

Financiera Confianza Peru

Financiera Confianza is the only microfinance institution with a fully national presence in Peru and one with the highest rural footprint in the country. Its 153 offices serve nearly 500,000 entrepreneurs, supporting the disadvantaged with financial products and services as they develop their own productive activities.

Delia Poma de Núñez

Outstanding areas of initiative in 2015

Mobility

Installment payments can be made from the entrepreneur's location: the institution's officers visit the client at their place of work. The use of tablets and mini-computers enable the entrepreneur to pay the installment on the loan, saving them the cost of transport and lost time away from their enterprises.

Savings for All

Training and encouragement of saving in vulnerable populations in rural areas in the high Andes, to improve living conditions for disadvantaged communities.

Financiera Confianza Peru

Financiera Confianza, S.A.A. (Financiera Confianza) is the fruit of a merger in 2013 between Caja Nuestra Gente and the former Financiera Confianza, two institutions with a long history in the Peruvian microfinance sector. Caja Nuestra Gente was created within the framework of BBVAMF in 2008 as a result of the merger between three institutions: Caja Nor Perú, Caja Sur and Edpyme Crear Tacna. Financiera Confianza, meanwhile, originated in 1992 with the purpose of helping micro-entrepreneurs in the central part of the country to flourish.

Financiera Confianza has the mission of driving sustainable and inclusive economic and social development for the most disadvantaged people in society through Responsible Productive Finance.

Financiera Confianza is run with the help of 2,168 employees and is the only microfinance institution with a national footprint,

with its 153 offices and the greatest rural reach. It services half a million clients, offering a range of financial products and services to accompany the growth of the most vulnerable.

The institution also offers its clients financial education through its group credit Woman’s Word (*Palabra de Mujer*), and its program Savings for All (*Ahorro para Todos*). In 2015, moreover, Financiera Confianza stopped charging the inter-regional fee, with the result that its clients’ deposits and withdrawals are free of charge wherever in the country they take place.

Financiera Confianza won the Citi Micro-credit Award for the most Innovative Financial Institution of the year in 2015 thanks to the Savings for All program.

Management team and board

Management Team	Board
Martín Naranjo General Manager	Ramón Feijóo President
Ana Cecilia Akamine Deputy General Manager, Finance	Elizabeth Matilde Ventura Vice-President
Martín Santa María Deputy General Manager, Sales	Ignacio Rojas-Marcos Director
Socorro Heysen Deputy General Manager, Economic Studies	M^a Mercedes Gómez Director
Pilar Flores Deputy General Manager, Risks	Javier Flores Director
Bárbara Castro Deputy General Manager, Legal Services	Luis José Giove Director
Luis Escalante Deputy General Manager, Human Resources	Carlos Héctor Alayza Director
Jorge Palomino Deputy General Manager, Infrastructure & IT Resources	
Dante Cornejo General Auditor	

Financiera Confianza Stories of Hard Work and Achievement **Delia Poma de Núñez**

“Thanks to my art and together with my husband, I was able to bring up my children, it wouldn’t have been possible without Financiera Confianza”.

Delia learned the millenarian art of chiseling gourds (carving on desiccated gourds, which are actually fruits) while she was a girl. It was almost a game that, over the years, became the business that allowed her family to prosper and her children to study.

When she was 14, her father signed her up for a competition in Huancayo (Junín) her birthplace, after realizing that the quality of her gourd carving was out of the ordinary. Although she never wanted to take part in the competition, now she admits that her entrepreneurial story began that day. More than 40 years have passed since that competition, the first of many regional, national

and international prizes and awards, which have led her to be considered one of the best exponents of Peruvian craftsmanship.

Over the next few years the market for her high quality crafted products grew. *“When I started winning competitions they invited me to fairs in Peru and abroad; I sold potatoes and other products to pay for the artisan products and the first trips, but then I saw that I was going to need some extra if I was going to travel”,* she recalls.

Although she received help from institutions interested in promoting art, the time came when she needed to generate her own funds if she was to continue taking part in courses and fairs. In fact it was at a trade fair where Delia had the opportunity of learning about the support given to entrepreneurs at one of the first microfinance institutions that would later become today’s Financiera Confianza. Since then, for more than 15 years, she has always worked with Financiera Confianza. **Delia believes that none of this would have been possible if Financiera Confianza had not believed in her to give her the credit which underpinned her growth.** *“Without collateral it was hard to get a loan. We knocked on some doors and the institution supported us. They started lending us a little, and then we needed more and more. It was tough, because I needed long term loans, to be able to work on campaigns and to export. Financiera Confianza has helped us a great deal since 1998”,* she continues.

Thanks to those loans and her artistry in chiseling gourds, her three children have had university educations.



Delia Poma de Núñez

Scan the QR code and watch the video about Delia.





Yuli Seguil, Delia Poma de Núñez and Consuelo Núñez Poma

Two of them have already qualified as doctors and the third, Consuelo, is also studying medicine.

Seated on a small chair in her house in Cochas Grande (Huancayo), or on the top of the hill overlooking this central Peruvian community, Delia never stops working, imprinting on the surface of the gourds images which reflect her memories and scenes of everyday country life. She works just as the Inca artisans did, with a millenarian artistic technique. It is an innate talent and she says, proudly, that she has never repeated a design.

If there is something that Delia values more than anything, it is the union of her family.

That is another reason why she is grateful to Financiera Confianza, because if she had not received its support to continue growing as an artist, her husband would probably have had to work far away. *“Thanks to the support of the finance institution we could all stay together”*, she says.

“I want my children to be prosperous, perhaps to set up a clinic together because all three are doctors... That is why I will carry on working, and always knock on the door of Financiera Confianza”, she concludes.



Delia Poma de Núñez

Financiera Confianza Stories of Hard Work and Achievement **Silvia Gonzales Cruz**

“I am going to carry on saving and when I am older, I can put that money to work, perhaps open a little store....”

Silvia Gonzales just needed someone to reach her community, to look her in the eyes, and speaking to her in a language she understood, to tell that it is possible to have a better life. At her 40 years, her life in the rural community of Tambo (Abancay), like that of many unmarried mothers in the rural parts of Peru, was not easy. With four children, without any help from their fathers, and without her own home, she scraped a living to feed her children, sometimes by breeding hens, guinea pigs and sometimes from the sale of her handwoven textiles. The little she earned was all for her children, especially the three little ones.

One of her main concerns was how to look after her meager savings, which she used to hide carefully under the mattress or in holes that she would make in the adobe walls of her parents' house, where she lives.

Burglars have broken into the house several times and stolen these savings.

One day an officer from Financiera Confianza's Savings for All program arrived and invited her to a training session. She decided to go and that very day her life changed. She gradually started realizing that formal saving was safer; this enabled her to get herself together and plan her future and she is pleased with it.

“I've been saving in Financiera Confianza for a year. Before I used to think that (if I did that) I didn't have control of my money. Now I know that I do. When I am ill, or when my children are ill, I take money from there. Before, my brothers and sisters used to lend me money which I paid back in installments, but now I don't have to bother them. I like this bank”, she says.

Silvia is a weaver, making her ponchos, blankets and other products, full of color and artistry, to order and also selling them at fairs. She adds to her income by looking after animals (cows, chickens and guinea pigs) which she feeds and protects from thieves. But her main activity is textiles; not a day goes by without her skillful hands making a garment, and she enjoys it a lot.

Thanks to one of the Savings for All courses, she has learned how to make better use of the products she sells. For example, that if a blanket doesn't sell, she can re-use it in other craft pieces that she is learning how to make.

“The life I had was a sad one, but now I am getting ahead, fighting on my own, for my children. I weave everything, small articles of clothing, blankets, bedcovers ... Whenever I make a sale, I put the money in the bank the same day. On one course I learned that if I save I can buy a machine loom, and that would make the work easier, I could make more things in less time. Now I have the idea of buying the machine and making more progress”, she explains.



Silvia Gonzales Cruz

Scan the QR code and watch the video about Silvia.



Silvia is not the same person she was a year ago. She is a more confident woman, looking after her money, and is hopeful about the future, always with her children in mind. She has learned a lot, and she wants to learn more. She wants to go on more courses and for her neighbors to learn and move forward, just as she is doing.

One of her children studies two weeks a month at a school in Huancarama (Andahuaylas) and spends the other two working on the smallholding with her. Silvia encourages him to save and advises him to use half his money for food, and to save the other half in the bank. “I am happy because he encourages me to save”, she continues.

Another of her dreams is to build a little house to live in and house her older children when they come to stay. She also wants to sell her products abroad, to broaden her market and that way to ensure better education for her children in professional or technical subjects.

*“I like this bank, and my friends do too. I have grown, we didn't have courses before. I am starting to realize that it is better this way and that it will bring us a better life. **I am going to carry on saving and when I am older, I can put that money to work, perhaps open a little store, keeping the money safe in the bank.** Now there is nothing for the thieves”, she finishes, happily.*

Scan the QR code and watch the video about these women entrepreneurs.



Financiera Confianza
Stories of Hard Work
and Achievement

A Woman's Word

The stories of several female entrepreneurs.

Erlinda Virinao Panteco, Lizeth Jiménez La Torre, Sara Esther Mitma Barboza, Augusta Flor Ramírez Jorge and Rina Violeta Romero

Augusta Flor Ramírez Jorge

As women
we can get ahead
on our own.

The Woman's Word (Palabra de Mujer) credit product represents a real opportunity for the vast majority of female Peruvian clients in vulnerable situations or in poverty. The product is designed for women entrepreneurs who want to get a loan to start or expand their enterprise, who join up with other women whom they know and whose sense of responsibility they trust. On the whole they work in the areas of trade, services, manufacturing or artisan crafts, or they want to start a business. Together they make up a "Trust Group", which benefits them in other ways as well as credit, since it includes advice and financial education.

Erlinda Virinao Panteco, Lizeth Jiménez La Torre, Ester Mitma Barboza, Augusta Flor Ramírez Jorge and Rina Violeta Romero are five of the thirteen women making up the "Las Villarricences" Woman's Word group, one of the most longstanding of those operating in the Villa Rica district (Oxapampa, Pasco).

Erlinda is a 35-year old single mother bringing up two children. She feels that her life has changed since she joined Financiera Confianza five years ago. The loans she has taken out through Woman's Word have enabled her to generate income from sowing *caigua* and hot *rocoto* pepper. With this income she has been able to educate her children better, with one of them already at university. This would have been impossible without Woman's Word. "My dream

is to carry on working, using these loans, and to be able to buy a plot of land to have my own house and no longer have to rent. Now I feel much better, I can work and do lots of other things", she says.

Lizeth has three children and is also a single mother. She came to the group because her female friends told her about it; she decided to join them in order to make a future for herself. Her first credit was for 500 soles; after that, as the trust built up between her colleagues, Financiera Confianza and herself, she was able to get bigger and even parallel loans. "I pay on time", she is anxious to emphasize. Although her first investment, spent on sowing *caigua*, went badly, she decided to carry on and not give up. She found the strength for the sake of her children, carried on with the support of her colleagues, always keeping her word about paying on time. She remembers how their officer, Sara, has taught them all about responsibility.

"Without Financiera Confianza I would be on stand-by right now. I have two jobs: I cook for a school and I wait tables in a restaurant, and now I sow rocoto pepper, thanks to the loan. I don't have a man by my side, but I have my children. My dream is not to have a house, it is for them to be professionals, and to carry on working; then when they are older they will help me", she explains, showing deep emotion.

Esther is still bringing up three of her five children on the back of her candy-selling enterprise, and the support of her husband. A few years ago, when they told her about the existence of a group loan, she was suspicious; she was frightened because her domestic economy had always been modest and she was worried she might not be able to pay the installments on time. She discussed it with her husband, and decided to put her trust in the opportunity Financiera Confianza was offering.



From left to right: Augusta Ramírez Jorge, Rina Romero Ramírez, Erlinda Viriñao Panteco, Sara Mitma Barboza, Lizeth Jiménez La Torre and their officer Sara Ricra Zurita

Five years later, her efforts have enabled her to buy a plot of land to build a house. *“I feel better than before, and now I feel that I have a place for my children to study and they are happier. We are no longer in debt to the school, and they study more. I feel that we have improved ourselves”*, she remarks.

Augusta Flor is 49. She lives with her four children who are still dependent on her. Until she started in Woman’s Word, she was a housewife. **Her daughter was in a Fincanciera Confianza group and encouraged her to follow in her foot-steps**, because it would provide her with resources to work, not to mention the advice and training that Woman’s Word provides. *“I was scared, but then I plucked up the courage to borrow 200 soles in*

order to work. I worked on roadbuilding, using a shovel ... Now I feel that I have made progress. I will be leaving my wooden house soon to go and live in one made of more solid materials. I am getting ahead with these loans, now I work for myself and I feel more confident, I feel happy”, she shares with us, as she tells us about the positive turn her life has taken in the last three years.

Rina Violeta is 28 and is one of the people who made the “Las Villarricences” group happen. Together with Fincanciera Confianza’s officer, Sara Ricra, Rina started gathering together some of the women in her neighborhood, convincing them of the advantages of the credit. Although she is helped by her husband in bringing up their

small daughter, she feels that Woman’s Word manages to transmit the message that women can prosper on their own. *“At the beginning it is always difficult, there is a lack of trust ... That is why we were advised by the analyst, and we realized that they were not asking for much collateral, that it depended more on us. In these five years my standard of living has improved quite a bit. I started out with a small credit, I used it to sow rocoto and coffee, and now my husband has also been able to sign up for an individual credit”*, she says proudly. Rina dreams of buying a plot of land and building a house, so that she can stop living in the rented room in which she and her family are now. She thinks about her daughter and wants only good things to happen to

her, for her perhaps to study for a profession and hopes that when she is grown up she will be proud of her parents.

When these five entrepreneurial women get together, it feels like a meeting of sisters or childhood friends. The jokes keep on coming, their mutual trust is palpable. Their stories share the common thread of the effort and the progress they have made, little by little, and which has started to change their lives and that of their families. It is a growth process that is apparent to all of them. They are also linked by their special affection for the Fincanciera Confianza officer, Sara Ricra, whom they see as the person responsible for the change in their lives. *“She is more of a friend than an advisor”*, they all say.

Financiera Confianza Outstanding Areas of Initiative in 2015

Mobility. Installment payments from the entrepreneur's location

In 2015 Financiera Confianza piloted the payment of loan installments at the client's location, with the client being given a receipt for the operation. To do this Financiera Confianza's officers have mobile devices (tablets) and mini-computers and visit the client at their home or place of work so that they can make their loan installment payment, without having to travel to the bank branch. This brings the technology to the client's location, enabling them to carry out those transactions that involve cash movements: paying receipts, current account deposits and withdrawals, transfers, etc.

Technology enables the client to carry out from their own place of work all the transactions that involve cash movements, using the officers' mobile devices.

Savings for All

Financiera Confianza is committed to incentivizing saving among Peru's most vulnerable population segments, for which it is spearheading a savings program for vulnerable groups in rural high Andes areas. "Savings for All" is a project that seeks to improve the living conditions of the least advantaged rural populations by means of financial education and a savings product programmed and designed especially with their needs in mind. In less than two years of operations, "Savings for All" has taken financial education to over 8,600 people in 24 communities in the Apurímac and Cusco regions. This has enabled Financiera Confianza to demonstrate that the financial education method used has become a valuable training tool, one that is understood and that is having an impact on the poorest and most excluded rural communities in the country. Of the people receiving training, 22% valued the security provided by the formal financial system when they decided to open a savings account, with 80% of those being women. Clients define their savings aims when they open their account: 46% of these indicated that they were saving for the primary purpose of paying for their children's education, viewing this decision as the opportunity for the latter to achieve a better standard of living. Similarly, 23% stated that they save to safeguard against an emergency or unexpected event, 18% said they did so for



Rut Pelaiza with potential savers

"Savings for All" improves the standard of living of disadvantaged populations in rural areas. Financial education and a savings product designed specifically for these segments are the keys to this program's success, one that has already reached nearly 8,600 people.

healthcare reasons, 9% said they saved in order to be able to start up an enterprise, and 4% are saving to expand their capital, buy a plot of land or sow crops. Furthermore, 17% of clients managed to keep a balance of over PEN 100 (approx. USD 29) in their accounts, which gives them a free life insurance policy providing cover of up to PEN 2,500 (approx. USD 725) for funeral expenses in the event of accidental death.

All this is possible thanks to the effort made by the "Savings for All" officers, to reach out more to people in disadvantaged rural communities, meet them, get to know their needs and, working from there, to develop and roll out financial solutions specially designed to match those needs.

Financiera Confianza

Awards and Honors 2015

Institution

- **Most Innovative Financial Institution of the year.** Financiera Confianza received this Premic 2015 award in Peru for its product “Savings for All” which brings financial education and formal savings to low-income families in rural areas.
- Finalist in Peru’s Business Creativity Award, organized by the Peruvian University of Applied Sciences in the category **“Banking, Financial and Insurance Services”**, which includes the products and services of banking institutions, fund management firms and insurance companies and in the category of **“Innovative Communication”**, recognizing innovation in the medium, the form, the message and the delivery of communication, as well as the creativity applied in reaching the target audiences. It encompasses all types of media and advertising.



Julián Sánchez Saldaña

Peru Macroeconomic Context

With domestic demand weak, the economy is being sustained by increased mining production.

The slow-down in Peruvian economic growth, apparent since 2014, continued, completing 2015 at around 2.5%, 60% less than the average for the last 10 years, when the economy grew at a rate of 6.1% p.a. There was a clear differentiation in performance over the year depending on the sector. Primary sectors were the most dynamic, growing by 5.3%, supported by greater production of copper and by the agriculture and fishing sectors.

In all, primary sectors were responsible for 64% of the economy's total growth over the year, of which 70% was accounted for by performance in the metal mining sector which grew by 12.3%, thanks to greater copper production, which expanded by 25% as a result of improved results from the Toromocho and Constancia fields, while zinc grew by 8%.

Within the primary sector, fishing did particularly well, increasing by around 18.7%, thanks to higher anchovy catches resulting from having one more season than in 2014, causing a 65% expansion, which in turn impacted on a 63% growth in fish meal.

Non-primary sectors, meanwhile, increased by 2%; the 3% contraction in manufacturing and the 7% fall in construction were offset by stronger performance in trade and services, which expanded by around 4%.

Poor manufacturing performance was mainly a result of the fall in products for exports, as well as in the production of

inputs and goods. Construction dropped sharply because of low levels of execution in public works and a slowdown in property developments.

The Peruvian economy's domestic demand grew less strongly in 2015, by 2.3%, nearly half of which is accounted for by inventory formation; after discounting this, domestic demand only increased by 1.2%. The contribution made by inventories is greater than the average over the last 10 years. Inventories showed growth of around 200%, due to a lag between the mining production cycle and exports.

By expenditure components, performance in public investment was weak, contracting by 12%, principally due to the sub-national component. Private-sector investment shrank by 6%, a result of the fall in the terms of trade impacting business confidence, which was at its lowest level since 2009, and consequently postponed major projects.

Private consumption improved by 3.2%, while public consumption increased by 6.9%, both components showing a slow-down over 2014. Household consumption adjusted in line with the labor market's performance, which recorded an increase in the unemployment rate from 5.9% in 2014 to 6.2% in 2015, and was also affected by higher inflation in real household income and deteriorating labor market conditions: despite the fall in underemployment by hours, underemployment by income is actually increasing. The adjustment in consumption was less than would be expected from these components since it was supported by the surge in household consumer credit, with their levels of indebtedness subsequently rising.

As mentioned above, the global economy grew more sluggishly in 2015, as a result of the slower rate of expansion by emerging economies, impacted among other factors by slowing growth in China, which accounts for nearly half the world's demand for copper.

There was a generalized correction in the price of raw materials which in the case of Peru are particularly significant: copper, zinc and gold. Copper slumped by around 25% over the year, zinc by 27% and gold by 10%. The price of Peruvian exports contracted by 15%, while imports shrank by 10%, causing terms of trade to fall by 5%.

This weaker performance was reflected in a current account deficit of nearly 4% of GDP which, together with greater risk aversion in financial markets and the Federal Reserve's normalization, had a strong impact on the exchange rate, with depreciation of 13%, despite the central bank's active intervention to prevent more corrections.

This situation caused tension on the money market because of the greater absorption of liquidity and the central bank having to adjust its intervention rate as a result of the greater pressure on inflation, which closed the year at 3.75%, 50 base points above its January level, when the aim was to stabilize it in real terms.

Peruvian inflation behaved similarly to other Pacific South American countries. Supply-side factors account for this variable's inability to stay within the ranges established by the central bank. The hike in food prices can be put down to weather factors associated with the El Niño phenomenon and the impact of the exchange-rate adjustment on the prices of imported products and inputs, as well as services.

The fall in the volume and price of exports, as well as further softening in domestic demand, was reflected in an 8% fall in real terms, equivalent to 2.5 percentage points in current fiscal income, which explains the fiscal deficit in the Peruvian economy in 2015, given that expenditure remained stable in GDP terms, but with a change in the mix, with more current account spending, to the detriment of spending on investment.

In this environment, credit to the private sector grew at a rate of 11% over the

year, but while credit in foreign currency plunged by 20%, exposing the central bank's de-dollarization policy and expectations of devaluation, the component in the local currency, the sol (PEN), grew by 30%. The fastest-growing segments are consumer and large-corporation credits, whereas credit to small enterprises is virtually flat, because of the market's perception of higher risk in this segment, as a result of the economy's performance.

The Peruvian labor market is creating fewer jobs and there is a slight tendency for these to shift from small to large companies. The latter, by the country's own definition, are those with more than 51 employees, and represent 30% of total employment. However, despite this trend, there is an increase in underemployed people and a slower rate of job creation in the metropolitan area of Lima, as well as a 2% fall in real labor incomes in this region.

Labor participation in Peru is 83%, one of the highest in Latin America, but the share of informal employment in the whole is over 60%, with self-employed workers and/or micro-entrepreneurs making up 40% of the labor force, revealing a labor market that is sharply divided between large companies and this latter group.

The financing needs of a large part of the Peruvian population who see private initiative as the way forward in the labor market make it vitally important to increase levels of financial inclusion which, according to official figures, has one of the lowest penetration rates in Latin America and below the level corresponding to its degree of development. In countries with labor market structures such as Peru, financial inclusion is a powerful tool in making progress and/or in consolidating the advances made to reduce poverty and in helping the 24% of the population who find themselves in this situation.