CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) — PART I

Report Symbol U-447

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
Rural Enterprises II	52[illegible]0176	USAID/Peru

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 82-1

☐ REGULAR EVALUATION ☒ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY 79 B. Final Obligation Expected FY 79 C. Final Input Delivery FY 83	A. Total $ 10,700,000 B. U.S. $ 8,000,000	From (month/yr.) 5/79 To (month/yr.) 2/82 Date of Evaluation Review Jan - Feb 1982

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
The attached evaluation of the recently completed Rural Enterprises II Project is part of LAC's Impact Evaluation series on small-scale enterprise findings. Evaluation finding have been incorporated into the Urban Enterprise Project to be presented in March 1982.		

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

- ☐ Project Paper
- ☐ Financial Plan
- ☐ Logical Framework
- ☐ Project Agreement
- ☐ Implementation Plan e.g., CPI Network
- ☐ PIO/T
- ☐ PIO/C
- ☐ PIO/P
- ☐ Other (Specify) _____
- ☐ Other (Specify) _____

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

- A. ☐ Continue Project Without Change
- B. ☐ Change Project Design and/or ☐ Change Implementation Plan
- C. ☐ Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

USAID/Peru
George Wachtenheim, Development Resources Officer
Danilo Cruz-DePaula, Evaluation Officer

DAI Evaluation Team (see evaluation)

12. Mission/AID/W Office Director Approval

Signature: Howard D. Lusk

Typed Name: Howard D. Lusk

Date: 3/12/82

AID 1330-15 (3-78)

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Exhibit C

AN IMPACT EVALUATION OF THE INDUSTRIAL BANK OF PERU'S RURAL DEVELOPMENT FUND (USAID/PERU RURAL ENTERPRISE DEVELOPMENT I AND II)

BY

Susan Goldmark

Jean-Jacques Deschamps

Joseph Recinos

Beatriz Glover

DEVELOPMENT ALTERNATIVES INC.
624 NINTH STREET N.W.
WASHINGTON D.C. 20001

FEBRUARY 1982

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EXCHANGE RATES

Number of Soles to U.S.$1

	Weighted Average	End of Year
1976	57.43	69.37
1977	83.81	130.72
1978	156.34	196.68
1979	224.55	250.75
1980	289.2	342.73
1981	426.15	503.8

From: IBRD: PERU MAJOR DEVELOPMENT POLICY ISSUES AND RECOMMENDATIONS, June, 1981

IBDR: PERU STAFF APPRAISAL REPORT; SECOND INDUSTRIAL CREDIT PROJECT, February 1981 and USAID Statistics

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P R E F A C E

This evaluation of the Rural Development Fund of the Industrial Bank of Peru (BIP) is the first of four impact evaluations to test methodologies to evaluate the impact of small scale enterprise projects. Development Alternatives Inc. (DAI) has been contracted by the Office of Urban Development of the Agency of International Development to conduct these evaluations and then write a manual of operational guidelines to assist future enterprise project evaluations.

This evaluation was conducted during five weeks in January - February 1982 for a total of sixteen person weeks of time. Three team members spent the first week pretesting the questionnaire and gathering data from the BIP Central office. Two weeks were then spent in the field gathering primary and secondary data. The social analyst joined other DAI team members for one week in the field. Data analysis and writing dominated the last two long weeks of time in Peru.

Although the final product is a synthesis of all team members' efforts, Jean-Jacques Deschamps concentrated on the financial analysis, Joseph Recinos on bank administration, Beatriz Clover on entrepreneur profiles and Susan Goldmark on economic analysis.

Our thanks to all who graciously assisted us in this effort. Special mention must be given to Nestor Corbetto, Chief of Relations with International Organizations who spared no efforts to hunt down the most arcane piece of data, George Wachtenheim who showered us with secretarial/support and Michael Farbman of the Office of Urban Development whose enthusiasm made this work possible.

Susan Goldmark
Team Leader
February 1982

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I. EXECUTIVE SUMMARY

EVALUATION FINDINGS

The Rural Development Fund Program of the Industrial Bank of Peru (BIP) funded by the Government of Peru and USAID, has had considerable positive impact since its inception in 1975. It has fostered income generation, created employment opportunities and contributed to economic development in the sierra and high jungle departments serviced by bank branches. The small enterprise lending program deserves further support and expansion.

Small enterprise lending has now been institutionalized within the BIP. Such loans grew from 3.4% to over 50% of all new loans extended in 1975 and the first nine months of 1981 respectively. Although delinquency rates are relatively low, negative interest rates caused the complete decapitalization of the Fund by 1981.

The FDR was a key factor stimulating the decentralization of authority to branch offices since increased branch approval authority was a condition precedent set by AID.

Loans are well diversified geographically with none of the 19 participating branches accounting for over 16.5% of total lending in 1980. Sixty percent of loans disbursed from 1978-81 were less than about $2600 and only ten percent were over $12,400, indicating that the bank is fulfilling its objective of serving as a source of smaller loans despite temptations to make fewer, larger loans.

DAI sample survey results of 85 enterpreneurs interviewed in four FDR branches indicates that, on average, between the time of the first FDR loan and the present:

- sales increased overall by 160% or 28% per year,
- gross income increased by $16,000,
- net income grew by over 50% per year,
- total assets increased by 260%, or 72% per year,
- net worth almost quadrupled, representing a yearly increase of over 56%,

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- level of indebtedness fell from 2.39 to .49.

In addition:

- the average payback period per FDR loan was three and one half years in terms of economic value added,
- loan repayments represented 31% of total net income before interest costs at current prevailing interest rates,
- current return on sales was 29% for industrial, artisan, commercial and agricultural firms while service enterprises showed a healthy 43% return.

Extrapolations from these surveyed results indicate that total loan funds disbursed since program inception have helped to generate each year about:

- $60 million in net profits and salaries to owners,
- $19 million in income to new employees,
- $50 million in sales to Peruvian suppliers.

Each dollar of loan funds, thus, has contributed to about $3.00 in estimated new income.

Approximately $7,000 of loan funds helped to generate one additional full time job; thus the entire program has helped to create about 6150 jobs. On average, about $2700 of loans funds helped to sustain jobs existing at time of first loan disbursal or create new jobs. Thus, approximately 15,700 jobs have been sustained or created.

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RECOMMENDATIONS:

Some suggestions to improve the small enterprise lending program further are:

o to computerize branches to free staff form tedious paperwork and improve the bank's management information system,

o to improve the current filing systems within branches,

o to report on the sources and applications of FDR funds in soles on an annual basis to AID,

o to include information on actual sales, gross and net profits and employment at time of loan application within feasibility studies.

o to update the credit manual so that it may serve a useful management function,

o to require each branch to report on total number of loans disbursed, delinquencies and defaults with an aging of overdue accounts on an annual basis,

o to create an automatic mechanism by which loans may retain their real value if processing time remains an average of three months or streamline current disbursement policies,

o to select a higher proportion of field staff for future overseas training courses,

o to charge branches for the cost of funds and services provided by the central branch, but not penalize unprofitable branches,

o to clarify to sub-borrowers that interest rates may change automatically with an estimate of the potential increase during loan period,

o to increase efforts to provide additional banking services to FDR borrowers and to clients who have graduated to commercial loan level,

o to expand technical assistance to sub-borrowers but charge a subsidized fee for such services.

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II. PROJECT OBJECTIVES

The general objectives of the Rural Enterprise Development Program I and II were to contribute to GOP efforts in rural development and to institutionalize credit and technical assistance programs to develop, finance and manage new or existing small scale enterprises in industry, services or commerce. Sub-borrowers would be chosen from enterprises which did not have access to credit on reasonable terms and could meet basic selection criteria of employment generation, income distribution, high value added and conform to GOP development plans. The specific objectives of Rural Enterprises I and II were to contribute to the:

- development and strengthening of rural enterprises;
- creation of new employment opportunities;
- generation and improved distribution of income, and
- increased and self sustaining levels of economic activity which would:
  - i) reduce investment risk;
  - ii) provide a business infrastructure conducive to attracting larger scale industrial investment to the region;
  - iii) support agricultural development; and
  - iv) improve general quality of life making the sierra and the high jungle areas more attractive places to live thus reducing the migration to over crowded coastal cities.

Project implementation activities were to assist the establishment and expansion of a revolving credit fund, promote rural enterprises, strengthen technical assistance capacity, provide greater outreach capability, reduce credit barriers and institutionalize small enterprise development lending concepts within the BIP.

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III. ANALYSIS OF THE RURAL DEVELOPMENT FUND (FDR)

A. Background

1. Rationale for BIP selection

According to its statutes, BIP's principal objective is to promote industrial development of the country through selective use of its financial resources. Although this does not preclude financing large and medium-sized industrial projects, which still represent 70% of the total loan portfolio, since the early 1970's BIP has focused more attention on small enterprises. While small enterprise lending represented only 3.4% of total loans extended by the bank in 1974 and again in 1975 (the year the FDR program began), it jumped to over 40% of all new loan activity in 1980 and approximately 50% for the first nine months of 1981.

If this dramatic increase in its lending programs to small enterprises is partly due to the FDR Fund itself, it also reflects a decisive shift in the bank's strategies as a whole. Contrary to commercial banks, BIP's development bank nature enabled it to assume the usually higher risk as well as subsidized rates stemming from small enterprise lending. Its selection in 1974 as the implementing institution for the FDR was therefore fully justified.

BIP is still Peru's only industrial development bank and due to the limitations imposed on medium-term lending by commercial banks[1], it remains the major single source of medium-term credit to the small private industrial sector. COFIDE, which has become the GOP's primary wholesaler

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(1) Commercial banks are currently prohibited to extend loans of over one year's duration; this has forced the creation of private finance companies (Financieras) that could offer such services.

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of public funds to the industrial sector, is mainly geared towards public firms.

2. Initiation of the FDR

After signing Loan Agreement No. 527-W-057, the FDR officially started operations in November 1975. Initial funding was equivalent to US$10 million, of which $6 million were committed by AID[1] ($5.7 million for loans to small rural enterprise, $0.3 million for related technical assistance)and $4 million were contributed by the BIP . In addition, $4 million of AID funds were earmarked for ORDEZA, a public organization set up to coordinate reconstruction efforts after the catastrophic 1970 earthquake. However, due to ORDEZA's organizationalproblems, $2.3 million of those funds, including $200,000 for technical assistance, were transferred to the FDR in August 1977; the GOP contributed an additional $1.2 million in counterpart funds.

Until 1977, only four of Peru's ten mountainous (sierra) Departments were covered by the program, namely Cuzco, Junin, Puno and Ayacucho. In August 1977, the program was expanded to the sierra Departments of Cajamarca, Huancavelica[2] and Apurimac and to the high jungle Department of Huanuco.

In May 1979, Loan Agreement No. 527-T-062 was signed, calling for further expansion of the program. Eight million dollars were committed by AID during the second phase,[3] of which $500,000 were for technical assistance, and $2.7 million by the BIP. During this second phase, the FDR was expanded to the predominantly sierra Departments of Ancash and Pasco, to

(1) Loan terms to the GOP for Rural Enterprises I were a 40 year amortization period with 2% interest charged during a 10 year grace period and 3% thereafter.

(2) Although BIP has an office in Huancavelica with agency status, loans are approved and supervised by the Huancayo branch in Junin department.

(3) Loan terms to the GOP for Rural Enterprises II were a 25 year amortization period with 2% interest charged during a 10 year grace period and 3% thereafter. In both cases, the GOP used these funds to capitalize the BIP.

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the mountainous areas of the coastal Departments of Arequipa, La Libertad, Piura, Moquegua and Tacna and to the jungle or high jungle Departments of Amazonas, San Martin, Loreto (Districts of Pucallpa and Yurimaguas) and Madre de Dios. By the time the program started later that year, the FDR therefore covered a total of 19 Departments, including most of Peru's sierra and high jungle regions.

B. FDR Organization

1. History

The FDR was initiated in November 1975 in the four sierra Departments listed above. However, the program started slowly, and until 1977, total loans extended were relatively modest as compared to budget. Taking average exchange rates for each year, loan disbursements totaled only $66,200 in 1975 and $1,875,200 in 1976, before jumping to $3,116,600 in 1977 with the expansion of Phase I in August 1977.

Slow implementation was mainly due to a clash in lending policies between the BIP's traditional lines of credit and the FDR. Branch administrators, credit officers and other technical staff in the field had difficulty understanding the new lending concepts enbodied by the FDR, not to mention their adverse reaction towards the latter's vastly more flexible criteria with respect to credit and risk analysis, collateral and level of indebtedness. It was reported that in some cases branch-level credit committees would meet an entire day to review FDR loan application and would adjourn without having approved one single credit, as traditional bank attitudes towards credit and legal matters would prove insurmountable.

To provide initial impetus to the program, FDR coordinators were appointed at branch level. Although this was fully justified by the unique character of the program within the bank, it also was a source of

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problems. The FDR coordinator, with his own portfolio his own customers and his own FDR promotional activities, in effect became "a branch within a branch" according to one former administrator. These problems were compounded by the different treatment and support received from the Central office by branch officials. During the first phase of the program, FDR coordinators were brought back to Lima for 2-to-3 day seminars at the end of each month and received strong encouragement and operating support from the central office, whereas branch administrators and credit officers rarely had contact with Lima. Such double standards tended to create misconceptions and jealousies against FDR staff.

After late 1977, the FDR was, however, in full swing, due to the unrelenting efforts of FDR staff, and in particular the head of the FDR unit in Lima. FDR lending concepts were being better understood both at central and branch level, credit experience with existing sub-borrowers was proving satisfactory and the potential impact of the loans on the local economy was starting to be seen. This led to the institutionalization of the program in 1980, whereby FDR coordinators disappeared at branch level. The FDR portfolio was integrated within other BIP lending programs,although it still kept its identity for accounting and reporting purposes. Since then, the FDR has been handled indiscriminately by BIP credit officers, the loan approval process following the same channels and being subject to the same approval level authority as other lines.

It is now clear that the FDR has had a profound effect on the BIP, and that its full institutionalization is a reflection of the bank's acceptance and encouragement of an entirely new type of lending activities. Initial reluctance of bank officials has changed into enthusiasm

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for a program they strongly intend to pursue and extend to other areas of the country. At local level, the FDR has now taken precedence over other lending programs in the sierra and is seen at the single most essential lending activity by branch staff.

2. Central Level Administration

The FDR Fund has undergone substantial management changes since its inception in 1975. During its first stage, the Fund was managed as a section under BIP's Studies and Development Division, a technical assistance and research section of the bank. The Division, however, was not really equiped to manage a credit program and, as previously mentioned, almost two years passed before loan activity took off. The FDR became a unit of the Industrial Credit Division and the BIP, under AID pressure, began to take a more active role in administering the fund.

In 1980, the growing importance of the FDR Fund caused BIP to create a separate unit staffed by three professional banking specialists directly responsible to the BIP Financial Manager and eliminate the FDR position in branch offices. Final approval of FDR sub-loans was almost totally delegated to the BIP branch offices with no limit on the number of loans placed. 1/

This evaluation has found that the BIP central office has done an excellent job in decentralizing and institutionalizing the FDR program to the branch level.

3. Branch Level Administration

a. Organization Chart and Explanation

1/ The decapitalization of the fund has caused additional restrictions to be placed on lending. Within certain BIP branches, FDR funds now only be may used to finance industrial small businesses in the provincial capitals or commercial, service and industrial loans in the rural areas of targeted provinces.

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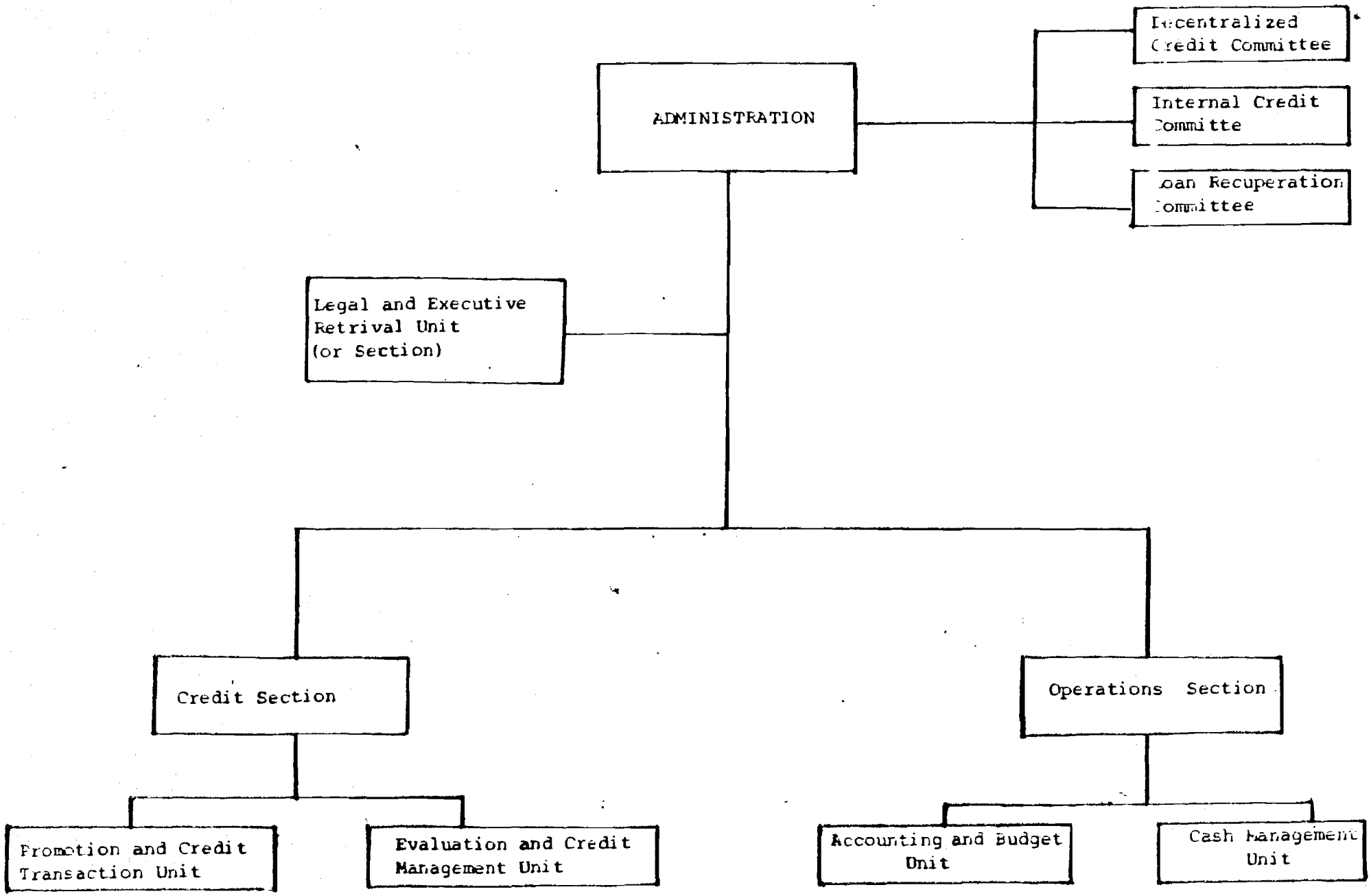
PART 1

INDUSTRIAL BANK OF PERU

Branch Organizational Chart



A typical branch is organized into four principal departments: Administrative, Credit, Operations and Legal (See Chart (1)). The Decentralized Credit, Internal Credit and Credit Recuperation Committees all fall under the control of the Administrative section. The Credit and Technical section covers credit promotion, processing and evaluation of loan applications [illegible] operations covers budgeting, accounting, cash transactions, and portfolio supervision. The Legal section controls all contract operations, legal recovery on foreclosed loans and provides legal counsel to Administrative personnel.

Reviewing progress made in administering FDR funds since the program's inception, the following can be cited as positive gains:

- FDR loans have been totally integrated into credit officers' lending portfolios. These loans are now regularly discussed at credit committee meetings. At the branch offices visited, all credit personnel were pleased with the elimination of the FDR loan officer and the general practice of rotating credit officers' portfolios every two months.

- Pyramid lines of authority were respected, in three of the branches visited but not excessively rigid. The same flow process was recently adoped in Cuzco, where a new administrator found that the previous lack of delegation of authority to bank officers created bottlenecks and inefficiencies.

In general the branch offices visited were managed well and officers were found to be satisfied with their jobs.

b. <u>FDR Supervision Burden Compared to Commercial Loans</u>

The supervision burden of monitoring FDR loans has been much lower than expected. Bank officials assumed that given the

(1) The Decentralized Committees have the following approval levels:
- Arequipa, Huancayo, Piura and Trujillo: $27,372 - $36,496
- Cusco, Huanuco, Chiclayo, Chimbote, Tarapoto: $21,898 - $29,197
- Cajamarca, Ica, Jaen, Pucallpa, Puno, San Ramon and Tacna: $14,598 -$21,898
- Ayacucho, Huaraz and Iquitos: $9,124 - $14,598

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nature of small businesses (no sophisticated business expertise, little marketing information, low guarantees and capital input by borrowers), recovery of outstanding debt would lead to high supervision costs. An analysis of the Cuzco branch's administrative and supervisory costs, however, reveals that the average FDR loan cost only $49 to process and collect.[1] This was 37% ($18.30) more than the cost of administering loans to borrowers paying commercial rates of interest and with normal loan guarantees. However, the lower delinquency and default rates of FDR loans should offset these higher administration costs. Surprisingly, only an average of four hours of bank technical staff's time ($17.30 per loan) was required to visit a prospective borrower and analyze the feasibility of the proposed project.[2]

c. Promotional Activities

Local branches now take more initiative to promote the FDR program than during its early years. Central offices in Lima, nevertheless, still provide key promotional assistance. Over the last three years, the BIP has broadcast radio and television spot announcements and produced a sophisticated fifteen minute color film which was shown in movie theaters in Lima and may be used in future promotional activities.

At the branch level, new promotional campaigns have begun which include:

- Door to door contact: Beginning in 1982, a new Huancayo branch policy will be no longer to rely exclusively on general village meetings, but instead to conduct interviews with existing clients and target potential new borrowers in a systematic and coordinated manner.

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(1) When overhead costs are included, then the average cost per FDR loan is $54. See Annex D for breakdown of costs.

(2) See Annex E for an example of a typical feasibility study.

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- Seeking clients in areas affected by local natural disasters: In Cuzco, bank personnel will give priority to small business owners in areas affected by flooding.

- Random selection of new borrowers: Huanuco and Cajamarca identify new clients through personal contact with past borrowers, friends of bank officials and through essentially "word of mouth".

According to an analysis of bank documents, approximately 46% of all FDR loans were given to rural enterprises outside the provincial capitals. The promotional campaign exceeded the initial program goals. Indeed, the BIP cannot currently meet the demand for small enterprise loans. For example, in Cajamarca, bank officials estimate a demand of $3.2 million of credit in 1982 for small enterprises in the branch's geographical area. Since revenue from FDR loan repayment and new savings are estimated to be $50,000 and $1.2 million respectively, a potential unsatisfied demand of $1.9 million exists. Thus, unless additional funds are forthcoming, promotional activities should be minimized and priority given to borrowers with high income and employment generation potential.

In accordance with this idea, in October 1981, the BIP central office submitted to USAID a new budget to use a portion of remaining Rural Enterprises II technical assistance funds to conduct feasibility studies of potential high income and employment generation projects. BIP will then seek small enterprise borrowers willing to invest in these profitable ventures. USAID/Peru recently approved the budget outline.

The general administrator of Cuzco has recommended a similar method of pinpointing specific new small enterprise clients which maximize income and employment and require little technical and administrative supervision . The Cuzco

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branch has begun to work with COFIDE's Credit Committee to determine how they might complement each other's activities. One suggestion under consideration is for the BIP Cuzco branch to target its loans to businesses supplying goods or services to large COFIDE-financed agro-industrial or industrial projects. Such small businesses would then have assured markets for their products, contribute to regional economic development, and lower BIP's risk.

d. Personnel Policies

Professional staff receive periodic reviews for salary increases. Bonuses or incentive programs for loans placed or recovered are not systematically used, although subjective recommendations based on these criteria are made for advancement into higher paying positions. Prior to 1979, FDR promotors received higher incomes and benefits than non-FDR employees in similar positions within branches. One reason for eliminating this position was to stop the growing friction between the FDR promotor and other credit officers within branch offices.

The BIP's reassignment policy is to rotate branch administrators every three years with increases in salary and rank. Administrators never change their management function nor are they reassigned to Lima. These administrative guidelines do not, however, apply to middle level managers who generally stay in their home provinces.

One important recommendation for BIP is to give a larger percentage of job benefits to field rather than Lima staff. Central management argues that it is easier to replace BIP Lima personnel during one to two

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month technical assistance courses than field staff. Thus, the bank has not given many scholarships to its field staff in the past. This policy may generate dissatisfaction and loss of morale among field staff and should be reviewed.

The BIP technical assistance budget recently approved by USAID does provide technical assistance courses for branch officers (70 field staff members versus 20 from the Lima Central office), as well as scholarships for 10 people to receive one month foreign training courses. It is hoped that a majority of these people will be selected from among the field staff.

4. FDR Management Systems

a. Credit Manual

A credit manual can be a useful way to institutionalize a program, and reduce dependance on strong personalities within the Bank to carry policies forward. Although the FDR program, for all practical purposes, has been institutionalized, the manual is an asset that has not been properly utilized. With the changes and experience gained in managing the system over the years a far better manual can now be written. The present manual consists of a ten page document which is not essentially different from the criteria listed in USAID documents. It notes categories of beneficiaries eligible for credit, the technical criteria needed, collateral obligations, maximum financing levels and minimum contributions required from borrowers. In essence, the manual is technically superficial for loan officers and should be upgraded.

b. Loan Monitoring

Individual loan folders were generally orderly and broken down into 6 categories for each processed loan:

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- Application forms.
- Accounting information received.
- Technical analysis of the loan, and repayment feasibility.
- Legal information required for loan processing and contract agreement.
- Disbursement documents and receipts for equipment and raw materials purchased.
- Recent written correspondence between the borrower and BTP including monthly overdue slips and supervision reports when applicable.

Application forms were usually only partially completed lacking Profit/Loss, Balance Sheet and employment information. As the FDR loan program developed over the years, balance sheet information from a certified accountant was required. Thus, 78% of all small businesses interviewed had outside accountants. Requiring certified balance sheets for loan approval has forced borrowers to adopt elementary accounting methods but the added paperwork has slowed down the loan approval process. Technical analysis of the loans are basically well done including investment description, type of loan under consideration, itemized use of borrowed funds, loan guarantees (and if necessary an itemized recent valuation of borrower assets), potential market analysis, technical considerations, and projected Profit and Loss and Balance sheets under maximum production of capital assets purchased and/or working capital used. Supervision reports, when found, usually were written only after loan recipients had missed three monthly payments, but did attempt to pinpoint problems and whether bank technical or management assistance could resolve them.

c. Loan Records

Unfortunately, record keeping procedures varied widely

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among branches. Such differences are summarized in the following chart:

Chart 2

Huanuco	(1) Ledgers were kept for FDR loan applicants.
	(2) Separate file numbers were issued for each loan regardless if loans were for the same borrower.
	(3) Borrowers were also listed alphabetically but without any cross-reference as to whether an individual had more than one file number.
	(4) Cancelled loans were kept in an orderly fashion in a separate filing system.
Huancayo	(1) Ledgers recording all FDR loan applicants, and their approval status were only maintained for the first few years of the program. In subsequent years, only by looking at the files themselves, could one tell if they were approved or not.
	(2) Separate file numbers were issued for each loan, regardless if it was the same borrower, and no alphabetical listings were available.
Cuzco	(1) Complete ledgers were kept on FDR loan applicants for the entire FDR period.
	(2) Separate file numbers were issued for each loan, regardless if it was the same borrower.
	(3) Borrowers were also listed alphabetically and cross-referenced; however, it was not possible to determine from records whether the same borrower received more than one loan.
	(4) Files of cancelled loans were not removed from those of active loans but not organized so that they could be located for future reference.
Cajamarca	(1) Ledgers were kept for FDR loan applicants during the entire loan period.
	(2) Differing from the other 3 branches visited, the same file number was used for all loans given to the same borrower.
	(3) Alphabetical listings were also available, but were not necessary for cross-referencing.
	(4) Cancelled loans were in the same filing system as active files.

Since effective loan management requires up-to-date, consistent and cross-referenced files, BIP management should take steps to upgrade the current filing system.

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d. Branch Reporting to Central Level

All reports except for urgent matters wired by telex are sent to Lima by public or private mail service. Once received, part of this information is stored on a central computer with printouts usually taking 3-4 weeks before being returned to the various branch offices. Huancayo has recently installed a computer terminal, thereby cutting its response time to outside inquiries. Unfortunately, only certain specific data is stored. Past file documents, however, have not been transferred to computer storage, greatly inhibiting the retrival of such important information.

After 1979, when USAID/Lima no longer required the submission of statistical data, the FDR administrative unit in Lima also no longer requested such information from branch offices. Documents and statistical data, in general, were difficult to find for this evaluation at the branch level for the years 1975 to 1981 and at the central level from 1979 to 1981. This indicates a lack of coordination between branch offices and the central office. The filing and information retrival system needs to be improved and once computer terminals are installed at all branch offices, past and present FDR performance data from file reports, should be transferred to a central computer data bank.

e. BIP Reporting to USAID/Lima

An analysis of USAID documents reveals that the Agency has only tried to monitor the FDR and not overly impose its will. The substantial successes of the project clearly indicate this was the correct decision to make.

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An analysis of USAID files for Phase II of the loan program shows an average of one report submitted by BIP Central offices every 2 months from July 1979 through January 1982. Project reports are usually two pages long and divided into five principle sections: Disbursement status (in turn divided into cumulative accrued pay-cuts, percentage of total project funds disbursed, accrued expenditures during the previous quarter and percentage of time elapsed since project initiation), a Status Summary, Problems and Delays and Major Activities for future months.

USAID/Peru has carefully monitored all technical assistance expenses, discussing disbursements with BIP management prior to their approval. AID officers' critical analysis has been notably important in selecting BIP officials for overseas training. Another measure of careful monitoring is on-site project review. The USAID personnel FDR project monitor has visited about 6 branches each year over the last three years. During Rural Enterprises I an analysis was made by USAID/Lima personnel interviewing ten sub-borrowers at each branch to determine whether higher interest rates could be charged on borrowed funds. The final report indicated they could ardsubsequently interest rates were increased by the BIP.

Monitoring a loan program, but not controlling its function is a difficult balance to achieve. One clear recommendation to USAID for future programs of this type is to require detailed information from BIP on a yearly basis to insure that the central level can legitimately ask branch offices for updated information. This is expecially true in light of the quality control

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found lacking at the branch level. For instance, the following data should have been required by USAID from the BIP each year:

1. Sources and applications of all FDR funds in soles;

2. Actual sales, gross profits and net profits at time of loan application and projections of expected increase due to disbursed loans;

3. The number of actual jobs at time of loan application and estimated jobs to be created;

4. The total number of loans, delinquency and default rates for each branch with the aging of overdue loans.

5. FDR Management Performance

a. Internal Productivity

Besides providing a data bank for instant information retrival, computers could also release staff from time-consuming manual calculations and record keeping. This not only applies to clerical help, but to bank officers as well. Interviewed bank administrators noted that one of their goals, once computer terminals are installed and programmed, is to increase the branch office's outreach by opening bank agencies. These could be staffed by bank officers released from excessive paperwork. This outreach approach will also give branch officers an opportunity to increase their management skills and authority. The continued expansion of computer technology use is highly recommended as a method to improve internal BIP productivity, especially at the branch level. The use of computer technology

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becomes even more imperative with BIP's entry into savings and increased commercial bank operations. Without computer assistance bank employees will soon be overwhelmed with paperwork in the foreseeable future.

b. Delinquent loan

After loans are 3 months overdue and the borrower has received 3 notices, loan clients are reviewed by a committee to decide if 1) a one month extension should be given, 2) Bank technical or management assistance is needed or 3) the loan should be called and if necessary, legal proceedings taken. The low non-recoverable loan rates are admirable for a development bank dealing with small businesses. One possible concern for the future, however, is the legal problem of using personal assets as guarantees for loans. Bank officials interviewed felt such past guarantees and the possibility of bank foreclosure had been a strong incentive to repay monthly loan payments.[1/] In considering the FDR approach for other loan programs, this potential problem bears further examination.

C. Technical Assistance

1. Internal Technical Assistance

FDR Technical assistance under Phase I (1975-1980) totaled $500,000 in grant funds and covered approximately, according to BIP officials:[2/]

$ 150,000 to increase Central (Lima) office computer capacity,

$ 120,000 to purchase vehicles,

$ 25,000 courses for bank personnel outside of the country,

1/ See Section III DC on collateral for further discussion of this issue

2/ Aid documents for Phase I of the FDR Program were not available.

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$ 105,000 for course work inside Peru by Branch personnel and purchase of textbook materials,

$ 100,000 1) to contract private consultants to conduct feasibility studies for 100 selected borrowers, 2) cover the cost of in-country short-term courses in credit management, and 3) sponsor eight 2 month scholarships for training outside of Peru (notably Spain and Mexico at established development banks).

Under Phase II USAID FDR grant funds totalled $500,000 and were used for the following items:

$ 104,245 purchase of vehicles,

$ 30,000 Technical and business administration courses for small borrowers, and

$ 365,755 are still available and have been committed to sponsor: 1) Regional courses for bank personnel in credit analysis, better accounting practices and streamlining legal criteria for processing of loans ($35,750), 2) One month scholarships abroad for bank officers ($30,000), 3) Technical assistace courses for sub-borrowers in specific fields, 4) Publicity campaigns at regional fairs and conferences ($13,700), 5) a BIP financed study for housing materials ($9,000), 6) Co-sponsoring formation of an artisan center ($66,150) and 7) in depth feasibility studies for potential bank sub-borrowers ($100,000).

Over the course of the FDR Phase I program 80% of all technical assistance funds to BIP were used for BIP institutional build up and 20% for FDR sub-borrower technical assistance. The Phase II Project Paper however, earmarked 48% of T.A. funds for BIP institution building and 52% for T.A. funds for technical assistance to sub-borrowers. As previously mentioned one of the principal complaints against FDR's past use of

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funds was that Lima BIP personnel monopolized foreign scholarships and training. Indications are that this policy will be changed in the near future.

One additional technical support cost totally borne by the BIP deserves mentioning. For a number of years, BIP has defrayed up to 50% of university course work costs for all bank employees. During visits by the evaluation team to branch offices, many bank officers said they were taking advantage of the program. The installation of computer terminals at each branch and subsequent savings in bank personnel time, should enable more staff to take advantage of this opportunity.

USAID-funded technical assistance for BIP institutional building has achieved one of its goals: It can be categorically stated that the increased autonomy of BIP branches to administer and approve not only small business, but all loan portfolios, was a direct result of the success of the FDR program. Strengthening BIP technical and management capabilities at the branch level is now required, especially through better information and data management systems.

2. Technical Assistance to Sub-Borrowers

Technical assistance to sub-borrowers has not been systematic. For example, in Huancayo, 6 courses have been held for marketing, management and export policy assistance since 1975, averaging 2-3 days per course with 20-25 entrepreneurs in attendance. In each case, the initiative to sponsor the course came from Lima. During Phase I, technical assistance also took the form of the direct hire of outside consultants to analyze the feasibility of small business loans. In one example, out of 12 studies, not one loan recommendation was approved by the bank loan committee. This approach was soon ended and in-house technical and analytical capability improved at the branch level with occasional technical support from Lima.

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Over 52% of sub-borrowers interviewed in Cusco, Cajamarca, Huancayo and Huanuco reported they had received some type of technical assistance from the BIP. Of this number, 28% received help with feasibility studies, 85% in filling out the application forms, 30% in direct accounting assistance, 12% in marketing and 5% in product processing. Logistical support to credit officers in the form of vehicle transportation and per diem expenses were generally adequate.[1/]

Recently approved USAID funding to the BIP will sponsor technical assistance courses in product processing to 500 entrepreneurs in Huancayo, Huaraz, Ica and Cusco.[2/] BIP will also jointly sponsor an artisan marketing center with other government agencies and financing specific feasibility studies on attractive investment opportunities for small businesses.

An important question of course, is whether the BIP will continue such assistance after USAID technical assistance funds are exhausted. It is recommended that BIP continue and expand such technical assistance but charge a nominal fee to participants. This would help insure that borrowers would take this training seriously and help defray the bank's costs. Many interviewed sub-borrowers said they welcomed more technical assistance and would be willing to pay a reasonable fee for such services.

1/ However, the Cusco branch had only six year old, 4 wheel drive vehicle which constantly required repairs; outlying towns visited by Huancayo branch officers had no hotel accommodations, forcing them to sleep in the car.

2/ SENATI, a GOP funded small enterprise training school, will collaborate with BIP on this venture.

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D. INTERNAL CONTROLS

1. Loan Approval Authority

BIP is strongly decentralized, and over 80% of all loans can be approved locally. The FDR was probably the single most influential factor in the decentralization of authority to branch offices since increased branch approval authority was a condition precedent set by AID. Loan approval authority granted to local branches was increased gradually, and by 1979, when the second phase of the program began, FDR branches could approve loans locally up to the following amounts:

- $25,000 for Cuzco, Huancayo (Dpeartment of Junin) and Trujillo
- $12,500 for Puno, Huanuco, Chiclayo, Piura and Tacna
- $7,500 for Ayacucho, Cajamarca, Huaraz, Ica, Iquitos (Loreto) Pucallpa and Chimbote (Ancash)
- No approval authority for Abancay (Apurimac), Huancavelica, Tumbes and Moquegua, which were agencies under the control of regional branches.

BIP now has a three tier local approval system, whereby the branch administrator alone can approve up to a certain loan amount, larger credits then going to the Credit Committee, usually composed of the branch administrator, senior credit officer, legal officer and accountant; the still larger credits are received by the Decentralized Committee composed of the Credit Committee members plus two local people from outside BIP (in the case of Huanuco, the Administrator of the Banco Agrario and a representative from the Ministry of Industry). Local approval levels have been increased since 1979; the Decentralized Committee's approval limit was found to vary

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from approximately $22,000 in Cajamarca to $37,000 in Huancayo.[1/]

2. Approval Criteria

The main loan eligibility criteria agreed upon with AID prior to implementation were as follows: [2/]

- the enterprise was not eligible for alternative financing on reasonable terms
- it belonged to the artisan, small-scale industry, services, or small-scale agribusiness sector
- maximum loan size was $60,000
- maximum loan/employment generation ratio would be $4,000
- Minimum value added coefficient would be 15%.
- FDR loan amount would represent a maximum of 90% of the amount of the investment, the sub-borrower contributing at least 10%
- Collateral was required for the full amount of the loan, although collateral policies were to be substantially more flexible than for other BIP programs.

a. Qualifications Criteria

In general, the above criteria appeared to be respected [3/] and no loans were found to be made under unreasonable and unduly advantageous conditions. All enterprises surveyed belonged to the sectors and geographical areas targeted by the program. They were not able to qualify for commercial bank credit at the time of the first FDR due to the former's more

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1/ See Annex F for a complete description of approval levels in all FDR branches.
2/ From AID/BIP Loan Agreement for Rural Enterprises II
3/ Conformity to the loan to jobs created rates is discussed further under "Employment impact".

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stringent collateral requirements; in addition, most of these enterprises belonged to the informal sector of the economy and were not constituted as corporations as often required by these banks. An examination of bank records did not discover any loans in excess of $60,000 in real terms. It should be noted that by standard bank policy, working capital loans are limited in amounts to approximately 3-months supply of raw materials; loans for machinery purchases may cover the full price tag.

b. Sub-borrower Contribution

Only in two cases (2% of the sample) did loan amounts appear to be in excess of 900% of the sub-borrower capital funds at the time of the loan. This was the only way to evaluate the sub-borrower's relative contribution to the project being funded since in most cases the bank financed up to 100% of the purchase price of machinery. In one of the two cases, the sub-borrower provided substantial real estate collateral well in excess of loan amount, while in the other case, a clothing manufacturer in Cajamarca, the sub-borrower already had previous credit experience with the bank.

c. Collateral

In all cases collateral provided by the sub-borrower was found to be adequate. Loans for the purchase of machinery were always collateralized by the machinery itself plus, occasionally, by other existing machinery or other assets.

Table 1 shows the percentage distribution of collateral offered by sub-borrowers interviewed in the DAI survey:

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TABLE 1

TYPE OF COLLATERAL OFFERED BY SUB-BORROWERS

(a) Purchased machinery	(b) Other machinery	(c) Real Estate, Borrower or Third Party Personal Assets	a+b	a+c	b+c	a+b+c
9%	14%	6%	31%	7%	10%	23%

In a number of cases, the bank had to repossess machinery on loans overdue by over six months, a policy that proved quite effective in general. Repossession of personal assets pledged to the bank also occurred in some instances.

Such repossession was until recently a simple procedure whereby the bank could act directly without any court order, However, in late 1981, a new law was passed concerning repossession of personal assets, requiring the beneficiary of the pledge to get a court injunction before moving against the borrower. This will limit the scope of personal asset pledging, and, thereby, weaken BIP's position. As a consequence, future FDR loans may have to rely more on personal third party guarantees in addition to fixed assets and inventory. Such guarantees also would be essentially "moral", since repossession of the third party's personal assets would encounter the same obstacles. 1/

3. Disbursement Policies

Loans for the purchase of machinery are disbursed in the form of the direct payment to the supplier, as a guarantee against misuse of funds by the sub-borrower. When feasible, working capital loans are

1/ A possible solution to this proble in similar programs such as the upcoming Urban Enterprise project could be the setting-up of "solidarity groups" which would collectively guarantee repayment of the loan subcribed by one of its members.

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also paid directly to the supplier of raw material, as dictated by sound banking policy.

Disbursement occurs only after presentation of complete documentation, except, on occasion , of the business' municipal license since a lingthey process is necessary to secure this document. The time required to obtain such required documents, which accounts for most of the average is 78 day time-span between initial loan application and loan approval does create problems for the sub-borrower [1/]. In many cases, prices have increased to such an extent (6% per month on average in 1981) that the initial loan amount no longer covers the cost of the intended machinery or the raw materials purchases. The BIP, unfortunately has no internal, automatic mechanism by wich loan amount could be adjusted accordingly.

In case of a second of subsequent FDR loan, the bank appeared to favor increasing the existing loan rather than granting a new loan, as it believes that the chances of seeing a sub-borrower skip a monthly payment are lower when there is one single monthly payment to make rather than two; this was also found to reduce administrative costs for the bank.

4. Internal Auditing

The bank's audit department calls on each branch at least once a year. Audits are typically performed by teams of three to four people who spend a week (or more if required) on each audit. The audits are unannounced and include a review of the branch's entire loan portfolio, including the FDR, its lending policies, allocation of bank resources in conformance

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1/ Data on time lag between loan application and approval is from DAI evaluation team's examination of the files on 85 sub-borrowers in Huancayo, Huanuco, Cajamarca, and Cuzco. An average additional 32 days elapsed between loan approval and disbursement.

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with bank policies and enforcement of established bank procedures. The audit department is independent from all bank Divisions, and reports directly to the bank's President.

E. FDR FINANCIAL OVERVIEW

1. Sources and Applications of Funds

Sources of funds for the FDR were provided by initial and subsequent capital contribution by AID and by the BIP, and by interest and principal payments made by sub-borrowers and credited to the Fund. Applications of funds were in the form of loans paid out under the credit fund, and for the technical assistance component in the form of commodities, training and other expenses.

Table 2 describes inflows and outflows of only FDR loan funds from inception in November 1975 until end of September 1981. Figures were converted into U.S. dollars at the average exchange rate for the year used internally by BIP.

Table 2 was computed from records provided by BIP's Accounting Department, Budget Office, Economic Studies Office and FDR unit. Large discrepancies were found between the various sol figures available, in particular for loan amounts paid out in a particular year and for the FDR's year-end balance.[1/] Thus, in the absence of one authoritative document covering the entire 1975-1981 period, sources and applications of funds had to be estimated from available data. It is suggested that in the future the FDR provide a single yearly statement in soles (to avoid exchange rate adjustment problems) clearly showing inflows, outflows and year-end balance.

1/ For instance, AID contribution under Loan 527-W-057 was accounted for at 1,251.8 million soles by accounting at year end 1980 and at 1,327.5 million soles by Budget. Accounting reports a 1980 year end fund balance of minus 711.5 million soles while Budget shows a positive balance of 1280.6 million soles.

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TABLE (2)

FDR SOURCES AND APPLICATIONS OF FUNDS [1]
(Thousands of dollars equivalent)

	1975	1976	1977	1978	1979	1980	1981 (thru 9/81)	TOTAL
Starting Balance	0	2494.1	2277.3	4161.5	4561.1	4044.5	(4790)	
Sources of Funds								
AID Contributions		1196.7	1531.5	2706.9	2853.6	5026.0	2263.9	15,580.8
BIP Contributions	2561.1 [2]	296.6	540.2	686.0	772.2	836.1	4830.9 [3]	10,523.1
Transfer from ORDEZA			2200.			1.7		2,201.7
Loan Repayments		163.1	729.1	1358.2	1881.1	3987.3	5832.2	13,951
Sub-Total		4152.5	7278.1	8912.6	10068.2	13895.6	8137.	
Applications								
Loans PAID OUT	67.	1875.2	3116.6	4351.1	6023.7	18685.6	8211.6	42,331.2
End of Year Balance	2494.1	2277.3	4161.5	4561.1	4044.5	(4790)	(74.6)	
Exchange Rate	40.34	57.43	83.81	153.6	224.6	292.1	414	

(1) Reconstructed from BIP and AID accounting records. Discrepancies due to exchange rate fluctuations are present.
(2) 1974 and 1975.
(3) Two billion Soles internal transfer from BIP to FDR to recapitalize the fund, not part of loan agreement with AID.

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In mid-1981, the/ capital contribution had been fully paid out, the FDR Fund dwindled to almost nothing and FDR lending activity was sharply curtailed. However, uncertainty as to the future of the program and reduced level of loan activity at branch level led the bank to allocate a portion of its own resources to the Fund. From February-November 1981, over 2 billion soles (US$4.8 million) was allocated beyond the BIP contractual obligations, allowing the Fund to operate again despite the large negative balance shown ($4,790,000) at the end of 1980. Overall, lending activity was still sharply down during the first nine months of 1981, to an average of $0.9 million per month against a $1.6 million average in 1980.

2. Portfolio analysis

a. Regional breakdown

As shown in Annex C, loans extended under the FDR are well diversified geographically, with no branches accounting for over 16.5% of total lending in 1980. Coverage of the sierra region has, of course, much improved since 1976, when only 4 branches were active in the program and 45% of loan activity was concentrated in Cuzco alone. Cajamarca, which practically initiated its FDR lending in 1978, had become the largest lender by 1980, while branches such as San Ramon and Tarapoto, jumped respectively to 10% and 7% of all lending during their very first year with the FDR. 1/ The original four branches meanwhile had dropped to only 42% of overall lending.

b. Economic Sector

An examination of Table 3 reveals that the distribution of loans according to the sub-borrower's economic activity, has remained

1/ Lending by the Ica, Chiclayo, Arequipa, Piura, Tacna and Trujillo offices has remained very modest, as they deal with mostly coastal areas with only limited mountainous areas.

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BID : OPERACIONES DE CREDITO APROBADAS PARA

EMPRESAS RURALES

- Unidades y Miles de Dólares -

	1978			1979			1980			1981 (1)			TOTAL 1978 - 1981 (1)		
	Nº	MONTO	%	Nº	MONTO	%	Nº	MONTO	%	Nº	MONTO	%	Nº	MONTO	%
I. POR MONTO															
Hasta US$2,584	1,036	923.6	21.2	993	851.0	14.1	1,245	1,832.1	9.8	485	641.0	7.8	3,759	4,247.7	11.4
US$2,584 - US$ 7,752	190	875.5	20.1	367	1,766.1	29.6	319	1,761.0	9.4	384	2,189.8	26.7	1,266	6,612.4	17.7
US$7,752 - US$12,403	85	794.1	18.2	69	911.1	15.1	318	3,313.0	17.7	101	1,271.9	15.5	573	6,290.1	16.9
Más de US$12,403	59	1,758.3	40.5	65	2,475.5	41.2	380	11,779.5	63.1	145	4,108.9	50.0	655	20,122.2	54.0
TOTAL :	1,376	4,351.5	100.0	1,494	6,023.7	100.0	2,268	18,685.6	100.0	1,115	8,211.6	100.0	6,253	37,272.4	100.0
II. POR DURACION															
Hasta 2 años	240	289.7	6.7	204	365.1	6.1	275	823.3	4.4	155	630.4	7.7	874	2,108.5	5.6
2 años - 3 años	624	999.3	23.0	729	1,787.2	29.7	1,047	4,856.6	26.0	470	2,321.5	28.3	2,875	9,964.6	26.7
3 años - 4 años	213	735.0	16.9	198	1,000.9	16.6	359	3,715.5	19.9	210	1,503.9	18.3	980	6,955.3	18.7
4 años - 5 años	240	1,599.6	36.7	312	2,111.8	35.1	499	7,306.5	39.1	236	3,005.3	36.6	1,292	14,025.2	37.6
Más de 5 años	51	727.9	16.7	51	758.7	6.4	88	1,981.7	10.6	42	750.5	9.1	232	4,218.8	11.4
TOTAL :	1,376	4,351.5	100.0	1,494	6,023.7	100.0	2,268	18,685.6	100.0	1,115	8,211.6	100.0	6,253	37,272.4	100.0
III. POR ACTIVIDAD ECONOMICA															
Bienes de Consumo	923	1,944.0	44.7	950	2,715.5	45.1	1,136	5,487.8	29.3	571	2,827.3	34.4	3,580	12,974.3	34.8
Bienes Intermedios	163	714.1	16.4	201	1,164.3	19.3	276	3,167.7	16.9	110	1,175.4	14.3	750	6,221.5	16.7
Bienes de Capital	127	625.7	14.4	124	576.2	9.5	183	2,032.5	10.9	93	825.8	10.0	527	4,060.3	10.9
Otras Actividades	163	1,067.7	24.5	219	1,567.7	26.1	673	7,957.9	42.9	341	3,383.1	41.3	1,396	14,016.4	37.6
TOTAL	1,376	4,351.5	100.0	1,494	6,023.7	100.0	2,268	18,685.6	100.0	1,115	8,211.6	100.0	6,253	37,272.4	100.0
IV. POR LOCALIDAD															
Costa	-	-	-	-	-	-	153	1,154.4	6.2	74	608.0	7.4	227	1,762.4	4.7
Sierra	1,375	4,348.3	99.9	1,489	5,862.0	97.3	1,994	15,303.0	81.9	983	6,859.6	83.5	5,481	32,372.9	86.9
Selva	1	3.2	0.1	5	161.7	2.7	121	2,228.2	11.9	58	744.0	9.1	185	3,137.1	8.4
TOTAL :	1,376	4,351.5	100.0	1,494	6,023.7	100.0	2,268	18,685.6	100.0	1,115	8,211.6	100.0	6,253	37,272.4	100.0
V. POR DESTINO															
Activo Fijo	-	2,653.0	61.0	-	3,253.4	54.0	-	11,693.8	62.6	-	4,609.4	56.1	-	22,209.0	59.6
Capital de Trabajo	-	1,698.5	39.0	-	2,770.3	46.0	-	6,992.4	37.4	-	3,602.2	43.9	-	15,063.4	40.4
TOTAL :	-	4,351.5	100.0	-	6,023.7	100.0	-	18,685.6	100.0	-	8,211.6	100.0	-	37,272.4	100.0

(1) Enero-Setiembre/Preliminar

NOTA: TIPO DE CAMBIO : (Promedio)
1978 US$ 1.00 = 153.6
1979 US$ 1.00 = 224.6
1980 US$ 1.00 = 292.1
1981 US$ 1.00 = 414.0

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fairly consistent from 1978-81. The amount of loans going to "other activities" which include services, commerce and tourism, increased from 25% to 41% during 1978-81, and loans for enterprises involved on the production of consumer goods decreased from 45% to 35%. Loans to firms producing intermediate and capital goods hovered respectively/ around averages of 17% and 11% of total funds placed.

Table 4 represents the BIP's best estimates of the distribution of loans by branch and economic activity from 1975-81. The small industry sector captured the largest share of loans in all reviewed branches, the artisan sector, which usually consists of processing alpaca products into garments and tapestries, ceramics production and other tourist items, received the second largest share of loans in three sierra branches while services and commerce dominated in the remaining branches.

In August 1981, the BIP's Central office prohibited many branches from extending FDR credit to commercial and service enterprises in urban areas. The erosion of the value of FDR recoveries due to inflation, coupled with the high demand for these funds from services and commercial firms, would have channeled almost all remaining funds away from small industries and artisans. Since BIP's other lines of credit cannot be used to finance the tertiary sector, only non-urban service and commercial enterprises now have access to credit.

TABLE 4: Percentage Distribution of Loan Amounts by Branch and Economic Activity

	Artisan	Industry	Services	Tourism	Commerce	Fisheries	Agro-Ind.	Other	Total
Junin	6	67	13	7	1	4		2	
Cuzco	26	57	10				4	3	
Ayacucho	31	54	12					3	
Huanuco	4	63	20	3	3		7		
Cajamarca	3	58	15	5	19				
Puno	40	47	8		2			3	

Source: BIP records

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c. Loan Purpose

Approximately 60% of loan funds are used to purchase fixed assets, usually equipment, while 40% have been given for working capital to buy raw materials and supplies. Most loans, however, have been for both equipment and raw materials.

The relatively high proportion of loans for raw materials reflects the fact that few suppliers in the Sierra region offer credit to customers. The FDR is still the only source of long-term working capital loans in Peru.

d. Loan Size

Sixty percent of all loans disbursed from 1978-81 were less than $2,584; only ten percent were over $12,400. However, the amount of funds going into small loans decreased by 13% to become 8% of all loans funds placed in 1981. The number of small loans similarly dropped from 75% to 43% of total number of loans granted in 1978 and 1981. The percentage of funds devoted to larger loans increased from 41% in 1978 to 50% in 1981, partially explained by increased equipment prices.

This analysis indicates that the bank is fulfilling its objective of serving as a source of smaller loans despite the temptation to make fewer, larger loans to enterprises with firm collateral.

e. Loan Duration

From 1978-81, about 14% of the number of loans granted representing 5.6% of the total amount of loans disbursed, were for under two years (see Table 3). Almost half of the loans disbursed had two to three year repayment periods (27% of total loan funds) 16% were for 3-4 years (19% of loan funds), /4-5 years to repay (38% of total loan funds). Only 4% of loan recipients received terms longer than 5 years. An examination of bank files also

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indicates that branches adopted the generous policy of allowing relatively long three year repayment periods even to entrepreneurs only receiving working capital loans.

3. Portfolio Quality

The quality of the FDR portfolio appeared to be generally good. The relatively low level of delinquencies was in effect a major factor in the institutionalization of the program and its acceptance by bank management as a feasible and effective lending practice.

No aggregate delinquency rates were available for the entire program. Delinquencies were obtained on a case-by-case basis for the branches surveyed and for two other FDR branches.

At branch level, delinquency rates were broken down by lending program and were available immediately. However, FDR delinquency rates were not available at central level, and had to be computed customer by customer. This process was too lengthy to allow for an overall review of the program, and it is suggested that bank accounting records supply such information for each program.

FDR delinquency rates for the branches surveyed or checked upon in Lima were the following:

- 7.7% in Huancayo
- 11.7% in Huanuco
- around 9% in Cuzco
- 8.6% in Puno
- 18.6% in Ayacucho 1/

1/ This high delinquency rate was due to earthquakes during 1981 which caused many businesses as well as BIP's branch building to collapse. Borrowers have requested a moratorium on repayment of laons.

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It should be noted that the above figures include all loans for which principal and interest payments are overdue by one day or more. Real delinquencies are estimated to be well below the above figures, probably in the 8-9% range on the aggregate (in Cuzco, payments overdue by three months or more affected only 1.0%, and .9% of the Cuzco and Cajamarca portfolios respectively.

Aging of delinquencies for Huancayo was as follows:

- .6% one month overdue
- .6% two months overdue
- .9% three months overdue
- 5.6% more than three months overdue

If real delinquencies are considered to apply to payments overdue by one month and more, only 7% would therefore fall under that category. Not only do FDR delinquencies appear to be at very acceptable levels. but they also compared very favorably with that of other BIP lending programs in those cases where data was available. In Huanuco and Huancayo, payments overdue by one day or more affected the following percentage of loans:

	Huancayo	Huanuco
FDR	10.6%	11.7%
Ordinary credits	8.3%	15.5%
Supervised credits 1/	38.0%	32.3%

The substantial increase in FDR interest rates over the past two years did not appear to increase delinquency rates beyond acceptable levels, an encouraging sign for the Urban Enterprise project.

1/ Supervised credits are loans extended to depressed companies and sectors in line with GOP incentive programs.

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The number of loans under judicial proceedings was also not either found to be alarming(e.g. 0.3% of the overall loan portfolio in Huancayo), No FDR loan was found to be actually liquidated and written off in the four branches surveyed.

4. Interest Rate Structure

The FDR was designed as a subsidized program offering low interest rates for enterprises not able to qualify for commercial credit. The extent to which rates were subsidized appears in Table (5).

FDR interest rates were at negative levels (or below inflation) throughout the life of the program. They were negative by as much as 42% in 1979 and by as little as 12% in 1975, with an average negative rate of 28% for the 1975-1981 period.

Due to these highly negative interest rates,, the FDR was rapidly decapitalized over the years, as principal and interest paymetns credited to the Fund were well below the value of original pay-out in real terms.

Sustainability of the FDR was not a stated project objective at inception. Highly subsidized interest rates certainly represented an additional incentive to the sub-borrowers and put them in a favorable cash flow position following their investment. However, it is not felt that these low interest rate levels were a prerequisite to project success or to the sub-borrower's economic survival. 1/ In January 1982, the BIP began to require interest to be paid three months in advance and raised its interest rate to 42.5% for artisans, 44% for loans under 15 million soles and 54.7% for

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1/ See in particular the analysis of the debt burden ratio in Section IV.

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TABLE (5) - CHANGES IN MAIN INTEREST RATES[1]

	75	76	77	78[4]	79	80	81[13]
FDR							
Artisan Sector	7	7	7	15.5[5]	18.5[8]	18.5	34
Small Loans	10[2]	10	10	18.5[6]	21.5[9]	18.5[11]	40[14]
Large Loans	12[3]	12	12	22.5[7]	25.5[10]	25.0[12]	49.5[15]
Commercial Bank Lending Rates	12	17.5	19 5	29.5	34.5	34.5	49.5
Central Bank Rediscount Rate	9.5	12.5	14.5	28.5	31.5	33.5	44.5
Annual Inflation Rate	23.6	33.5	38	57.8	67.7	59.2	72
Interest rate differential (highest FDR rate minus inflation rate)	11.6	21.5	26	35.3	42.2	34.2	22.5

SOURCE: BIP Records and IBRD Peru Staff Appraisal Report: Second Industrial Credit Project, February, 1981, Annex 4, T-24.

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1. Interest rates include the FDR's 2% commission charge; only nominal interest rates and commissions charged by commercial banks are included, the standard practice of discounting loans causes their effective interest rates to approximate the prevailing inflation rate.
2. Ten percent interest was charged on loans for purchase of fixed assets up to Soles 2,000,000 in private industry, tourism and fisheries; only 5.7% was charged for working capital loans to the same clients.
3. Twelve percent interest was charged for loans between two and ten million soles made to associative enterprises for fixed assets' purchases. Only 7.7% interest was charged for working capital loans to the same clients.
4. FDR interest rates from August-November 1978, in November all FDR interest rates were increased by 3%.
5. Loans under S/.1,000,000.
6. Loans to industry and hotels under S/.10,000,000; loans this size to service enterprises had a 22.5 % interest rate.
7. Loans over S/.10,000,000 to industry and hotels; 26.5 % was charged to service enterprises.
8. Loans under one million soles to artisans.
9. Loans under ten million soles to industry and hotels; services were charged 27% more interest.
10. Loans over ten million soles to industry and hotels; services were charged 27% more interest.
11. All loans under three million soles.
12. All loans over three million soles.
13. Rates as of May 15, 1981.
14. Loans under 15 million soles to all types of small enterprises.
15. Loans over 15 million soles to all types of small enterprises.

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those above this amount in an effort to reduce erosion of the FDR fund. Innovative and positive interest rate structure included in the Urban Enterprise project will help launch the bank on a new course in this respect.

5. Project Costs

The Bank does not break down general and administrative costs per lending program. Each branch is allocated a yearly budget covering its direct costs but is not charged for services provided by home office. Costs attached to the FDR could, therefore not be isolated and identified in any accurate way. However, BIP's overall operating costs in past years were not unduly high and branch level expenditures appeared to be reasonable.

BIP also does not charge branches for the cost of FDR funds being disbursed to sub-borrowers. This means that the branch's "bottom line" at the end of the year is basically reported as total interest and commission collected minus operating costs.

Although BIP is a development bank, the objective of which is not to maximize profit, it is felt that branches should be charged for the cost of funds they lend out, whatever system is used to determine the appropriate interest rate. This sound banking practice would make branch administrators more conscious that money is not a free commodity. On the other hand, their lending attitudes should not be inhibited if they are not judged on the net income shown after application of the cost-of-fund factor. Furthermore, it would allow the bank to analyze its branches in terms of "profit centers", which again does not mean that unprofitable branches would be closed. Lastly, the system could be well adapted to the new positive, interest rate structure which BIP plans to apply to similar future programs.[1/]

1/ BIP does in fact plan to institute a complete cost-of-fund system in the future, possibly in 1983. Recent conversations with Bank management indicate that branches have recently been charged 23% for the cost of new funds.

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F. Future of Small Business Loan Funds within BIP

As already pointed out, the FDR has been fully decapitalized over the years due to highly negative interest rates. However, the Bank does not intend to terminate lending under the FDR, as exemplified by the $4.8 million of additional funds it allocated to the Fund in 1981 from its own resources. BIP could not afford to terminate small enterprise lending even if it so wished, given the current overwhelming importance of Fund activities in the Sierra region compared to other lending programs. Also, the rising expectations created by the bank's aggressive promotion of the program will have to be filled, and no other financial institutions, whether public or private can fill this need.

Small business lending, which now represents around 50% of all loans extended on a marginal basis, is the fastest growing lending program within the bank and has been targeted as a top priority in BIP's five-year strategic plan. Within this area, the FDR has proven effective, credit-worthy and essential to small business development in the sierra. It is strongly believed that FDR, or a similar lending program, will and should be pursued, hand-in-hand, with the Urban Enterprise project to be implemented in coastal areas.

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IV. Project Impact on Rural Enterprises

A. Profile of Sub-borrowers

Bank Files Information

Based on information gathered from a randomly selected sample of bank files on sub-borrowers in Huancayo, [1/] the average FDR borrower had the following characteristics at the time of loan application: [2/]

Yearly Sales	$ 18,792
Cost of Raw Materials	6,096
Net Profits	2,400
Net Return on Sales	18.7%
Net Worth	5,000
Percentage with outstanding loans	33%

Most were family-owned businesses in which spouses and children shared the chores. About 11% of entrepreneurs used their loans to start a new business and almost all had not been in operation for more than a decade. About 70% of borrowers were involved in small-scale industrial activity, of which over half were tailors, bakers and carpenters. Approximately 13% of FDR loan recipients were artisans engaged in the transformation of alpaca and llama products into clothing and tapestries, 9% were involved in services such as auto repairs and 7% were involved in retail trade.

The average size of a loan to Huancayo borrowers was $9,356, but almost half of loans disbursed were under $2,500. [4/] Two thirds of borrowers had never received any previous credit, and about 16% of randomly

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1/ See Methodology Section for discussion of sampling process.
2/ See Annex II for further breakdown.
3/ Calculated by averaging the net profits/sales for each sample borrower.
4/ The BIP calculates that 60% of all loans disbursed between January 1978-September-1981 were less than $2,500.

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chosen loan [illegible]ients who were sole proprietorships were owned by women. Only 6% of sample loan recipients were organized into corporations.

Field Survey Information

More detailed information on 85 sub-borrowers in Huancayo, Huanuco, Cuzco, and Cajamarca was derived through interviews with enterprise owners. Although budget and time limitations precluded a completely random selection of sub-borrowers, comparisons with bank data indicate that they present a reasonably accurate portrayal of borrowers in those branches.

The data reveals that 92% were sole proprietorships and 8% had limited liability partnerships. Although these businesses had been functioning an average of 8 years, only 40% declared that they had previously received loans from any sources - family, private individuals or through banking channels. Most with credit experience had been previous BIP clients although some had had access to commercial or suppliers' credit.

Contrary to expectations, almost all entrepreneurs were firmly rooted in the business world; only 4% had owned and cultivated land prior to owning their own business. Most had worked as employees in other firms (29%), had owned another business (26%), or had worked in their family's enterprise (15%). 1/

1/ The remainder had been students and school teachers or had failed to respond.
See Annex I for further analysis

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Income from the average firm was used to support 3 adults and 3 children; however, these firms were not the sole source of income for 30% of those interviewed. Often, wives will have other small businesses whose income is used particularly to support the children and household needs.

Over 60% of firms interviewed were in the industrial sector, 23% were in services, 8% were classified as artisans and thereby granted preferential interest rates, 4% were in agriculture and 2% were in commerce. A detailed breakdown of occupations can be found in Annex J

Survey results show that almost one quarter of enterprises were owned by women (see Table 10). Typically these were widows who had inherited their husband's business, or were unmarried women. This is not surprising since Peruvian law requires that husbands countersign their wife's loan applications form and grant approval prior to establishing any business venture. However, females did provide 43% of the labor force supplied by the family. Owners and unpaid family members provided 35% of the labor force of these interviewed enterprises. Over ninety percent of salaried employees, apprentices and daily workers were male but females provided 53% of the seasonal labor force.

B. Financial Impact

In order to fully measure the project's impact, this analysis focused on changes in each surveyed enterprises' income and financial position between the year it received its first FNK loan and the present, rather than an absolute dollar figures. Although actual sales and profit

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figures were in most cases underestimated by the entrepreneur for self-protection, we have assumed that the level of distortion remained, approximately the same before and after the loan. Thus, this distortion should not affect the ratios significantly. 1/

TABLE (6) FDR ENTERPRISES INCOME STATEMENT ANALYSIS
(Averages for all enterprises visited during survey)

	HUANUCO	HUANCAYO	CUZCO	CAJAMARCA	AVERAGE
Currently Yearly Sales (US$), based on end-1981 monthly figures	(2) $44,121	$ 25,050	$ 33,582	$ 31,667	$ 33,605
Ratio of Current Sales to Sales at Time of First FDR Loan (At Present Values)	1.73	2.51	$2.71	3.44	2.60
Average Yearly Sales Increase Since FDR Loan (Present Values)	19.9%	32.0%	28.7%	32.3%	28.2%
Current Yearly Gross Income (US$)	(2) $ 19,871	$ 11,751	$15,052	$16,989	$ 15,915
Ratio of Yearly Increase in Value Added To Loan Amount(s) (At Present Values)	(.26)	.10	.89	.45	.29
Current Salaries Paid on Yearly Basis (US$)	$ 3,617	$ 3,261	$ 2,644	$ 2,850	$ 3,092
Average Yearly Increase in Net Income (Present Values)	121.4%	16.1%	18.6%	58.1%	53.5%
Current Return on Sales- Non-services enterprises	22.5%	25.2%	34.5%	33.8%	29.0%
-Service Enterprises	65.5%	20.7%	37.2%	49.2%	43.2%
Ratio of Current Yearly FDR Loan Payments to Net Income Before Interest Payments	24.2%	45.0%	26.3%	28.5%	31.0%

(1) Refer to Annex (F) for a description of the methodology used in the collection and analysis of the financial data, and for a discussion of the accuracy of that data.

(2) Figure excludes two large borrowers surveyed in area, who were not randomly selected.

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At the end of 1981, average declared sales of surveyed enterprises were equivalent to US$ 33,605, which places them in the lower echelon of the small enterprise sector as defined by the GOP.[1/] Lower averages were found in Huancayo, because of the prevalence of the small artisan sector, and higher averages in Huanuco, which does not have any handicrafts.

The breakdown of FDR enterprises by current yearly sales was as follows:

- 31% below US$ 10,000
- 18% between $10,000 and $20,000
- 19% between $20,000 and $40,000
- 26/ between $40,000 and $100,000
- 2% between $100,000 and $200,000
- 4% above $200,000.

The smallest reported sales figure was $1,200 and the largest, a mining equipment company in Huanuco, was $ 520,000.

Between the time of the first FDR loan and the present, sales of those enterprises already in existence at that time increased overall by 160% (or 2.6 times) in real terms [2/], representing a 28.2% compounded increase per year. This exemplifies the strong impact the FDR had on these enterprises, despite the deep recession experienced by the Peruvian economy in the late 1970's. These gains stemmed from increased production capacity most often provided by FDR loans alone, through either mechanization, or the

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1/ Small enterprise is defined by the GOP as having less than 50 employees and $ 500,000 in annual sales with a net worth of no more than $200,000.

2/ All figures in the analysis have been converted to present value.

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purchase of additional machinery, or from additional working capital to purchase raw materials. Such gains from increased prices in real terms however were not found significant, since prices of goods sold usually barely kept up with inflation, particularly in the artisan sectors.

Gross income [1] increased in real terms by approximately $16,000 per enterprise. Taking gross income as the best measure of economic value added at the enterprise level, it was calculated that each dollar of FDR loan produced 29 cents of increased gross income per year (all 1981 terms), which would indicate that the typical FDR loan had a pay-back period of approximately three and a half years in terms of economic value added.[2] Overall benefits of the program, including generation of employment and payment of salaries are further discussed in following sections.

The net income of surveyed enterprises increased by over 50% a year, or faster than sales. However, large variations were found between the four branches visited as well as between individual enterprises due to very uneven profitability performance and the fact that reported net income figures tended to be more inaccurate than sales figures.[2] Only 20% reported a fall in net income and only one had its profits practically wiped out (because of flooding), while one enterprise went from a loss to a profit. Current return on sales was a strong 29% for industrial, artisan, commercial and agricultural firms as a whole, while service enterprises showed a 43% return, reflecting the absence of raw material costs. It should be noted nevertheless that the above return on sales figures are based on net income figures which did not subtract income taxes or depreciation costs, which as

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1/ Defined as sales minus the cost of raw materials.

2/ An enterprise showing a 30% return on sales and which underestimates its sales by 10% will as a consequence be underestimating its pre-tax (in most most cases net) income by one third, all other costs being equal. This was probably the largest single factor in inaccuracy of net income figures.

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pointed out in Annex (B) could not be reasonably measured. The lowest return on sales was 7%, with over 70% of all enterprises reporting returns above a satisfactory 20% level.

The debt burden proved fairly heavy to FDR funded enterprises, as current principal and interest payments made to BIP represented as much as 31% of total net income before interest costs. This debt burden has increased quite substantially over the past year, as FDR interest rates have moved up sharply to the 40 - 50% range. However, the satisfactory levels of income outlined above, which were calculated on the basis of the 42 - 44% interest rates prevailing in December 1981 indicate that debt repayment and servicing was not a major obstacle under present conditions.

TABLE (7) FDR ENTERPRISES BALANCE SHEET ANALYSIS

	Huanuco	Huancayo	Cuzco	Cajamarca	Average
Ratio of current Total Assets to Total Assets at Time of First FDR Loan(Present Values)	3.59	3.73	3.51	4.57	3.85
Average Yearly Increase in Total Assets (Present Values)	49.6%	89. %	108.4%	42.5%	72.4%
Ratio of Current Working Capital to Inventory (liquidity)	1.94	1.80	.96	1.24	1.26
Ratio of Current Net Worth to Net Worth at Time of First FDR Loan (present Values)	3.89	3.56	3.74	4.24	3.86
Average Yearly Increase in Net Worth Since First FDR Loan (Present Value)	54.4 %	65.5 %	70.7 %	35.4 %	56.5 %
Debt to Net Worth at Time of First FDR Loan (Including FDR Loan Amount)	3.32	2.23	1.94	2.08	2.39
Current Debt to Net Worth Ratio	.46	.25	.38	.89	.49

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Balance sheet growth was very substantial, as total assets were up by 285% in real terms (ratio of 3.85) since the time the first FDR loan was extended. This entailed an average yearly increase of over 72%, the multiplier effect of the loan being further strengthened by the fact that no depreciation was taken into account on FDR - funded, or other equipment.

Liquidity was found to be adequate. In the majority of cases, current ratios could not be calculated, as current liabilities were close to non-existent. Liquidity was thus calculated by measuring to what extent the working capital covered total inventory, which is the least liquid of current assets; average coverage of 126% proved easily sufficient. Less than 6% of enterprises were found to have negative working capital. Nevertheless, current assets were comparatively quite modest, as fixed assets usually accounted for over 80% of the total balance sheet. Credit policies both up-stream and down-stream did not appear to strongly affect the cash flow situation, as average credit terms granted to clients were of 11.7 days, whereas average payment terms obtained from suppliers was 27 days. Overall, 64% of the enterprises were paid only on a cash basis, a substantial advantage in a high-inflation economy, whereas 50% of them paid their suppliers strictly cash. with an inflation rate of 72% in 1981, 30 days payment terms represent an actual discount of as much as 6% over the nominal sale price.

Overall, the net worth of all established and new firms increased nearly four-fold since extension of FDR loans, representing a remarkable yearly increase of over 56% in capital funds. Only one enterprise out of

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seven saw an actual decrease in net worth in real terms, and less than one out of twenty experienced a fall of over 15%.

The borrowers' level of indebtedness fell sharply between first loan extension and the present from 2.39 to 0.49. The former figure, which was calculated by adding the amount of the FDR loan to existing debt indicates that capital funds contributed by the borrowers represented close to 30% of all capital funds invested at the time the FDR loan was made, the bank contributing the remaining 70%. Only in two cases, was the ratio found to be in excess of the stated 90% maximum contribution by the bank, one being a bakery in Huanuco which provided substantial property collateral, the other being an established clothing manufacturer in Cajamarca with previous borrowing experience with the bank. The present low leverage of 0.49, reflects the inability of the entrepreneurs to borrow funds from commercial banks and other institutions besides the FDR.

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C. Comparison of Expected Financial Impact and Survey Results

Examination of Table 8, shows a large discrepancy between DAI survey results and estimations of impact found in FDR feasibility studies. While branch feasibility studies predicted an average 409% increase in sales in Cuzco and Cajamarca, interviews with the same clients showed that sales had actually increased by about 31% annually. Similarly, net profits were presummed to increase by 414%, whereas survey results indicated a still substantial annual increase of 54%.

One reason for this discrepancy lies in the methodology used by bank technicians; in the vast majority of cases reviewed, sales were estimated accorded to the maximum productive capacity of new equipment. Unfortunately, maximum output of fixed capital equipment was seldom attained by those interviewed. Also, marketing studies had only been conducted for 12% of sampled entrepreneurs; in other cases, bank personnel assumed the market would readily absorb any increased production. In those cases where marketing studies had been conducted, pro-forma estimates by bank analysts would only differ with actual result by a few percentage points.

The complexity and cost of a marketing study must, of course, be justified by the size of loan funds requested. In-depth, marketing studies would not be appropriate for extremely small loan requests examined by BIP. However, technicians should try to renew their efforts to estimate realistic usage of future equipment and potential market demand during their visits to perspective borrowers.

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TABLE 8

COMPARISON OF EXPECTED FINANCIAL IMPACT AND DAI SURVEY RESULTS

(Cuzco and Cajamarca)

	Cuzco	Cajamarca	Cuzco & Cajamarca Average	Average of 4 surveyed Branches	Prediction of Cuzco and Cajamarca Feasibility Studies
Average Nearly Sales Increase	28.6%	32.2%	30.5%	28.2%	409% *
Average Nearly Increase in Net Income	18.6%	58.1%	38.35%	53.5%	414%

* This represents $\frac{\text{Expected Sales Immediately After Loan - Current Declared Sales}}{\text{Current Declared Sales}}$

converted from 5.09 to 409% increase.

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D. Income Generation

1. Potential Income Effect of FDR Loans

The potential income effect of the FDR project is depicted by Chart 3:

CHART 3

INCOME LINKAGES OF FDR BORROWERS

FORWARD LINKAGES	. income to marketing agents of enterprise product. . income resulting from enterprise product's use . consumer surplus
BENEFITS DIRECTLY GENERATED BY ENTERPRISE	. owner salary . profits . staff income
BACKWARD LINKAGES	. income to input suppliers and marketing agents . producer surplus

2. Direct Income Effect

This evaluation has focused on the direct income created since the FDR loan. As chart 3 indicates, direct income includes salaries to owners, net profits and employee wages. In this analysis, salaries to owners and family members is included in the estimate of net profits since almost none of the interviewed entrepreneurs paid themselves a regular wage but rather drew from profits.

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TABLE (9)

ESTIMATES OF INCOME TO OWNERS, EMPLOYEES AND SUPPLIERS
(Total Disbursed FDR Loans $42,931,738)

	Huancayo	Huanuco	Cuzco	Cajamarca	Average
Real Change in Net Profits ÷ Loan (PV)	.27	.41	3.53	1.42	1.41
Real Change in Raw Materials Purchased ÷ Loan (PV)	.51	.60	2.5	.46	1.27
Average Percentage of Value of Raw Materials					
- from local area	30%	9%	36%	56%	33%
- from other parts of Peru	55%	83%	52%	41%	58%
- imported	13%	2%	12%	3%	8%
- no information		6%			2%
Extrapolation of Change in Net Profits due to Total Loans Made					$ 60,533,750
Extrapolation of Increased Income to New Employees					$ 19,015,800
Extrapolation of Increased Sales to Suppliers (Backward Linkage)					
- in local area					$ 17,992,691
- in other areas of Peru					$ 31,623,518
Total Sales to Peruvian Suppliers					$ 49,616,209
Estimated Income Effect					$129,165,759
Estimated Income Effect ÷ Total Loans Made					3.01

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a. Income to Owners

Survey results show an average yearly increase of 53.5% in net income among FDR loan recipients. Table 9 shows the ratio of the change in net income among sampled firms to loan amount. Thus, on average, one dollar of an FDR loan helped to generate $1.41 of net profits. This net profits figure does not include depreciation costs, social security and income taxes. Depreciation was almost impossible to estimate due to re-evaluation of equipment due to inflation and social security and income taxes often are not paid.

If these results are extrapolated to the total amount of FDR loans, then about $60.5 million of net income and salaries have been generated to owners.

b. Income to Salaried Employees

FDR loans helped create 210 new jobs with an average yearly salary of $3,092 among those interviewed. Thus, the direct additional income to employees of sampled firms is about $650,000.

If we extrapolate from this survey data, and assume that 6,150 jobs have been created by the entire FDR program, then about $19 million of income has been generated to employees each year. 1/

3. Indirect Income Effect

The only rough estimate of indirect income impact is that derived from the increased purchases of raw materials by assisted entrepreneurs. The cost of these raw materials represents increased sales to suppliers. Part of the increase of incomes to suppliers may be hideen in the form of producer's surplus; that is, the difference between the minimum price at which input

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1/ See following section on employment impact of the FDR program for further explanation.

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suppliers would have been willing to supply their product and the price they actually received due to greater demand.

These purchases for raw materials do not represent net income to suppliers, but rather a potential increase in their sales revenue. However, these increased sales should in turn generate income to their suppliers, creating an endless multiplier chain. Since Peru has not yet calculated the income multiplier effect of investment in enterprises, we have used the increased income to suppliers as an estimate of the breakward multiplier effect of the FDR loan.

Table (9) reveals that among interviewed firms, each dollar of FDR loan funds generated $1,27 of additional purchases of raw materials. On average, 33% of the value of raw materials came from the local area of sampled firms, 58% came from other areas of Peru and 8% had been imported.

Extrapolating these relationships to the entire amount of FDR loans made would reveal that $ 18 million of sales were generated to local firms supplying raw materials to FDR assisted enterprises. Another $31.6 million of sales went to suppliers throughout Peru. Their sum, about $50 million, may serve as a preliminary estimate of the total backward linkage effect of FDR enterprises until GOP multipliers are calculated.

The total direct and indirect annual income effect of the FDR program on the basis of these calculations is about $130 million. Thus, each dollar of FDR loans may generate $3.00 of additional income to owners, employees and suppliers.

These calculations may still underestimate the total income effect of the FDR program since forward income linkages cannot be estimated.

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Forward linkages would include income generated to independent marketing agents for the FDR enterprise's product, that generated to consumers by using an FDR product (by increasing the availability of production inputs or through consumer surplus) and income created through the production of complementary goods.

E. Employment Generation

Survey results indicate that FDR loan recipients have generated a significant number of jobs since loan disbursement. (see Table 10) Approximately $7,000 of loan funds helped to generate one additional full time job. This new investment/jobs created ratio is higher than that expected by USAID/Lima and feasibility studies conducted by FDR branches,[1/] but is still much lower than the ratio calculated by the Peruvian Ministry of Industries for small enterprises in the Lima area. AID and BIP estimated the average c[illegible] job created for FDR clients to be about $4,000 in 1979;[2/] the Ministry of Industries data on small enterprises in 1981, calculates the cost of a job to be $2,015 in a newly established small enterprise, but $ 13,100 when investment is placed in existing enterprises. In comparison, the economy-wide average for creating a new job was $22,000 (in constant 1980 prices) from 1970-79 and averaged $36,500 in the formal manufacturing sector. [3/]

The fixed assets/labor ratio of $5,237 is also quite low; the ratio of fixed assets in the manufacturing sector divided by employment is $13,590 in 1981 dollars, or 2.6 times that of FDR borrowers.

1/ One reason for the discrepancy may be that feasibility studies include each part-time worker as one new job created, while the DAI survey team calculated how many days each daily laborer worked and then summed the results to reach one new person year of employment.

2/ The Rural Enterprises II Loan Agreement specifies one sub-borrower eligibility criteria to be a loan/new employment of $4,000. Assuming 10% inflation rate, at the end of 1981 this would be $5,324.

3/ IBRD "Peru, Major Development Policy Issues and Recommendations",June 1981, p. [illegible]

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TABLE 1

JOBS SUSTAINED AND CREATED AMONG SAMPLED FIRMS

HUANCAYO			HUANUCO			COSCO			CAJAMARCA			TOTAL No.			TOTAL %		
F	T	M	F	T.	M	F	T	M	F	T	M	F	T	M	F	T
3	21	20	1	21	18	8	26	21	12	33	77	24	101	77%	23%	19%
16	35	12	5	17	12	12	24	6	4	10	49	37	86	57%	43%	16%
3	48.5	115	4	119	28	7	35	57	9	66	245.5	23	268.5	91%	9%	51%
0.25	14.25	4.5	0	4.75	3	0	3	0	0	0	21.75	0.25	22	99%	1%	4%
0.8	5.8	6.2	0.5	6.75	6	0	6	13	2	15	30.25	2.58	32.83	92%	8%	6%
0	4	4	6	10	0	0	0	0	3	3	8	9	17	47%	53%	4%
22.53	127.54	163	16.5	178.5	67	27	94	97	30	127	431.5	95.83	527.33	81%	19%	100%
0	4	5	0	5	3	4	7	3	3	6	15	7	22	68%	32%	10%
6	13.75	8	1	9	6	7	13	4	3	7	25.75	17	42.72	59%	40%	20%
1	23.5	59	3	3	62	3	17	33	2	35	128.5	9	137.5	93%	7%	65%
0	2.4	2.25	0	2.25	3	0	3	0	0	0	7.65	0	7.65	100%	0%	5%
7	43.7	74.25	4	78.25	26	14	40	40	8	48	176.95	33	209.95	87%	13%	100%
2.08			3.73			2.0			2.09			2.47				
395		$8,246			$3,518			$7,768			$6,981					
732		$7,622			$4,339			$5,444			$5,784					
230		$68,000			$27,361			$16,212			$35,201					
336		$4,319			$2,752			$8,042			$5,237					

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depends upon which investment/new jobs created estimate is used. Table II shows the number of jobs created under differing assumptions.

TABLE II

Number of Jobs Created by FDR Loans According to Different Loans to Job Created Ratios

Source of Estimate	Assumptions on Loan/New Jobs Created	Cost per new job created divided by total FDR loans (Total=$42,931,738) (1)
DAI Survey	$ 6981	6150
Ministry of Industry 1981 Survey		
New Small Enterprise	3409	2015
New Investment in Existing Small Enterprises	13101	2752
Total		4767 (7)
BIP Estimates from Feasibility Studies		
Huancayo (2)	4643	
Cuzco (3)	1210	
Huanuco (4)	4344	
Ayacucho (5)	2018	
Puno (6)	1702	
Average	2783 (8)	15426

(1) The total amount of funds differs from that presented in the sources and applications chart in Section , due to discrepancies in bank records, perhaps caused by using different exchange rate adjustments.

(2) Cost per job created in 1978 was $416,229; index mult. = 5.62; 1981 Soles = 416.229 = $4643

(3) Cost per job created from January-June 1979 = 163,670, index mult. = 3,725 = S/. 609,670 = $1,210

(5) Average of cost of jobs created in May & June 1980 = 481,834 - S/. 1,016,669 - $2,018

(6) Cost of jobs created November 1975-December 1978 = S/.96,852 - average index multiplier = 8.85 = 1981 S/. 857,866=$1703

(7) Based on best estimates of loan recipients, approximately 16% of loan funds ($6,869,199) went to newly established firms; 84% of funds $36,063,294) were disbursed to existing firms.

(8) A survey conducted by the economic studies Division of BIP in 1978, concluded that the average cost per job created was $1,975. Assuming an average 10% inflation rate this becomes $2,629 in 1981 dollars.

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Extrapolations based on survey results indicate that the FDR lending program generated 1,150 new jobs. The average surveyed firm created 2.5 jobs. BIP feasibility study estimates of jobs created based on production capacity of new equipment purchased or increased sales due to loans for raw materials lead to an estimate of 15,426 new jobs: extrapolations based on Ministry of Industry statistics would indicate that only 4,767 jobs were created.

Survey results show that over 65% of jobs created were for full time paid employees, while 31% of new jobs were for owners or unpaid family members who drew their income from the enterprise's profits. About 4% of new employees were apprentices who are paid minimal wages while learning their trade.

This job created statistics, however, underestimates the true employment impact of the program. Loans also helped to sustain or decrease the underemployment of owners, their family members and employees working at the time of loan disbursement. If we include the number of jobs sustained through loan disbursement, then an average of $2,729 of loan funds helped to sustain or create a job. If we extrapolate from survey results, then total FDR loan funds have helped to sustain or create approximately 15,732 jobs.

Another potential source of underestimation is the indirect employment generated through backward and forward linkages to the enterprise. The increased employment of suppliers of raw materials to the enterprise, marketing agents and retailers due to the expansion of FDR assisted firms or those producing complementary goods, however, cannot be calculated.

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V. Profiles of FDR Entrepreneurs

A. Overview

The economic, administrative and financial aspects of the FDR program have been described and evaluated in previous sections of this report. Following this brief summary of the social aspects of the program, several profiles of assisted entrepreneurs attempt to reflect their views of the credit program and how it affected their lives.

These profiles are based upon long interviews with several people in Huancayo randomly selected for the statistical survey. The purpose of these interviews was to add a human dimension to the statistical results presented earlier and to give FDR clients an opportunity to express their opinions. An attempt was made to examine a variety of experiences; the results include two women, one managing a relatively large leather tannery and the other a small successful restaurant owner who started her business with funds borrowed from the FDR. Other profiles include a shoemaker, a carpenter, a dental technician and an artisan weaver of alpaca wall tapestries.

Since those interviewed may not be representative of the entire FDR program and the profiles are based upon extremely limited exposure to clients, no grand sociological conclusions may be justifiably drawn. Thus, the following generalizations pertain only to the six persons interviewed.

Half of these borrowers were of Indian origin and half were of mixed Indian and Spanish blood. Their relative standard of living, attitudes and assets cause them to belong to the Peruvian lower middle or middle class. However, who would be considered middle class in Huancayo are worlds apart from those in Lima or developed countries.

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Most came from families with deep roots in the Huancayo region. Some had migrated from the more rural areas to the departmental capital; owning a business gave them a stake in the community and dispelled any urges for further migration to the coast. However, most visited Lima occasionally for business purposes or to see relatives and friends.

Their businesses were relatively small and family-run. Generally, the enterprise provided employment for many family members, although few received a specific salary. Children are groomed to take over the firm or market its products.

These entrepreneurs shared certain common attitudes which may have resulted from having participated in the FDR program. The process of applying for and managing the loan exposed them to a broader business environment. This enabled them to learn how to deal with bank officials, accountants, suppliers and customers. All had derived a greater sense of security in managing their affairs and had gained more prestige within the community. All expressed ambitious plans for future expansion and diversification. They say they are more optimistic about their children's future.

FDR program publicity had raised their expectations for receiving low cost and easy access to loans. Many expressed frustration that after having managed an FDR loan successfully, they were no longer eligible for new FDR loans but rather would have to graduate to higher interest commercial loans. They did not understand why this occurred, indicating that bank personnel apparently have not explained the FDR process and purpose well at the time of loan disbursement. Thus, some feel that the Industrial Bank has not fulfilled its commitment to small entrapreneurs. At the same time, they expressed sincere gratitude for having been able to take advantage of the program.

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Those who could not receive additional FDR loans were turning to Some current borrowers had opened checking accounts with commercial banks as their new source of credit./ Since this represents a/competitors bank loss of business for the BIP, steps should be taken to encourage former FDR recipients to use BIP's own commercial lines of credit.and facilities.

Invariably, all the borrowers complained that the time and paperwork required for loan approval and disbursement was too long and caused serious financial difficulties. But, they realized that most of the delay was caused by having to wait for documents from other institutions.

In conclusion, the project's impact has been focused on a very select group of people compared to the Peruvian population. Funds are available to entrepreneurs who can meet minimal eligibility requirements, i.e. are literate, own a registered business, have a viable project and some assets and have the determination to undergo what can be a long process to receive funds. The overall success of the FDR project must include the borrowers whose spirit of perseverance and ambition contributes to the economic development of Peru.

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B. Eusebio Quiroga [1/]

A small three room building with dirt floors is Eusebio Quiroga's home and shop. He is one more artisan who moved from his small home town 12 years ago. Dreams of a brighter future for this business and better schooling for his children caused him to migrate to the city.

Back in San Pedro de Cajas, Eusebio and his family lived off a small piece of land (2,000 m2) where they grew potatoes and corn mainly for family consumption. Like many others in this town, Eusebio was a part-time farmer and artisan. Once in Huancayo, artisanry because his family's main economic activity. With few resources, they started making ponchos, blankets and rough woolen cloth.

When his money ran out, Teodoro went to the Bank and asked for 1,200 dollar loan to buy raw materials and increase production. He had heard of the FDR from radio advertisements by the Ministry of Industry and Tourism. This bank loan enabled him to improve his business significantly, which allowed him to repay the loan within three years and buy a piece of land that cost $1,800. There, he built his shop and a two room house where his family lives even though construction has not yet been finished. His former landlord threw his family out of their previous quarters because their looms made too much noise.

At this point, most of his income went into construction materials. Eusebio decided to ask for a second loan of $2,225 to buy raw materials to weave sophisticated tapestries with Peruvian folkloric motifs. The Bank, unfortunately, rejected his second loan request since he was not officially licensed to operate his small shop. Eusebio says that the process to obtain a license takes a long time. He presented all the papers several months ago and is still waiting. Despite this impasse, Eusebio was able to start producing tapestries,

1/ All names have been changed in the following entrepreneur profiles

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He now has 3 looms but business is slow due to his limited capacity.

Eusebio claims that his brother-in-law originated this type of artisan work. He says that on one occasion someone from Lima asked his wife's brother to make a tapestry with a religious design for the celebration of "El Señor de los Milagros" and this became the first tapestry piece. Thereafter, all artisans in the region, including Eusebio, continued and perfected this artistic creation.

Victoria, his wife, prepares their food with vegetables that she grows in one corner of their property. Also, she and their three children, ranging from 15 to 19 years old help with the business and have become experienced in operating the looms. Maria, the eldest, learned her father's technique of using natural dies to color his designs and then decided to study chemical engineering at the University of Huancayo.

Eusebio says that he is very proud of his family and that he would never hurt his wife nor his children. Even though his wife is ten years older (55) than he, they have had a good life since they got marrred in 1961. Victoria and the children's needs were taken into account when the decision to buy the piece of land was made. In fact, their house is located within city limits for easy access to the market and schools for his wife and children although he would have preferred a more distant location, out in the country.

Eighty percent of the family's production is sold in Lima, Eusebio believes that the middleman derives the greatest benefits from his business. He would like to set up a store where his product could be sold directly to consumers. However, he is concerned that the Bank will refuse to lend him the money for this idea because of his previous experience. He believes

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that the requirements in terms of paperwork demand too much precious time and that by the time the money is received its benefits are not as expected.

Eusebio says that this is true for most people who borrowed money from the Bank. In his particular case, it took three months before he received his loan. On one occasion, the Bank promised to give the money on Friday, so he contracted a carload of raw wool to be delivered to his shop on Monday. Since he did not receive the loan when promised, he lost a good opportunity when the supplier refused to wait.

Also, Eusebio dislikes that loan money is disbursed in parts. Although he would like to work with the Bank again, he decided, mainly because of his previous experience, that he will borrow money from a wealthy relative instead, at 15% interest and with little collateral.

Eusebio's income is spent mostly to repay the Bank loan, buy construction materials and pay for his children's education. He believes that his situation is not so bad and not too good. He is unhappy when he cannot fulfill his family's needs, but he is proud of them and his piece of land which is now worth more than $2,000. Eusebio is very enthusiastic about his work and says he is happiest when a tapestry with his own design is finished and people like it. This, and his desire to give his children a good education "so that they can be honest citizens" are Eusebio's main goals. Occasionally, he goes back to his home town and finds that people still consider him a friend so it pleases him to be a member of the "Asociación de Residentes Artesanos de San Pedro de Cajas en Huancayo".

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C. Cristina Paredes Vda. de Jimenez

For the past eight years, cristina Paredes has been in charge of the small tannery she inherited from her husband. Her eldest child, Uberto, works by her side supervising production while Cristina is officially the General Manager. Her main activities are to deal with the suppliers and clients and to keep account of the money. Uberto, in turn, takes care of all the paper work involved in their banking activities.

From the time she was a young girl, Cristina learned all the steps involved in the tannery business since her father traded sheepskins and cowhides. When she was 15, she married a dealer who bought raw cow hides from the slaughterhouses of Huancayo and sold them in Lima and to the tannery factory in Huancayo.

The Huancayo tannery declared bankrupcy and Cristina's husband repossessed part of the factory's machinery to compensate for large debt. In this way, Sr. Jimenez started his own small industry and hired one of his brothers to work with him. A piece of land was bought and machinery was installed.

After her husband died in a car accident, her father-in-law "offered to take over her husband's business", Cristina says. He had some right because another of his sons was working with my husband, but I wan't about to let him take away the future of my children. So I fought in court against him. It was a long exhausting struggle and I almost gave in when my husband's family submitted forged documents at the trial. Only the thought of my children kept me going. Finally, after eight years the jury decided on our behalf and my children became the sole legitimate heirs of the tannery.

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Now Cristina wants her five children to prepare for their future. They have already formed a company which has been given the name, San Francisto Tannery. The building in which the tannery operates is located 45 Km. from Huancayo. It is a large simple room with very high ceilings always filled with machinery and an overpowering odor from the acids and chemicals used in the processing of hides. Protected from this, on the second story, Cristina has her office, well organized and neat. On one of the four walls, there is a locked metal cabinet with glass panes where a copy of the Encyclopedia Britannica is displayed.

Three years ago Cristina and Uberto borrowed $9,000 from the FDR program of BIP. As a guarantee they offered a lien on their machinery andother property. This money was used to purchase other machinery and raw materials. The loan will be repaid in three more years.

Cristina says that sometimes they run out of cash to buy raw materials since payments for their products are not always on time. She has, however, managed to resolve this problem by borrowing money from Banco Internacional which her clients guarantee as co-signers. In fact, recently they received many orders which they cannot undertake due to limited capacity. However, Cristina wants to expand her business and be able to take advantage of what appears to be a good market.

Once of their main problems is that they are operating with old machinery. During breakdowns, which occur frequently, production stops until the machines are repaired. Since no one in Huancayo knows how to

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fix such old machinery, Uberto must transport the broken parts to Lima for repair. Xecause of this, he now wants to borrow money from the Banco Internacional to buy new machinery to avoid the frequent repairs and also to increase their output. Cristina believes that the International Bank will provide them with such a loan.

This loan, she believes, would cause them to increase to their current staff of 12 full time employees. Many more workers will be needed when they start producing shoes and leather soles.

Cristina also wants to buy a house and move out of the two rooms in the back of the building where the family now lives. This empty space could be a storage room with heating installations to prevent leather products from drying out from Huancayo's cold weather.

But Cristina says she is satisfied to see that their economic situation keeps improving and has hopes for the future of her children whom she wants to make "responsible people".

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D. Inocencio Ramos Pinos

Inocencio Ramos was born in the town of Huancavelica, up in the Andes. When he was five, his father died and he was left in the care of his older brothers. After finishing elementary school in 1950, he worked as an apprentice in a carpentry shop for three years. At 15, Inocencio decided to move to the large city of Huancayo to practice his trade. Here, after one year of working for a carpenter, Inocencio was fired from his job because he dared to ask the owner for his salary, three weeks overdue. He and another older friend were thrown out on the street with no money and no job. For two days in a row, they sat on a park bench thinking of a a way out. Then, they decided to work on their own at his friend's place, a small rented room with a patio in the back.

The owner, Inocencio says, "spent all his money at the bar getting drunk". During the first week they worked in the patio using his friend's few tools and some wood scraps from which they built six chairs to take to the Sunday market. The chairs were sold for $100 and immediately more wood was bought, allowing each to keep $ 12. The second week, they made twelve chairs and a few coat hangers which they sold for $267 They made more money in two weeks than they had earned in an entire month working at the carpentry shop. During the third week they built twelve chairs and three desks and they sold every piece. With the reli gious holidays coming up, they decided to make 150 wooden crosses which broght them $900 That allowed them to buy a $25 "circular blade". They then realized that the patio was too small for their expanding business so they decided to set up their own shop. By signing a 5 year lease on a larger workplace, Alejandro and his friend became official partners.

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For ten years they worked very well together and divided the profits equally. Together they bought welding equipment with loans from the Banco Industrial and business improved. One day though, Inocencio says, "I realized that I did most of the work since my partner spent long hours outside the shop and came to work late in the morning. I let him know that I didn't agree with his behavior and he straightened up for a while. But soon, he wouldn't show up to work for days at the time, so I decided we should split up!"

After leaving his friend, Inocencio joined a cooperative of five carpenters who accepted him as a member because he was able to contribute his equipment. He was assigned a small space at one corner of the 300 m2 piece of land with no roof and dirt floors. For 10 years he worked here until one day, the president of the cooperative ran away with $1,500 he had received to build doors and windows for the owner of the lot where the coop operated. Only then did the coop members learn that rent had not been paid for four months and that the landlord wanted to evict everyone. Electricity and water were disconnected and locks were put on the doors to force them to leave.

Inocencio came up with the rent money and signed a new contract in his name. Although the coop members did not like this and wanted the contract transferred to the coop they could not reimburse Inocencio's money. Finally they left and he kept the shop.

"I promised myself that I would come out ahead", Inocencio says, He decided to work harder to earn his monthly rent of $200 . Two years later in 1977, he decided to ask the Industrial Bank for a loan. The bank gave

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him the loan at 6% interest and accepted the machine to be purchased and some other machinery as guarantees. With the borrowed $3,000, Inocencio bought a motor for a welding machine, some tools and raw materials. Before asking for the loan, Inocencio did a feasibility study with the help of a friend and filled out all the bank forms himself. The loan, Inocencio says, has helped him increase production and to improve the quality of his work. His product is sold mainly in Huancayo and he estimated monthly sales of $ 700.00. Although raw materials cost him almost one third of his sales ($180.00), Inocencio does not spend money on hired labor because he says, "It is very difficult to find capable people in this town". Instead he is helped by his two older children, Ramiro and Juan (24 and 22). Inocencio's third son, Julian, lives with an aunt in Lima and goes to school. He also helps his father during Vacation three months a year. The other five children are still too young to help, he says; they go to school and live at home.

Inocencio is now 43 years old and has business plans for the near future, though it is not clear whether he has sufficient capital to make his projects materialize. At one time, when he had fallen behind in repayment of his loan for four months, the bank repossessed part of his machinery. The machines were returned to him when he started making payments again and he has only seven more payments before his loan is repaid.

In spite of his apparent cash probem, Inocencio wants to set up a small grocery store and build rooms which he would offer for rent. He owns a 350 m2 piece of land that he bought a few years ago "to compensate for the competition" in his work as a carpenter, and for the "devaluation

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of his money", he says. His wife Luzmila would manage the store which he would set up at the entrance of his building. "In this way, she would be able to control the store and watch the tenants and I will continue my work at the shop". Inocencio plans enthusiastically while placing a piece of wood under the "sierra circular".

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DANILA MARIA MARTINEZ DE PEREZ

On one of Huancayo's main streets, a fairly large old house has been converted into a restaurant by Danila María Martínez. The building belonged to Danila's father who rented it our for 25 years. Danila says that for along time her father tried to make the tenant leave, but without success. After her father's death, however, Danila gave this juice maker 480 dollars, and he finally left.

As owner of property in a prime location, Danila did what seemed most logical. In a short period of time she transformed the dingy shop into a small neat cafeteria. Her former university professor told her about the BIP's FDR loans for small enterprises and in 1978 Danila got her first US$1,918 loan. Soon, business boomed and profits reached US$3,198 during her first year. This money was reinvested to improve her business. After repaying the loan in 1979, she was ready to expand and requested another US$22,267 loan which she received in 1980. With this money Danila bought more equipment and furniture for a second dining area and transformed the small cafeteria into a restaurant whose size and location make it one of the most populat places in town. Her loan obligation made her postpone her career as a chemical engineer in which she has a university degree and little experience. "After all, a day has only 24 hours" she says and dedicates her time to working at the restaurant and taking care of her three school-age children and husband.

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Danila's husband, Roberto, has always been her main source of moral support. He also works part-time as cashier of the restaurant when not in some other outside job. They have been married for 11 years and now at 30, Danila considers their recent purchase of a nice home and a new car as a great symbol of achievement. A few months ago, Danila and her husband and hildren moved into their new home, refinished or their new status as a middle class family.

With this idea in mind, Danila decided to conduct a simple business feasibility study and even traveled to Lima to receive quotes on equipment prices. She decided the business would be profitable, if she could borrow US$173,000 from the Bank. Bank officials, however, told her that she would have to contribute about US$35,000 to the project. Danila became discouraged since she could not collect this sum of money and could not understand why the Bank did not take youth and enthusiasm as well as her reputation as a responsible client"into consideration. Although she is grateful that the Bank helped to start her business, she feels that it has not fulfilled its purpose of helping entrepreneurs to the fullest extent possible.

Danila compares her situation with that of a beggar asking for a piece of bread but made to walk on thorns to reach the bread. By the time he gets to the piece of bread he is so exhausted that he can't eat it and the effort is worthless. Danila uses this

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analogy to say that the Bank should be less strict in its loan approval requirements.

Bank officials say they believe the Huancayo market for bread products, is saturated and that her proposed operation was too risky. In any case, Danila is now operating at a level at which she should attempt to secure commercial bank financing.

Danila's experience as owner and manager of a restaurant has given her the confidence to start any business, provided that she can get capital. Now, she knows how to establish commercial relations with business and government entities which, she believes, has brought her prestige and respect among her customers and neighbors.

Even though her knowledge of the restaurant business is more "intuitive than scientific" as Danila says, she has managed to establish an accounting system and pays and accountant to keep her books. However, she would like to make her restaurant "what a restaurant should be" and learn the "scientific way" to operate a restaurant so that she can provide better service to her customers.

Danila wishes the Bank would provide some management assistance as well as the third loan that she requested. If this does not happen, she says she will turn to another career, perhaps become a chemical engineer. She would like to go to Canada which needs engineers and where she could strengthen her technical capabilities. Danila says she fears falling into a state of mediocrity in which she would get by with what she has now. She wants to be able to send her daughter to study

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in Paris and her son to Oxford because "the most important job in life is the job of a mother; mothers make presidents and that is my duty to my children".

HERNANDO LOPEZ

When not attending classes at the University, Hernando helps his father at his shoe shop. In one more semester Hernando will get his degree in electrical engineering from the University of Huancayo. He is 22 years old and has many plans for his future which are directly linked to his father business.

His father used to be the owner of a small tannery in town which went bankrupt becuase of the depressed economy in Peru during recent years. They sold some of their machinery and then his father started to travel to Lima to buy shoes which he sold in Huancayo. After doing this for a few months he decided to produce his own shoes.

In 1975, Hernando's father learned of the FDR through a friend that works at the Industrial Bank and asked for a $9,400 loan which he got three months later. This money was invested to expand their small operation to manufacture heavy duty shoes for mine workers in the area and diversify into making leather jackets for men and women. Now they employ three people full time who earn $60 a month each (minimum salary) plus a bonus per pair of shoes made. Hernando calculates that each of the employees earns approximately $120 a month. Hernando and his brother work a few hours each day and full time when they are on vacation from school. His mother also helps by coming every other day for 4 hours to watch over the shop and stays full time when her husband and sons are out on business. She also takes care of the shop when the men travel to Lima to buy raw materials or on some other business.

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Once in a while Hernando's father goes to Lima to arrange for the construction of a house on a newly bought piece of land in a residential area. This requires a lot of money, Hernando says, so they expect to invest most of their income in this enterprise. The land was bought with money received from selling four vehicles from their former tannery business.

This is not the only investment project the Lopez' family is undertaking. They also have another shoe store in a different location in town. The owner of this building, however, has asked them to leave. So, they have made plans to resolve this problem. Hernando's father estimated that they needed $16,000 to buy more raw materials and machinery to expand into a new store and to buy their own building. "We would like to expand and today seems to be the appropriate time since now we receive many orders, and know what our clients like". Hernando says "As far as I know, Father will borrow this money from the bank". Hernando believes his father's new business will not only benefit the family, but also will create more jobs and improve their suppliers' and marketing agents' business.

He wishes, however, that the bank would reduce the paperwork required for a loan. Such delays greatly affect their business since prices rise from one week to the next. For example when his father asked for his first loan and was told it would be approved, he immediately priced raw materials. But, by the time bank funds were finally released raw material prices were higher. Remembering their past experience, his father decided not to borrow again from the bank. After the loan was finally repaid in March 1981, they borrowed $1,180 from a nearby cooperative at 24% interest. Since the amount they need for their project is higher

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than the cooperative's lending capacity, Hernando's father still will try to borrow from the bank. They are, nevertheless, grateful to the bank, because their first loan permitted his father to reestablish his business when it was failing. Hernando plans to reopen their tannery factory one day. But first, he must work for two years with another company to gain experience. Smiling, Hernando says, "then we can be members of the Chamber of Commerce again."

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G. Ignacio Lupa Meneses

For two years Ignacio took a correspondence course to become a "Technician in Dental Prothesis" sponsored by "Difusora Panamericana" in Lima. To support himself and pay for his studies he worked as a small merchant of agricultural products which he marketed in the region and sometimes in Lima. He also saved some money.

When he completed the course, Ignacio travelled to Lima searching for a place to work and where he could acquire some experience in his new field. Following his instict, Ignacio landed at the School of Dentistry of "University San Marcos" in Lima and practiced his trade at the school's laboratory for two years. He also made friends with one of the professors who offered him a job as a dental technician at his private office in the city of Callao. Two years later, Ignacio felt ready to work on his own.

Since he knew that dental prothesis work for Huancayo's dentists was ordered from Lima with considerable time delays, Ignacio realized that the market in Huancayo was ripe and decided to set up a shop there.

He used his savings to order American dental equipment through a distribution company in Lima. The shipment took a long time to arrive despite his frequent inquiries to the distributors about the delay. So he decided to cancel the order. When he learned, two months later, that the equipment had arrived and had immediately been sold to a dentist from Cuzco, Ignacio was discouraged.

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Aware that he could not open his shop without equipment, Ignacio decided to be patient and placed his order again. This time the machines arrived after 10 months at the port of Callao. In order to release the machines, the company requested payment in cash. Ignacio was told that because prices were higher, he could not get credit on the machines. Ignacio, however, felt fortunate when a relative offered to lend him the money for three months. He was excited that he could finally have his machines and did not mind that the company told him he had to do the paper work himself for customs clearance of the machines, though this was not agreed upon at the beginning.

In order to repay his relative, Ignacio went to the Industrial Bank and asked for a three year loan of $3,636 dollars at 7% interest. He had heard of the Industrial Bank's low interest loans from a friend. When the bank officials informed him of the requirements to obtain the loan, Ignacio wondered whether he sould classify his work as industrial. However, "because of the similarities of my work with that of an artisan that uses plaster of Paris, I fulfilled the Bank's requirements and got the loan". Ignacio used his house and 2 hectare piece of land as collateral.

Two years later, in 1978, Ignacio requested a second loan for $5,117 which will be fully repaid in May 1982. This loan was used to buy raw materials and more machinery. He believes that this type of help is very important for small entrepreneurs and that it enables growth and development in the community". He is glad a new system - which "was lacking before" - has been stablished.

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His experience with the Bank, Ignacio says, has "cultivated" him not only in his knowledge of commercial business, but also in terms of "social relations" since now he has made friends with some of the Bank officials. Also, his work has introduced him to the "professional world".. He does not feel isolated as he belongs to the "Asociacion de Tecnicos de Protesis Dental del Departamento de Junin" from which he receives publications on new developments in his field and also is informed of price changes for molds and dental equipment. Once a month he meets with his colleagues at this Institution to discuss "improvements in dental techniques".

Ignacio uses "cromo de cobalto" for his molds, a chemical which he imports form the U.S. and from Japan. With the hope that he could have it produced in Peru and therefore lower his costs, he sent the chemical to several laboratories in Lima for an analysis of its components. But, so far, he has had no success.

Dental work is not an exclusive activity in Ignacio's life. He also manages a store which he opened three years ago which sells contruction materials and other hardware. This is Ignacio's Second source of income and he already has plans for further expansion. Besides building metal doors and windows to supply to construction companies, Ignacio wants to enter the local mining industry by building metal containers used in mineral processing. He got this idea from friends that work for mining companies and soon he will present his project to the Industrial Bank for financing.

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With another loan from the Bank, Ignacio thinks he could become more efficient by buying more sophisticated equipment. He wants to purchase an electrical oven to replace the gas oven that he now uses. He also wants to acquire newer, more precise melting equipment to expand his laboratory. In this way, he can operate at "full capacity", Ignacio says, though he realizes that the market for this type of work depends on his patient's needs. "Soon" he says, "I will start working on the calculations for my new project".

His older daughter Alicia, Ignacio believes, will become his business partner when she finishes school. She wants to become a dentist and is attending the School of Dentistry at the University of Huancayo. Ignacio is currently helped by his brother Ramiro and his niece Rosaura. They both work full time and receive salaries. Alicia, and her sister Lila help him when they are on vacation from school. Ignacio's eldest child Fernando seldom visits since he is a merchant who travels across the country buying selling different products. One of his daughters is married and his other children live with their mother in the country.

Ignacio is now 49, married and father of seven children, six of them girls age 16 to 27. His wife Lucia spends most of her time working on the two hectare piece of land that they own outside of Huancayo where she grows corn and potatoes mainly for family consumption. The surplus is sold in the local market.

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During harvest time she hires two laborers to help her with the work. Lucia lives in a two room house built at one end of the small plot of land and sees her husband when he comes on weekends and holydays. Ignacio is used to this separation and beleives that "sometimes both, man and woman have to work.

Success in the different enterprises he has undertaken has made Ignacio known in the city of Huancayo and has brought him prestige among his patients and neighbors. "I have been able to elevate my standard of living by working hard and by being patient". "Now, I am sure that all my daughters will be professionals because I can provide for their future", Ignacio says with satisfaction and hope.

VI BIBLIOGRAPHY

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- "Project Paper Rural Development Enterprise II";
- File documents and correspondence: "Financial Transactions" Loan 527-T-062 and "Progress & Monitoring"

II. Industrial Bank of Peru documents:

- Fondo para el Desarrollo de Empresas Rurales 1981: Correspondencia General; Departamento de Relaciones con Organismos Internacionales (Rural Enterprise Development Fund 1981: General Correspondence: Department of Relations with Internal Organizations).
- "Statistical Information 1975 - 1979"; Branch offices of Cajamarca Ayacucho, Cuzco, Huancayo, Junin, Puno and Huanuco.
- Annual Reports: 1973 - 1980.

III. Government of Peru documents:

- "Informativo Industrial" Ministry of Industry, Commerce, Tourism and Integration, January - June 1980, January - September 1981.

IV. World Bank documents:

- "Peru; Staff Appraisal Report: Second Industrial Credit Project"; Projects Department: Latin America and Caribbean Regional Office; February 24, 1981
- "Peru: Major Development Policy Issues and Recommendations; a World Bank Country Study; June 1981.

VII. PERSONS INTERVIEWED

Interviews were held with the following Industrial Bank of Peru officials:

Central Level in Lima

- Aldo R. Defilippi Traverso
  Financial Manager

- Nestor Corbetto
  Chief Relation with International Organization

- Jorge A. Borda Montero
  Assistant Chief,
  Small Business Enterprises

- Carlos Leca Arrieta
  Assistant Manager,
  Chief of Promotion and Development

BRANCH OFFICES

Cuzco

- Justo Huaco Sanchez
  Administrator

- Mario E. Rodriguez
  Chief of Technical Section

- Cesar O. Mujica Castelo
  Supervision

Cajamarca

- Juan Garrido Artica
  Administrator

- Guillermo Lecca Soriano
  Technical Advisor

- Ramon Tuesta Pestanas
  Credit Analyst

Huancayo

- Jesus Galdos Sodustrom
  Administrator

- Roberto Tello Escurra
  Chief Promotion Unit

Huanuco

- Juan Gutierrez
  Administrator

USAID/Lima Personnel

- George Wachtenheim
  Chief Development Resource Division

ANNEX A

Evaluation Methodology

Three data collection methods were used in analyzing sub-borrowers of the FDR loan program:

- Examining records at both BIP central offices in Lima and selected branch offices.
- Administering questionnaires to a sample of FDR sub-borrowers and examining their business records.
- Conducting in-depth open ended interviews with FDR sub-borrowers.

Examination of Branch and Central Records:

BIP FDR records were examined at two selected branch offices, Cuzco and Huancayo. In each case, a random sampling of 120 FDR sub-borrowers were chosen given a clear overview of total FDR sub-borrowers of the branches visited.

The following information was gathered from each sub-borrower file reviewed:

1. Location, type, amount of loans and firm characteristics.
2. Financial performance of sub-borrowers: Pre-loan and current information on total sales, gross and net incomes, and total debt over the loan period.
3. Impact information: Net income, salaries paid, and net worth changes and cost per job created for each sub-borrower

The above was combined with an analysis of branch sub-borrower records kept by the central BIP offices and statistics gathered by the Ministry of Industries.

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applicants, initial analysis of the sub-borrowers by the bank, follow-up with clients after loans were approved and delinquency rates of sub-borrowers.

In-depth Interviews:

Six in-depth interviews averaging several hours each were chosen from the Huancayo branch. In each case, the sub-borrowers financial history had been recorded before more informal interviews took place. Open ended questions were used to determine how the sub-borrower's standard of living had changed, that their opinion of the FDR loan was and what their future plans might be.

ANNEX (B)

Financial Analysis Methodology

Scope of Analysis

In reviewing the financial condition of FDR sub-borrowers, the survey focused on:

- their current profitability, as measured by their return on sales
- the value added they generated, reflected by the gross profit margin for those enterprises involved in the manufacturing sector
- their financial solidity, as shown by their net worth and leverage (debt to net worth ratio)
- their liquidity, through working capital.

In addition, the analysis attempted to determine the extent to thich the FDR had contributed to the growth of these enterprises over the years by measuring the increase in real terms of each enterprise's total assets, net worth, sales volume and net income, as well as its benefits in terms of increased value added, and salaries paid out.

The size of each FDR sub-loan also looked at, to ascertain whether each sub-borrower had contributed the stated 10% minimum of the cost of the investment. Lastly, the burden of servicing the FDR loan or loans was also measured against the enterprise's cash flow.

Data Collection

In the vast majority of cases (78% of all enterprises surveyed), the sub-borrowers had outside accountants who kept accounting books. As it proved impossible or impractical to visit the accountant in addition to the enterprise,

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the income statement and balance sheet had to be reconstructed from data provided by the sub-borrower. In view of the rapid erosion of prices and of the inability of the entrepreneur to provide figures for 1981 as a whole, the income statement was derived from current monthly figures and extrapolated to yearly figures at current prices. The net income figure given was often found to be substantially different from that calculated by deducting cost of raw materials and operating costs from the sales figure provided. In such cases, adjustments had to be made, taking into account estimated given by BIP's loan officer.

Accuracy of Data

Sales, gross income and net income figures obtained from the entrepreneurs were estimated to be an average of 40% below actual figures, probably reflecting the entrepreneur's fear that the information provided would end up with Peruvian tax authorities. The above figure is based on one hand on estimates provided by BIP's loan officer directly, on the other hand on realistic asumptions based on the enterprise's production capacity, using in particular the feasibility studies made at the time of application.

However, the analysis focused more on the multiplier effect of the FDR loans on income, assets and net worth more than on actual dollar figures. In this respect, it can be reasonably assumed that under-estimation of actual figures occurred to similar e-tent at the time of the application as it did at the time of this evaluation, which would therefore produce fairly reliable data as far as multipliers are concerned. Thus, the figures obtained during the survey were left unchanged.

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Gross income figures provided were in most cases rough estimations, based either on a review of the cost of all raw materials used in the production process (usually on a daily or weekly basis), or, when that proved impossible, on the monthly cost of raw materials as a percentage of sales as given by the entrepreneur.

Net income figures do not include depreciation, as the latter could not be reasonably estimated. Furthermore, accelerating inflation in Peru makes traditional methods of equipment depreciation irrelevant, as such equipment should be re-evaluated for accounting purposes to reflect its real value to the enterprise. Salaries paid by the owner to himself were when applicable excluded from expenses and included in net income.

The debt burden ratio, which basically measures present monthly payments on the FDR loan or loans to cash flow, included interest payments from the calculation of net income so as to avoid distortions, such payments being an integral part of the debt burden.

The above also had to be taken into consideration in reconstructing the balance sheet. Fixed assets, including machinery, were listed at their current market value, a much more realistic figure than the original purchase price. Inventory figures were rough estimates, as in most cases no inventory count was kept. Lastly, net worth figures were deducted from assets and liabilities figures obtained, as in the overwhelming majority of cases, the entrepreneurs were unable to estimate the actual value of their enterprise.

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After each interview, a reliability index was attributed to the accounting information provided, according to the BIP's loan officer's own judgment and to how sales and other figures compared with the firm's production capacity.

ANNEX C

INDEX MULTIPLIER

	Over Entire Year	Year-end Figures
1975	14.99	13.55
1976	11.53	10.04
1977	8.42	7.25
1978	5.62	4.59
1979	3.43	2.74
1980	2.11	1.72
1981	1.26	1.00

A N N E X D

BREAKDOWN OF AVERAGE FDR LOAN PROCESSING COSTS IN CUZCO

In Cuzco, the average cost of processing a loan was calculated at $49. Including bank overhead calculated at 25%, total cost becomes in $54 per loan. This estimate is based on the following expenditures:

Cost of paper, printing costs, legal documents	S/ 800.00
Person hours spend for each loan from the time of application to disbursement of funds:	
Bank technician: 4 hrs. incl. one visit to borrower; reviewing loan documents and evaluating fixed assets	7,000.00
Auxiliary services for the Technician (Transportation time plus secretarial services) 1 hr. time	1,000.00 (1)
Legal department write-up of the contract (including time to affix all signatures and explain contract to borrower) 1 hr. time	1,500.00
Auxiliary legal secretarial services 30 min.	500.00
Accounting costs: calculated time spent setting up initial repayment schedule, copying for client: 30 min.	2,000.00
Approval of the loan by Credit Committee (4 people averaging 10 minutes each) total of 40 minutes person time	2,000.00
Cost of supervising the loan during the first year: 4 hours of person time	7,500.00 (2)
Transportation costs for the above supervision 5%	1,215.00
10% increase for complex cases (letters of credit, extreme distance)	2,352.00
TOTAL	S/.25,867.00

($1 = S/.503.8)

(1) Reduced to 2 hrs. in medium size loan
(2) Not applicable with medium size loan

BANCO INDUSTRIAL DEL PERU

SUCURSAL DE CAJAMARCA

AL CONTESTAR SIRVASE MENCIONAR
REF. .....

SOLICITUD Nº 2053

C.I.I.U. : 3116-3121

PRIORIDAD : Segunda.

DIRECCION TELEGRAFICA "BINDUSTRIAL" CASILLA POSTAL No.

SOLICITANTE	UBICACION
Santiago Elí Florian Saldaña	Trapiche: Paraje El Palto (La Fila) Molino : Calle Magdalena s/nº Dist. Magdalena, Prov. y Depto. de Cajamarca.

ACTIVIDAD QUE REALIZA

Elaboración de chancaca y harinas.

SITUACION FRENTE AL BANCO

Préstamos concedidos:	AÑO	MONTO	SALDO AL: 22-06 de 1,979.
	1,971	178,000.00	
	1,972	180,000.00	
	1,973	225,000.00	
	1,976	400,000.00	
	1,978	550,000.00	439,047.00

IMPORTE DEL CREDITO	PLAZO E INTERES	CLASE DE OPERACION
S/ 920,000.00 Fuente de Financiamiento Banco Industrial del Perú FDR.	5 años Interés 19.5 % Comisión 2.0 % TOTAL : 21.5 %	Préstamo nuevo

OBJETO Y FORMA DE UTILIZACION DEL CREDITO

PROYECTO: Consiste en el pago del saldo de la adquisición de un motor Diesel estacionario "YANMAR", el cual ya se encuentra en funcionamiento en su local Industrial.

CONCEPTO	COSTOS	FINANCIACION PTMO. BIP.	FINANCIACION REC. PROP. APORTADOS
Adq. de máquinas	1'085,207.00	920,000.00	165,207.00
TOTAL:	1'085,207.00	920,000.00	165,207.00

R E S U M E N

Recursos propios.	165,207.00	15.0 %
Recursos del F.D.R.	920,000.00	85.0 %
	1'085,207.00	100.0 %

1-628-100000-4-78

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SUCURSAL DE C A J A M A R C A.

AL CONTESTAR SIRVASE MENCIONAR
REF. .....

DIRECCION TELEGRAFICA
"BINDUSTRIAL"
CASILLA POSTAL No.

PLAN DE INVERSION

Para pago de obligaciones de activo fijo.	S/ 920,000.00

GARANTIAS

Máquina adquirida	S/ 1'085,207.00	86 %	933,278.00

RESUMEN DE ESTUDIO DE MERCADO

Sus productos (chancaca y harinas) los vende a intermediarios entre ellos: Juan Cárdenas, Eugeniano Rojas, Agapito Gutierres, Jorge Saldaña, Modesta Chávez en Magdalena.

RESUMEN DE INFORME TECNICO

Artículos que Produce: Chancaca y productos de molinería de granos.

Local: a) Propio
b) Características: El trapiche se encuentra ubicado en el paraje "EL PALTO", consta de un área aproximadamente de 300 m²., constituído por una habitación donde se encuentra instalado el motor, una ramada donde elabora la chancaca y una pampa amplia donde se almacena la caña. El molino se encuentra ubicado en la misma ciudad, constituído por una sola habitación de 84 m²., el piso es de cemento, las paredes de adobe, el techo de eternit.

Personal: 1 Obrero estable que trabaja 8 horas diarias de lunes a sábado.

Ventas Estimadas:

a) 800 cestos de chancaca a S/ 500.00 c/u.	en 25 días	S/ 400,000.00
b) Venta de harinas.	en 25 días	40,000.00
c) Maquila, trapiche y molino.	en 25 días	200,000.00
		S/ 640,000.00

COSTOS: Para las ventas indicadas se estima como sigue:

Gastos Fijos:			
Asig. para el solicitante.	20,000.00		
Depreciaciones.	9,043.00		
Predios y arbitrios.	150.00		
Prima de seguros.	500.00		
Movilidad.	2,000.00		
Varios.	5,000.00	S/ 36,693.00	
Gastos Varibles:			
Mat. prima, materiales.	320,000.00		
Jornales y leyes sociales	48,000.00		
Combustible y repuestos.	50,000.00		
Imprevistos.	10,000.00	428,000.00	S/ 464,693.00
	UTILIDAD MENSUAL ESTIMADA:		S/ 175,307.00

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BANCO INDUSTRIAL DEL PERU

SUCURSAL DE C A J A M A R C A

AL CONTESTAR SIRVASE MENCIONAR

REF. .....

DIRECCION TELEGRAFICA
"BINDUSTRIAL"
CASILLA POSTAL No.

RESUMEN DE INFORME TECNICO (CONTINUACION)

PUNTO DE EQUILIBRIO : S/ 110,771.00, que representa el 17 % de sus ventas.
Los ingresos y costos se han estimado considerando que la actividad se realiza solamente 6 meses al año, debido a las cosechas de caña.

MATERIAS PRIMAS Y PROVEEDORES

Materias Primas: Caña de azúcar y granos.

Proveedores: El solicitante se provee en un 80 % de su misma materia prima, el resto es adquirido de los diferentes agricultores de la zona.

FORMA DE AMORTIZACION ANUAL ESTIMADA

Utilidad anual estimada	S/ 1'051,842.00	
Depreciaciones.	54,258.00	S/ 1'106,100.00

Cuota anual de servicios:

Factor: 0.027335380.

Al Banco: S/ 301,788.00 (Al mes S/ 25,149.00)

Retribución de Servicios: Préstamo vigente.

Cuota anual S/ 234,000.00
Total Pago anual: S/535,788.00

COMENTARIO

El solicitante es prestatario de nuestra institución desde el año de 1,971, habiendo demostrado seriedad y cumplimiento en el pago de sus obligaciones, a la fecha tiene un saldo de S/ 439,047.00; que seguirá en vigencia por medio de los recursos propios del BIP.
Con el presente crédito se cancelaría en su totalidad el motor adquirido, del cual ya ha realizado un adelanto de S/ 150,000.00
Se pone a consideración del Comité para su aprobación.

CLZ/ C-26-06-79.

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BANCO INDUSTRIAL DEL PERU

SUCURSAL DE CAJAMARCA

AL CONTESTAR SIRVASE MENCIONAR

REF. .....

DIRECCION TELEGRAFICA
"BINDUSTRIAL"
CASILLA POSTAL No.

Ref.Solicitud Nº 2053 de SANTIAGO ELI FLORIAN SALDAÑA

INFORME LEGAL

El solicitante,en forma personal,no tiene obligaciones pendientes con el B.I.P. En calidad de apoderado de la testamentaría de don Segundo Florián Plasencia mantiene un crédito otorgado con los recursos propios del Banco,dentro del cual cumple en forma puntual sus obligaciones y tiene presentada la documentación legal requerida. En el presente expediente se pondrá copia de la licencia municipal y del Certificado de Antecedentes de la Policía de Investigaciones. Se opina,pues,favorablemente por el otorgamiento del préstamo.

Cajamarca, 26 de Junio de 1979.

BANCO INDUSTRIAL DEL PERU

MERCEDES DE LA CRUZ
No. 272

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A N N E X F

FDR BRANCH APPROVALS LEVEL

(As of 2/82)

	Soles	Dollars ($1 = 548)
Credit Committees		
Arequipa, Huancayo, Piura and Trujillo	15,000,000	27,372
Callao, Cusco, Chiclayo, Chimbote Huanuco and Tarapoto	12,000,000	21,898
Cajamarca, Ica, Jaen, Pucallpa, Puno, San Ramon and Tacna	8,000,000	14,598
Ayacucho, Huaraz and Iquitos	5,000,000	9,124
Decentralized Committees		
Arequipa, Huancayo, Piura and Trujillo	20,000,000	36,496
Cusco, Huanuco, Chiclayo, Chimbote and Tarapoto	16,000,000	29,197
Cajamarca, Ica, Jaen, Pucallpa, Puno, San Ramon and Tacna	12,000,000	21,898
Ayacucho, Huaraz and Iquitos	8,000,000	14,598
Other		
The Administrator	10,000,000	18,248
The Credit Committee	80,000,000	145,985
The Regional Chief	150,000,000	273,723

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A N N E X G

FDF 1980 Loan Disbursement by Branch and Month

(Soles)

SUCURSALES	ENERO	FEBRERO	MARZO	ABRIL	MAYO	JUNIO	JULIO	AGOSTO	SETIEMBRE	OCTUBRE	NOVIEMBRE	DICIEMBRE	TOTAL
AREQUIPA	- . -	- . -	900,000	3'000,000	4'120,000	900,000	3'300,000	2'400,000	1'200,000	13'000,000	- . -	10'900,000	39'720,000
AYACUCHO	15'850,000	23'190,000	19'818,654	22'580,714	46'604,902	39'725,062	40'177,471	26'976,029	50'353,558	92'006,268	24'483,705	102'870,000	510'636,362
CAJAMARCA	19'995,000	7'140,000	15'280,412	15'428,076	65'971,501	35'673,073	32'911,776	41'071,147	26'556,578	94'603,716	96'157,337	168'375,782	619'164,358
CUSCO	15'930,000	14'830,000	25'466,069	26'056,526	18'565,850	34'776,313	24'422,721	17'568,401	20'964,232	45'386,301	39'265,316	101'335,086	384'581,815
CHICLAYO	- . -	13'900,000	14'601,190	24'026,200	19'736,995	16'956,291	4'159,373	8'160,124	23'532,087	5'600,000	5'300,088	- . -	136'052,348
HUANUCO	22'090,000	12'998,000	28'963,645	33'161,571	14'324,677	23'585,321	17'631,891	27'654,258	87'280,038	52'050,000	36'400,000	111'870,000	467'809,401
HUARAZ	- . -	- . -	- . -	2'500,000	10'180,000	10'100,000	2'280,000	11'385,000	5'400,000	3'869,060	9'631,921	4'828,680	60'174,661
HUANCAYO	11'416,000	29'600,000	21'536,818	37'796,323	41'721,075	32'262,977	35'133,750	43'748,542	61'834,446	105'735,181	53'006,635	107'863,392	581'655,149
PIURA	- . -	- . -	- . -	- . -	1'800,000	- . -	750,000	- . -	21'900,000	6'750,000	5'500,000	13'500,000	50'200,000
PUCALLPA	- . -	- . -	- . -	- . -	- . -	- . -	2'331,900	1'352,850	1'955,000	- . -	1'139,149	7'854,533	14'633,432
PUNO	460,000	2'800,000	7'050,790	10'193,518	25'001,091	14'408,540	8'789,553	21'830,360	7'487,862	* - . -	* - . -	* - . -	98'021,714
SAN RAMON	- . -	- . -	- . -	- . -	- . -	- . -	25'000,000	38'220,000	43'559,000	94'244,082	70'185,219	111'078,502	382'286,803
TACNA	- . -	- . -	210,000	1'748,826	2'094,000	4'371,302	5'458,025	1'476,657	24'345,042	13'707,048	27'564,040	24'629,400	104'664,340
TARAPOTO	- . -	32'350,000	47'460,720	22'016,280	11'698,654	6'135,000	16'696,427	19'190,273	24'575,820	* - . -	65'564,566	27'775,405	273'465,145
TRUJILLO	- . -	- . -	- . -	- . -	- . -	- . -	- . -	- . -	- . -	35'380,775	2'500,000	* - . -	37'880,775
	85'[illegible],000	136'808,000	181'368,298	199'510,034	260'818,745	210'893,679	225'062,807	260'831,640	400'963,663	562'112,441	436'718,976	792'880,780	3,760'553,343

(*) [illegible] información
Sap.

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A N N E X H

ANALYSIS OF INFORMATION CONTAINED IN RANDOMLY SELECTED FILES IN HUANCAYO

Average	1976	1977	1978	1979	1980	1981	Average
n =	(5)	(21)	30	(26)	(25)	(14)	(121)
Loan Amount (PV)	2,548,130	4,176,277	4,532,530	3,312,985	5,089,742	5,308,199	4,713,474
n =	(4)	(16)	(29)	(20)	(22)	(10)	(101)
Monthly Sales (PV)	882,045	519,884	1,454,057	399,965	960,431	516,600	788,830
n =	(4)	(14)	(17)	(15)	(14)	(6)	(70)
Raw Materials (PV)	439,293	164,366	218,477	146,505	198,783	370,440	256,310
n =	(1)	(6)	(12)	(8)	(12)	(4)	(43)
Net Profit	132,592	190,014	170,690	41,153	61,251	9,135	100,806
n =	(4)	(18)	(26)	(26)	(24)	(13)	(111)
Capital	879,162	2,767,654	4,207,789	3,812,953	2,333,577	1,097,654	2,516,465
Before Loan Net Return on Sales	9	26.4	12	18	24	16	17.56
After Loan Net Return on Sales	11	13	17	16.9	15.4	18	15.2
Liabilities/Capital							3.01
Ratio of Estimated Increase on Value Added to Loan							.355
Percentage of Loans Under $2,500	60%	57%	50%	53%	48%	14%	47%

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ANNEX I

SURVEY RESULTS

	HUANCAYO (n = 21)	HUANUCO (n = 21)	CUSCO (n = 20)	CAJAMARCA (n = 23)	TOTAL No.	%
Type of Enterprise						
Sole proprietorship	19	17	20	23	79	92%
limited liability partnership	2	4			6	8%
corporation					0	
Average No. of years since establishment	9	6	6	11	8	
Sector:						
Industry	13	13	11	15	52	63%
Artisan	2	1	3	1	7	8%
Services	4	6	5	4	19	23%
Commerce			1	1	2	2%
Agriculture	1	1	-	1	3	4%
Total					83	
Location of Sub-borrower						
Inside city	17	14	16	13	60	71%
Outside	4	7	4	10	25	29%
Average No. of days between loan solicitations & approvals	140	51	44	75	78	
Average No. of days between approvals & disbursements	32	44	21	31	32	
Purpose of last loan: Purchase of:						
1. raw materials	7	2	6	6	21	25%
2. equipment	3	10	5	6	24	28%
3. fixed assets				1	1	1%
1. + 2.	9	3	7	6	25	29%
1. + 3.	1	1	2	1	5	6%
2. + 3.	1			2	2	2%
1. + 2. + 3.		5		1	6	7%
No information					1	1%

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ANNEX I

	HUANCAYO (n = 21)	HUANUCO (n = 21)	CUSCO (n = 20)	CAJAMARCA (n = 23)	TOTAL No.	%
Purpose of Previous FDR loan						
1. raw materials	2	4	6	2		
2. equipment	2	6				
3. fixed assets				1		
1. + 2.	3	1		2		
1. + 2. + 3.				1		
Average amount of last loan (000) (not PV)	2,067	2,137	1,485	1,114,434		
Average amount of previous loan (000) (not PV)	4,040	2,898	168	2,683,333		
Average amount of loan (PV)			$7,037			
Type of guarantee						
1. on purchased equipment	1	2	2	1	6	9
2. on other equipment	8	1		1	10	14
3. other	1	.		3	4	6
1. + 2.	4	5	5	8	22	31
2. + 3.	2	4	1		7	1
1. + 2. + 3.	3	2	6	5	16	23
1. + 3			2	3	5	7
				Total	70	100
Average term of loan (mos)	48	60	45	50		
Repayment history						
Early		1	1			
On time	9	10	15	23		
Less than 30 days	5					
30 - 59 days late	2	3	1			
60 - 89 days late	2	6	1			
More than 90 days	2					
T.A. received from BIF		No info.				
Yes	15		9	9	33	
No	6		11	14	31	

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ANNEX I

	HUANCAYO (n = 21)	HUANUCO (n = 21)	CUSCO (n = 20)	CAJAMARCA (n = 23)	TOTAL No.	%
Type of T.A.						
Feasibility study	6	No info.	3	7	18	21
Fill out application form	14		18	22	54	64
Accounting assistance	0		7	12	19	22
Marketing assistance	3		1	4	8	9
Production process	2		0	1	3	4
Other	2		0	1	3	4
Enterprise Owner's Previous Occupation						
Worked in family Ent.	2	3	4	4	13	15
Owned other enterprise	1	7	7	7	22	26
Worked in other enterprise	8	7	5	5	25	29
Owned land						
Worked in agriculture	2	1			3	4
Student	8				8	9
Other		3	3	3	9	11
No Information					5 85 Total	6 100% Total
Owner or manager of other enterprise	6	10	4	5	25	
Average number of adults Supported by each enterprise	3	2	2.4	2.6	2.5	
Average number of children Supported by each Ent.	4	2	3	2.34	2.8	
Number of entrepreneurs who did not know						
- amount of FDR loan	2	4	2	0	8	9
- interest rate at time of loan	10	13	2	0	25	29
- current interest rate	10	13	4	2	29	34
- amount of time remaining to repay loan	4	6	3	0	13	15

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ANNEX I

	HUANCAYO (n = 21)	HUANUCO (n = 21)	CUSCO (n = 20)	CAJAMARCA (n = 23	TOTAL No.	%
Number of Ent. with equipment problems	3	6	6	4	19	22%
Number Ent. who have previous received loans	6	8	8	11	33	29%
- from family	2	1	2	4	9	11%
- other people	2	-	2	1	5	6%
- banks	2	7	4	6	19	22%
Average Percentage of Sales						
- to local area	68%	85%	96%	81%	83%	
- to other parts of Peru	24%	15%	4%	19%	16%	
- exported	8%	0	0	0	2%	
Average percentage of Raw Materials						
- from local area	30%	9%	36%	56%	33%	
- from other parts of Peru	55%	83%	52%	41%	58%	
- imported	13%	2%	12%	3%	8%	

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ANNEX I

	HUANCAYO			HUANUCO			CUSCO			CAJAMARCA			TOTAL NO.			TOTAL %		
Average Monthly Minimum Salary		$80			$76			$111			$82				$87			
Owners views on change in:	2	-	15	-	1	20	1	1	18	-	-	23	3	2	76	4	3	93%
Output																		
Product quality	-	3	13	1	3	12	1	5	14	-	6	17	2	17	56	2	23	75%
Management Capab.	-	3	14	2	-	16	1	6	13	-	5	18	3	14	63	4	18	79%
Number of employees	2	6	10	-	4	17	1	1	18	-	6	17	3	17	62	4	21	76%
Accounting system qual.	1	3	12	-	4	15	-	6	14	-	4	19	3	17	60	4	21	75%
Marketing ability	1	2	14	-	2	18	-	5	15	-	4	19	1	13	66	1	16	83%
Production capacity	1	2	14	-	4	13	-	2	14	-	3	18	1	11	59	2	15	83%
Competition	-	6	10	-	9	10	-	3	16	-	8	15	1	26	51	1	33	65%
Market share	4	3	9	-	3	15	2	8	10	2	10	11	8	24	45	10	31	58%
Condition of physical assets	1	2	13	-	9	9	-	17	2	4	17	1	5	45	25	7	60	33%
Enterprise profitability	3	1	13	-	-	19	-	3	17	-	2	21	3	6	70	4	8	89%
Most important obstacle to future expansion:																		
Lack of:																		
Market		5			1			2						8				9%
Credit for equipment		5			2			2			5			14				16%
Working capital		3			1			6			7			17				20%
Technology		2			1			1			1			5				6%
Skilled labor					2									2				2%
Broken equipment					2									2				2%
Lack of electric power		6												8				9%
Working K + Market								1			1			2				2%
Other		6						9						9				11%
No obstacle														13				15%
Working K + equipment											5			5				6%

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ANNEX J

Occupations in Huancayo

(from randomly selected bank files

Industrial	Number	Percentage
Sawmill	4	
Tailor	26	
Metal work	7	
Furniture		
Shoemaker	5	
Baker	11	
Carpenter	11	
Chemicals	1	
Miller	3	
Wax Producer (candle maker)	3	
Decorations	1	
Brick factory	1	
Musical instrument manufacturing	1	
Autoparts	2	
Chalkman	1	
Hat manufacturer	1	
Food processor	1	
Equipmentman	1	
Porcelain man	1	
Ice Cream man	2	
Bathry products	1	
Construction mat'ls	1	
Chicken farm	1	
	86	72%
Commerce		
Pharmacist	2	
Merchant	6	
	8	7%
Services		
Carwash	1	
Photocopy	1	
Mechanic	5	
Restaurant	3	
Orchestra	1	
	11	9%
Artisan		
Sweater production	8	
Tapestry production	7	
	15	13.7%
Total	120	100%

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ANNEX K

SURVEYED BRANCHES OUTLINE

	No. of Employees	No. of Credit Officers	No. of 4 wheel drive vehicle	Loan Approval Authority (US$) Computer Terminal	Branch Admins.	Credit Committe	Decentralized Committee	Total Loan Portfolio** (US$)	FDR Loan Portfolio** (US$)	No. of Loan Outstanding	FDR as % of total Portfolio	% of overdue FDR Loan *
HUANCAYO (Sierra)	35	5	2	Yes	$5,955	$19,849	$29,774	$2,935,851	$2,536,657		86.4%	10.6%
HUANUCO (High Jungle)	17	3	1	No	$3,970	$15,879	$23,819	$2,626,700	$2,320,109		86.3%	11.7%
CUZCO (Sierra)	38	4	1	No	$3,970	$15,879	$23,819	$2,846,885	$2,428,393		85.3%	11.0%
CAJAMARCA (Sierra)	16	4	2	No	$1,984	$9,924	$15,819	$ 388,064	$ 399,556	882	87.5%	2.9%
Average of 4 branches	26	4			$3,910	$15,383	$23,322	$2,200,000	$1,906,100		86.9%	9.1%

* Overdue loans include all loans on which payments are overdue by one day or more.
Exchange rate: US$=503.80 soles

** Total loans outstanding as of end January 1982.

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ANNEX L

PDR Loan Disbursements by Branch 1975-1981

	75	76	77	78	79	80	81
PHASE I BRANCHES							
Ayacucho	1,069	22,781	41,764	61,696	183,116	510,636	
Cuzco	527	48,852	90,914	141,440	199,916	384,589	
Junin	165	20,356	78,964	184,468	268,510	581,655	
Puno	942	15,705	19,756	52,145	64,746	98,022	
PHASE II BRANCHES							
Cajamarca			7,381	52,020	120,938	619,164	
Huanuco			22,423	94,453	119,916	467,809	
Ica				2,794	---		
Chiclayo					41,482	136,052	
Arequipa						39,720	
Huaraz						60,175	
Piura						50,200	
Pucallpa						14,633	
San Ramon						382,287	
Tacna						104,665	
Tarapoto						273,465	
Trujillo						37,881	
TOTAL	2,701	107,694	261,201	588,986	998,624	3,760,953	7,062,000
Dollar Value (PV)	66,201	1,875,222	3,116,585	3,767,340	4,447,223	13,004,678	42,931,738

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ANNEX M

de cuestionario _____
de préstamo _____
Nombre de empresa: _____

_____

_____

Fecha _____
Por _____
Otros _____

ANTECEDENTES DE LOS ARCHIVOS BIP

Información sobre la empresa:

1. Clase de empresa: 001
   1. dueño propio
   2. sociedad encomandita
   3. sociedad de responsabilidad limitada
   4. sociedad anónima
   5. cooperativa

2. Si el solicitante es persona natural: 002
   a. tiene libreta tributaria?
      1. Si ____ 2. No ____
   b. número de años desde el inicio de actividades _____ 003

3. Si es sociedad:
   a. número de años desde constitución _____ 004
   b. número de socios _____ 005

4. Sector 006
   1. Industria 2. Artesanía 3. Servicios
   4. Comercio 5. Agricultura

5. Actividad 007

Industry

11 bakeries
12 carpentry shops
13 clothing manufacture
14 shoe manufacture
15 machine shops
16 roofing tile production
17 tea processing
18 furniture manufacture
19 lime and plaster production
110 kerosene stove manufacture
111 Other

Artisan

111 weavings
112 stone carvings
113 leather
114 candles
115 rugs
116 filigree
117 dolls
118 carvings
119 Other

Services/Tourism

51 auto repair shops
52 farm machinery repair shops
53 print shops
54 grain mills
55 hostels
56 bicycle shops
57 restaurants
58 plumbing shops
59 radio repair shops
510 Other _____

Commerce

61 pharmacies
62 grocery stores
63 bottled gas suppliers
64 agricultural supply stores
65 hardware stores
66 Other _____

Agriculture/Fisheries

111 apiaries
112 cheese production
113 chicken production
114 guinea pig production
115 trout production
116 sausage production
117 chocolate refining
118 Other

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6. A. Localización	008
1. dentro de la ciudad	
2. fuera de la ciudad	
B. Distancia de la sucursal (en kilometros)	009
C. Acceso fácil	010
1. Si ____ 2. No ____	

INFORMACION SOBRE LOS PRESTAMOS

	Primer Préstamo	Segundo Préstamo	Primer Incremento	Segundo Incremento
7. Fecha de solicidud				
8. Fecha de aprobación				
9. # de días entre solicitud y aprobación	011	012	013	014
10. Fecha de desembolso				
11. # de días entre la aprobación y el desembolso	015	016	017	018
12. Proposito del préstamo	019	020	021	022
1. para comprar materia prima				
2. para adquisición de maquinas y equipo				
3. para adquisición de herramientas				
4. para adquisición de instalaciones fijas				
5. Otros				
13. Cantidad del préstamo	[illegible]	024	025	[illegible]
14. Tipo de garantía	027	028	[illegible]	[illegible]
1. sobre la maquinaria				
2. sobre otra maquinaria				
3. otros				
4. ninguno				
15. Período del préstamo (meses)	[illegible]	[illegible]	[illegible]	[illegible]
16. Período de gracia (meses)	[illegible]	[illegible]	[illegible]	[illegible]

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	Primer Préstamo	Segundo Préstamo	Primer Incremento	Segundo Incremento
	039	040	041	042
17. Pago mensual				
18. Tasa de interés:	043	044	045	046
a. Base:				
b. Comisión:				
c. Otros cobros: (garantía)				
d. Efectivo:	047	048	049	050
19. Balance pendiente	051	052	053	054
20. Historia de reembolso	055	056	057	058
1. Temprano				
2. A tiempo				
3. Tarde entre 30-59 días				
4. Tarde entre 60-89 días				
5. Tarde más de 90 días				

059

PREGUNTE AL INGENIERO:

21. Ha recibido la empresa asistencia técnica del Banco en relación al préstamo?
    1. Si ___ 2. No ___

22. En case de ser Si, que clase de asistencia:

    a. fue hecho un estudio de factibilidad: Si ___ No ___

    b. para llenar la solicitud: 061

    Si ___ No ___

    c. asistencia de contabilidad: 062

    1. No
    2. No frecuentemente
    3. frecuentemente

    d. Asistencia de mercadeo: 063

    1. No
    2. No frecuentemente
    3. frecuentemente

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e. Asistencia de proceso de fabricación: 064

1. No
2. No frecuentemente
3. frecuentemente

f. Otro (especificar) _____ 065

1. No
2. No frecuentemente
3. frecuentemente

COMENTARIOS ADICIONALES

ENTREVISTA CON EL GERENTE O DUEÑO

23. 1. Gerente 2. Dueño

24. a. Que hizo Ud. antes de tener este negocio?

1. trabajó en una empresa familiar
2. tenía otro negocio
3. trabajo con otra empresa
4. trabajo como agricultor
5. otro

b. En caso de # 4 (agricultor), era:

1. propietario de la tierra
2. arrendatario
3. empleado de una finca

25. Tiene Ud. otro negocio propio u otro que dirige en:

1. agricultura
2. fabricación
3. servicios
4. ninguno

26. a. Cuantos miembros adultos de su familia incluso usted viven de este negocio? ___

b. Cuantos niños de su familia viven de este negocio?

27. Cuánto fue el préstamo que Ud. recibió del BIP?

(1. Correcto 2. Incorrecto)

(recordar el dueño buscar sus documentos si los tiene)

28. Cual fue la tasa de interés del préstamo a la fecha del préstamo?

1. Correcto 2. Incorrecto

29. Cual es la tasa de interés hoy?

1. Correcto 2. Incorrecto

30. Cuanto tiempo le falta para pagar el prestamo?

1. Correcto 2. Incorrecto

31. Cuando el préstamo fue para la compra de maquinaria:

a. Ha tenido problemas con la maquinaria que compró con el préstamo? 1. si ___ 2. no ___

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076

b. qué clase de problemas:

1. no funciona
2. falta de repuestos
3. equipo demasiado grande para sus necesidades
4. equipo demasiado pequeño para sus necesidades
5. equipo demasiado complicado para sus necesidades
6. otros

32. Antes de solicitar el préstamo, determinó Ud. cuanto iba a ganar? 077

1. Si ___ 2. No ___

33. Le ayudó el banco a hacer un estudio de cuanto iba a ganar con el préstamo? 078

1. Si ___ 2. No ___

34. Le ayudó a llenar la solicitud? 079

1. Si ___ 2. No ___

35.a. Le ayudó el banco a establecer un programa de contabilidad. 080

1. Si ___ 2. No ___

b. en caso de ser Si, como le afectó esa asistencia? 081

1. Aumentó las ventas/ganancia
2. Bajó las ventas/ganancias
3. No hubo cambio
4. Otros

c. Tiene Ud. un contador? 082

1. Si ___ 2. No ___

d. Tiene Ud. libros de contabilidad aquí? 083

1. Si ___ 2. No ___

36. a. Le ayudó el banco a buscar mercados? 084

1. Si ___ 2. No ___

b. En caso de ser Si, como le afectó esa asistencia? 085

37. a. Le ayudó el banco a mejorar el proceso de fabricación? 086

1. Si ___ 2. No ___

b. En caso de ser Si, como le afectó esa ayuda: 087

038

38. Recibió o recibe asistencia ajena al Banco? (por ej. del vendedor de la maquinaria) 1. Si 2. No

039

39. a. Que clase de ayuda le ha faltado a Ud.?

b. Por qué:

40. Como lo influyó el préstamo en su empresa?

41. Si usted fuera Gerente del Banco, como manejaría el programa de préstamos?

040

42. Ha recibido Ud. un préstamo de otras fuentes?

1. Si ___ 2. No ___

43. En caso de ser Si, elabore:

Fuente :	1. Familiar	2. Otras personas	3. Banco
Cantidad	041	042	043
Interés	044	045	046
Condiciones de reembolso	047	048	049

Confidencialidad de la información

Fascon-fiable | Incierto | Confiable

100

44. a. Sabe Ud. cuanto fueron sus ventas en 1981?

1. Si ___ 2. No ___

101

b. Si es afirmativo, podría Ud. enseñarse sus libros de contabilidad y anotar:

Ventas Totales _____

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Desconfiable Incierto Confiable

45. Si es negativo, llenar la lista siguiente:

Producto	Número por día/semana/año (marca uno) durante estancia alta Cant. Duración	Número vendido por día/semana, año (marca uno) durante estancia baja Cant. duración	Total de Unidades vendidos en 1981	Presente precio de venta p. unidad	Ventas anuales a presente precio
TOTAL			102		103

46. a. Porcentaje de ventas que hace localmente: a.1. _____ 104

a.2. Valor _____ 105

b. Porcentaje de ventas que hace en otras partes del Perú: 106

b.1 _____ b.2 Valor _____

c. Porcentaje de ventas que hace fuera del Perú: 107

c.1 _____ c.2 Valor _____

47. a. Sabe Ud. cuanto fue el costo de sus materias primas en 1981, no incluyendo sueldos? 108

1. Si ___ 2. No ___

b. Si afirmativo, vea libros de contabilidad si los tiene: 109

Costo de materias primas compradas en 1981 _____

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Inconfiable Incierto Confiable

48. Si negativo, llenar la lista siguiente:

Materia Prima	# de unids. compradas por día/mes/año (marcar 1) durante estancia alta # Unids.Durac.	# de unids. compradas por día/mes/año(marcar 1) durante estancia baja #Unids.Durac.	# total de Unids. compradas. en 1981	Presente precio p/unid.	Costo Anual a presente precio.
_____					
_____					
_____					
_____					
_____					
Total			110		111

49. a. Porcentaje de materias primas compradas este año del área local? 112

a.1 porcentaje: _____

a.2 valor: _____ 113

b. Porcentajes de materias primas compradas este año de otras regiones del Perú: 114

b.1 porcentaje: _____

b.2 valor _____

c. Porcentaje de materias primas importadas de otros países? 115

c.1 porcentaje: _____

c.2 valor: _____ 116

50. a. Sabe Ud. cuanto fueron sus utilidades brutas por el año entero de 1981? 117

1. Si ___ 2. No ___

b. Si afirmativo, se podría ver sus libros de contabilidad? 118

Utilidad bruta: _____

51. Si negativo, calcula las utilidades brutas:

a. Ventas totales en 1981 _____

b. - Costo de productos vendidos _____

_____

c. Utilidad Bruta: _____ 119

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52. a. Sabe Ud. cuanto eran sus costos de operación durante 1981?

1. Si ___ 2. NO ___

Si afirmativa, se puede ver sus libros de contabilidad?

b. Sueldos pagados _____

c. Total de costos de operación _____

53. Si no, calcula:

Costo de operación	Costos presentes por día/semana/mes/año (marca 1) durante estancia alta		Costos presentes por día/semana/mes/año (marca 1) durante estancia baja		Costos anuales de operación al valor actual
	costo de operación	duración	costo de operación	duración	
Salarios					
Suministros					
Utilidades					
Renta					
Depreciación					
Otros					
TOTAL					

54. a. Sabe cuanto interés pagó Ud. por su(s) préstamo(s) en 1981 incluyendo intereses sobre préstamos ajenos al banco BIP, sí hay)

1. Si ___ 2. No ___

b. Si afirmativo, se podría ver sus libros de contabilidad y/o informes computados del BIP.

Interés del Préstamo _____ (en soles)
(no incluyendo principal)

55. a. Sabe Ud. cuanto fueron sus utilidades netas en 1981?

1. Si ___ 2. No ___

b. Si afirmativo, se podría ver sus libros de contabilidad:

Utilidad neta: _____

56. Si negativo, calcula utilidad neta:

_____

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INFORMACION DEL BALANCE GENERAL

57. Sabe Ud. cuanto tiene de:

	1. Si	2. No	Cantidad
-Efectivo disponible			
-Lo que deben sus clientes			
-Inventario			
Total Activos a Corto Plazo			

58. Sabe Ud. el valor actual de su:

	1. Si	2. No	Cantidad
-Tierra			
-Edificios			
-Equipo			
_____			
_____			
Total Activos Fijos			

59. Sabe Ud. cuanto:

	1. Si	2. No	Cantidad
-Le debe a sus proveedores de materias primas			
-Le debe de préstamos a corto plazo (capital de trabajo)			
Total Pasivo a Corto Plazo son:			

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60. Otras Deudas:

	1. Si	2. No	Cantidad
- Saldo del Préstamo al BID			
- Otros préstamos a largo plazo	145		
- Total de sus deudas a largo plazo	146		147
Total de sus deudas a corto y largo plazo:	148		149
Valor Neto es:	150		151

61. Número de empleados en la empresa:

	Dueño		Miembros de la fam. no pagados		Salariados		Trabajadores de Aprendizaje		Total		
	H	M	H	M	H	M	H	M	H	M	H+(1)
Presentemente											
Al tiempo de solicitud					3						
Dif.											

Trabajadores de tiempo parcial			Trabajadores de estancia		
H	M	(1=1 año)	H	M	(1=1 año)

Cúal es el salario mínimo que paga Ud.: _____

62. Desde que Ud. recibió su préstamo y la asistencia técnica del BIP como cambió:

	1. Disminuido	2. quedado igual	3 aumentado
la producción total			
la calidad del producto			
la capacidad gerencial			
el número de empleados			

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la capacidad del sistema de contabilidad _____ [185]

el conocimiento de su mercado _____ [186]

la capacidad de utilización _____ [187]

la competencia _____ [188]

el porcentaje de mercado _____ [189]

la condición de activos físicos _____ [190]

la ganancia total de la empresa _____ [191]

63. Cúal es el obstáculo más importante de expansión futura? [192]

1. Capital de trabajo
2. Crédito por maquinaria
3. mercado
4. tecnología
5. falta de maquinaria
6. habilidad laborar
7. dinero para comprar maquinaria
8. capacidad gerencial
9. control del gobierno
10. otro

64. Comentarios adicionales:

65. Observaciones:

confiable

incierto

desconfiable

66. Tiene Ud. otros ingresos? [193]

1. Si _____ 2. NO _____

b. En caso de ser afirmativo, cuanto? _____ [194]

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67. Ingresos y Gastos	(a) Año de la Solicitud (77)	(b) Presente ( )	Variacion Nominal b - a / a	Variacion Real	Variación Anual Promedio
INGRESOS					
Unidades vendidas	[illegible]		[illegible]	[illegible]	[illegible]
Ventas (soles 84,18/10	[illegible]		[illegible]	[illegible]	[illegible]
Costo de la mercadería vendida					
GANANCIA BRUTA	[illegible]		[illegible]	[illegible]	[illegible]
GASTOS DE OPERACIÓN					
Salarios	[illegible]		[illegible]	[illegible]	[illegible]
Suministros					
Utilidades (Serv.)					
Impuestos					
Renta					
Depreciación					
Otros					
TOTAL					
GANANCIA DE OPERACIONES	[illegible]		[illegible]	[illegible]	[illegible]
Otros Ingresos					
Interés pagado					
UTILIDAD NETA	[illegible]		[illegible]	[illegible]	[illegible]

INDEX		
	1975	100
	1976	135.5
	1977	187.0
	1978	295.1
	1979	494.8
	1980	787.8
	1981	1,355.0

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68. Balance General	(a) Año de la Solicitud	(b) Presente ( )	Variación Nominal b - a / a	Variación Real (index)	Variación anual (promedio)
ACTIVOS					
Realizable a corto plazo					
Efectivo					
Cuentas a cobrar					
Inventario					
Suministros					
Total	[illegible]		[illegible]	[illegible]	[illegible]
Activos Fijos					
Tierra					
Edificio					
Equipo					
Total	[illegible]		[illegible]	[illegible]	[illegible]
PASIVO					
Corriente					
Cuentas a pagar					
Impuestos					
Otros					
Total	[illegible]		[illegible]	[illegible]	[illegible]
Deuda a largo plazo					
Banco (BIP)					
otro					
Total Pasivo	[illegible]		[illegible]	[illegible]	[illegible]
Capital	[illegible]		[illegible]	[illegible]	[illegible]
TOTAL	[illegible]		[illegible]	[illegible]	[illegible]

INDEX

1975	100
1976	135.0
1977	187.0
1978	295.1
1979	494.8
1980	787.8
1981	1,355.0

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