDURAS

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U. S. Agency For International Development

Contract N° AID-522-T-352

30 March, 1977

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INTRODUCTION TO THE FINAL REPORT

The "Interim Report", submitted in February of this year, contains the preliminary results of the sampling procedure and a description of the conditions of the small industry sector in each of the seven regions. Also presented was a proposed outline for the final report which differs slightly from the index of this report because of certain inconsistencies which we found in the data related to the finances of the firms.

In this report we have not provided a summary or conclusions for policy as a separate chapter because the suggestions are numerous and to take them from the context in which they are presented in each section would render them useless because of the brevity with which they would have to be stated in such a chapter. It is hoped that the report will be made available to all working with and in the small industry sector -from the highest bureaucratic level to the promoters of cooperatives and the inspectors from the Department of Labour. If these diverse interests can ever be coordinated to support the small industry sector it will be of great assistance to those in the sector.

Although the report shows some negative findings concerning ANPI and other organizations, it is hoped that the airing of these findings will make those involved more conscious of the actual conditions of the sector and guide others to those areas which do need attention.

THE ENTREPRENEUR

The small industry sector, as well as any other sector of businessmen, is composed of individuals assuming and taking risks. The risks may be simply capital, but more generally they are risking time, skills, their own labor as well as capital to produce a good which they estimate to have a value greater than the total of the costs of the venture.

In order to facilitate the writing of this report and to avoid reference to terms such as "businessman", "businesswoman", "the Subject", "cases", and so forth, we will simply use the abbreviation "E" to stand for the term "Entrepreneur" which encompasses these terms. As generally expressed in economic texts production is a function of three terms - Land, Labor and Capital, but as found in the praxis these factors are not additive in effect; they are interactive. While the supply of these factors may have structural inefficiencies, it is generally assumed (incorrectly so) that the market place "rationally" allocates them. The above mentioned factors are accepted as being the factors of production, but it is held to be true that the "E" is the fourth factor of production, and this factor, working within the structural constraints of his society and economy attempts to maximize the gains by combining the other factors. The constraints brought to bear upon the "E" may be legal or extra-legal, bureaucratic, infrastructural, national or multinational in nature. This study concerns a sector of the "E"ial" group and its organizational attempt in the form of The National Small Industry Association (ANPI).

PERSONAL DESCRIPTION OF THE ENTREPRENEUR

SEX:

Throughout the report we have referred to the "E" without regard to sex, but it should be noted that five percent of those interviewed were women. They were predominately in the clothing field with smaller proportions working in food processing. We have not treated them as a separate group because it is assumed that they, as any other business person, would be included in any policy decisions.

AGE:

The youngest person interviewed was 21 years old and the most mature was 75. The average was 41.84 years old. It is a normal distribution (skewness = .34) of ages and, accordingly, 79% of the "Es" were between 31 and 55 years of age. If the average age of the business is subtracted from the average age of the "E", the average age of the "E" at the time he began the firm studied was 35 years. Typically, as described below, he passes through a period of formal education followed by a longer period of mixed on-the-job training or apprenticeship plus technical courses before beginning his own firm.

PARENTS' OCCUPATION:

With regard to the occupation of the "E's" father we found that most were from agricultural occupations (33% were farmers and 17% were field hands); skilled laborers (23%); businessmen or retail sales accounted for another 12%; and the remaining 15% were employed in an array of activities from military to teaching jobs. The concept of their being

a group of second generation businessmen following in their father's footsteps is not applicable.

COMMUNITY OF ORIGIN OF THE ENTREPRENEUR:

Although there is definitely a rural bias to the fathers' occupations it should be noted that the majority (67%) of the "Es" were raised in the town which is a municipal center (41% in common municipal centers and 26% in municipal centers which are the departmental capitols). From towns and villages the proportions were 15% and 3%, respectively. The remaining 15% came from the capitol city - Tegucigalpa. As show in the following table, less than half of the "Es" were from the center studied (El Progreso and Choluteca are exceptions). The majority of the "Es" came from centers outside of the center in which they were interviewed.

TABLE I

TYPE OF COMMUNITY OF ORIGIN BY REGION

REGION	VILLAGE	TOWN	MUNICIPAL CENTER	DEPARTMENTAL CENTER	CAPITOL	FOREIGN
Tegucigalpa	4	8	35	15	<u>35</u>	2
San Pedro Sula	5	8	32	<u>37</u>	16	3
La Ceiba	2	28	57	<u>11</u>	2	-
Sta. Bárbara	-	14	29	<u>43</u>	14	-
Choluteca	-	12	23	<u>58</u>	4	4
Juticalpa	-	17	25	<u>50</u>	4	-
El Progreso	8	8	<u>71</u>	8	4	-

(The underlined figures are those for the type of community of that region)

San Pedro Sula and Santa Bárbara are the only two centers to which migration from a "higher level" center has occurred in excess of a few percentage points. In the case of San Pedro Sula, politically

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classified as being "lower" than Tegucigalpa, it is economically more dynamic and industrially developed than Tegucigalpa.

The small foreign component (2% of the sample) has gone to the two major centers (San Pedro Sula and Tegucigalpa) plus Choluteca. La Ceiba represents the opposite extreme - most of the firms have been established by people from the surrounding municipalities from the departments of Atlántida, Colón y Cortés. The other centers are a mixture of approximately half from other centers and towns and the remainder from the same center. While all are poles of attraction, Tegucigalpa, San Pedro Sula, and La Ceiba are more dynamic than the others in attracting from a wider geographical area. In the case of El Progreso it should be recalled that it is very close to San Pedro Sula (and hour or so by bus) and probably "looses" migrants to San Pedro Sula.

In 1970 a study of Honduran "Elites" was made by Mundigo ^{1/}. A small part of the sample concerned managers of large firms which are definitely at the other extreme from our sample on a scale of business size. The first notable difference in the two types of businessmen is that 35% of the "Elite" "Es" came from another country in comparison with our 2%.

This is very different from the men in our sample and illustrates the difference between the "E'ial" factor of the two scales of industry.

^{1/} Mundigo, Axel I., "Elites, Economic Development and Population In Honduras", The International Population Program - Dissertation Series, Cornell University, Ithaca, N.Y. 1972, p. 39.

It should be pointed out that the definition of "Elite" employed by Mundigo limited his sample to Tegucigalpa and San Pedro Sula ("Elites are those personalities generally recognized by the populous in Tegucigalpa and San Pedro Sula.") For our sample in the same two cities the proportion of city born was approximately one third while the Mundigo sample contained 51% from the urban centers and 15% from small towns. Over one half of the "Elite" managers had studied at a university and approximately 75% had studied abroad. As described in the following section, the "Es" from our sample have very different educational backgrounds.

EDUCATION:

Our sample reveals that 95% of the "Es" in the small industry sector have had formal education. They averaged 5.77 years of basic education. The distribution, however, was biased toward the low end of the scale. Nevertheless, 47% had a sixth grade education or above (22% to the sixth grade, and 25% beyond). Those who completed 12 or more years of education formed 11% of the sample. In comparison with the population in general, this group is very highly prepared in terms of formal education, yet in comparison with the Mundigo sample it is not. More advanced or specialized education was not undertaken by 63% of the "Es", however, 17% said that they had taken technical courses not related to the present product line, and an additional 20% had taken technical courses related to their product. Preparation in the form of apprenticeship training was an important phase for 84% of the "Es". The apprenticeship received, in 82% of

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the cases who had served as apprentices, was related to the product that they are actually producing. On-the-job experience is definitely the means to learning the business for this sector because, in addition to the apprenticeship training, 67% had been employed in firms making products similar to their own. One quarter of those "Es" began their own firms without the benefit of prior work experience. It should be noted, however, that 76% of those who simply began their own business had been in an apprentice position (55% related to their present product). This group distinguishes between apprenticeship and actual employment. This, as mentioned in the "Interim Report", was found among the "Es" when discussing employees - the apprentices were generally not included. It may well be that in this sector apprentices are kept in that state for as long as they will tolerate, and rather than continue in that low income position they go off to establish their own firm. If this is the case, then the Labor Ministry's effort to formalize apprenticeship programs is well founded in order to put a rational limit on the time that an apprentice must serve at the lower salary.

A combination of apprenticeship and technical courses was found in 36% of the cases; only 1% of the cases took technical courses and did not serve an apprenticeship. This may be disturbing if it indicates that even though they have taken technical courses they were still required to serve as apprentices. It is probable that just the opposite is true - that they took technical courses after or during the apprenticeship or during their work experiences. Only 15% had neither courses or apprenticeship experience. While we are not able to answer the question

directly because we did not study the chronology of their experiences, we can offer that 64% of those who had prior work experience had taken technical courses. There is also a positive relationship between formal general education and technical courses not only for those above sixth grade level (where 66% had taken technical courses), but also for those with sixth grade educations or below. At the sixth grade level 40% of the cases had taken technical courses, but at the second grade or below the proportion was only 10%. Apprenticeship follows a similar pattern - the more years of education the greater the proportion of the "Es" who have served apprenticeships. This is surprising because we would expect that those who had less formal education and technical training would have greater proportions of their numbers receiving apprenticeships. For those with over six years of formal education 99% had gone through technical courses. For those below this level of formal education the range was 64% (no formal education) to 94% (a sixth grade education).

In general, both apprenticeship and technical courses are combined for the preparation of these businessmen, and, while apprenticeship may be a substitute for technical courses, technical courses are not a substitute for apprenticeship and on-the-job training.

PREVIOUS WORK EXPERIENCE:

Of those who had been employed prior to the establishment of their firm 80% stated that from their previous employment they had learned the

business in which they were currently engaged. Of them, 91% had served as workers, 7% as office employees or shop formen, and the remaining 2% had worked as salesmen.

Clearly work experience was an important part of the preparation for these "Es", and it is important to consider this experience with regard to the problems noted in the group interviews related to INFOP, the Ministry of Labor, and apprentices. It is important that a careful reconsideration of policy be made to increase, rather than decrease, the number of positions opened to apprentices. While the basic concept of INFOP is sound, the application is causing apprentices to be turned away from job opportunities. To throw the full burden of training onto the State at a time when it may not be most able to assume such a responsibility is a mistake, especially if the industry has been doing the job. It may also be worth while to ease some of the restrictions presently placed on in-shop training and to complement this experience with formal training supported by INFOP at the local level on an off-hour or shared time basis.

MIGRATION:

As mentioned in the section concerning the community of origin of the "E", there is a varying trend of migration from less economically developed centers to the centers in which the samples were taken, but the geographical location of these "outer" centers has not been described. When this variable (Department of Origin) is taken into consideration we find that the area from which these "Es" have come depends upon the region studied.

The regions may be classified into 1) those centers where 80+% of the "Es" came from the same department, 2) those where approximately 50% came from the same department, and 3) those where 33% or less came from the same department.

The first category (Santa Bárbara, Juticalpa, and Choluteca) represents those centers which are attractive to other centers in the same department and serve the department at its main economic and administrative center. The hinterland of this type of center is limited to the same department. The second category (Tegucigalpa) attracts from most other regions of the country yet 52% of its small business sector is of local origin. San Pedro Sula, La Ceiba, and El Progreso are newer centers with an area of attraction which extends to a whole region of the country.

Considering the average age of the men, and the fact that most came from non-rural settings (that is, they had access to educational and apprenticeship experiences) sets them aside from the majority of the Hondurans of their peer group. Evidently the "E" is not a product of migration from the countryside to an urban job experience. He may move from one lower level central place to a higher level center, but he does not generally move from the country to the center nor from higher level places to more rural centers to establish a business. The apparent basis for the development of the small industry sector (other than a demand for products) is an environment in which work experience can be gained. The development of these regional centers

is a process of continual division of labor by local experience and training when available. Given the information concerning the relation between apprenticeship, technical courses, and the origin of these "Es", it would be useful, for the stimulation of industry and services in these non-city centers, to provide the technical training in these same centers as mentioned previously. In the group level report it was mentioned that in Juticalpa there was a complaint that skilled carpenters were not available. At the present time there is a renewed effort to improve the quality of the carpenters' training at the vocational center in Juticalpa (A mature Peace Corps member will be going there in a month or so to assist in this training program). It is important that this type of training be offered in these centers rather than in the cities because many potential trainees are not able to free themselves from a "work" obligation. The apparent mix of technical courses and apprenticeship should not be overlooked in this regard. By the work experience a certain selection process probably takes place eliminating those who really do not have interest in a given trade, but if courses are provided based upon availability and impulse for selection the effort will probably be made on individuals less likely to continue in the trade.

PARTICIPATION IN SOCIAL, POLITICAL, RELIGIOUS, AND PROFESSIONAL ORGANIZATIONS:

In order to determine the degree of participation in organizations the "Es" were asked if they belonged to any other social, political, professional or religious organizations. In none of the four categories

did more than 20% of the businessmen participate, and only 6% belonged to more than one organization. These men are clearly not "joiners" and illustrates their individualistic character. The organizations which have attracted the most membership are the Chamber of Commerce, Accountants' Society, Lawyers' Society, the Leons' Club, and Artisans' Clubs, but together the membership in these organizations was less than 15% of the sample. Sports clubs, Clubs of town of Origin, Women's clubs, the Country Club and A-A accounted for the remainder of the membership. Only 8% stated that they belonged to a political party (5% to the Liberal party and 3% to the National Party). Of the 21% who mentioned religious affiliation 15% were Catholic and the remainder were Protestants.

This section was presented simply to demonstrate the isolation of these men from community organizations. The promotional work which must be undertaken to strengthen the ANPI, at the regional and national level, is considerable because, in general, these men have not experienced nor are they accustomed to the use of organizations for achieving common ends. The regional leadership is an exception, and, of course, would be the basis for future work with this sector.

OPINION CONCERNING SUCCESS IN BUSINESS:

In a study of all social stratas completed in the early 1960's (The reference, unfortunately, has been lost), of attitudes in San Salvador, El Salvador and San José, Costa Rica it was found that 43% and 58%, respectively attributed "Luck" to the success that they had achieved in life. "Hard work" was stated in 44% and 24% of the cases and the remainders - 13% and 18% - gave a combination of the two. Granted that

the sample is now over 15 years old and that the attitudes have probably changed with the "modernization" of the cities plus that our sample is a specific sector of the population, nevertheless, we asked a similar question in a more opened form to compare the small businessman's opinion. The results of the question give very different responses (see Table II). The "Es" present an image of a group of people who believe that their efforts and the efforts of others working with them are the basis for their success. The high percentage that attributed their experience and training to success supports our previous observations concerning the importance of on-the-job training and apprenticeship for this sector. The proportions do not change from region to region.

TABLE II

FROM YOUR EXPERIENCE WHICH FACTORS HAVE CONTRIBUTED TO
THE DEVELOPMENT AND SUCCESS OF YOUR BUSINESS?

REASON	PERCENT
Luck	Only one case
Access to capital	3
Connections	5
Having good workers	7
Hard Work	30
Experience and training	49
Those who did not consider themselves to be a success	6

THE ECONOMICS OF THE FIRMS

AN ATTEMPT TO CALCULATE A PROFIT AND LOSS STATEMENT BY INDUSTRY TYPE:

Throughout the interviews, in the appropriate sections of the questionnaire, we noted the basic information concerning the economics of the firm. Aside from the economic state of the firm we planned to obtain information which would enable use to make statements concerning the capital/labor ratio, inventory turnover, profit, sales/capital ratio, etc. We based our work on the assumption that because we were representing an organization which was known to them and not related to other interests, the "Es" would provide us with accurate information. It was also explained that the results from this information would be returned to them in the form of a report, by industry and region, so that they could compare their operations with these figures. We either failed to gain their confidence of the members and non-members alike, or they were not able to provide us with accurate information concerning sales, expenses, investment, etc. While we did expect that some of the firms would be operating at a loss, the information provided indicated that 62% of the firms were losing money, and this is just too great a proportion to accept. Returning for a moment to the previous section one should note that only 6% considered themselves not to have been successful in business. For this reason, too, we consider the information provided in the financial section to be invalid. The program written for the processing of this information excluded those who provided information indicating a loss, but to assume that those who did not have losses were providing us with accurate information is an assumption

that we can not make given the general lack of confidence in the sector. It is pointless to present this data given the lack of credibility. Because of this situation we reconsidered the content of the entire questionnaire, but the other questions were categorical in response and not so sensitive. If the bias in the economic data was due to a subconscious attempt to create an image of being "down and out" and in general need of assistance then areas such as the opinion of the ANPI and other organizations should be taken less seriously. This is, indeed, a sorry find, and caution concerning economic data must be taken for those who wish to continue working with this sector.

INITIAL INVESTMENT:

Although we are not able to comment about the amount of capital invested, nor the capital/labor ratio, we can offer the source of funds for the initial investment. Banking is not an exception to the general lack of institutionalized support for the sector, and, considering the small principal which loans to this sector imply, it is not so attractive to make loans when compared to the competition. Accordingly we find that 78% of the firms were begun, principally, with personal savings and that 41% of the firms were begun exclusively with personal savings. Friends and family provided funding in 7% of the cases; 9% obtained commercial loans; 3% mortgaged property; 2% began with credit extended by suppliers (implying that they had the equipment); and 1% began with advances from clients. Although 54% had only one source of funding an

important proportion (32%) of the "Es" did obtain commercial credit as a secondary source. The fact that collateral and/or counterpart funding is required for commercial loans makes it most reasonable to have commercial loans as a secondary source rather than a primary source. The importance of collateral when obtaining commercial credit is illustrated by the fact that 92% of those who obtained commercial loans had "informal", i.e., family, personal or friends as primary sources, funds.

To understand the terms of capital in greater detail we asked the "Es" the number of months for which the funds had been loaned. Half of the firms (51%) had credit for specified periods. The average period being 24 months. It should be noted that 46% of the loans were for periods of a year or less; 30% for two years; and the remaining 24% for more than two years. We did not try to categorize these loans, but, considering the high proportion of "Es" that had personal loans or informal loans when obtaining commercial loans, the application for commercial loans must have been for fixed capital investment rather than working capital. In the group level interviews it was stated that the commercial loans were for fixed capital. The complaint was that the terms were too short. Considering the periods given at the individual level, the repayment periods for fixed capital are too short. If machinery may be paid off in such short periods then the return on capital must be very high, but this is doubtful. It is more probable that these relatively short term loans have to be rolled over at the end of the period and that the overdue loans, also discussed at the group level, were probably because of an overly optimistic projection of the rate of capital formation or it was

taken for granted that the loans would be rolled over. More realism should be employed in a credit policy for this sector. They could be expected to repay loans for equipment before it is fully depreciated, but they can not be expected to form capital at a rate which is greater than the larger industry sector simply because the owners of small industry are too close to basic subsistence and have a propensity to consume which is more elastic than other sectors which have a higher standard of living plus a more formal corporate structure.

THE TENANCY OF THE SHOP:

This sector is generally a renting class (64%), but 22% do own their shops outright and an additional 8% are in the process of paying for their shops via mortgages. A small group (6%) are occupying borrowed space. Because of the problem with the economic data we can not estimate the cost of rent as a proportion of the operating expenses. Renting certainly reduces the amount of initial capital required and also implies lower overhead, but capitalization is not possible as in the case of those with mortgages. Policy-wise there is little to offer for the sector. Whether or not it would be better to establish industrial parks is a question which should not be based upon the rental variable alone. The proportion of "Es" which does not have its home in the same building or adjoining the shop is very small (12%) and any attempts which might disrupt this pattern may meet with resistance because of the increased costs in rent and personal inconvenience. Some are presently working in crowded shops, and, others, such as the group of woodworkers in El Progreso, would welcome an industrial park situation for their particular convenience. In any case this type of project would have to be carefully examined in the local context.

THE MARKET PLACE

AREA:

As shown in Table III, most of the "Es" considered their market area to be the municipality in which they were established. Some were limited to local trade. Three were established in international markets and four "Es" had what they considered to be the national market.

TABLE III

MARKET AREA BY REGION: % OF FIRMS

REGION	LOCAL	MUNICIPAL	VARIOUS MUNICIPALITIES	DEPART-MENTAL	VARIOUS
Tegucigalpa	--	81	4	--	8
San Pedro Sul	21	55	8	--	11
La Ceiba	13	52	12	6	17
Santa Bárbara	22	33	--	22	11
Choluteca	23	58	4	4	8
Juticalpa	24	38	29	10	--
El Progreso	8	79	4	4	4

When asked if they had competition in their market area, it was interesting that 55% of the responses were negative. That is, they had not perceived competition. Although only a small proportion of the firms were in existence before the war with El Salvador we were interested to see what impact the change in the market place had upon the firms. Of those in existence prior to the war 80% noted that there was greater competition prior to the war.

At the present time 37% of the "Es" mentioned that price was the main type of competition in the market place. Another 5% responded that those who were capable of producing in volume were their chief source of competition. The remaining 3% responded that variety, speed of delivery or salesmanship were the chief types of competition. The main geographical source of competition was from producers in the same municipality (30%); the same department (5%); other departments (6%); and the remaining 4% said that the competitive goods came from other countries in Central America. (Recall that only 45% admitted having competition).

To this point it is demonstrated that the members and non-members, alike, are primarily producers for the centers in which they are located and the immediate hinterland. This was mentioned in the group level interviews with the regional leaders of ANPI. Some of the members mentioned that their customers were generally peasants from the surrounding towns, towns people, and employees of the bureaucracies within the municipalities.

TYPE OF CUSTOMER:

The principal type of consumer for the small industry sector is the end user (60% of the cases); retailers provide 21% of the market; and wholesalers were cited as being the consumer for 16% of the firms. Only three "Es" said that factories were their customers. In Cholulteca two firms sold their goods through a cooperative, but this means was not cited by other firms. As shown in Table IV, those in the non-city centers were more dependent upon the final consumer.

TABLE IV

PRINCIPAL CUSTOMER BY REGION: % OF RESPONSES

REGION	CONSUMER	RETAILER	WHOLESALE	FACTORY	COOPERATIVE
Tegucigalpa	42	33	23	2	-
San Pedro Sula	37	32	29	3	-
La Ceiba	70	13	15	2	-
Santa Bárbara	50	38	13	-	-
Choluteca	77	8	8	-	8
Juticalpa	78	13	9	-	-
El Progreso	87	13	-	-	-

The high percentage of retailers in Santa Bárbara as customers is probably due to the straw-hat business which does not have its volume market in the immediate region. These manufacturers try to maintain sales directly to the retailer, and, as mentioned in the "Interim Report", the "Es" travel a great deal to promote their products at the retail level. It should be noted that the generally accepted concept of the small industry as a supplier to larger scale industry (an idea heard frequently in the ANPI office and the Ministry of Economics) is not supported by this data. Small industry at the Honduran stage of development is for basic consumer goods in the local market. Exports have not been developed for this sector although this is another idea frequently heard as the "solution" to increase sales.

TYPES OF SALE:

Although there is a slight variation from region to region, as shown in Table V, slightly more than half of the goods are sold as produced, i.e. without prior order. A small proportion of the "Es" have contracts or agreements, but these are limited to Tegucigalpa and San Pedro Sula. It had been anticipated that more firms would have contractual terms, but, as stated before, this is not a characteristic of the sector.

TABLE V
HOW PRODUCTS ARE SOLD: % OF FIRMS BY REGIONS

REGION	AS PRODUCED	MADE TO ORDER	CONTRACTS
Tegucigalpa	50	35	15
San Pedro Sula	63	29	8
La Ceiba	47	51	2
Santa Bárbara	50	50	-
Choluteca	69	31	-
Juticalpa	54	42	4
El Progreso	58	42	-

Of those who had contracts (8% of all interviewed) half stated that the advantage of the contracts was to have a secure market demand for the products; a third stated that the chief benefit of having a contract was that the prices were better and that collections were certain. The remainder of the responses indicated that other benefits were: advances for inputs and reduced sales effort. In spite of the contract a third of those

who had contracts replied that collections were a problem. This counter balances the third which stated that collections were certain. Nothing of great novelty has been uncovered in this area; they are simply arrangements made in the normal course of business and success or failure depends upon the two parties.

We had expected to encounter contracts with larger firms which would provide technical and supply assistance, but this is not the case.

TERMS OF THE SALE:

Half of the "Es" interviewed extended credit to their customers in the following pattern:

TABLE VI

PERCENT OF FIRMS EXTENDING CREDIT

PERIOD OF CREDIT	%
None	50
15 days	18
30 days	15
60 days or more	17

Although credit was granted by half of the firms, only 11% charged for extending it. The amount charged did not correspond to the length of the credit period, nor was it a hidden cost in the price of the goods because they did not change the price based upon immediate or partial payment. It appears that the extension of credit is a consumer service and that the rationalization of it is based more on confidence in the customer and a need to offer terms which are acceptable to him than on a combination of confidence and costs for offering credit.

TRADE FAIRS:

One of the ANPI efforts has been to organize fairs for the members so that their products may gain wider exposure and to provide a meeting with possible large buyers. Trade fairs have been held in Tegucigalpa and San Pedro Sula, but member participation has not been as dynamic as expected. It has been very disappointing, and as a matter of fact only 5% of the non-members and 24% of the members participated in a fair during the last year. In one form or another fairs have been held in each region including the community of Sabá, Colón. The primary reason given for participating in the fairs was to seek sales (51% of those who attended); 24% went in search of ideas for their own products; and approximately 20% felt that they gained prestige by participating. When asked if they had made sales contacts or direct sales from the effort, 43% said that they had not made a sale, nor had they made contacts for future sales, contracts were signed by 5% of the members, and, additionally, 20% made contacts resulting in future sales. The remaining third sold products at the fair. Those that participated were generally satisfied with the results and considered it worth the effort. The fact that more than half of the participants accomplished one form of sales or another by participating should be publicized when planning these fairs. As a matter of course those in charge of the fairs should have a brief questionnaire for each participant at the end of the fairs to show the results of the effort and to have information on hand for the following year.

The low level of participation in the fairs was attributed to a lack of knowledge of the fairs on the part of the "Es", and very few (3%) expressed a negative opinion of fairs in general. However, 22% said that they simply did not have time to participate which indicates that, in their estimation, more was to be gained by continuing their daily work than by making an effort to participate. The cost of mounting an exhibit was cited by 15% of the men as the reason for not participating (the special condition in San Pedro Sula, where they attempted to collect back dues may have influenced this variable in that region).

In this section the general condition of these industries is that they depend upon the immediate area for final consumers. Most of the product is for domestic consumption or use. The "Es" do not feel overtly, that they have competition in the market place, yet some were able to identify advantages that other firms had over them. As pointed out in the "Interim Report", the market areas are small and not populated with citizens who participate daily in the consumption of manufactured goods. The expansion of the small industry sector will depend upon the reforms which take place in the agricultural sector which will permit a better mix of land with the presently underemployed labor. As this large (conservatively 35% of the total population) pool of potential consumers is able to enter the market place the sector of small businesses should experience expansion and better returns to those presently working there. This is particularly true for the non-city centers.

CONSORTIA AND COOPERATIVES:

One of the objectives of the ANPI is to establish industry groups for the supply of inputs and the commercialization of products. The effort is similar to the cooperative movement yet on a less formal basis.

To begin this section on consortia the members were asked if they were members. The results were as follows: 64% had not heard of them; 30% had heard of them but were not members; 6% were members. Of those who were members one said that the benefit received was credit. In San Pedro Sula one non-member replied that he had heard of the consortia. In brief, the effort has not made much progress. The concept is, nevertheless, important for the delivery of services to this sector, but it is probably a mistake to do this parallel to the cooperative movement which has established centers for training promoters, sources of credit, and cooperatives which would benefit from the support of additional members. There should be more coordination between those who wish to form consortia and those in the cooperative movement.

Of members and non-members, 29% were associated with a cooperative. The most popular cooperative (44% of those who were cooperative members) was that of the tailors even though they were 26% of the sample. The shoemakers' cooperative was the second most popular cooperative with 27% of the cooperative membership (shoemakers were 24% of the sample). It was disappointing to see only one member of the Carpenter's Cooperative (CAHIL) represented among those interviewed. There is a general underutilization of the existing cooperatives which are dedicated to industry

services. There definitely should be more emphasis on promotion for these existing services. One suggestion is that the cooperatives existing in the regions be asked to present the services offered at a monthly meeting of the ANPI. Advertising for these meetings should be widespread so that both organizations receive benefit from the exchange.

There were a few members of consumer and credit cooperatives, and the expressed benefits derived from membership in cooperatives in general were predominately related to the supply of materials (47% of those who were members replied in this manner.) However, 19% stated they had not received any benefits from membership. Reduced prices accounted for 13% of the benefits and are also related to the supply of materials. Needless to say, among members of the savings and loan cooperatives credit was the prime benefit.

In the area of consortia and cooperatives there remains a huge task, but before additional work is undertaken the cooperatives now in operation should be studied in each region while taking into consideration the local problems of the given industries as outlined in this survey. The tailors cooperative, for example, provides life insurance for members just as the Savings and Loan Federation (FACACH) is offering its members. Each cooperative should be examined to determine their areas of competence and then the various interest groups should be brought together to present their alternatives. The promotional aspects appear to be understressed, but it may well be that they are not able to offer services which are genuinely different from those offered by a common wholesaler or retailer.

In that case they should put their emphasis in other areas which will assist the sector.

THE SUPPLY OF MATERIALS:

As mentioned in the section concerning cooperatives and consortia, those who are members explained that the primary benefit was in the supply of materials for the manufacturing process. In order to establish the source of supply the "Es" were asked where they obtained the materials. Only 1% imported the materials directly - understandably so because of the small volume involved in these shops. The majority, 65%, bought locally; 11% had to buy outside of their town, yet within the region; and 22% had to go to another region of the country to obtain supplies. Table VII shows the location, by industry type, of the source of materials.

TABLE VII
GEOGRAPHICAL SOURCE OF MATERIALS BY INDUSTRY: percent

INDUSTRY	LOCAL	REGIONAL	OTHER REGION
Wood	72	17	11
Clothing	62	9	29
Shoes	72	8	21
Metal	64	9	27
Food	53	20	13 *
Graphic Arts	66	17	17
Miscellaneous	61	7	32

* The food industry is one group that imported directly and in this case 13% (only 2 cases) imported supplies. The flavoring used in the manufacture of candy is imported directly.

It should be noted that with the exception of wood products and food products, if the material is not available locally, then most of the remainder must be obtained in another region. The reason being that the centers studied are the principal centers of the regions and the materials used in the clothing, shoe and metal products industries are not to be found in the hinterlands of these centers. They are found in other regional centers. In the case of the wood and food industries the materials, if not available in the immediate area of the center (local) they are more probably available within the region as "natural" products. The exceptions are outlined below.

If the origin of the products is examined on a regional basis, instead of an industry basis, a slightly different interpretation of the source of materials evolves. As shown in Table VIII the two most isolated regions are also more dependent upon regional or extra-regional sources. La Ceiba is also an isolated region for certain materials - wood and iron.

TABLE VIII

THE SOURCE OF INPUTS BY REGION: percentages

REGION	LOCAL	REGIONAL	EXTRA+ REGIONAL	FOREIGN
Tegucigalpa	77	6	8	2
San Pedro Sula	87	10	3	-
La Ceiba	53	13	34	-
Santa Bárbara	25	12	50	-
Choluteca	65	--	35	-
Juticalpa	33	17	50	-
El Progreso	71	21	8	-

The direct imports are specialized and not a general feature, but, as is shown in Table IX, imported materials are used by most industries.

TABLE IX

ORIGIN OF MANUFACTURE OF MATERIALS BY INDUSTRY TYPE: percentages

INDUSTRY	LOCAL	REGIONAL	EXTRA-REGIONAL	C.A.	OTHER
Wood	11	33	41	2	7
Clothing	3	9	60	5	22
Shoes	8	21	49	19	2
Metal	9	--	--	55	27
Food	13	33	41	13	--
Graphic Arts	33	--	--	--	67
Miscellaneous	11	14	32	21	18

The graphic arts industry depends upon imported paper for their products. Some inks are locally available. Those in the miscellaneous category use plastic and metal products which are also imported, and, of course, the metal products industry depends upon materials which are imported. The paint and other finishing materials for the metal products are of national origin.

It has also been found that aside from Choluteca the non-city centers do not have a large proportion of firms responding that their materials are

of local origin. Most depend upon materials manufactured in the region or other regions of the country. It is surprising to see the proportion of the firms using imported materials in these regions. This extra-regional and foreign source of manufactured materials is note worthy considering the commonly held belief that small industry is basically a transformation sector for local materials. The whole question of dependency enters here, and it may be that because of this problem one of the manifestations is that a classically considered sector for the transformation of primary materials is really dependent upon external sources. Little can be gained from arguing that it is not dependency and, instead, is the demonstration of the effectiveness of the Central American Common Market. Honduras has been related to the CACM since 1969 by a series of bilateral trade agreements. This exception to the transformation concept is most notable in the shoe and clothing fields where 20% have noted that imported materials predominate.

TABLE X
THE MANUFACTURING ORIGIN OF INPUTS BY REGION: percentage

REGION	LOCAL	REGIONAL	EXTRA-REGIONAL	C.A.	OTHER
Tegucigalpa	12	15	33	17	23
San Pedro Sula	24	18	16	29	11
La Ceiba	--	17	70	2	11
Santa Bárbara	--	38	25	25	12
Choluteca	17	22	26	17	17
Juticalpa	--	23	55	--	22
El Progreso	--	17	67	16	--

In terms of supply to the firms in these regions which do not have local sources this demonstrates the need to organize services for the material inputs in order to insure a constant supply of materials to the firms. These firms, alone, do not have a resource base to secure the supply on an individual basis. Originally a proportional analysis of the inputs by industry was planned in order to offer a guideline to those concerned with the small industry law, but due to the lack of confidence in the data this can not be done.

To determine the type of supplier for the basic materials the "Es" were asked to state from whom they purchased their principal materials. A very small percentage of the firms purchased directly from the producer (3%); retailers were cited by 7% of those interviewed as the source of supply; wholesalers were the source for 75% of the firms; and 15% of the firms bought from cooperatives. One does not know the difference in prices between suppliers, but when questioned as to "why they purchased where they did" the responses were:

TABLE XI
PERCENT OF THE REASONS FOR PURCHASING BY TYPE OF SUPPLIER:

REASON	FACTORY	RETAIL	WHOLESALE	COOPERATIVE
Habit	--	--	2	--
Proximity	18	27	25	6
Prices	45	32	29	51
Service	9	5	5	10
Quality	18	14	14	6
Credit	--	9	8	--
Constant Supply	9	14	16	6
Membership	--	--	--	22
Transportation Offered	--	--	1	--
Summation error due to rounding	99	101	99	101

As may be seen from the percentages in Table XI the price element is one of the more important reasons for purchasing where they do. However, proximity, quality and constant supply are also important motives for purchasing where they do. The factor of membership is important to the cooperative members. These members are also convinced that the cooperatives supply them at more economical prices. These reasons should be taken into consideration when planning a service cooperative or other organization to serve these industries.

Taken on a regional basis, Juticalpa was the most dependent upon retailers for supplies (35%); Santa Bárbara, Choluteca, and La Ceiba followed with 12%, 8% and 8% respectively. Cooperative supply was most common in Tegucigalpa and Choluteca (32% and 15% respectively), but there was some cooperative supply in San Pedro Sula, La Ceiba, and El Progreso (13%, 13% and 4% respectively). Nevertheless, the wholesalers were the general source of supply for materials in all regions as indicated on a global basis. If one of the cooperatives in San Pedro Sula or Tegucigalpa were to expand its service to these non-city centers by means of a mail order, but monthly or weekly delivery to the regions, they might be able to expand their membership as well as provide a needed service. The regional offices of ANPI could be the basis for organizing the members in the region to take advantage of this type of service or to encourage the members and cooperatives to discuss their mutual interests.

POWER USAGE MOTORS, AND REPAIR SERVICE

The use of electric or other power to complement or substitute manual labor is a theme frequently encountered in the literature concerned with economic and social development. Generally it is used as an argument to support the investment of capital in the small industry sector instead of the larger scale industries and more capital intensive industries because the employment generated is greater for each unit of capital invested in the small industry sector. The information concerning the use of power and motors also provides a description of the state of the industry. In the case at hand, the small industry sector, the product is more artisan than seriesmade and therefore the information is intended to be descriptive. There is little sense in entering the argument concerning capital invested in motors and expenses for electricity as a defense of the labor intensiveness of the sector. When one finds that there is less than a quarter of a horsepower in installed motors in the typical shop, the point is made. These shops are labor intensive.

THE USE OF ELECTRICITY:

Overall, 81% of the firms had public electricity and 5% had their own internal combustion generators. The lack of electricity was disproportionately in the tailor and shoemaker trades (47% of those who did not have electricity were shoemakers and 35% were tailors). Those carpenters who did not have public electricity had their own generators while the

tailors and shoemakers did not. As will be described in the section concerning motors, these two types of businesses depend upon manual labor rather than electric motors for power. (Steam plants were found in only three shops - a carpenter in Tegucigalpa who used wood for fuel, a food processing plant in San Pedro Sula which used diesel, and a tailor in Choluteca who used gasoline.) By region the use of public electricity varies as shown in the following table:

TABLE XII

THE USE OF PUBLIC AND PRIVATE ELECTRICITY BY REGION AND
THE POSSESSION OF MOTORS: Percentages

REGION	PUBLIC	PRIVATE	HAVING MOTORS
Tegucigalpa	77	2	75
San Pedro Sula	95	3	82
La Ceiba	60	4	57
Santa Bárbara	75	13	62
Choluteca	69	4	62
Juticalpa	100	-	67
El Progreso	87	21*	79

* These plants are backup supplies for the public system as well as a sole source for some shops.

The use of electric motors was less common than the availability of electricity. Motors were found in 69% of the shops, but by type of

Industry it varied from 100% of the carpenter shops to 47% of the shoemakers. 52% of the tailors had motors, and the food processors had them in 67% of the plants. Those in the miscellaneous category also had motors in 67% of the cases. In terms of horsepower we found only seven shops which had motors of more than one horsepower and these shops, with the exception of one metal worker, were limited to carpentry. The remainder of the motors were fractional horsepower as is typical of sewing or finishing machines found in the tailor and shoe shops which do not have pedal powered machines. Aside from the few electric generating plants the use of internal combustion motors was not found.

REPAIR SERVICE FOR THE ELECTRICAL MOTORS:

Each person who had an electric motor installed was asked if the electro-mechanical service was available either commercially or from someone in the shop. Sample-wide the response from 12% was that it was difficult to obtain service; 58% said that they did not have difficulty obtaining service; and 30% said that someone in the shop was capable of making repairs and maintaining the equipment. By region the condition varies and indicates that Juticalpa (75% said that service was difficult) and Santa Bárbara (50% said service was difficult) could benefit from assistance. Both centers are not near other centers and to bring a motor to a center requires a day's journey. In the case of Juticalpa, if the shopowner did not have an automobile, a round trip in one day is impossible if repairs are to be accomplished between buses.

It is suggested that in these two centers a person in an existing shop be found who will be willing to take a course, or, that a person who has been using electric motors be found who would like to diversify his business into motor service. This is not an easy task because both types of people will most likely have shops which cannot function in their absence. Some form of fellowship which will at least match their usual income would have to be arranged. This is suggested over the selection of a person not related to the center in some permanent manner in order to increase the probability of his returning from INFOP or other training after having been in one of the City centers. Also, neither of these two centers will probably offer a high volume of business, but if added to an existing business it would improve someone's quality of life.

BOOKKEEPING SYSTEMS

One concern of the ANPI for its planned services to the members is assistance in the form of training in record keeping or an accounting service. With only a few exceptions those "Es" interviewed showed us books that they maintained. We did not ask to see the actual figures; we wanted to know the degree of formality with which they kept the books. (In retrospect it was unfortunate that we did not seek the actual figures). As shown in the following table, purchases and expenses were noted by the majority of the firms, but more formal books were not kept by half of those interviewed. Inventories and payrolls were surprisingly underkept, and the lack of a double entry monthly summary is lamentable. For those who did maintain records the use of bound books was predominant while the proportion of those who simply saved loose notes and receipts was minimal except with regard to the categories "Purchases" and "Expenses", where half of those who had records had them in loose form or receipts.

TABLE XIII
 PERCENTAGE OF THE FIRMS HAVING BOOKS BY TYPE OF BOOK

TYPE	NONE	LOOSE PAGES	RECEIPTS	BOUND BOOK	BOUND WITH GOV'T SEAL
Sales	51	2	11	15	20
Purchases	34	3	31	11	21
Expenses	33	3	32	11	21
Daily Double Entry	55	1	10	13	20
Double Entry Monthly	68	0	2	8	22
Inventory	62	0	2	10	25
Payroll	54	1	4	14	26

In the area of bookkeeping there appears to be a fourfold typology of "systems": 1) those who keep formal and organized books (30%); 2) those who keep notes and receipts (15%); 3) those who simply do not bother to keep records (29%); and 4) those who have a combination of bound books and loose pages (26%). The necessity of record keeping in a commercial enterprise is not questioned, but some of the firms are not commercial in the true sense. They are similar to subsistence farmers because their main objective is to survive as a family and what ever can be gained by the sale of their product is consumed. Of course, by the very nature of their product they do enter the market place to exchange for food, nevertheless, their main concern is biological survival and not the formation of capital. Whether they

are consuming better or worse than the month before is not changed by maintaining records and although books might be of assistance to them to understand the costs of producing certain items they can not change the number of workers because they are the workers, nor can they consider renting less space because they are working from their homes. They may be able to change their product mix in order to increase their well-being, but for many there just is not enough demand in the market to keep them fully employed. It is unfortunate that we were not able to identify this group by industry and region to demonstrate their exact plight, but the only indicators of this state were the financial variables.

The importance of records for this subgroup are important, and for those who are above the subsistence level and who are intent on the formation of capital, plus have to meet the record keeping standards of the State or lending institutions bookkeeping is more important. In the case of Juticalpa, where a member of the ANPI regional office was prepared and willing to assist those who did not have books in the form necessary to apply for loans, the results were positive and this example may be an efficient approach to teaching the other members in the non-city centers. The existence of such a cooperative member may not be found in other regions and in those cases an alternative solution will have to be found. Simple, basic bookkeeping is not so complicated that anyone who is able to read, write, add and subtract (all in the sample) can not learn to

employ it, but the "cost" of learning - time and effort - may be too much for some "Es". It would probably not be practical to have an accountant traveling to each region to give courses, nor is it warranted when the talent exists in the region. However, brief instructions explaining the use of records for income and expenditures, plus a monthly summary, could be printed by the ANPI for distribution to members. Additionally, a specific double-entry, standard, and readily available form could be selected and sold to the members. As part of the membership promotion, when the initial dues are paid, the instructions and a sample book could be given to those who do not have a formal system. If regions express the need as a group to have additional assistance then bookkeeping could be the subject of a monthly meeting from time to time.

These ideas are offered because it may not be possible to create a nationwide program, as envisioned by the national office, for the members who are in need of the assistance. By depending upon the resources of the membership at the regional level they will be less dependent upon programs which may never be possible. By working with local resources the membership may become more capable of resolving mutual problems. The current tendency to wait funds from the State or other agencies has just left the association wanting. As a closing to this section it is added that bookkeeping is not so much an end in itself, but it is a manifestation (lacking in approximately one third of the cases) of discipline in the administration of the enterprise. Records help to guide the disciplined "E" toward the goals which he has selected.

THE NATIONAL SMALL INDUSTRIES ASSOCIATION

BENEFITS RECOGNIZED BY MEMBERS OF THE ANPI:

With this question one sees the low level of esteem with which the members regard the association. To begin, 61% stated that they do not receive benefits from the membership. The most frequently mentioned benefit concerned help received when applying for credit (32%). The remaining 6% replied that they had received benefits such as connections for business, moral support, marketing information, and technical assistance. It is precisely these last responses that are the national objectives of the ANPI.

By region we find that the response "assistance when applying for credit" is proportionately greater in the non-city centers as mentioned in the "Interim Report". The exception is Santa Bárbara where credit benefits were not claimed. The inverse is that in the city centers proportionately fewer benefits were recognized by the members. It may be that there is greater competition for the resources in the cities and that there the ANPI offices are not able to compete for the attention in the bureaucracies and thus are not able to serve the members so well. In order to understand what the members had expected from ANPI at the time of joining we asked them to explain what had been promised at the time of promotion yet not delivered. It should be mentioned in passing that this type of question elicits responses that the interviewee believes or recalls as being promised. Nevertheless, this recall is his opinion

on the subject. During the interviews we noted the first two responses, however, only 20% offered a second response. Half of the members commented that either nothing had been promised or that which had been promised had been delivered. Credit was the most frequently stated promise which had not been kept (37% of the responses). Promises related to technical assistance and marketing formed 25% of the responses; the small industry law was cited in 13% of the replies; and industrial park and the establishment of a source of supply for materials each accounted for 10% of the responses; and the final 5% of the responses were related to consortia or the commercialization of the products.

The question of promises not kept was followed by a discussion of promises and services delivered by the ANPI. Table XIV contains a summary of promises kept and not kept by region.

TABLE XIV
PERCENT OF PROMISES KEPT AND NOT KEPT BY REGION

REGION	NOT KEPT	KEPT
Tegucigalpa	31	31
San Pedro Sula	36	50
La Ceiba	40	52
Santa Bárbara	20	none
Choluteca	39	50
Juticalpa	8	62
El Progreso	42	77

In general, with regard to promises kept, only three "Es" gave more than one response. More than half (52%) responded that nothing had been promised - as noted above. The most popular item in terms of response was related to credit. According to 42% of the "Es" credit had been promised and delivered. The remainder of the responses (5%) varied from visits to the Head of State (Juan Alberto Melgar C.); the small industry law; trade fairs; etc.

The importance given to credit in these answers confirms the information obtained in the group level interviews where it was clearly stated that credit was the prime motive for the formation of the regional offices. The differences between regions when comparing the percentages or promises kept and not kept is an important means of evaluating the

regions. Juticalpa stands out from the others in this regard, and it is apparent that the leadership in this region was more conservative in their promotion, yet they delivered proportionately more to the members. El Progreso seems to have delivered a great deal, although they also did not keep many promises. When interpreting this table it is important to remember that the percentages are not related, that is, they are not complements. It is the percent of the responses to two different questions - "What promises had been made yet not kept?" and "What had been promises and was delivered?" The percentages are the proportion of responses to each question classified into positive and negative groups.

In general, it appears that half of the members felt satisfied with the credit delivered and the other half was not. As mentioned, this varies by region. From the percentages we see that the members were more generous with responses concerning promises kept than with promises not kept. While there is definitely a gap between the promises and the services delivered, it is not so bad a record considering the sources available to the ANPI. The list of promises not kept should be kept in mind when considering programs to this sector. The basic requirements of this sector apparently have been identified by the ANPI and are part of the goals of the association. To conclude this section it may only be restated that the basic, expressed interest of the members has been credit followed by marketing and technical

assistance. The small industry law (which will provide tax incentives) and the industrial parks are next in the order of interest. Other concerns related to marketing were discussed in that section.

MEETINGS, ATTENDANCE, AND THE PAYMENT OF DUES:

As mentioned in the "Interim Report", the payment of dues was not a well met obligation among the members according to the directors of the regions. In general, less than half of the members (please recall that these are members interviewed and not members as per the lists) stated that they had been paying dues to the organization. The remaining 56% said that they did not pay dues.

On the other hand, 69% stated that they had attended a meeting during the last two months. One fourth of the members responded that it had been a year since they had last attended a meeting, and 8% could not recall when they had last attended. The frequency of the meetings varied from region to region, but half of the members stated that the meetings were held once a week; 11% said once a month; 18% said from time to time; and 21% said that they were not sure how frequently meetings were held (this was the same group of members who responded that they had not attended a meeting during the past year, but some who did not attend knew when meetings were held).

After the difficulties experienced with the sampling procedure and the high attrition rates, we expected that the attendance at the meetings and the knowledge of them to be much less. But, apparently,

there is a dedicated group in each of the regions which continues to attend, and that group would probably form the basis for any efforts which one would undertake in this sector.

NON-MEMBERS' KNOWLEDGE OF THE ANPI:

In the course of promotion the ANPI members and directors have employed the radio, newspapers and visits to encourage businessmen to affiliate themselves with the ANPI. This is certainly an impressive figure. An additional 15% of the non-members had been members of the ANPI at one time. It was thought that these knowledgeable non-members were from the smaller towns where interpersonal communication is greater, but the public means of communication appeared to have worked well in Tegucigalpa as well in as the smaller centers. The percentages presented in Table XV indicate that the size of the center is not an indication of promotion.

TABLE XV

KNOWLEDGE OF THE ANPI BY REGION: Percentages

REGION	HAD HEARD	HAD BEEN MEMBERS
Tegucigalpa	85	--
San Pedro Sula	44	25
La Ceiba	70	19
Santa Bárbara	67	--
Choluteca	75	13
Juticalpa	82	--
El Progreso	63	27

The high percentages of non-members who had been members in some of the regions indicates the decline of the association in these regions. If it is possible to begin to deliver services to this sector by way of the ANPI the name recognition should help in the promotion. One must assume that the name does not carry strong negative feelings which may be the case in approximately 59% of the cases of non-members as will be discussed.

It should be recalled that the non-members were identified by asking a member if he knew of an "E" who made a similar product. The fact that an ANPI member knew of the other firm is a bias in itself which may be the reason that such a high proportion of the non-members knew of the association.

Non-members (and ex-members) were asked the reasons they had for not being affiliated with the ANPI. The first two categories in Table XVI are probably cases which we would categorize as having negative feelings related to the name "ANPI". The mix of responses is not different from region to region and for that reason the information is presented globally.

TABLE XVI

REASONS GIVEN BY NON-MEMBERS FOR NOT BEING AFFILIATED

REASONS	PERCENT
That the ANPI did not do anything for them	24
It is a closed group and not to be confided in	17
They have not heard of the ANPI	15
They had not been invited or informed (Although they had heard of the ANPI)	15
A lack of time or interest	14
It costs too much (dues)	8
No reason offered	7

For the most part (78%) those who had been members responded in the first category. The other 22% who had been members responded that it was a closed group or that it cost too much to be a member. The fact that the second most frequent response was that the ANPI regional group was "closed" is lamentable. This is one area that could be corrected by more promotion on the part of the regional members. Such a promotion would also help provide information to the 30% who had not heard of the organization or who feel that need to be invited and informed.

ANSWERS TO A HYPOTHETICAL QUESTION: If the demand for your product were to double?

This question was asked to determine which phases of the production process were being used to capacity and to determine those areas which may be bottlenecks.

The principal problem for these firms would be the financial aspect in terms of working and fixed capital, mainly working capital. Fully 71% said that they considered the financing of such an expansion to be the main obstacle for 19% of the "Es", and the remaining 5% were divided between locating machinery and raw materials. Only 5% said that they could handle double the volume without difficulty.

When asked how they would finance such an expansion 75% said that they would go to the banks for personal or commercial loans. A small proportion (5%) said that they would go to friends or family for the funds. Savings were cited by 4% as the source that they would reach to. It should be noted that these figures are the inverse of the original source of capital. This may indicate that capital formation is not a characteristic of the sector. One "E" said that he would go to the workers for funds and another said that he would mortgage property. The remaining 14% said that it would not be necessary to seek financing because they either had the capacity or had established credit for materials.

To meet the increased labor requirements: 15% said that they had the labor to meet the demand; 14% said that they could meet the demand by increasing overtime; 71% would hire more workers. Those who would hire more workers averaged an 85% increase in the size of the work force.

In terms of machinery: 28% said that they had ample equipment and that more would not be required, but 40% said that they would have to double the equipment to meet the demand (which also meant double the workers). The remaining third of the firms required between 15% and 75% more machinery with an average increase of 50% being required.

Considering that 87% of the men always work in the shop in a manual capacity and that 7% work there from time to time when needed, we asked the "Es" if their own time would be a limitation to such an expansion. Three quarters of the "Es" replied that they did not think that their own time would be a limiting factor. Family or people in which they felt that they could confide were mentioned as a supplement for 21% of the cases; and only 4% said that they were overextended now and that expansion would be a problem in terms of their own time.

To meet the demand of increased production the supply of materials would be a problem for 18% of the firms. The woodworking industry appears to have a supply problem - 33% of the carpenters stated that they would have serious problems purchasing the wood. For those in the iron or metal working industries the supply would be a problem for 17% of the firms. This situation, as mentioned in the marketing section, is particularly true in La Ceiba. For 21% of the shoemakers and food processors inputs would also be a problem.

From these areas we find that the small industry sector is one in which:

- 1) The excess capacity in the form of workers is great if one considers that 71% of the firms would have to increase their work force, on the average of 85%; plus 15% of the firms would not have to increase the work force at all. For the latter group this indicates that they are working at 50% of capacity at the present time. For the former group they have approximately 15% of their capacity under utilized. For the 14% that estimated that increased overtime would absorb the increase labor requirement this indicates that they too are presently able to produce more - but how much we do not know.
- 2) The owners do have disposable time and are probably as underemployed as are their workers.
- 3) The installed capacity is probably even more elastic than the presently employed work force. This implies that more labor would be absorbed before capital investment would be necessary to meet the increase demand. If 28% said that they could meet the demand with their present machines and 32% would average a 50% increase to double production then the installed overcapacity is probably in the order of 40+%.
- 4) The supply of inputs is seriously limited in certain industries and in the case of the wood products industry a careful study of the supply should be made because there is apparently a marketing problem or exclusion of the small industry sector on the part of the national forestry corporation (COHDEFOR). The

fact that a greater proportion of carpenters (33%) has difficulty with the supply of materials which are produced nationally than the proportion of metal workers (27%) who have supply problems, even though they are dependent upon foreign supply, indicates a constrain upon the "E".

- 5) Capital would be necessary in both the fixed and working form if the sector had to expand so rapidly. However, one should not come to the conclusion that capital is the limiting factor. In relation to other sectors it is not capital intensive. The sector in general appears to have the ability to expand to meet increased demand. At the individual firm level there may be some who have to increase their capacity to handle demand at the present time, but the key to the expansion of this sector is not so much a flow of capital as it is the development of the agricultural sector of the population so that it is capable of "demanding" basic consumer goods.