

Institutional Intervention in the Micro-Enterprises and Small Businesses: The Case of Guadalajara's Shoe Industry

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1. Introduction

This document analyzes the intervention provided by the support and development institutions helping micro¹-enterprises and small businesses that comprise the footwear industrial sector in Guadalajara. The institutions which are analyzed here shared in the group experiences that were advanced in the shoe industry, with the understanding that the security offered by an industrial group would involve not only the integral protective mechanisms, but also the flexibility and sustainability of the industrial and institutional atmosphere in their union. This is an elasticity based upon an inherent flexibility in the modification of working conditions. (Albert, 1997).

The union of the most representative and significant actors in the local context (of the Guadalajara Metropolitan Area) is also analyzed, wherein they have formed a specific dynamic with respect to the productive chain and the institutional atmosphere of the shoe industry. This analysis takes under consideration the work of the various state policy agencies that are charged with aiding local development, and specifies the intervention of each institution for small industry and the internal responsibility that each one has, together with its relationship to the others. For example, the role of the Jalisco State Government is examined, in its relationship with industrial associations like the CICEJ (Jalisco State Chamber of the Footwear Industry), and the functions that it carries out in the area. This paper also reviews the contributions to the process of universities like the Instituto Tecnológico de Estudios Superiores de Occidente (ITESO), and financial institutions like credit unions and the state government's financing program.

¹ In México the Range of Employees Used to Define Size.

CLASSIFICACIÓN BY NÚMERO OF EMPLOYEES				
SIZE	INDUSTRY		COMMERCE	SERVICES
MICRO ENTERPRISE	0-30		0-5	0-20
SMALL BUSINESS	31-100	6-20		21-50
MEDIUM -SIZED BUSINESS	101-500	21-100		51-100
LARGE BUSINESS	501 OR MORE		101 OR MORE	101 OR MORE

SOURCE: DIARIO OFICIAL DE LA FEDERACIÓN, MARCH 30, 1999.

2. Government

For the productive process to function properly, participation and linkage is needed from various institutions. The main requirement is industrial policy management that involves intervention by a local government which enjoys a high level of development in its public agencies, as well as a sense of negotiation and cooperation, in order to attain social agreements on the local scale among the social actors comprising the process (Trullén, 1990).

The Federal Government's role in designing and putting into action support policies for small and medium-sized industries has been inefficient, due to the fact that different programs have been operating. Among the 551 of these that there are, 151 are exclusively federal efforts to care for the needs of this business sector, and 400 belong to the state system. However, out of each peso that is budgeted for the benefit of the micro, small and medium-sized businesses, at best only 30 centavos reaches them. A broad bureaucratic structure unfolds from there, rather than attending to the program's objectives (Público, April 27, 2002:4).

The centralized management of the programs through the federal government, and the variety of the support programs, spotlight the lack of unity and efficiency in a given blueprint for supporting micro and small business, because it is difficult to formulate a program which meets the needs and conditions of all the states. In official national rhetoric, these plans exist, but those who in fact reap the benefits are medium and large-sized businesses, since they can provide the collateral security and have the means to meet the requirements for grants of support.

At the local level, a close look at the Jalisco State Government's intervention shows that the context of the state's productive sector went through an economic crisis in the first half of the 1990's. From '92 to the first months of '95, 55,000 jobs were lost, and 10,700 closed their doors in just the beginning of the latter year. This generated a demoralization both for businessmen and for the society at large².

In the face of this situation, together with the party change in state government from the P.R.I. to the P.A.N. in 1995, the dominant feature of industrial policy became reversal of the trend. According to the Sector Director of SEPROE (Economic Advancement Secretariat), they considered it a priority to reactivate employment through foreign investment, in order to get Jalisco's economy back into motion. In doing so, the key productive sector that was chosen was the electronics industry, because the strongest economies sought *competitive* advantages in it, rather than *comparative ones*³.

² Source: Director Sectorial de la Secretaría de Promoción Económica (SEPROE), Jalisco State Government. October, 2000.

Jalisco being a multi-sectoral state, seven strategic industrial sectors were defined:

1. Agro-industry, 2. Electronics, communications and information systems, 3. Auto parts, metalworking and automotive, 4. Textile and apparel manufacturing, 5. Leather, footwear and leather goods, 6. Woods, furnishings and decoration, 7. Mining, jewelry and crafts.

In this strategy, the electronics, telecommunications and information systems sector was among those that received the greatest attention and toward which the government programs' objectives were directed. That being the case, the small businesses in the footwear industry came out in second place for the state government's attention, after electronics. This was in spite of the fact that Jalisco has about 60,000 businesses registered in the IMSS⁴, of which 98% are micro and small businesses, and that their volume did not decline at all.

On the other hand, recognition of the potential of micro and small businesses is accounted for by the perception of the reality of productive flexibility, which responds to market instability and to crisis in the ford production model. Therefore the state government was interested in learning the processes that countries like Italy had successfully experimented with; that production model comprised of capacity and cooperation networks, such as industrial associations and business cooperatives.

3. The Framework of the State Development Plan, 1995 - 2001

The industrial policy designed by the state government included several programs, that of AGREMS (business cooperatives), which seek to take care of the needs associated with achieving development and maturity in innovative, world-class industries; that is to say, complementary institutions wherein the support for small business is not clearly seen. Institutions were created among them to promote foreign trade, for state information, for promoting financing, and in design and quality certification, among others. With these, the government intended to boost investments, generate employment and offer informational support for decision-makers.

Several programs and agencies were created, such as the Foreign Trade Promotional Institute, known as JALTRADE; the SEIJAL (Jalisco State Information System); and the CEPE (Economic Promotion Council), for which an already-existing but non-functional council was redefined so as to have broader capabilities than those submitted in the

³ Ibid.

⁴ Mexican Institute of Social Security: This Official Institution registered the employment statistics by state.

Legislature, so that it emerged as a renewed council. What was before the SEPRODE (under the P.R.I. administration) had little work for its secretariat. It was unspecialized, with a vision of what happened in many administrations that limited themselves to whatever the Industrial Policy Center suggested.⁵

Councils were also created to establish citizen participation, and these were submitted to the State Legislature. However, the lack of knowledge and familiarity with the management of such programs was still noticeable, not only by the users and the private sector, but by the public sector itself in dispersing it into the member organizations.

Thus, the relationship produced between the various institutional members is seen as successful, since it re-enforces the network of relationships generated among those members, which then determine the benefits arising from industrial development.

4. Business Chambers

In spite of the amount of time that the business chambers have been in existence⁶ (Rueda and Simon, 1999:29), they still lack maturity and are under-utilized, due to the fact that the typical Mexican businessman does not have a particular personal inclination toward associations. Business organizations in the country confirm this, since 89% of its businesses, and especially the micro, small and medium-sized businesses, remain unassociated with any cooperative or organization. Still, as may be easily seen, Mexico does not enjoy a representational structure that would include a full range of types of association (Equihua, 1999: 39-40).

With this in mind, it is easy to appreciate how the small Mexican producer's - and especially the Tapatío's (Native of Guadalajara) - behavior and organizational urge does not lean toward cooperation. This is in spite of the fact that there are numerous business organizations, including associations, chambers and federations, since the chambers for economic activity take in but a small number of its potential associates.

Under these conditions, the business organizations must show considerable imagination in order to be successful, as they are faced with two great obstacles to joining: the dues to be paid and their lack of response to the interests and needs of the businessmen, and above all to those of small industry.⁷

⁵ Ibid.

⁶ Confederación de Cámaras Industriales (CONCAMIN), 1917.

⁷ Jalisco boasts some 60,000 businesses registered with the IMSS, of which more than 50,000 are not registered in any chamber or association.

The work of registering businessmen was re-enforced in 1997, when the Chambers Act revoked the obligation for businessmen to be affiliated with the chambers. Therefore, it is now very difficult for local producers to participate, because to be a part of the chambers one must pay certain registration fees, and generally the micro and small businesses are the ones that have the hardest time doing so⁸.

Access to up-to-date information is very limited in Mexico, especially for data on the social, economic and political context specifically covering the private sector. This aspect is relevant because it is the ballast of the institutions that impedes revelation of recent data, wherefore a series of alignments are unknown that would allow recognition of the industry's true capacity in a given case, and the possibilities and investments are limited on the local, national and international fronts (Equihua, 1999:46).

Access to information is a feature of cooperation, since the role of associations theoretically points toward the strength of the relationship allowing the exchange of information. With this, professional instruction is assured and as a consequence, cooperative relationships and a continuous competitive dynamic are formed.

5. The Footwear Sector's Organized Industry

The most significant distribution nationally is mainly composed of three industrial chambers among which the same structure is maintained, according to the number of manufacturers. These are the CICEG (Guanajuato State Chamber of the Footwear Industry), the CICEJ (Jalisco State Chamber of the Footwear Industry), and the CANAICAL (National Chamber of the Footwear Industry) (Información Estadística del Sector Calzado, 1993:4).

The structure of these organizations may be seen in the following way: León in first place, by the number of manufacturers registered in the CICEG; Jalisco in second place with the CICEJ; and the balance of the membership in the nation identified by the CANAICAL. This distribution, found in 1993, is what has been maintained in the industry from its origin up to the present.

Out of the total of footwear producers registered in chambers by states in 1993, the second-place Jalisco businessmen stand out with barely 371 registrations. Of these, internal distribution consists of 85% as footwear manufacturers, with 15% being registered as contributing associates. Of this 85% of footwear manufacturing businesses, 62% are micro-businesses (195 businesses), small businesses represent 34% of the producers (107 businesses), while the medium-sized businesses form only 3% (10 businesses), and finally

⁸ Although, lately in Jalisco, the least-registered business in the CICEJ is medium-sized business. The administrative manager of the organization indicated this in an interview held on April 25, 2000.

the large businesses hardly manage to represent .95% (3 businesses) of the total of the members of the CICEJ (CIATEG, CICEG, CEESP, 1003:11).

Other data, which is more up-to-date though it maintains the same structure as that described above, indicates that the CICEJ includes 430 manufacturers⁹ as affiliates; less than 50% of the total in Jalisco, since the existence of 1,100 are known¹⁰, among which between 800 and 900 are located in the Guadalajara Metropolitan Area.

This aspect indicates that though the figure increased, the change over seven years is negligible, because the breakdown of the industry's membership remains proportional. This allows us to infer a lack of response from the CICEJ to the businessmen's needs (that is to say, of the emergence of specialized services meeting production's demands, which will be analyzed later in this paper), in spite of the economic crisis and the violent opening of trade.

In this context of diminished business memberships in the CICEJ, industrial chambers are far from being active social participants in the industrial development of the area, in contrast to other industrialized countries. The business associations maintain greater relevance, because they help to direct industrial strategy, as well as implanting the various productive restructuring policies for the area. Dealing with a business sector that is interrelated among a group of 19 industries makes it imperative that the producers know and have a vision of a much-broader production chain, wherein the association criterion is useful for competition in the global market.

The Chamber's registration fee schedule is set according to the number of workers the business employs¹¹. Among the services¹² offered by the CICEJ¹³ in exchange for the registration fee, in this paper those services promoting association and communal cooperation were considered; although the institution has other services for the industrial sector that offer attention to the commercial area, business contacts, and support for domestic and foreign buyers (to whom the existing data base is offered). They also do

⁹ The figure reflects only 60 registrations more than that noted in 1993.

¹⁰ The administrative manager of the CICEJ provided this information in an interview held on April 25, 2000.

¹¹ CICEJ fees for 2000: 1-10 workers: \$2,800; 11-20: \$3,800; 21-30: \$3,900; 31-40: \$4,800; 41-50: \$5,700; 51-60: \$6,600; 61-70: \$7,400; 71-80: \$8,300; 81-90: \$9,200; 91 or more: \$10,000.

¹² In which the lack of an analysis is recognized, due to the concentration thereof in the Business Cooperatives Program of the CICEJ, and the rest of the services were considered from the chamber's point of view.

¹³ According to the general manager of the CICEJ and a pamphlet that is distributed to the members and prospective members.

business reference research on other suppliers, outside of those that are in the chamber, in order to support the concretion of businesses.

Another service aimed at associating, and which is seen as a financial strategy, is the Communal Purchasing Program for supplies and materials at lower-than-prevailing prices on the market. It is obtained through the UCIC (Footwear Industry Credit Union), and that institution will be dealt with later in this paper. The CICEJ also offers services in training and in technical and technological assistance through the ITC (Footwear Technological Institute), oriented toward all levels, from management down through all sorts of operators, according to the innovations in the manufacture of footwear. It is not analyzed in this work, but it is important to mention it, as the institute constitutes an important part of the industry's local development system.

6. University

The success of the micro and small businesses depends, in large measure, upon the contributions of educational institutions. Globalization training for the micro and small businesses is a condition for being able to establish horizontal linkages in which responsibility lies with each participant, and the ability to train falls mainly to the public sector's teaching institutions (Berry, 1998).

In Jalisco, where micro and small businesses abound, the universities could offer several kinds of support to traditional industry, such as doing feasibility studies on investment projects, or consulting and diagnosis to propose solutions in different areas of the business. But the universities that have this sort of services offer it externally. This assistance was not analyzed, however, as it does not involve management of business cooperative programs. The experience of the Instituto Tecnológico de Estudios Superiores de Occidente (ITESO) was considered significant, due to the initiation in 1997 of the MPVMyPE (Linkage with Micro and Small Businesses MetaProgram). The institution intervenes with training on the formation of Business Cooperatives, like those the state government offers.

The university's paying some attention to the problems of micro and small businesses has been, until very recently, indicative of the distance and dissociation that has and continues to exist between these social actors, because the situation described by the consultant is a context in which the industrial sector has been surviving - and which it has been aggravated by - since 1982. Actually the institution is reacting too late, since the opening-up process began in 1986, and it still finds itself unprepared to provide answers and solutions. On the contrary, it has had to go along forming itself at the same time that it starts the program.

This situation also reveals a lack of knowledge of the association scheme, which has been impossible to carry out continuously and generically among the institutions - in this case, the university - since, according to an ITESO professor, the MetaProgram was formed through meetings with international agencies, along with some government approaches to the university, with the BID and the PNUD. These institutions donate resources to the federal government for the formation of cooperative processes, and invited all the universities into the formation of business cooperatives. But the other universities located in Guadalajara work on projects on the other side, so the ITESO program had a greater impact than they did on this business program.

In practice, within the university the work of introduction and training in the methodology of the association model of industrial cooperatives ran into problems with bibliography, information and application. Although the state - and especially Guadalajara - are places generating micro and small businesses, they lack the deeply-rooted habit or custom of other countries like Japan or Italy.

In the students' view, this arrangement has reproduced a big-business perspective, and culturally breaks its academic criteria with another reality, different from that established under the concept of big industry in the state, which conversely boasts only a minimal percentage of large businesses and a large majority of micro and small ones.

On the other hand, on the external level, the university's relationship among the institutions has had a rough beginning, and a process that was difficult to achieve among them, because it is perceived - especially in the beginning of the process - as an inter-institutional stumbling block, both because of poor communications and because of lack of trust among the institutions. Among these, distancing was shown, though a necessary practice was presented in the later entity, along with lack of knowledge of the business cooperative program.

In accordance with the inter-institutional experience, the university has been able to interact with the business chambers and with two levels of government, the state and the federal. But one can barely speak of an initial level of understanding; so far, they can not be perceived as established interrelations.

The inter-institutional distancing between the businessmen and the university was identified from the beginning of the process between the government and the university. Though these two institutions have progressed with the solidity of their relationship and

have ceased to show a formal network level¹⁴ (Casalet, 1998), that operates indirectly without linkages of confidence, progress has been made little by little, toward a clan-type of cooperative relationship¹⁵ (Saraví, 1998), which allows them more effectiveness and security in dealing and negotiating. The process is four years old now, a period in which they have managed to form four cooperatives. In order to reach the inter-relation stage, further development and unfolding is required, both internally and externally.

The interaction between the state government and the university has yet to establish a system of collaboration and co-responsibility wherein the arrangement of exactly what activities may fall to each institution is clearly defined. "At times, the public sector acts as the inquisitor, rather than the collaborator, toward the university. And at times the university takes actions that undermine, rather than add to, the government's efforts. Though it may be critical, it judges what is done and only creates a wearing-down that trips up the formation of cooperatives"¹⁶.

This implies a lack of horizontal communication. Overall, the projects have tended toward and succeeded in such an inter-institutional collaboration, but it has been a matter of learning therefrom. In the beginning, the relationships with institutions, the government, and academia were distant, with difficulty in coming together in order to clarify what responsibilities belonged to each, or even to make claims and to settle differences in their conflicts. In terms of this, the university contribution has been to evaluate the progress over the three years of the MetaProject's existence, with some more-horizontal, round-table relationships in which the institutions can now tell each other what they like and what they do not. This is a practice that can be pointed to as very significant.

In this way, this network of institutions builds an internal and external system of relationships that is indispensable for establishing a flow of information, which in turn stimulates continual interaction between the participants. By the same token, the relationships are achieved through the central aspect of confidence, which can then be reproduced between institutions and business cooperatives in order to raise the competitive potential of the industry in the local, domestic and international markets.

¹⁴ Formal network: The actors seek a utilitarian benefit, like savings on resources, rights to services offered by institutions like the government, local agencies, chambers and banks, among other official representations.

¹⁵ Clan cooperation: consists of more-inventive forms of relationship of small groups of producers who attempt to achieve greater integration of their resources for reaching their common objectives which do not compromise their individual autonomy, but contribute to its re-enforcement. These cooperative relationships are not vertical nor horizontal; rather, they are assumed diagonally, because the framework is one of horizontal associations for collaborating in vertical stages.

¹⁶ Information provided by the Coordinator of the MPVMPE; October, 2000.

However, the reality of the inter-institutional relationships in the area in question is a practice that has barely begun, since resistance thereto is the prevailing factor to date. The resistance must be confronted urgently by the institutions of state government, university and organized business, both among themselves and each within itself. This is, for example, the case with ITESO, itself and the rest of the universities in the area, because they are charged with development and strategy-creation for responding to the society's shortfalls in the area, so that they react vertically, horizontally and diagonally according to the clan-model of cooperation, moving toward a mixed concept in accordance with the requirements of small industry.

Throughout this discourse, a clear interaction stands out between the ITESO university and the State Government, which identify with each other because of the business cooperatives. A certain closeness is also identifiable between the university and the sectoral agencies, but this is less clearly-defined, appearing to be rough and somewhat congruent with the problem that the CICEJ is dealing with.

7. Financial Institutions

The role of the financial institutions is a determining factor in the development and expansion of productive units, since they constitute a system of services that collectively supports the units' production. The system includes the banks, insurance agencies, intermediaries and consultants, among others.

Though it is difficult for them to provide financial support to the micro and small businesses in general, the small businesses that are organized in groups may have a better chance of obtaining credit, because the joint responsibility among the small businesses can be used as a way to soften the banks' aversion-to-risk reaction.

In terms of the experience in Mexico, most of the small and medium-sized businesses are unschooled in accessing formal credit resources. More yet, they lack the personnel, the time and the ability to meet banking requirements, and their features would hardly offer the collateral guarantees that those institutions expect (Lopez Espinosa, 1995).

On the other hand, branches of some banks or financial institutions that handle resources for micro and small businesses are unschooled in the procedures and support for businesses of this size. They lack the specialized personnel to evaluate this business sector's projects. The management of the criteria is based upon the collateral posted to guarantee the loans and not upon the credit viability of the project. All this results in an

under-utilization of support and excessive tardiness in the granting of credit. It is reflected in what a director of a credit institution in Guadalajara said:

"Besides, the financial offerings for the industrial sector have changed and banking is closed to credit. Those who have had resources among them have tried to figure out a way to finance themselves." According to the director of the Unión de Crédito del Calzado, "They get financing through their suppliers; they even support the consumer by deferring payment because of the shrunken market, while the Banco de Mexico cuts the resources in circulation back even further."¹⁷

7.1 Credit Unions

One financing model that enjoyed great growth from the last years of the 80's to the middle of the 90's consisted of a different form of business cooperative through the credit unions¹⁸, with which benefits may be obtained like credit approval, better terms in purchasing of supplies and consultation/training support, among others (Rueda, 1999).

The credit union assures access to the financial resources of development banking at a lower cost, and with that it can reduce the requirements for information or collateral that must be presented to assess credit applications. They are known as "second-story banks" for that very reason: they are able to function as financial intermediaries for the development banking community.

According to information provided by the director of the UCIC, in 1992 a large part of the capital was placed in NAFIN¹⁹. Resource availability increased because the capital went mainly to mortgage and industrial credit that was granted in that year. But in 1993, many payments stopped coming in; one year after credit was granted payments fell behind and were restructured, a full fear before the 1994 currency devaluation.

The credit union contributed its intermediary work with banking's resources by serving as the endorser but, as the credit union director mentioned, the resources were granted without planning nor foresight for the viability of the purpose the capital would be used for. On their part, the businessmen used the loans on other things, so they were taught to ask without having to assure, and thus to not pay their debts.

¹⁷ Information gathered in an interview with the director of the UCIC; May, 2000.

¹⁸ The General Auxiliary Credit Organizations and Activities Act, articles 39,40 and 41 considers Credit Unions as auxiliary credit organizations, constituted as Variable-Capital Corporations which group small, medium and large-sized physical or corporate entities concentrated in productive areas or activities, such as agriculture/livestock, commercial/industrial, or mixed, which seek by cooperation to meet financial needs in the easiest and most direct manner, because they enjoy greater affinity to the financial system along with other benefits deriving from their common activities, such as supply, marketing and technical assistance.

¹⁹ NAFIN: Nacional Financiera is a Development Bank of México.

The situation presents a reality in Mexico that is difficult to identify in the successful Italian model of industrial districts, where the confidence and credibility of the financial institutions for the enterprises, and vice versa, is pointed out as an important indicator in the function of the credit. Therefore, the credit feasibility forecast is of primary importance, as is a knowledge of the industry's performance.

Through the credit union, communal purchases of raw materials can be made at better prices. The same with access to markets which could not be reached individually, and so also with communal contracting of services that allows cost reduction and increased quality and competitiveness.

Since the 1994 crisis, the members of the Footwear Credit Union have only used the communal purchasing services, also referred to as the Marketing Department²⁰, which consists of having direct distribution for the credit union, large wholesale payments to the distributors, and a price margin for increasing profits and operating capital through the union services users.

The credit union has 380 registered members, of which 120 are the most-active users because of their utilization of the communal purchasing department. The department lends an artificial life to the institution that is mysterious, in that the department itself is not well-regulated. For example, 'If a supplier sells his supplies directly and more cheaply, the credit union is not sought, while this is how some suppliers operate, and direct purchases of materials is a constant for the shoemakers. This could be resolved by a contract for the supplier, to avoid unfair competition.'²¹

The above information shows that the small footwear producers do not understand the benefits of working together and making communal purchases, since the sense of solidarity, confidence and faithfulness to the community and to local pride are values that are not found to be evenly distributed among these actors. They handle their business arbitrarily without considering the group, which creates greater breakup and stagnation of production, features that are incompatible with the successful industrial district model.

From the outset, credit unions were characterized as joining the various industrial sectors; that is, there could be a credit union for each trade and, taking their sectoral chamber into account, they were considered organized and associated businesses. So it is

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²¹ Information obtained in an interview with the Director of the Unión de Crédito de la Industria del Calzado (UCIC); May, 2000.

unknown whether an assessment was ever done showing that the business chambers had reached a level of maturity at which a minimum financial and business culture could be identified that would be necessary to sustain the commitment of forming the credit union.

To be a member of the union, one must provide capital that he usually does not have, which prevents him from joining. The economic crises that have been suffered since 1982 have not allowed the businessmen to capitalize; on the contrary, a process of de-capitalization has been created by the businessmen's lack of planning and their irresponsibility in giving away development bank resources. In this case, NAFIN lent resources without forecasting nor encouraging payment responsibility. This went hand-in-hand with the businessmen's investments in the credit union, and together they created the image of a lack of confidence among the members of the credit union for the way that it authorized credit.

Some of the principal problems confronting the credit unions are that: they operate with very little capital, they offer services for which they have no specialized personnel, their research is limited, they have a high level of overdue accounts, and their legal boundaries are both strict and restrictive, as they require considerable legal red tape (Pomar and Rivera; 1998:80). In the experience that the Director of the UCIC told about, the three people on the payroll in the past three years held the positions of Director, General Manager and Administrative Manager, but the one requiring the greatest amount of time is that of General Manager. This is due to the demand for greater attention to and knowledge about the responsibilities of the job, and of its risks at the same time. Strategic planning must be approved by the group of businessmen who represent the institution, who are members of the UCIC administrative council and are responsible for resolving financial needs in progress. But they are also those who make the administrative and financing decisions and do the strategic planning for the union.²²

In the six-year period from 1988 to 1994, there was a peak in the creation of this type of financial agencies, with disastrous results. From the 63 credit unions in the country in 1989, the number grew to 527 by the end of 1994, simply because it was so easy to create one. All it required was to get thirty people together, present corporate bylaws before a notary public, and then say that at least a million pesos was provided by each of the partners while the treasurer said that he had received at least thirty million pesos. Then the CNVB (National Banking and Securities Commission) granted them permission to operate.²³

²² Information obtained from the employee who was hired as the bookkeeping aid in the credit union, but who rose in three months to General Manager, for lack of personnel.

²³ An outstanding case in point is that of the Unión de Crédito del Valle de México (UNICREVA), whose stockholders included Adriana Salinas de Grotari - the sister of the President of Mexico - and her ex-husband, Luis Yañez de la Barrera. The institution, together with other credit unions, caused a 10.5 million peso bankruptcy in 1994. Source: Proceso (April 2, 2000), No. 1222.

Notwithstanding the context that they operated within during the 80's, the credit unions were composed of small businessmen in the footwear sector, and continue to function still through operations that, in some cases, involve very small amounts. Specifically, this kind of configuration offered important advantages to its members, representing greater negotiating power with the banks that offered better rates and terms, together with their more-flexible collateral criteria (Boston Consulting Group, 1988).

7.2 State Government Financing

In 1996, the Jalisco State Government through SEPROE created the FOJAL (Jalisco Fund), a business support program for development of micro and small industries. As a special feature thereof, training was provided upon acquisition of the financing; a barely perceptible change in government program attitudes toward this sector, as one had to take a course in order to know how to manage the resources offered. It presents a novel backdrop in which it is more and more important to learn the use and management of more and better financial resources, that are not yet available.

Over five thousand drafts have been issued in the year 2000, at a fixed annual rate of 10% within the State of Jalisco, and 17% in the Guadalajara Metropolitan Area. To achieve this, a portion of the SEDESOL resources from the new employment program was added to state funds; now, the Fondo Jalisco (FOJAL) also participates as a support bank for micro and small business.

The SEPROE program's financial offering consists of an average amount of 36,000 pesos per business, up to a total of 354 units. The amount will not suffice to buy a machine nor technological improvement, so they are seen as withheld funds that have not been granted to this traditional industry, considered to be among the least-viable in credit feasibility studies. Similarly, the low index of financing to this industry is notable in that not even 90 loans are granted per year among a total of 1,100 businesses, so that the support is minimal especially in view of the amounts.

Therefore, the creation of, and support for association schemes among the micro, small and medium-sized businesses helps to provide access to more-competitive international sources of financing. Given that the local development bank in support of exportation offers the very un-competitive rates of over 200 or 500 percent above what can be gotten in other countries, agreements have been reached between unequal countries. There is no culture of alliances among the institutions for competition, so the footwear businessmen's experience has been that:

So it is that association through the cooperatives laid the foundations for survival, since they - the small producers - see what it is that they need, but they also

require training, time and logistical support, as well as resources and infrastructure, in order to consolidate their operational alternatives (Cosec, 1995).

But the lack of a financial culture that was mentioned earlier on the part of the businesses is mirrored by that of the credit institutions, since there is but minimal knowledge among them about each other. For instance, how the financing process is congruous to the manufacturers' situation; the banks have no idea of industry's problems and needs for competitiveness.

The interrelationship established between the various institutions in the local setting, such as the government, business chambers, the universities and financial agencies all form a part of the inter-institutional network. Of these, the role that each one plays in Guadalajara's reality was analyzed and from that, each may be considered to be an important part of the productive process in the micro and small footwear industry.

Conclusions

In Guadalajara, there is no institutional network in support of small business that would permit modification of their working conditions, due to the late recognition of the potential that this kind of business represents. It was not until 1997 that support was initiated for productive chains and cooperation between businesses.

Under the state government's goals, greater attention was given to the electronics industry than to the traditional industries composed mainly of small establishments like those manufacturing footwear. At the same time, it is only now that the government can see that this productive level is competitive as long as it has institutional support for working in business cooperatives, and resources are provided for their establishment.

The establishment of only four business cooperatives in the footwear sector since the state intervention of 1995, and three more that were boosted by the Chamber, allows us to see the businesses' ability to understand and interpret information. Evaluation of production relationships and analysis of events in advance is ever more necessary, because the uncertainty and difficulty of forming a strategic plan is increasing.

So the experience of the various small business cooperatives allows us to infer, based on the CICEJ results, that cooperation stimulates the continuous interaction of participants, developing new information leading to solutions to problems. Cooperative relationships between businesses and institutions like business chambers, research institutions, consultation centers, financing and training comprise the relationships woven now for building up the level of the area.

A determining aspect of the institutions is not just their existence, but the ability that they may be able to develop to interrelate themselves and renew the productive fabric, making it possible for a complex network of technological, financial and educational resources to set up a more integrated information system, by virtue of their cooperation and continuity. A factor in the development of technological capacity is a close linkage between macro-level policy and incentives on the one hand, and institutions whose purpose is the provision of a favorable setting, on the other.

The overview that was done of the several institutions in Guadalajara highlights the existence of an important network of support for micro and small business, but it is not yet a solid network. It is comprised of isolated support initiated by business cooperatives and cooperation among businessmen that can not yet be called a well-framed network, but that does have the potential. There are still significant limitations to doing this in terms of information and of effective dissemination of resources and programs. These are aspects that increase the difficulty of consolidating more-complex relationships to which the tenuous linkage between research, technical training and industrial activity may be added.