

## **Microcredit program as an alternative source of financing for local development**

### **Programa de microcrédito como alternativa de fuente de financiamiento del desarrollo local**

### **Programa de microcrédito como fonte alternativa de financiamiento para o desenvolvimento local**

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## ABSTRACT

The main objective of this article is to propose a microcredit program to stimulate Local Economic Development projects. This definition is based on the preponderant role of local development in Cuba, which has become a public policy of strategic importance as a complement to the National Economic and Social Development Plan until 2030, as well as a central and articulating axis of the public agendas of governments at the municipal and provincial levels. However, there is evidence of financial limitations to implement development project ideas in the state and non-state sector, as a consequence, among other factors, of the limited offers of financial mechanisms that stimulate entrepreneurs to put their business ideas into operation. The methods used in the research were: historical-logical, systemic and modeling to determine the trends in the management of microcredits in terms of local development and to support the proposed procedure for the allocation of microcredits to finance local economic development projects. The proposed microcredit program represents a support tool to solve the scientific problem stated in this research. The procedure has a set of suggestions that will facilitate its application, which are variable according to the criteria of the local actors.

**Keywords:** local development; financing; microcredit

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## RESUMEN

El presente artículo tiene como objetivo fundamental proponer un programa de microcrédito en función del estímulo a los proyectos de Desarrollo Económico Local. Esta definición parte del papel preponderante con que cuenta el desarrollo local en Cuba, el cual ha pasado a constituir una política pública de importancia estratégica como complemento al Plan Nacional de Desarrollo Económico y Social hasta el año 2030, así como un eje central y articulador de las agendas públicas de los gobiernos a nivel municipal y provincial. Sin embargo, se evidencia limitaciones financieras para poner en

marcha las ideas de proyectos de desarrollo en el sector estatal y no estatal, como consecuencia entre otros factores de las limitadas ofertas de mecanismos financieros que estimulen a emprendedores a poner en funcionamiento sus ideas de negocios. Los métodos utilizados en la investigación fueron: histórico-lógico, el sistémico y de modelación para determinar las tendencias de la gestión de microcréditos en función del desarrollo local y fundamentar la propuesta de procedimiento para la asignación de microcréditos para financiar proyectos de desarrollo económico local. El programa de microcréditos propuesto representa una herramienta de apoyo para solucionar el problema científico que se plantea en esta investigación. El procedimiento cuenta con un conjunto de sugerencias que facilitaran su aplicación, los cuales son variables de acuerdo al criterio de los actores locales.

**Palabras clave:** desarrollo local; financiamiento; microcrédito

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## RESUMO

O objetivo principal deste artigo é propor um programa de microcrédito para estimular projetos de Desenvolvimento Econômico Local. Esta definição se baseia no papel preponderante do desenvolvimento local em Cuba, que se tornou uma política pública de importância estratégica como complemento do Plano Nacional de Desenvolvimento Econômico e Social até 2030, bem como eixo central e articulador das agendas públicas dos governos a nível municipal e provincial. No entanto, são evidentes as limitações financeiras para a concretização das ideias de projetos de desenvolvimento no setor estatal e não estatal, em consequência, entre outros fatores, da oferta limitada de mecanismos de financiamento que incentivem os empresários a concretizar as suas ideias de negócio. Os métodos utilizados na pesquisa foram: histórico-lógico, sistémico e modelagem para determinar as tendências da gestão de microcréditos com base no desenvolvimento local e embasar o procedimento proposto para a alocação de microcréditos para financiar projetos de desenvolvimento econômico local. O programa de microcrédito proposto representa uma ferramenta de apoio à solução do problema científico proposto nesta pesquisa. O procedimento possui um conjunto de sugestões que facilitarão sua aplicação, que variam de acordo com os critérios dos atores locais.

**Palavras-chave:** desenvolvimento local; financiamento; microcrédito

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## INTRODUCTION

Local development in Cuba has become a public policy of strategic importance as a complement to the National Economic and Social Development Plan until the year 2030, as well as a central and articulating axis of the public agendas of the governments at the municipal and provincial levels. Based on this logic, which requires multilevel governance processes, progress can be seen in terms of overcoming the assistance vision of previous stages, betting on a culture of development and not of subsistence, and adopting strategic decisions for the institutionalization of its management (Díaz-Canel Bermúdez et al., 2020).

The above-mentioned elements support the view that local development is not the simple application of national policies at the provincial or municipal levels, but requires that strategies be developed based on the mobilization and active participation of local stakeholders, so that both national and territorial interests can be harmoniously and coherently implemented.

In order to achieve the challenge of promoting local development, based on the integration of interests as mentioned above and with the generation of productive employment, greater social equity and environmental sustainability, territorial policies must be designed for this purpose. These policies should be oriented to enhance local resources and for this purpose it will be decisive that the actors of the territory maintain a fluid dialogue that will allow them to establish consensus, generate a shared vision of the territory and manage resources. This articulation between local actors must be managed by the municipal public administration, which plays a decisive role as the main executive actor that promotes development at this scale.

With respect to resources, their use should be enhanced, whether endogenous or exogenous on a sustainable basis, aimed at improving the quality of life of the population for which the mobilization of financial resources that activate these potentialities is required (Gorgoy Lugo & Torres Páez, 2019).

The idea presented above allows to recognize the need for resources to drive the development process from the localities, even so, it is considered that these do not

represent a sufficient condition by themselves for an economic development process to be originated in such a way that, although their existence is essential, if these resources are not used in an adequate manner within a coherent set, a satisfactory solution will not be reached.

Financial resources are of vital importance for the promotion of local initiatives and are considered to be one of the difficulties that have most limited the expansion of local development processes. Generally, resources are not sufficient to maintain a business activity, nor there is a capacity for continuous self-financing, which aggravates the problem due to the difficulties encountered by enterprises when it comes to using the external resources existing in the financial system.

Based on the above, the criteria of Rivera and Del Pozo (2016), Fuentes, Peñate and Suárez (2016) and Capote, Torres and del Castillo (2018) are shared, which recognize the importance of financing management at the local level, a process that should be conceived as part of development strategies, which contributes to the optimization of these resources based on efficient and timely administration, allowing the prioritization of local objectives, without neglecting national ones. It is therefore necessary to stimulate savings, to think of internal sources and to seek external financing to support territorial processes and to take advantage of material, human and technological resources, both endogenous and exogenous.

A fundamental issue is, therefore, to implement financial measures suited to local needs. The public sector could promote this with legislation that would encourage the creation of appropriate instruments for local enterprises, articulate actors according to local priorities, create the necessary legal instruments to establish the framework for action between the public and private sectors, bearing in mind that the latter have potential that should be used for local development. For its part, the financial system should create mechanisms and instruments to solve the problems of local enterprises.

Financial instruments should be adapted to the conditions of growth and viability of local enterprises, developing private, public and mixed initiatives aimed at structuring local savings, using them in local projects and meeting the specific needs of these enterprises and those of the population.

With respect to financial instruments, Gitman and Zutter (2012) define them as securities issued by spending economic units, which constitute a means of holding wealth for those who own them and a liability for those who generate them. In their arrangement, they refer to their components and conditions (amount, term, guarantees, etc.).

There are different classification criteria for these instruments, among the most widely used is the one that orders them by their degree of relative liquidity, according to the nature of the issuing economic unit, whether it is the State or other Public Administrations, the Central Bank or issuer of financial intermediaries or non-financial enterprises, establishing the ordering of the assets issued and put into circulation by each of them and according to the assets that are subject to transmission in open markets (shares, bonds, etc.) or in traded markets (deposits, loans and credits, etc.) (Calvo Bernardino et al., 2014).

Even though the financial instruments discussed above represent opportunities for economies with deficits, according to the criteria of Farto (2001) and Vega, Valentín and Ibarra (2019), when addressing issues of financing for local development, it is necessary to go beyond the enumeration and description of instruments, both in terms of the approach adopted and the analysis of the weaknesses and strengths of the mechanisms or the recommendations for the successful design and implementation of new financing systems.

Therefore, financing management represents one of the aspects of local development that most requires the creativity of local stakeholders in the search for alternatives to meet their financing demands. This process includes non-financial factors such as: 1) strategic planning to identify priorities, 2) capacity building as a continuous element throughout the process, 3) the design of technologies that, together with financial instruments, support the management process, and 4) the creation of spaces and tools that enable public-private collaboration, which articulates the interests, resources and needs of both parties in pursuit of the same objective, which is local development.

From the consultation of authors, such as: Zuleta (2017), Valentin (2016), Capote and Torres (2018) and Albuquerque (2019), it is possible to identify common elements that characterize the process of financing local development, among them:

- The financing of local development must integrate the actors in organic networks of production and reproduction, making the generation of surpluses a means for sustainability
- The scales of intervention and the evaluation of impacts should be carried out at the territorial level with units of analysis at the micro, meso and, if possible, macro levels
- Priority sectors and activities to be financed should be selected according to locally defined development strategies
- The financing of local initiatives should focus on achieving the highest degree of articulation and diversification of the territorial productive structure, in order to generate productive employment, increase the population's income and expand the domestic and foreign markets on the basis of export promotion and import substitution
- Financial modalities must be framed within coordination and planning processes, creating a strong regulatory center to ensure the efficiency of decentralization processes
- The financial instruments to be applied must be adapted to the needs of the actors and the activities they carry out in each territory, based on the use of resources and the solution of public problems

With respect to the last regularity, it describes how the financing of local development must be adjusted to the potentialities and limitations of the territories and operates with its own characteristics and different results.

It is in this context that financial modalities (microfinance, ethical finance and solidarity finance) become more important, supporting a new development dynamic based on the promotion of local initiatives that make it possible to take advantage of endogenous and exogenous resources and the articulation of interests, based on economic, social, natural and political-institutional transformations in the municipalities.

At the international level, microfinance and microcredits are used as one of the main financing instruments for development processes at the local level, which have proven to be effective tools that provide local governments with the capacity to meet development objectives set for the most disadvantaged sectors of the population that, on the other hand, traditional credits do not meet the particular requirements of a significant number of micro entrepreneurs (Aguilar Pinto et al., 2017).

Taking into account the definitions of microcredit given by authors such as De los Santos, Guzmán and Martínez (2020) and Orazi, Martínez and Vigier (2020), it can be concluded that these are small credits, used to start or expand a microenterprise, aimed at the low-income population, in order to encourage self-employment based on the work opportunities of each family. They differ from traditional credits in the following elements (Table 1):

**Table 1** - Characteristics of traditional loans vs. microcredits

<b>Features</b>	<b>Traditional credit</b>	<b>Microcredit</b>
Product	<ul style="list-style-type: none"> <li>• Large loans</li> <li>• Long-term maturity</li> <li>• Low interest rates</li> </ul>	<ul style="list-style-type: none"> <li>• Small loans</li> <li>• Short-term maturities</li> <li>• High interest rates</li> </ul>
Customer	<ul style="list-style-type: none"> <li>• Various entities and individuals</li> <li>• with systematic income</li> <li>• guaranteed</li> <li>• Formal economic records</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals or legal entities with business</li> <li>• rudimentary and low-income</li> <li>• Informal economic records</li> </ul>
Methodological service	<ul style="list-style-type: none"> <li>• Lower risk of non-payment</li> <li>• Warranties available</li> <li>• Lower bank operating expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Increased risk of non-payment</li> <li>• Guarantees based on moral solvency and the</li> <li>• cash flow</li> </ul>



	<ul style="list-style-type: none"> <li>• Strong institutional management</li> </ul>	<ul style="list-style-type: none"> <li>• Higher bank operating expenses</li> <li>• Weak institutional management</li> </ul>
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Source: Basulto (2018)

Despite the fact that in Cuba there are favorable socioeconomic conditions for the implementation of such programs, such as an optimal general educational level, lower interest rates, openness to new forms of economic management, microfinance still does not appear with the approach for which it was created, i.e., credits maintain the most common characteristics of traditional credit, even in the most economically disadvantaged regions.

By analyzing Decree 33 (2021) "For the strategic management of territorial development" and Resolution 147 (2021) of the Central Bank of Cuba, it can be affirmed that the characteristics of the local development management process in Cuba point directly to the need to expand financial services in the country. The decentralization processes and the granting of autonomy to local governments for the management of their development require financing mechanisms and instruments that allow them to make their projections viable. On the other hand, the growth of the non-state sector linked to the production of goods and services is showing signs of its leadership capacity in some important sectors of the economy and, therefore, shows ample potential that must be addressed, and microfinance services are in fact an efficient solution for financing needs at the local level.

Since the emergence of credit as a real option for financing local economic projects developed by state and non-state sector enterprises, it has not had the expected impact on the part of local and banking authorities. Among the causes identified, the following can be related: 1) Little use of bank credit as a source of financing for local initiatives, 2) Disarticulation of local actors in terms of financing local development, 3) No priorities are established for the granting of bank credit in terms of local development, 4) Insufficient capacities of local actors linked to the financing of local development

initiatives, 5) Management of bank credit as a financial instrument for commercial purposes.

The above considerations led to the formulation of the scientific problem of the research: How to manage bank credit as a source of financing for local development?

The previous idea allows to state as the general objective of this work: to propose a microcredit program to stimulate Local Economic Development projects.

## **MATERIALS AND METHODS**

During the research, the theoretical, historical-logical, systemic and modeling methods were applied in order to determine the trends in microcredit management in terms of local development in the first case and to support the proposed procedure for the allocation of microcredits to finance local economic development projects in the second case.

On the other hand, the following procedures were used:

- Analysis and synthesis: with which it is started by taking the totality that microcredit management means in terms of local economic development and mentally decompose it into its component parts. It is concluded with the synthesis that mentally recomposed the totality with the new qualities and regularities that govern its operation. In a general sense, it made it possible to internalize the essence of each of the proposed actions
- Induction-deduction: used for the formulation of the proposed actions and evaluation indicators

The following technique was used to collect the information:

- Documentary analysis: it was used to evaluate the bibliography related to the problem and its verification at the national level, as well as the legislation in force that regulates the administration of municipal government funds for the financing of the local development management process

## RESULTS AND DISCUSSION

### Description of the program for the management of microcredits

The research proposes a structured program in the form of a procedure for the management of microcredits, in order to stimulate local development projects, in addition, a series of premises are presented which support the operation of the proposed steps.

The proposal is based on the creation of a financial fund to be used as dynamical element of the local economy and as a recoverable resource for the continuation of the local development financing process. It is based on the use of funds from the contributions of the Municipal Initiative for Local Development projects and the Territorial Contribution for Local Development, respectively, as well as other income from the Municipal Administration Councils, which will be administered by financial institutions under a trust regime for the stimulation of local development initiatives presented by state and non-state actors.

The work will be based on strengthening three fundamental dimensions (economic, social, political).

- Economic: the proposal seeks to strengthen productive initiatives in the state and non-state enterprise sector
- Social: to contribute to the articulation of the state and non-state enterprise sector with the public administration in the development management process
- Policy: Contribute to strengthening the autonomy of local governments, their institutions and communities, enabling them to become actors in development

### Premises for the implementation of the procedure for the allocation of microcredits based on the financing of local development projects

Local development, the management of financing for these purposes and microcredits as sources of financing have a close relationship in which local governments have a direct responsibility, which presupposes a commitment to the management of development, promoting processes of capacity formation, strategic planning, project design and

financing management, all based on the satisfaction of the needs and expectations of the inhabitants of the communities.

Based on the aforementioned aspects, it is considered that in order to expand financing offers so that they reach all sectors of the population and generate an effective impact on the dynamics of development at the municipal level, it is necessary to have certain premises.

A premise is a requirement of indispensable fulfillment, derived from the significant regularity of certain events or situations; in this case, which are reiterated in the management of financing for development at the local level.

The premises for the implementation of the proposed actions are as follows:

1. Local development must be managed strategically and as a participatory process
2. Levels of financial autonomy at the local level
3. Willingness of decision-makers to get involved in supporting development initiatives, sharing risks
4. To have defined working systems in the municipality for managing the financing of local development initiatives
5. Priority criteria will be established to allow a better allocation of financial resources in order to increase the impact of the lending policy

The following is a brief description of each of these premises for a better understanding.

### **1. Local development must be managed strategically and as a participatory process**

Local development requires the involvement of the local society, making it the protagonist of the process, it demands the mobilization of each of the local actors and a high level of commitment on the part of the members of the population as a fundamental factor for success. Planning must constitute the articulating axis of the entire local development management process, and must be strategic in nature.

As part of the strategic design process, each municipality must have defined the strategic lines of development based on its potential, restrictions, opportunities and needs, so that municipal priorities are clear. On this basis, the projects to which it is decided to allocate loans are defined, taking into account their impact on these priorities.

## **2. Levels of financial autonomy at the local level**

Each municipality must have levels of financial autonomy at the local level that make it possible to operate with the funds available for financing local development projects, the creation of trust accounts as loan funds, an element that makes it possible to be independent in the creation, determination, collection and investment of financial resources, always focused on meeting the needs of local society.

## **3. Willingness of decision-makers to get involved in supporting development initiatives, sharing risks**

It is essential that there be the will, support and adequate articulation between local actors in order to finance local development projects. In this regard, it is vitally important to understand the potential associated with credit policy that transcends the profitability of commercial banks, considering other gains from a social perspective and on a national scale. All this involves the need to apply new tools for the efficient financing of development, which are more inclined to become involved in supporting local initiatives by sharing risks.

## **4. To have defined working systems in the municipality for managing the financing of local development initiatives**

The municipality should have a working system defined for managing the financing of local development demands, including the stages of planning, organization, implementation or allocation of funds, and monitoring and control, so that all sources of municipal financing, including microcredits, are managed coherently.

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## **5. Priority criteria will be established to allow a better allocation of financial resources in order to increase the impact of the credit policy**

In order to enhance the impact of the credit policy, it is necessary to establish priority criteria taking into account the needs and characteristics of each locality, so that financial resources can be better allocated. These criteria could be oriented towards the following aspects:

- Export capacity of the projects
- Contribution to import substitution
- Productions involving technological innovation processes
- Employment generation
- Projects that develop unattractive activities, but of high local interest
- Initiatives that generate production linkages
- Among the criteria for the evaluation of the initiatives submitted, the cross-cutting approaches of equity and social inclusion, population, gender and environment will be considered

### **Steps for the implementation of the microcredit program**

For the preparation of the procedure presented below, a participatory workshop was held with specialists from Banco Popular de Ahorro, members of the Municipal Group for Local Development (GMDL in Spanish) of the municipality of Pinar del Río, the Technical Advisory Team for the management of local development financing and professors and students from the University of Pinar del Río.

In this workshop, using the group work and brainstorming technique, a debate is held and a group of actions are proposed, which are then subjected to a list reduction in order to specify them and define the most appropriate ones, taking into account the proposed objective. The following is a description of the steps to be developed:

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## **Step 1. Conduct a sensitization and training process for actors involved in the microcredit program**

It consists of awakening the interest of local actors to assume the change in the management of financing for local development, especially the importance of microcredits as a source of financing for local development projects, taking into account their potential, not only for the commercial activity of the bank, but also from a social perspective.

The objective is to raise awareness among the actors involved in the management of financing for local development of the importance of microcredit as a source of financing for local development, as well as the benefits for the municipality, the bank and other parties involved, including the population as loan applicants and, in turn, recipients of the impacts of the projects financed, of the greater openness of credit policies.

Based on this process, the training needs of the actors involved will be identified. Training actions are programmed taking into account the needs and assuming that the greatest learning is achieved in practice. The aim is not to first build knowledge or generate capacities and then apply them to action; it is a matter of reflecting by doing and doing by reflecting.

### **Suggestions for action**

- As a preliminary process, sensitization sessions should be held for members of the Municipal Group for Local Development, bank officials and other actors considered important for the process on issues related to credit policy and the management of financing for local development in Cuba
- Based on the above, it is necessary to select specialized personnel to lead the training sessions, design the training program, and generate proposals for actions that will contribute to transforming the existing obstacles related to the topics addressed in order to achieve better management of financing at the local level

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## **Step 2. Establish local priorities based on the strategic lines of action that could be financed through this funding source**

Strategic lines and development programs defined in the development strategy will be associated and those that project initiatives can be financed through microcredit will be defined.

Its main objective is that the Technical Advisory Team (TAT) for financing management has clearly defined the priorities that can be financed through this source of financing.

### **Suggestions for action**

- Based on the work of the TAT with the Municipal Local Development Group, list the strategic lines of the municipality and the development programs associated with them
- Define from the lines of development which financial demands could be covered by microcredit as a source of financing

## **Step 3. Mapping of actors and linkages needed to respond to the priorities defined above**

Based on the priorities defined above, it is proceeded to the definition of those potential actors who may be involved in activities related to these priorities. The main objective is to contribute to the formation of a network of actors linked to the defined priorities, who are potential microcredit clients.

There are several ways of bringing actors closer together in localities, such a process is not always carried out in the same way or with the same complexity, for example, partnership, cooperation and integration are different examples of interaction between actors of different nature that go in ascending form in terms of the difficulty of the process. Each of these forms differs in terms of the actors involved, the objectives sought and the role they play (Flores Lóriga et al., 2017).



### Suggestions for action

- Define, through group work with the members of the TAT and the Municipal Local Development Group, the possible actors involved in the initiatives and actions to achieve the desired levels among the alliances. Table 2 is proposed to serve as a tool to summarize actors and activities in order to strengthen alliances among all those involved. It should be filled out through group work involving the members of the Municipal Local Development Group and the TAT, as well as other actors considered necessary.

**Table 2** - List of actors and actions to strengthen actors' alliances

Local Priority	Actor / Institution / Organization	Type of current articulation	Type of desired articulation	Actions to achieve articulation

Source: Own elaboration

- Design workshops for the articulation of actors and the creation of work teams to strengthen relationships among actors
- Conduct training courses, workshops, etc., according to the needs identified in terms of capacity building

### Step 4. Communication campaign for the public call for projects

The mass media play an important role in the success of this program since they become a space from where enterprises and the population in general are summoned and informed about the financial proposal and the lines of projects to be worked on. In addition to being the official spokesperson of the representative bodies of the country to communicate the results of their management when required.

The main objective of this action is to contribute to the public call for the design and presentation of local development projects.

**Suggestions for action**

- Public call for projects through the mass media
- Reception of local development projects

**Step 5. Definition of contractual bases, agreements and covenants for the granting of the microcredit**

The definition of the aforementioned elements was carried out in a participatory workshop with members of the GMDL, TAT, Banco Popular de Ahorro officials, as well as professors and students of the CE-GESTA Study Center of the University of Pinar del Río. The summary of the proposal is shown in table 3.

**Table 3** - Suggested technology for the allocation of microcredits

Customers	Population of middle, low and high income municipalities. State sector enterprises and budgeted units. New forms of management of the non-state sector.
Methodology	Formation of a project group of at least five members who share an initiative and definition of the roles of each member. <b>Responsible:</b> Project manager  Socialization: this will take place over an average period of four weeks, during which meetings will be arranged between microcredit agents, the project team and public officials (TAT for local development financing). In this process, the project idea, contribution to the strategic lines of development of the municipality (previously defined by the GMDL) and training program (according to the demand of the actors involved in the process) will be defined. At this stage, the microcredit agent must assume an active participation in the search for information advantages to determine the condition of the credit subjects. <b>Responsible:</b> TAT for local development financing). <b>Participants:</b> microcredit agent, specialists, project group.

	<p>Conceptual design of the project (objectives, expected results, detailed projections, feasibility, etc.). <b>Responsible:</b> project team.</p> <p><b>Participants:</b> specialists, professors, TAT for local development financing.</p> <p>Application for microcredit by the project team. The conditions for the allocation of the microcredit are negotiated in each case, taking into account the characteristics of the project and the actors executing it, as well as the aspects related to premise number five, which in this case are decisive in the definition of the microcredit conditions.</p> <ul style="list-style-type: none"><li>• Export capacity of the projects</li><li>• Contribution to import substitution</li><li>• Productions involving technological innovation processes</li><li>• Employment generation</li><li>• Projects that develop unattractive activities, but of high local interest</li><li>• Initiatives that generate production linkages</li><li>• Among the criteria for the evaluation of the initiatives submitted, the cross-cutting approaches of equity and social inclusion, population, gender and environment will be considered</li></ul> <p><b>Responsible:</b> Project group. <b>Participants:</b> Microcredit agent, TAT for local development financing.</p> <p>Loans are granted through the following steps, according to Grameen methodology (Coraggio, 2007).</p> <p>5.1- Only two members of the project team are given the first loan.</p> <p>5.2- After a period of good payment compliance, two other members receive the credit.</p>
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	<p>5.3- The fifth member receives it after another payment period has elapsed.</p> <p>The guarantee of the loans is the group fund constituted through the contributions of each member, each one is responsible for the repayment of the other members. If any member fails to repay on time, the group is not likely to have access to new loans. The microcredit agent verifies the information and makes periodic visits to the clients.</p> <p><b>Responsible: Microcredit</b> manager. <b>Participates:</b> TAT for the management of local development financing.</p>
Services offered	<p>The main service is loans up to 50000 CUP. With terms of one year for working capital and three years for investments (these aspects are negotiated according to project typology). The nominal annual interest rate is 4 percent.</p> <p>Non-financial services such as coaching and training are provided according to the needs of project members.</p>
<p>These loans are combined with other types of loans such as:</p> <p><b>Financial leasing:</b> consists of granting borrowers the right of use and enjoyment of real estate, personal property, work tools, etc., through the payment of periodic installments over a certain term, after which the borrower has the option to purchase the asset for the agreed residual value.</p>	

Source: Own elaboration

### Systematization of the productive initiative

In this action, a whole set of actions will be carried out to support the initiative and its sustainability, among them:

- Mapping of productions: types and places where productions and purchases are made. Support for the incorporation of innovation actions, market studies, etc.
- Training: courses in professional training, business management, financial management, productive networking, etc. will be offered

- Spaces for cooperation and collaboration between producers are generated in order to form or strengthen production chains. As well as the articulation between producers, service providers and consumers
- The creation of productive chains connected to vulnerable groups to meet local demands is strengthened

### **Step 6. Evaluation of the microcredit management process for the financing of local development projects**

This action is of vital importance since it makes it possible to know the performance of microcredit management, the level of acceptance it has had and its impact on local development, as well as to introduce improvements as part of the feedback process.

#### **Suggestions for action**

- Design indicators for evaluation, taking into account that performance measurement in microcredit management is an essential component for decision making. It is necessary to measure in order to identify actions that require attention, make comparisons and develop improvement plans. For adequate measurement and monitoring, a participatory workshop was designed with members of the GMDL, TAT, Banco Popular de Ahorro officials, as well as professors and students of the CE-GESTA Study Center of the University of Pinar del Río, a group of indicators that could serve as a guide for the TAT and others involved in the management of microcredits. In terms of local development, they are shown in table 4 below.

**Table 4** - Proposed indicators for evaluation

Categories	Variable	Indicator
I. Process Indicators	Training	Number of training actions carried out / Number of actions planned.
	Strategic lines	Number of projects associated to lines / total number of projects.
	Articulation of actors	SE_SnE (State sector Non-state sector) projects / number of projects.
		State actors requesting credits for local development projects / Total state actors (TA) carrying out local development projects.
		Non-state actors requesting credits for local development projects / Non-state TAs developing local development
	Use of sources	Number of loans granted / applications
		% compliance with payment deadlines
		Contribution of the projects to the CAM (Municipal Administration Council)
	Sustainability	Number of projects approved / Number of projects financed through loans
		Export revenues generated / expected
		Actual tax revenues / Planned tax revenues
		Actual non-tax revenue / Planned non-tax revenue
		Number of external productive sources substituted by inputs produced by local borrowers

II. Impact Indicators	Generation of export revenues	Export revenues generated / expected
	Increased contribution to municipal tax revenues	Actual tax revenues / Planned tax revenues
	Increase in the contribution of non-municipal non-tax revenues	Actual non-tax revenue / Planned non-tax revenue
	Social	Number of jobs generated
Number of people from the community involved in the initiative.		

Source: Own elaboration

- Analysis of the progress made in the allocation of microcredits, as well as the fulfillment of the agreed commitments
- Assessment by the TA of the level of development in the management of microcredits in terms of local development
- Based on the results of the application of the indicators, the process will be fed back, identifying and correcting those aspects that merit it, incorporating actions based on the results and effects evaluated and projecting the evaluation at a later estimated time that will allow verification of the correction of the limitations indicated
- Communication on the microcredit allocation process, where the actions developed in terms of credit allocation are socialized. These should be taken into account as part of the constant monitoring that is carried out throughout the financing management process, from which feedback processes can be favored. It is important in this step to articulate all the media and to disseminate the impacts generated with the microcredit program and its main challenges. Gradually introduce participatory mechanisms

As a summary of the present contribution, it can be concluded that: in the current context of updating the economic model, it is necessary to strengthen Local Development

and put into practice new ways for its financing, being microcredit a novel source in Cuba, but with much acceptance in the world. On the other hand, the proposal of a micro-credit program to stimulate local economic development projects represents a support tool to solve the scientific problem posed in this research. A set of suggestions are proposed to facilitate the application of the proposed procedure, which are variable according to the criteria of the local actors.

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#### **Conflict of interest:**

Authors declare not to have any conflict of interest.

#### **Authors' contribution:**

All authors reviewed the writing of the manuscript and approve the version finally submitted.



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