



**Faculty of Law
School of International Studies**

**Faculty of Administration
School of business administration**

**Formulate internationalization strategies for the
company NovaCredit S.A. for its introduction in the
Peruvian market.**

**Graduation Project prior obtaining the undergraduate degree
in
International Studies with emphasis in foreign trade
and
Commercial Engineer Degree**

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Abstract

NovaCredit S.A. is an Ecuadorian company, incorporated in Cuenca in 2012. Its main economic activity at the time was the purchase and sale of automotive credit portfolio, which was originated from authorized car dealers throughout the country. This work considered the implementation of this company in another country. The knowledge acquired throughout the university studies was applied by merging two complementary university careers such as Business Administration and International Studies. The objective of this work was to formulate internationalization strategies that would help this company to enter the Peruvian market. This study could contribute to the company's economic growth and could also be the model for the expansion of other companies. It was expected to provide the company with the necessary tools to operate in a new market taking advantage of possible opportunities.

Introduction:

It is important for the company NovaCredit S.A. to define the strategies that can be applied when deciding to invest in a foreign country. For instance, aspects such as economic, social, political, technological, legal and human resources of a country must be analyzed so the company can take advantage of the opportunities presented to it.

This research is due to the fact that the authors have been working at NovaCredit for about 4 years. As time goes by, we have observed the growth of the company and realized that there are still markets in which we could enter. Since it does not offer a financing facility with the benefits offered by NovaCredit. Deciding to propose strategies to reach these markets would mean to apply the knowledge we have both acquired in our respective careers.

The objective of this work is to define the strategies in order to internationalize NovaCredit S.A., its financial services in the Peruvian automotive industry.

To formulate the strategies, we analyzed the environment in Peru, which supports the choice of this country over other countries for the internationalization of the company. We conducted an interview with an entrepreneur who has worked in Peru in order to know his experience in that market. We also collected information through different portals and Peruvian companies.

Chapter 1: The Company: NovaCredit S.A.

1.1 History

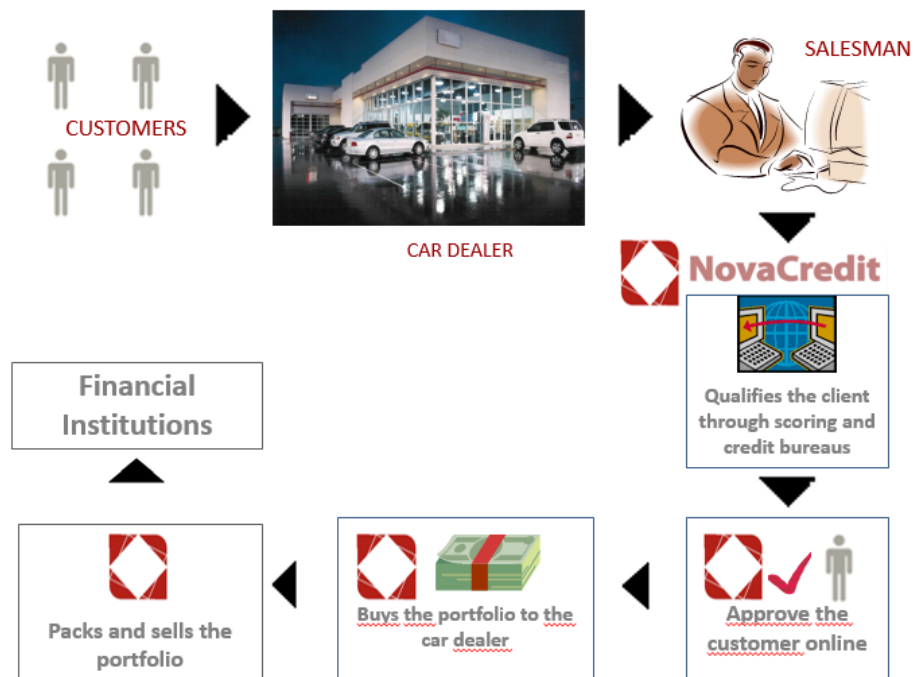
In April 2012, the company NovaCredit S.A. was created in Cuenca – Ecuador with the objective of providing financial advisory services, negotiation and transfer of securities, commercialization of a portfolio to financial establishments in Ecuador; purchase and sale of credit documents; negotiation and purchase portfolio. The following year with a total of \$ 10,400,000.00 of portfolio purchased in the market, NovaCredit made a reform to its bylaws in which they include the administration, recovery and collection of the portfolio within the corporate purpose of the company. However, the main objective of NovaCredit was from the beginning, to specialize in the origination of an automotive portfolio. For this, a small commercial team was created in the main cities of the country: Quito, Cuenca, Loja, Ibarra and Guayaquil to analyze the risk and qualify customers in different car dealers. NovaCredit is a company regulated by the Superintendence of Companies.

Over time, the company's board of directors formed a human team capable and experienced, a young team committed to the challenge of forming a company.

The automobile industry in the country had been very dynamic the previous years. It was from 2012 that several economic actions caused the market to begin to decrease. However, NovaCredit developers saw a space to improve the credit product, an opportunity that provides the best response times, simplicity in procedures and benefits for the customers.

To better explain the functions of the company, the graphic presented below in which you can see the processes that take place within the company since a customer arrives at a car dealer with the purpose of getting a vehicle until the portfolio is sold to a financial institution:

Illustration 1 Process flow of NovaCredit S.A.



Source: NovaCredit S.A.

To achieve the objectives it was necessary to ally with strategic partners. From the first operation, NovaCredit sought an alliance with General Motors. As for insurers, arrangements were made with Ace Seguros (currently Chubb Seguros), VazSeguros, Chevyseguro and Qbe Seguros Colonial to include the value of the premium within the financing and for the entire term of the credit.

1.2 Mission, vision, objectives y values

Mission

NovaCredit S.A. is a company specialized in portfolio origination, administration and collection. It manages type A clients, which are evaluated with strict internal policies, providing a portfolio with low level of risk for the purchasing entities.

Vision

To be a specialized Company in the Automotive Portfolio Management oriented towards a national and international market, offering financial products and services with a highly qualified team and state-of-the-art technology.

Objectives:

- Promote sales management in dealers with timely responses

- Process high-quality portfolio for subsequent commercialization
- To be recognized by customers in the local market for the offered benefits
- Overcome the competition in times of response and generation of contracts

Values:

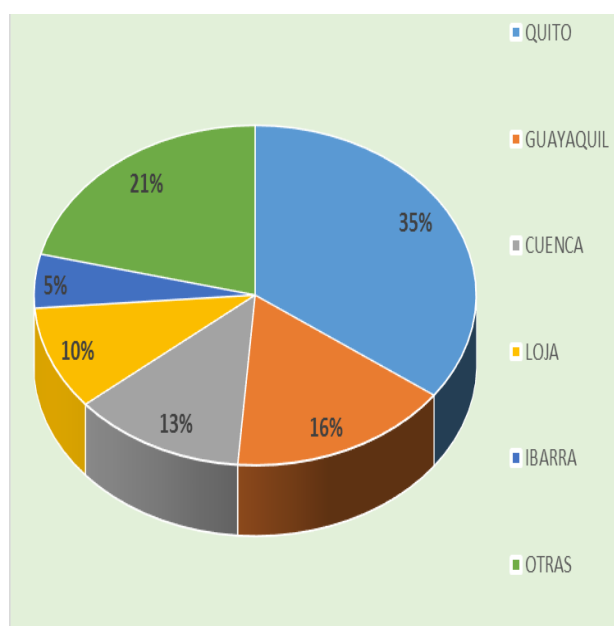
- Trust: Create trusting work relationships that will produce worker's efficiency and productivity
- Transparency: The members of the company will have access to all the information that is possible, the opinion of the employees will be considered for the decision making
- Integrity: Morality will be the fundamental pillar for the actions of the company
- Responsibility: A correct management of the company from the directive will be transmitted through employees to customers, becoming aware of the decisions made within the company

1.3 NovaCredit in Ecuador: Nowadays

Five years after having started the functions of origination, administration and collection of automotive portfolio, NovaCredit has a purchased portfolio in the market for a value of \$71,323,000.00¹. To reach where the company is today, coverage has been extended to cities such as Machala, Ambato, Riobamba, Latacunga and Otavalo, maintaining its presence in dealerships throughout the country. Until June 2017, NovaCredit has purchased a portfolio from 37 dealers all over the country. In addition, there has been a total of \$ 61,900,000.00 million dollars in negotiations with 25 financial entities, among which are banks, credit and savings unions and mutualists.

¹ Data until june 2017. Source: NovaCredit S.A.

Illustration 2 Portfolio distribution by city

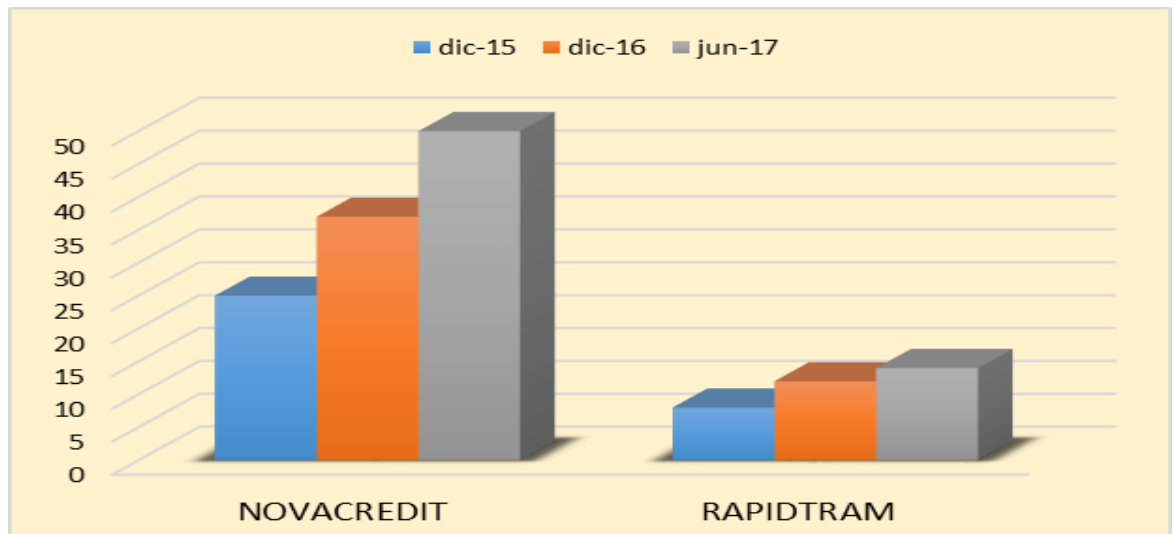


Source: NovaCredit S.A.

In December 2014 NovaCredit issued a commercial paper called Revnis for a value of two million dollars, these were put on sale in the market. In May 2016, the first securitization of the NovaCredit portfolio was made in the market. This process was carried out jointly with Class International Ratings as the risk rating agency, Plus Valores, the Securities house and Fideval the trustee. The securitization was launched for \$ 4'000'000.00. Initially, it seemed an ambitious value to place on the market, however, by December 2016, all of the securitization was sold to customers within Ecuador and Panama. It is important to mention that twice a year, the risk rating agency qualifies the portfolio and the rating obtained in all of the analysis so far has been AAA-.

The company has an important growth in human talent, in the first years it did not surpass 15 employees, while at present, NovaCredit is formed by more than 50 fixed employees. In addition, to focus on the collection and recovery of the portfolio, the directors decided to create another company specialized in the recovery of the portfolio, management of preventive, administrative, judicial and extrajudicial collections. This company is called Rapidtram S.A. and manages the entire portfolio purchased by NovaCredit. Currently, Rapidtram is formed by 13 employees. In the graphic presented below, it can be seen the growth of the two companies in the last three years in terms of workforce:

Illustration 3 Human Resources Growth: NovaCredit & Rapidtram



Source: NovaCredit S.A.

1.4 NovaCredit's expansion

Internationalization is the set of activities that a company develops outside the markets that constitute its initial geographical environment. It occurs for different reasons, among them can be:

- Saturation of the domestic market in the country of origin
- Emergence of highly attractive new markets
- Government policies that impede the growth of the company in its natural country
- Market research at a different stage of the life cycle of financial services in the automotive industry
- Diversification of risk of operating in the same market
- Globalization

When analyzing about a possible internationalization of a company like NovaCredit, we must analyze the advantages and disadvantages that can be presented during this process. The advantages that can be obtained when internationalizing a company can be reflected in two important branches: the financial part and the commercial part of the company.

In the financial part, the advantages are observed when diversifying their risk, by accessing international financing and international tax planning.

In the commercial part, the advantages can be the improvement of the image of the company to be present in another country, it can give a proximity to customers, a better

positioning and international prestige, in addition to becoming a competitive company with international presence.

On the other hand, the disadvantages can be: cultural obstacle, legal restrictions and taxes, ignorance of the market in general.

The cultural obstacle will be present despite of the country that has been chosen, this covers all customs, habits and traditions. Being in a closer country, reduces the cultural gap comparing to other countries.

Legal restrictions and taxes can also mean a big obstacle.

1.5 The chosen country

Perú

The Republic of Peru is a South American country that borders Ecuador, Brazil, Chile, Bolivia and the Pacific Ocean. As of December 2015, Peru has a population of 31'900'000 inhabitants according to World Bank data. The population of Peru is concentrated in its capital: Lima, in which live almost ten million people; Arequipa is the second largest city in Peru with nine hundred and fifty thousand inhabitants. The official currency is the Peruvian Nuevo Sol, being equivalent to USD 1 = 3.24 S /. The exchange parity in relation to the US dollar is set by the Central Reserve Bank of Peru. This institution is a government entity independent of the executive branch.

As for the political environment, the president of Peru is Pedro Pablo Kuczynski, who won the presidential elections in 2016 against Keiko Fujimori, the daughter of former president Alberto Fujimori. The Kuczynski government is considered a progressive government, opened to private initiatives that support growth.

According to the National Institute of Statistics and Informatics (INEI because of the acronym in Spanish), the economy has had an annual grow rate of 4.7% during the last 25 years. This is due to the economic reforms that have made GDP increase and poverty decrease. Peru went from hyperinflation until 2005 to the lowest inflation rate in Latin America in the last ten years. Construction, agriculture, oil extraction, mining and manufacturing are the main factors to achieve this economic growth.

A report from the World Economic Forum of the 2014-2015 considers Peru as one of the countries with the best environment to do business.

Considering that one of the priorities of Peru is focused on foreign policy, it is part of commercial blocks that go beyond the political ideology of each one, being the Andean

Community of Nations the main commercial treaty of which it is a part. In addition, Peru has trade agreements with several countries such as the United States, with the European Union bloc, Japan, Chile, Colombia, Brazil, among others.

Peru's Gross Domestic Product has been increasing in recent years, according to data from the Central Intelligence Agency (CIA), the real percentage of GDP growth has been 3.3% in 2015 and 3.9% in 2016. According to BBVA bank projections, GDP growth in 2017 would be 4.3%. The INEI tells us that in 2016 the total GDP was 192 billion dollars. Peru's total GDP is basically composed of agriculture, industry and services, this last having the most representation with 58.5%.

The country's risk is the indicator that measures political risk and the possibility that a country can meet its obligations to international creditors. Peru's country risk in mid-2017 was 136 points. According to data from investment bank JP Morgan, Peru reported the lowest country risk in the region, behind Mexico and Colombia. This indicator has decreased compared to the same period in 2016, when the country risk was 3.93 percentage points.

The World Bank carries out a classification that measures regulations to do business in 190 countries. Within this global classification, in 2017 Peru (specifically Lima) is ranked number 54, one position lower than the one obtained the previous year. In terms of the number of processes that new entrepreneurs need to complete to start their business, Peru obtains a classification 9 positions lower than the previous year, being at 103 in 2017. About tax payments, the indicators refer to what a medium-sized company must pay per year. These measures include the number of payments a new employer must make, in this case there are 9 payments per year, the number of hours required is 260 hours per year and the percentage of profits and taxes that must be paid from the second year of activity is approximately 33% (depending on the economic activity of each company).

Colombia

The Republic of Colombia is a South American country that borders the Caribbean Sea, Venezuela, Brazil, the Pacific Ocean, Panama, Peru and Ecuador. As of February 2017, Colombia has a population of 49'032'000 inhabitants. The population of Colombia is concentrated in its capital: Bogotá, in which live about 8 million people. The official currency is the Colombian Peso, being equivalent to USD 1 = 2,900 COP \$.

Colombia is considered to have easy access to global markets due to its privileged geographical location, as well as having a large infrastructure and developed logistics.

The President of Colombia is Juan Manuel Santos, who won the elections in 2014. His legislature is based on: peace, equity and education. Based on this, he has managed to reach peace agreements with the oldest guerrilla group in Latin America FARC.

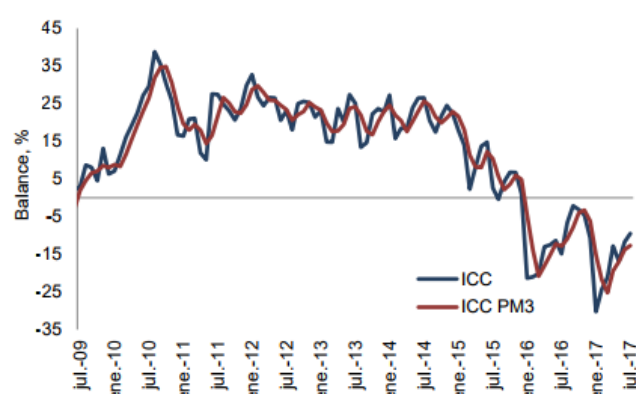
The balance of trade of Colombia faced a fall from July 2014 and was even harder the following year. According to the manager's report of the Bank of the Republic, this was mainly due to the great drop in the international price of oil. In addition, due to lower investment in the oil sector, between the same years 2014-2015, direct foreign investment decreased by 27%, from USD 16,163 million to USD 11,732 million.

Some events within the country such as the depreciation of the peso from July 2014 to the first quarter of 2016, or the natural phenomenon El Niño from mid-2015 to early 2016, caused inflation to go from 3.66% in 2014 to 6.77% at the end of 2015. In July 2016, it was recorded the maximum inflation level of 9%. This affected both tradable goods and non-tradable goods, in addition to imported raw materials.

Total consumption grew from 4.4% in 2014 to 2.0% in 2016. Both the government and households began to have a moderate expenditure. In the private sector it translates into the loss of purchasing power of real incomes, on the other hand, the depreciation of the peso made imported products more expensive, so they are less consumed. Due to oil revenues smaller every time, public consumption was also subject to adjustments. Colombia's total GDP in 2016 was \$ 282,483 billion dollars, according to World Bank data.

Indicators until April 2017 suggest that the weakening of the economy continues. It is expected that the low confidence of households may affect consumption plans for the remainder of the year. On the other hand, since mid-2016 there has been a slight increase in the unemployment rate. In a graph obtained from the Center for Economic and Social Research Fedesarrollo, the consumer confidence index is observed since 2009, the same that has remained relatively stable until July 2015 begins to decrease, being the lowest peak in January 2017.

Illustration 4 Consumer confidence index



Source: Consumer Opinion Survey (EOC) – Fedesarrollo

The following table of macroeconomic variables allows us to have a vision of what Colombia has had to face in recent years. There is a decrease in the Gross Domestic Product, also consumption, investment and imports.

Illustration 5 Macroeconomic variables

	Crecimiento anual (porcentaje) a menos que se diga lo contrario	
	2015	2016
Producto interno bruto	3,1	2,0
Consumo total	3,6	2,0
Inversión bruta	1,2	-4,5
Producción de manufacturas	1,7	3,0
Exportaciones de bienes, FOB	-33,1	-13,4
Importaciones de bienes, FOB	-15,4	-17,0
Balanza comercial, FOB (porcentaje del PIB)	-4,8	-3,6
Cuenta corriente (porcentaje del PIB)	-6,4	-4,4

Fuente: DANE; cálculos del Banco de la República.

Source: Manager's report Bank of the Republic

According to the analysis carried out by the World Bank called Doing Business, in 2015 Colombia is the tenth country in the world and the first in Latin America to protect investors. In addition, Colombia is located as a leader in the region as the most "friendly" destination to do business. It is true that the government promotes foreign investment, so it has created twenty-nine reforms since 2005 to facilitate business according to the Doing Business analysis.

The official investment portal of Colombia informs that this country has a National Development Plan that covers the primary needs of the country, as well as designing and executing action plans with the objective of continuous growth and to be competitive.

In February 2017, it was registered Colombia's second lowest historical country risk report, which stands at 198 points. This number is the difference between the rates of Colombian government bonds and those of the United States. A lower perception of risk shows that foreigners have a high participation in the Colombian capital market. The increase in oil prices means that there is more income in dollars for the country, so it represents a better support to cover the debts, this factor was meaningful for Colombia to have that low country risk.

Panama

The Republic of Panama is located in Central America and borders the Atlantic Ocean, the Pacific Ocean, Colombia and Costa Rica. According to the World Bank, in 2016 Panama has a total population of 4,058,000 inhabitants. Although the official currency of Panama is the Balboa, the US dollar circulates throughout the country and it equals 1 Balboa = 1USD.

Panama is a presidential democracy, reason why the president is chosen by general elections every 5 years. The current President of Panama is Juan Carlos Varela Rodríguez, who won the presidential elections in 2014. Varela's presidency has been characterized by an important social impact, focusing on solving water and sanitation problems, as well as the extension of subsidies to less favored sectors of the population, in the construction of houses and in the rehabilitation of the city of Colón, where there is located the second largest free zone in the world. In the economic sphere, Varela's policies have been focused on reducing the public deficit, controlling the prices of the items that make up the basic basket, and infrastructure investment programs. Politically, emphasis has been placed on strengthening institutions and fighting corruption.

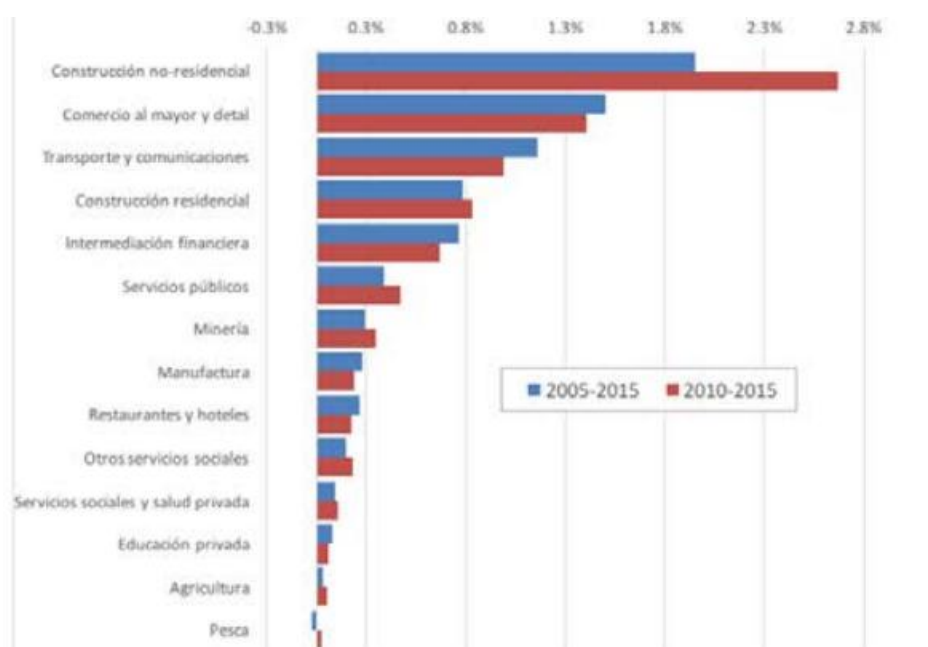
During the 1960s, Panama's growth was around five percentage points each year. Between 1970 and 1990, this trend decreased until it became negative at the end of the 1980s. Subsequently, since 2004 and the following ten years, Panama doubled its income per capita. Nowadays, Panama stands out as leader of the region with 6.2% growth, surpassing countries such as Chile between 1990 and 2014 or Peru and Uruguay during their best years of growth.

Although there has been an accelerated economic growth that has reduced the rates of poverty and inequality, Panama continues to be one of the countries with the highest inequality rates. Between 2008 and 2014 (during the financial crisis in the United States),

Panama managed to reduce poverty by 7.5%, which is why almost three hundred thousand people emerged from poverty in that period, according to the World Bank. While in the urban area extreme poverty reaches 4%, in rural areas, inhabited by indigenous people, this index reaches 27% and in the regions (indigenous territories) extreme poverty reaches 40%.

Panama's growth is due to three sectors: construction, commerce and transport and communications. The next illustration shows the economic growth by sectors from 2005 to 2015, it can be seen that 1.8% of the total growth recorded in this period was thanks to construction, 1.5% was due to trade and 1.1% of transportation and communications.

Illustration 6 Economic growth by sectors



Source: Hausmann, Espinoza y Santos

Regarding the Financial Sector, Insurance, Real Estate and Services to Companies, it represents 7.5% of the country's GDP, which is why it is located behind transport and communications. In the years 2016-2017, financial intermediation grew by 3.7%.

"Panama has kept low inflation while its unemployment rate decreases. The unemployment rate has been falling since 2001 - with the exception of the 2009 financial crisis - from 16.1% (in 1991) to 4.8% (in 2014). Simultaneously, inflation has remained at one digit throughout the period, reflecting the price dynamics in the US economy" (Hausmann, Espinoza and Santos, 2016). With these data, Panama leads the Latin American region also thanks to having the lowest rates of unemployment and inflation.

In summary, Panama has been politically stable since 1989, without civil conflicts, with stable governments. Panama's economy has been growing during the last decade, with low rates of inflation, unemployment and steady GDP growth. Real GDP grew by 6.2% in the first quarter of 2017, improving by 1.2% in the same period of the previous year. Regarding investment, Panama provides the same rights to foreigners as to its citizens when it comes to possession of property, investments or trade.

Below we present a comparative matrix with the most important aspects that must be compared in the three countries to make a decision on which country is more feasible to invest:

Chart 1 Comparative matrix between Colombia, Panama & Peru

FIELD	CHARACTERISTIC	COLOMBIA	PANAMA	PERU
GEOGRAPHIC	Proximity with the country of origin of the investment	Limits with Ecuador	Does not limits with Ecuador	Limits with Ecuador
	Accessibility from Ecuador (average price analyzed on different dates each)	4 daily direct flights to Bogotá from Gye. Average price: \$560 Roundtrip. Duration 1h50	3 daily direct flights to PTY from Gye. Average price \$522 roundtrip. Duration 2h15	2 daily direct flights to Lima from Gye. Average price \$307 roundtrip. Duration 2h00
Punctuation /3		2	2	3
ECONOMIC	GDP to 2016 in billions	\$ 282,00	\$ 55,00	\$ 192,00
	Income per capita	\$ 5.805,00	\$ 13.680,00	\$ 6.045,00
	Inflation	7,50%	0,70%	3,60%
	Exchange rate	USD 1 = 2.900 Pesos	USD 1 = 1 Balboa	USD 1 = 3.24 Soles
	Basic salary (2017)	USD 257,00	USD 744,00	USD 260,00
	Active interest rate	14,65%	15%	16,47%
	Devaluation of currency	average	0	low
Punctuation /3		1	3	2
SOCIAL	Population	47,698,524	3,753,142	31,036,656
	Economically active population (in millions)	24,43	1,6	17,1
	Unemployment percentage	9,20%	6%	4,50%
	Salary of skilled labor (average)	COL\$ 1.200.000 or USD 432,00	\$ 1.500	S/ 1200-1800 or USD 370,00 - 560,00
	Insecurity Perception Index	45,3	45,1	56,6
Punctuation /3		2	1	3
POLITIC	Income tax rate	33%	25%	28%
	Share of profits to employees	0%	10%	5%
	Perception of Corruption	Score: 37 Ranking: 90/176	Score: 38 Ranking: 87/176	Score: 35 Ranking: 101/176

	International Relations (being 1 bad and 5 excellent)	2	4	2
	Tax	19%	7%	18%
Punctuation /3		1	3	2
RISK	Country risk	198	118	136
	Default rate (private banking)	4,25%	3,80%	3,12%
	Risk in the exchange rate	High	none	Low
Punctuation /3		1	2	3
TECHNOLOGY	Investment in research and development	0,23% of the GDP	0,18% of the GDP	0,12% of the GDP
	Internet penetration	58,10%	75,60%	56%
Punctuation /3		3	3	2
BUSINESS	Cars sold in 2016	253.400,00	59.000,00	150.400,00
	Sales projection 2017	241.000,00	52.500,00	165.440,00
	% credit sales	55%	60%	50%
	Incidence of Banks in the market	High	High	Low
	Access to car dealers	Medium	Medium	Medium
	Commissions	High	High	High
	Spread on portfolio sale	3%	3%	3%
	Operating costs, leases	Moderate	High	Low
Punctuation /3		1	1	3
TOTAL		11	15	18

Source: Own elaboration

After comparing the countries, we reached the following conclusions:

- Geographically, both Colombia and Peru are countries that limit directly with Ecuador, while the distance with Panama is bigger. However, we value Peru with higher rating due to the costs of direct flights to Lima.
- Economically, after investigating the index that we consider most important, we have evaluate that Panama is the most stable country of the 3, this is mainly due to its dollarized economy. However, Peru has had a stable economy in recent years and the devaluation of the currency has not had any changes that could affect investors.
- In terms of social issues, we valued Peru in the first place, mainly due to the lower unemployment rate compared to the other countries. Although the index of perception of insecurity is higher, this is reflected in the smaller cities of Peru and not so high in Lima, the capital. In addition, we consulted the average salary of a professional taking as an example a risk analyst in the three countries and in Peru it is cheaper than in Colombia and Panama.
- Politically, the rating of Peru was affected by the corruption scandals of recent times. On the other hand, the rates of taxes and participation of profits in Peru are

percentages within the average, considering that taxes and profits to employees must be paid from the third year of operation of the companies.

- When analyzing the risk that exists in case of investing in these countries, we consider the Country Risk Index, the same that Peru has been decreasing in recent years. In addition, the risk in the exchange rate is very low due to the low devaluation of the currency against the dollar, which provides security to investors.
- About aspects that influence directly to NovaCredit's business, in Peru the percentage of sales on credit is 50% in a market in which banking does not have a significant presence, as in the other countries. Operating costs in Peru are lower compared to the other two countries and access to car dealers is considered equal in the three markets.

Chapter 2: Analysis of the environment: Peru

2.1 Analysis SWOT

Chart 2 SWOT Matrix of Peru

<p>STRENGTHS</p> <ul style="list-style-type: none">• Economic stability, positive macroeconomic indicators• Attractive to foreign investment• Decreasing unemployment rate• Low risk country• Progressive government open to private initiatives• Promotion of the young workforce	<p>OPPORTUNITIES</p> <ul style="list-style-type: none">• Globalization• World economic growth• Public-private partnerships for investment in infrastructure• Tourism promotion• Stable and attractive legal framework for investment
<p>WEAKNESSES</p> <ul style="list-style-type: none">• High levels of poverty and inequality• Deficit in infrastructure and investment for development and research• Corruption• High rates of informal work• Administration of justice• Poor fiscal administration• Citizen security	<p>THREATS</p> <ul style="list-style-type: none">• Great Power's economy• Global Warming and Climate Change• Brain drain• Currency risk• Border conflicts with Ecuador and Chile• Drug trafficking between Peru, Bolivia and Ecuador

Source: Own Elaboration

2.2 Analysis PEST

Political Analysis:

The government of Pedro Pablo Kuczynski created a work plan for the period 2016 - 2021, in which, within the strategic guidelines, it establishes the creation of adequate regulatory frameworks to promote investment. A stable and attractive legal framework has been established to promote investment, either national or foreign. The Constitution establishes fundamental principles that guarantee private investment and foreign investment. One of the principles is that of equal treatment for national investment as well as international investment. Some important points for foreign investment are the following:

- Non-discriminatory treatment against the national investor.
- Freedom of trade and industry, and freedom of export and import.
- Possibility of freely remitting profits or dividends abroad after paying the corresponding taxes.
- Right to use the most favorable exchange rate in the market
- Right to free re-export of the invested capital.
- Unrestricted access to internal credit.

It is established that foreign investment can be made freely in the business forms recognized by law under the following modalities:

- Foreign Direct Investment, as a contribution to the social capital.
- Investments in goods and properties located within the national territory.
- Investments in portfolio.
- Intangible technological contributions.
- Any other investment modality that contributes to the development of the country

Within the political analysis we cannot leave corruption aside. In the first report of corruption on 2017 made by the Ombudsman Office of Peru, it indicates that around twelve billion Soles per year are lost due to different acts of corruption, which represents almost 10% of the national budget. This means that almost four billion dollars are given for lost, money that could be used in food or housing for the most needy.

A report from the Office of the Special Prosecutor for Crimes of Corruption says that the institutions with the highest corruption rate are the provincial and district municipalities, the National Police and regional governments, in that order. Statistics from this agency

say that around 92% of May rs are being investigated for crimes of public administration: embezzlement, embezzlement and collusion. More than 50% of the May rs who were being investigated applied for re-election.

By the end of 2016, more than thirty-two thousand cases of corruption were being investigated nationwide, of which 36% are for the crime of embezzlement², 14% for collusion³, and 7% for misuse of the position.

Regarding the case of the Brazilian construction company Odebrecht, a total of 27 related cases of corruption are being analyzed by the Public Prosecutor's Office, 17 of them are in Lima and 2 in Cusco. Only in 5 cases has the preparatory investigation been formalized. The Public Ministry investigates all the works in which Odebrecht participated since the last three governments. Specifically, former President Alejandro Toledo is accused of having offered a representative of Odebrecht in Peru a tender for the Interoceanic highway in exchange for a total of 35 million dollars, which is why he is currently facing a preventive detention order. However, Toledo is in the United States and an arrest warrant is expected by a federal judge to extradite him to Peru.

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The tax system that has been handled in recent years in Peru has not focused on reducing inequality or promoting entrepreneurship. The World Bank says that the extraordinary

² Article 387 of the Penal Code of Peru. - Intentional and culpable embezzlement: The civil servant or public servant who appropriates or uses, in any form, for himself or for another, funds or effects whose perception, administration or custody is entrusted to him by reason of his position, will be repressed with privative punishment of freedom not less than four nor more than eight years old and one hundred and eighty three hundred and sixty-five days-fine.

³ Article 384 of the Penal Code of Peru.- Simple and aggravated collusion: The official or public servant who, intervening directly or indirectly, by reason of his position, at any stage of the modalities of acquisition or public procurement of goods, works or services, concessions or any operation at the expense of the State, agreements with the interested parties to defraud the State or entity or body of the State, according to law, shall be punished with imprisonment of not less than three nor more than six years and one hundred and eighty to three hundred and sixty five days-fine.

collection during the years of economic boom has been in the past. Governments have not taken advantage of good income to maximize tax revenues in the country.

Ollanta Humala's government (during the period 2011 - 2016) had some errors in its fiscal policy. The most serious mistake of all was the reduction of the income tax to large companies, which had an opposite effect to the desired one: increase the tax collection.

The tax system that Kuczynski took when he assumed the presidency was not very transparent and it did not give the possibility to finance the State. Said so, the current government had no choice but to propose the transformation of the tax system to make it more flexible for taxpayers. Thus, at the end of 2016, a package of measures was sent to Congress as an initiative of this transformation. The purpose was to increase the collection through a formalization process that reduces tax burdens, and that, those who earn more, pay more, achieving a progressive taxation. The government considered increasing tax revenue from 14% of GDP (currently) to 17% of GDP by 2021, which, according to the OXFAM analysis, are not reasonable numbers.

It can be said that the tax system currently does not have enough revenue to finance the services of citizens. The analysis of OXFAM tells us that the tax system is currently insufficient, incomplete and inequitable "Insufficient because it collects much less than what is required to adequately finance services to citizens. Incomplete because it does not cover the entire economy, and a high level of informality persists. Inequitable because it is not fulfilled that those who earn the most are the ones who contribute the most "(p. 42)

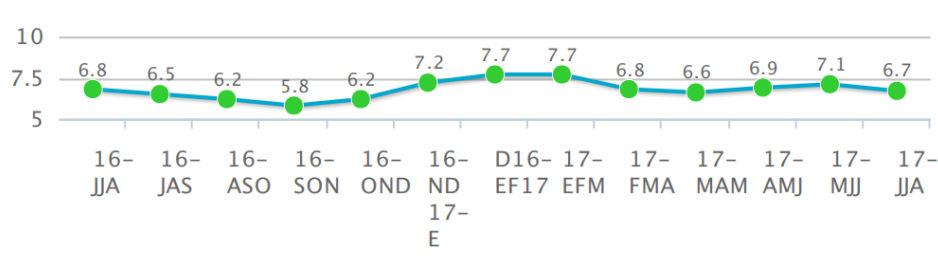
Economic Analysis:

Since 2015, Peru has had an increase in GDP. In 2014 the percentage of GDP growth was 2.35%, in 2015 it was 3.25% and in 2016 it showed a growth of 3.88%. In the first quarter of 2017, Peru showed a growth of 2.1%, and according to BBVA Bank projections, the growth for 2018 would be 3.9%. The International Comparison Program of the World Bank presents increasing data regarding per capita GDP of Peru in dollars using the purchasing power rate, since 2012 the GDP per capita was \$11,145,000 and for 2016 amounted to \$13,022,000. On the other hand, Peru registers the lowest rates of inflation in the region, according to data from the International Monetary Fund.

Regarding unemployment, below there is a graphic of the National Institute of Statistics and Informatics INEI of Peru, in which it is shown that unemployment reached its highest

peak in December 2016 and the first quarter of 2017, and for June, July and August 2017 had already been reduced by one percentage point, and went to 6.7%.

Illustration 7 Unemployment



Source: INEI

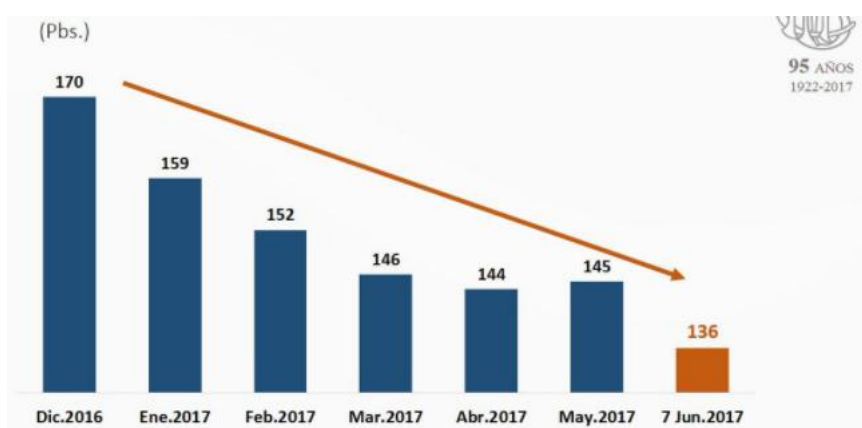
Being one of the countries in the region with the highest growth rates and the best growth projections for the coming years, its economy is attractive for foreign investment. Private investment is an important boost in economic growth, according to data from the Central Reserve Bank of Peru, private investment represents 20% of GDP.

On the other side, Peru is based on non-discriminatory treatment, so a foreign investor receives the same treatment as a national investor. There are Special Regimes such as the Legal Stability Agreement to which companies can subscribe that invest at least five million dollars, which represents benefits for the investor such as stability of the Income Tax regime, stability of the right to use the exchange rate more favorable available in the market, among others.

According to the World Bank's Doing Business, Peru is in third place in the regional ranking for ease of doing business in Latin America, behind Mexico and Chile. In addition, Peru has existing agreements to avoid double taxation, some of them are with the Andean Community of Nations, with Brazil, Chile, Canada, Korea, among others.

According to data from the Central Reserve Bank of Peru, until June 2017 the Country Risk has decreased to 136 points. Considering that 2016 closed with 170 points and the highest month of the year was May with 145 points, it is a favorable scenario for the rest of the year. In the graphic presented below can be seen clearly the behavior of the country risk of the year 2017:

Illustration 8 Country risk indicators



Source: Banco Central de la Reserva de Peru

When it comes to Investment, according to the Peruvian economic magazine *Gestión*, after the withdrawal of Odebrecht from Peru because of the corruption scandals throughout Latin America, Peru opens the doors for new foreign investors. To the Association for the Promotion of National Infrastructure (AFIN) it is important to attract the investment of large companies even more now after the passage of El Niño Costero that has weakened the roads of the northern part of the country and destroyed bridges and highways.

AFIN's President Gonzalo Prialé appears to be convinced that he will see the entrance of international construction companies, both European and American or even Asian in the country that will stay for the long term, also says that it is very important to have mature Public-Private Partnerships, that is, that they have expropriations, permits, good contracts and without interference to attract larger investors. There is currently a great opportunity for the construction of the Chinchero International Airport in Cusco, in which the Prialé indicates that it can compete with a mature Public Private Alliance.

It is also important to take into account external factors that may influence the well-being of a country, which is why the global environment must be analyzed. According to BBVA data to July 2017, the world economic growth has been of 1% quarterly during the current year. In addition, growth is expected to increase from 3.1% in 2016 to 3.4% in 2018. This implies a recovery in trade, industrial activity and global investment. According to this information, factors such as the momentum of the Chinese economy, promoting other countries in Asia and the world, as well as flexible policies in most advanced countries,

moderate prices of raw materials have contributed to the global recovery, causing calm in the financial markets.

Following the same line and based on the Chinese proverb of the butterfly effect "the light flutter of the wings of a butterfly can be felt on the other side of the world" the situation of the strongest economies in the world can have both positive and negative repercussions in smaller countries. The BBVA report for 2017 provides us with positive data about the global situation and in advanced economies. World trade has improved, helping the industry and global investment. This improvement has occurred due to new stimuli of economic policy in the Chinese economy, which have improved their economy and therefore have boosted the economy of other countries in Asia and the rest of the world. The strongest economies are the main beneficiaries of this improvement, while emerging economies have a slower slowdown than forecast for all of Latin America due to the dependence on commodities income.

The financial markets present a historical minimum volatility, in spite of the economic, political and geopolitical uncertainty, so long-term interest rates have remained stable and the appreciation of the dollar has had a stop.

Although the forecasts for the following years are positive, the possibility of incurring into a crisis which causes a domino effect in the economies from the strongest to the weakest should never be ruled out, that is why the behavior of the great powers is considered a constant threat.

For NovaCredit it is important to analyze if the automotive loan portfolio in Peru is granted in local currency (S /.) or in foreign currency (USD). In an article taken from Diario Económico Gestión, it is reported that until November 2017, vehicle loans summed S/. 1,460 million, an amount higher by 3.77% compared to the same month of the previous year. On the other hand, in dollars this amount went from \$168 million in November 2016 to \$ 125 million in November 2017. This means a decrease of 25.44% in one year.

“Given the above, the solarization ratio of the vehicle portfolio, which measures the share of loans in national currency in the portfolio, continued to increase, and in November 2017 it reached 78.38%, a higher result by 0.20 percentage points compared to the figure of October (78.18%), and by 7.21 percentage points compared to November 2016 (71.2%).” (Gestión.pe)

The Association of Banks of Peru ASBANC, clarifies that by the end of 2015 the vehicle portfolio in Soles was less than 30%. This percentage has been increasing, which means that families have lower exchange risk considering the exchange rate with the dollar that has remained stable, since their income is received in Soles. In addition, financial institutions have a lower credit risk when they grant loans in their local currency.

Social Analysis:

To carry out an analysis on the social aspect of a country, the level of poverty and inequality must be taken into account. The first studies on the distribution of income in Peru were in 1975 by R. Webb and A. Figueroa, who in their doctoral thesis pointed out the concern of why in the greater economic growth (between the decades 1950 to 1970) they did not reach the poorest population, so that the distribution of income was very unequal. In addition, they questioned the redistributive policies of the government at the time, which they described as regressive. Internal migration evidenced this inequality and rural poverty moved to the cities. In 1982, with the external debt crisis, the population became even poorer and the focus shifted from the distribution of income to the measurement of poverty.

Currently, the Kuczynski government prioritizes the fight against inequality and the need to build a fairer, equitable and supportive country, for which it has made several promises to reduce the social and economic gaps. By 2021 millions of citizens will be affected when Peru is admitted to the Organization for Economic Cooperation and Development (OECD). However, the economist Armando Mendoza Nava in the 2016 Index of Advancement Against Inequality magazine tells us that it is a somewhat ambitious goal since Peru's current tax system is below the averages of efficiency and progressivity standards of the OECD countries.

Informal employment does not imply social protection for the employee. Informality in employment results in poor work and productivity. In Peru, the labor market is highly segmented and has a very strong difference in terms of gender and socioeconomic status. 60% of the total of workers are in the sub-employment and it is one of the highest rates in Latin America. The OECD's Multidimensional Study of Peru tells us that "In Peru, it is more likely to enter into the labor market through informal work than through a formal one, while informal workers are more likely to become unemployed." (p. 5) Antagonistic to the Director of the International Monetary Fund Christine Lagarde, who in a

conference at the Universidad del Pacífico in November 2016, expressed her opinion about the informality in the employment of Peru that the reduction of this informality can translate into an increase in the productivity, given that economies of scale and better access to financial services benefit companies.

So far this year, BBVA estimates that there are 336 thousand people who actively seek employment only in Lima. Compared to the previous year, underemployment increased by 8% from 2016 to 2017, that is, 134 thousand people.

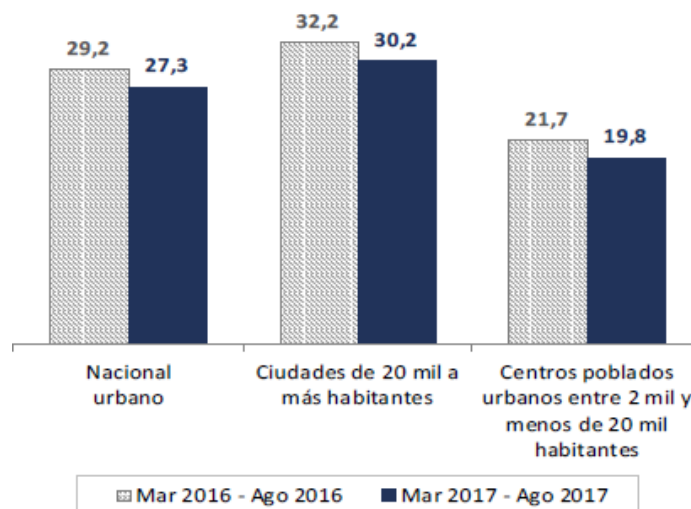
The OECD tells us that almost half of Peruvian workers are focused on two sectors: agriculture and hospitality and commerce, being the two least productive sectors of Peru. To change this, it is necessary to increase economic diversification to more productive sectors, which can be beneficial for the country if it focuses on the export of products that include added value. In conclusion, policies that promote productivity and competitiveness in the country are needed.

IMF Director Christine Lagarde said that Peru is in the process of improving and modernizing school infrastructure. In addition, she pointed out that a new approach is needed to improve reading, writing and math skills, as well as facilitating access to higher education for low-income and rural students.

It is also important to consider Citizen Security indexes for this analysis. The National Institute of Statistics and Informatics INEI, together with the Ministry of Economy and Finance, has been conducting a National Survey of Strategic Programs since 2010, which includes the topic of Citizen Security. The purpose of the survey is to know if the population over fifteen years of age has been a victim of a criminal act⁴ during the last year, this allows knowing the index of perception of insecurity that the population has and if there is surveillance in their neighborhoods.

⁴ Criminal act is any fact that attempts or violates the rights of a person and leads to danger, damage or risk.

Illustration 9 Population from 15 years old victim of some criminal act. March - August 2016 / March - August 2017 (percentage)



Source: Citizen Security Statistics

As it can be seen in the previous graph, 27.3% of the population aged 15 and over, only in the urban area nationwide, has been victim of some criminal act. In cities with more than 20 thousand inhabitants, this figure reaches 30.2%. Meanwhile, at the level of urban population centers between 2 thousand and less than 20 thousand inhabitants, 19.8% have been victims of insecurity. These data show a decrease in the percentages with respect to the same semester of the previous year.

Statistics tell us that, of all the people mentioned above, 30.8% do not report to the police because they consider a loss of time, 21.5% declare that they do not know the offender, 21.4% consider that they are minor crimes to report.

The perception of insecurity, according to this research, is the sensation of the population to be a victim of an event that could threaten their security, integrity, or that violates their rights and leads to danger. In the semester from March to August 2017, 86.6% of the population in the urban area at a national level has this perception of insecurity that in the next twelve months can become a victim of some criminal act. In cities with more than 20 thousand inhabitants, this index is higher: 88.4%; while in cities with less than 20 thousand inhabitants it is 81.5%. The most frequent criminal act in this analysis is cell phone theft, money, wallet, followed by home theft, threats and finally scam.

On the other hand, in Peru there is the Promotion Commission of Peru for the Export and Tourism PROMPERÚ. It is a technical government agency attached to the Ministry of Foreign Trade and Tourism. The goal of Promperú is to position the country in the world by promoting its image, its tourist destinations and its export products that have aggregate value. To achieve this, they created the Peru brand, defined as "A symbol that unites the entire country." This country brand was created as they claim to have a competitive advantage to achieve greater recall in the audiences to which the campaign is directed. Having a country brand that relies on the country image allows you to easily identify and differentiate it from others. The Peru brand offers ease of use to both natural person and legal person so that they can promote their exports, tourism and investments.

One of the social phenomenon that is impacting Latin America is the brain drain. Professionals tend to seek better professional and personal growth opportunities in advanced countries where they feel their work is better valued. The World Bank describes brain drain as an impact on a country's economic, social and innovation development. In countries that are part of the OECD, the number of professional immigrants has doubled between 2000 and 2010, according to UNESCO, professionals come from developing countries mainly to the United Kingdom, the United States, France and Germany.

Despite these data, Peru invests in the retention of personnel, training them for the growth of companies, also to attract more human capital from other regions that favor development.

Finally, we cannot ignore the process of globalization, which began the last decades of the twentieth century, involving major changes at the exchange rate, energy, monetary, commercial, technological, human connectivity and telecommunications. The International Monetary Fund defines globalization as the process of accelerated global integration of the economy, through production, trade, financial flows, information networks and cultural flows. Thanks to this process, companies no longer have only a national competitiveness but can reach a regional or even global level.

Peru began its globalization process since the 90s, when it adopted a development model in which the economic activity in the country is regulated by the markets. Subsequently, Peru signed various Economic Complementation Agreements and Free Trade Agreements (FTA) in order that goods and services are subject to free trade. Peru has improved its macroeconomic indexes due to the export of primary goods, which improve

its relations with the world, so that the year 2017 ranks 72 out of 137 of the Global Competitiveness Report 2017-2018 of the World Economic Forum, which evaluates the factors that boost the productivity and growth of countries. The competitiveness model of the World Economic Forum considers that countries go through three phases of development: 1st: economy based on basic factors of production, 2nd: economy based on efficiency and 3rd: Economy based on innovation. According to this analysis, Peru is considered to be going through phase two.

Technologic Analysis:

The economic projections carried out by BBVA tell us that in 2017 Peru will have a growth of 2.2% and will be even higher in 2018. This is mainly due to a greater spending on construction due to the destruction that nature has caused with the El Niño that we previously mentioned. One of the main works in infrastructure is the construction of line 2 of the Lima subway, which until now had an advance of only 20% of what was projected for this year until the end of the first quarter. Once the work on the metro project is accelerated and the necessary infrastructure to carry out the Pan-American Games of 2019 begins, an economic growth of around 3.9% can be predicted for 2018. However, they are not established policies that demonstrate the interest of the government to promote investment in technological development and infrastructure.

In the President's government plan, a study is carried out about the current situation of the country in terms of investment and development, which emphasizes that Peru has not yet given the importance that is required in terms of investment in science, technology and innovation. There are no reliable data on the amount that has been invested, however, it cannot be more than 0.12% of GDP, with a regional average investment of around 1.75%. The State has been promoting gradually research, development and innovation through the creation of competitive funds such as the Fund for Investment, Science and Technology (FINCYT) in 2007, also decided to strengthen the National Council of Science, Technology and Technological Innovation (CONCYTEC). Against this background, the proposal Kuczynski focused on developing a policy that integrates all existing institutions and focus in one direction, to raise the quality of human resources and productivity of the country being positively affected. For the first year of government, the Scientific Advisory program should have been created to begin with these changes,

but until today and after a year and three months of government, this proposal is still only in that: a proposal.

ICT Information and Communication Technology Index in Peru show that, in the second quarter of 2017, 92% of households have at least one ICT, this number has increased compared to previous years. The data presented below are taken from the official website of the National Institute of Statistics and Informatics INEI dated September 2017.

According to the indexes presented by the INEI, access to ICTs has increased in households in which the head of household has a primary education and has remained in households in which the head of household has a secondary education and / or university education.

Concerning fixed telephony, 54.6% of households are concentrated in Metropolitan Lima, while in rural areas this figure is 0.9%. Of every 100 households, in which at least one person is under 16 years of age, in 54 households there is at least one cell phone and 42 households have fixed telephony, 34 households have a computer for home use and only a percentage of 0.9% use it for work.

Internet access has also shown an increase in recent times, currently 56.1% of households located in the Metropolitan Area of Lima already have access to the Internet, while in the rural area only 1.1% have access to this service.

2.3 Michael Porter's 5 forces

The economist Michael Porter, known for his economic theories, business strategies and social causes, identifies five forces that compete with each other to keep most of the value that is produced in an industry: rivalry among competitors, bargaining power of the suppliers, the bargaining power of the buyers, the threat of entry of new competitors, the strength of the substitute products. Next, we will analyze some of these forces and how they can affect or help in the implementation of a company like NovaCredit in Peru.

2.3.1 Clients

In Ecuador, the clients of NovaCredit are not the general public that accesses a loan, the client of the company is the Financial Institution or IFI that buys the portfolio that NovaCredit already bought from a dealer. This is why at this point we will name some of the possible clients that NovaCredit can have in the Peruvian market:

2.3.1.1 Financial Institutions

The Central Reserve Bank of Peru is an institution created in 1922 with the purpose of preserving monetary stability and its autonomy. The functions of this government entity are to regulate the currency and credit of the financial system, administer international reserves, issue currency and the function of reporting on the national financial situation.

The Central Bank provides a list of all the financial institutions in the country and classifies them. The banking companies are a total of sixteen, some of them known throughout the region or even worldwide, among which we highlight the following: Banco BBVA Continental which reports regularly on the economic situation of the country; Banco Santander Peru that has a presence in more than twenty countries in Europe, North America and South America; Banco de Crédito de Peru with more than one hundred years of experience in Peru, acquired Banco Popular de Bolivia in 1993.

Within the financial entities of the State there are four institutions: Agrobanco focused on small and medium producers of the agricultural sector; Banco de la Nación which provides services to both private and governmental entities to promote the decentralized growth of the country; COFIDE is the Development Bank of Peru, its commitment is to sustainable development and inclusion in the country; Fondo mi Vivienda that seeks to promote access to housing mainly to low-income families.

The following classification are the financial companies, in which there is a list of eleven companies and we mention the most important ones: CrediScotia Financiera S.A. was created to provide specialized attention to consumer credit clients of Scotiabank Peru, in addition to providing loans to Small and Medium – sized Enterprises SMEs; Financiera Confianza, which is part of the BBVA Microfinance Foundation, was born as an act of social responsibility of the group with the aim of promoting economic and social development through responsible finance.

There are also non-banking micro financial institutions called Savings and Credit Municipal Savings Banks, which would be the equivalent of a Savings and Credit Union in our country. One of the most important Cajas is the Caja Municipal de Ahorro y Credito Cusco S.A. is a public company whose purpose is to support socio-economic segments that do not have access to traditional banking, thus promoting the development of SMEs and encouraging savings in the population, in addition to democratizing credit.

Finally, the EDPYMES, which stand for Entity of Development of the Small and Microenterprise, are also entities part of the Financial System and are regulated by the Superintendence of Banking, Insurance and AFP (pension funds). There are a total of nine EDPYMES that appear in the Central Bank of Peru. The EDPYMES are microfinance institutions, most do not have a trajectory of more than twenty years and their role focuses on semi-rural / rural areas. One of these most recognized institutions in the northern zone of Peru is Edpyme Alternativa S.A. whose headquarters are in Chiclayo.

The Superintendence of Banking, Insurance and AFP gives us the following report of the number of companies in the financial system until June 2017:

Illustration 10 Companies in the Financial System

	jun-15	jun-16	jun-17
Empresas bancarias	17	17	16
Empresas financieras	12	11	11
Instituciones microfinancieras no bancarias	32	29	27
Cajas municipales (CM)	12	12	12
Cajas rurales de ahorro y crédito (CRAC)	9	7	6
Entidades de desarrollo de la pequeña y microempresa (Edpyme)	11	10	9
Empresas de arrendamiento financiero	2	2	2
SISTEMA FINANCIERO	63	59	56

Source: Superintendence of Banking, Insurance and AFP

The Peruvian's Financial System is comprised of 56 companies with assets of S/. 392 billion Soles, that is, \$120 billion dollars. The graph above shows that the number of companies in the financial sector has decreased in the period analyzed (June 2015, June 2016 and June 2017). In most cases companies have been liquidated or absorbed by others.

According to the type of credit offered in the market, consumer credit have registered an annual increase of 7.76%, which represents 20.9% of the loan portfolio. This information is important for NovaCredit because the type of transaction it carries out is considered a Consumer Credit.

It is also important for NovaCredit to know the arrears in the vehicle loans of the Peruvian market, to November 2017 there was a decrease to 6.13% compared to the previous month, since people presented a higher purchasing power index and better payment capacity due to that the employment indicators have gone up.

It is important to point out that all the aforementioned institutions, from the Banks to the Savings Banks can perform a variety of operations and services detailed in the common rules of the General Law of the Financial System and the Insurance and Organic System of the Superintendence of Banking and Insurance, among these operations, the power to enter into portfolio purchase agreements is detailed.⁵

As potential clients we can consider Banco Financiero del Perú, which is part of the Banco Pichincha financial group. Grupo Pichincha is the largest private financial group in Ecuador and knows NovaCredit as it has a business relationship since the company was born. Being part of the same group and already having a relationship with the company will make it easier to approach sales portfolios.

The same applies to the Inter-American Banking Group BanBif, which is part of the Ibero-American Development Group, also known as Grupo IF or Grupo Fierro. This financial group originally from Spain has a presence in several Latin American countries, in Ecuador it is present through Banco Internacional. NovaCredit in Ecuador sells portfolio to Banco Internacional since the end of 2016, in addition to the open credit lines the company maintains in the bank and the good relationship that exists between the two institutions. This is why it can take advantage of the existing relationship to sell the portfolio of the operations generated in Peru to BanBif.

2.3.2 Suppliers

2.3.2.1 Car dealers

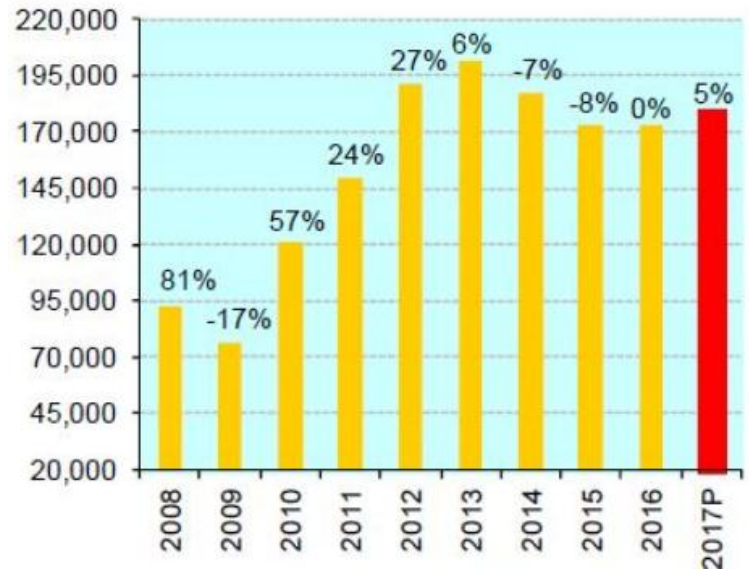
The main suppliers that NovaCredit has in Ecuador are car dealers. Without them, the business would not be possible. Over the years, the commercial relations with these car dealers have been strengthened and it has been possible to achieve an expansion to new agencies and new brands.

In August 2017, dealers in Peru have sold around 17,000 vehicles. The Automotive Association of Peru (AAP) estimates that by the end of the year, more than 190,000 vehicles will have been sold.

⁵ Article 221 Number 26 of the General Law of the Financial System and the Insurance and Organic System of the Superintendence of Banking and Insurance.

The following chart shows the variation of vehicle sales per year from 2008 to the first half of 2017:

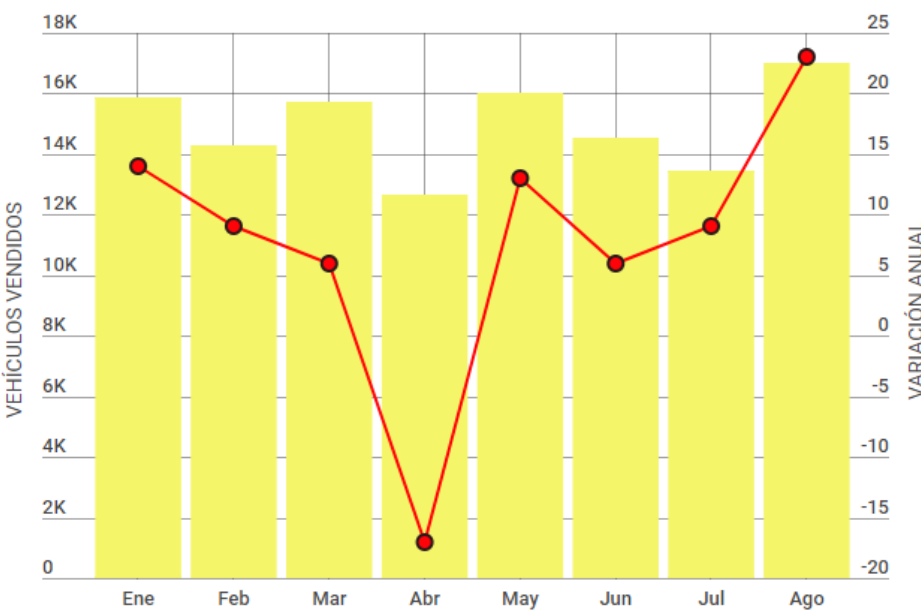
Illustration 11 Annual sale of new vehicles



Source: Gestión.pe

Now, we can see a graph of the AAP which shows the dynamism in the sales of the current year until August, with August being the best sales month of the year and April the lowest month.

Illustration 12 Sales year 2017 until August



Source: Automotive Association of Peru. Photo: El Comercio

The President of the AAP explains the behavior of the market in the month of August due to three factors: the recovery of the economy, the rise in the price of minerals and the decrease in political noise. In September 2017, after August as the highest month in sales as we observed earlier, the General Manager of Hyundai in Peru says that this year the much-awaited recovery of the market has been observed after the fall in the last three years. To achieve this recovery, dealers had to adopt new measures such as accepting a greater number of used vehicles as part of the payment of a new vehicle.

As for brands, the month of August that was the highest, it was Toyota that led the sales, followed by Hyundai, Kia, Nissan and Chevrolet. The total number of vehicles sold in 2017 by these five brands exceeded 65 thousand vehicles. Only in Lima, there are 12 Toyota dealers, 8 Hyundai dealers, 15 Kia dealers, 6 Nissan dealers and 12 General Motors dealers that distributes Chevrolet.

The representative of Ssang Yong in Peru Ramiro Lopez, says that dealers in the market strive for their customers to finance the vehicles, so in the dealership have a person specifically to guide the public on obtaining a loan with different banks or financial institutions.

In February 2017, law 30536 came into force. This law promotes the formalization of the sale of used or unregistered vehicles, so that dealers can accept a used vehicle as part of payment when someone buys a new vehicle. The law reduces the payment of the General Sales Tax (IGV) on the sale of used vehicles, since it will not be paid on the final value of sale but the purchase value of that vehicle is deducted, this will be supported by the act of transfer of the vehicle properly signed before a notary. Before the enactment of this law, dealers did not sell used vehicles because the IGV increased the price of the vehicle, so the used vehicle market was very informal, only between individuals and without paying taxes. This new law is important as it has encouraged the creation of vehicle yards, with which NovaCredit can start working also buying used vehicle portfolio.

2.3.3 Competitors

We know that banks are not the only source of financing for a natural or legal person who wants to buy a car. In addition, in such an attractive market as Peru, due to its population and the little facility of financing they have, it is striking for several companies that want to provide this financial service so the competition can increase over time. The different

financial entities have been creating financial services personalized to the consumer by creating facilities to obtain their vehicle. Next, we will name companies with which we believe that NovaCredit must compete directly to be recognized in the market.

Mitsui Auto Finance (MAF) is a financial institution that specializes in providing vehicle loans and it is a strategic partner of the Toyota brand in Peru. MAF has been present in the Peruvian market for six years and has achieved an important position in vehicle credit. The Arellano Marketing group presented a market study in 2016 which concludes that, of every 3 people, 2 are thinking about renewing their car. With the results of this study, it was sought to attend in a more personalized way the needs of the clients to offer a viable credit option. "According to the MAF study, 29% seek a vehicle loan despite having the money to buy a car in cash. While 34% would give 50% of their capital as a down payment and the rest would finance it. "(Todoautos.pe).

The Toyota Life campaign offered by MAF in November 2017 has the following requirements: financing term of between 24 and 36 months with an entry or initial fee of 10%, a balloon payment⁶ from 10% to 50%, insurance of vehicle and it can only be for private use.

The following explanatory example was obtained from the MAF website:

Referential price for an Etios, \$12,990 (S/42,217.50)⁷

Initial fee: 35%. \$4,546.50 (S/. 14,776.13)

Term: 36 monthly fee \$174.19 (S/. 566.18) each and a balloon payment #37 at \$5,196 (S/. 16,887)

It does not includes insurance

Amount to finance \$9,182.36 (S/. 29,842.67), including GPS, deduction insurance, notarial and registry expenses, double quotas in the months of July and December. Referential TEA: 14.99%, referential TCEA: 15.97%.

⁶ Balloon Payment, refers to a final payment, when the contract period has ended. It is substantially greater than the periodic payments and pays in full the debt obtained. This methodology is used to reduce the monthly fee, giving the client greater capacity to pay.

⁷ The exchange rate that we will use for the examples will be a reference rate of S/3.25.

The company Forum was created in 2011 and its shareholders are Forum Servicios Financieros S.A. (Chilean company) and Holding Continental S.A. (Peruvian company) and is part of the BBVA group. Currently, Forum Peru works mainly with the CrediChevrolet product.

The model we are going to use for the example is the Chevrolet Onix because the price is similar to the previous example we used in Toyota.

Price: \$12,890 (S/41,892)

You can choose between 0% entry according to credit assessment or the first installment in January 2018 with a maximum TCEA of 51.11%.

The Banco de Crédito de Peru offers among its financial services the financing of vehicles regardless of the brand or the year of the desired vehicle. This service is dedicated to grant credits whose monthly installments depend on the credit history of each client. The BCP credit system offers a loan from S/. 15,000 (\$ 48,750) up to 100% of the value of the vehicle depending on the client's profile. The credits have credit life insurance and a car insurance for the entire term of the operation. The TEA for the credit goes from 8.99% to 20.45% in soles.

To use the online BCP simulator, we took the same vehicle values in the Toyota example in dollars to avoid conversion to soles:

Price: \$12,990

Initial fee: \$4,546

Term: 36 months

With these data, the BCP offers us three financing options:

Illustration 13 Banco de Crédito de Perú's simulator

Elige el mejor para ti							
		Valor de cuota	Tasa de interés	A financiar	Pago total	Costos y seguros	
>	Vehicular Tradicional	\$ 342.93	TEA: 13.49% TCEA: 29.66%	65.00%	\$ 12,345.48	Desgravamen Cargos Fijos	0.051% \$ 3.80
>	Inteligente 24 meses	\$ 227.14	TEA: 13.49% TCEA: 24.56%	65.00%	\$ 11,946.36	Desgravamen Cargos Fijos	0.051% \$ 3.80
>	Inteligente 36 meses	\$ 227.67	TEA: 13.49% TCEA: 25.29%	65.00%	\$ 13,392.12	Desgravamen Cargos Fijos	0.051% \$ 3.80

Source: Banco de Crédito de Perú, own elaboration

We get three options, the traditional plan which offers a monthly fixed fee of \$ 342.93 and a TCEA of 29.66%; the smart plan 24 months means a monthly fee is \$ 227.14 but includes a balloon fee of \$ 6,495 with a TCEA of 24.56%; the smart plan 36 months includes a monthly fee of \$ 227.60 and a balloon payment of \$ 5,196 with a TCEA of 25.29%. After that, we consider that the most suitable plan for the consumer is the intelligent 24 months since the TCEA is lower, although the last balloon payment is high.

Santander Consumer is a Santander group company with 15.5 million customers and 60 billion euros in loans granted worldwide. The Santander group has operations in 13 European countries, in America it is in the United States, Mexico and Chile. Its financial service offers credits for those who want to get a car through car dealerships.

The Traditional Credit product is proposed to the dependent and independent natural person and it is exclusive for brand new vehicles. The initial fee must be at least 20% (vehicle price) and the term can go from 12 to 60 months. All fees are fixed for the term of the operation and double fees are allowed in July and December.

The Commercial Credit product is proposed mainly to Natural Persons with a business line. The product is exclusive for new light commercial vehicles and the initial fee must be at least 20%.

According to a report from the Association of Automotive Representatives of Peru ARAPER, the MAF financial company led the market share with a placement of 22.9%.

In second place was the Banco de Credito de Perú BCP with 22.4%, in third place BBVA with 14.5% and Scotiabank with 7.3%.⁸

All competitors mentioned above are banks. It is essential to mention one of the competitors that is not part of the bank system that purchases the most vehicle portfolio in Peru: Yapacorp Sociedad Anónima Cerrada (S.A.C). Yapa started operations in 2010 and currently it has a network of 16 agencies and 130 employees. The Yapamotors product offers automotive financing for both private and commercial vehicles, up to 60 months term and a minimum initial payment of 10%. Among the indispensable requirements that a client must present to obtain a credit are: copy of ID card, copy of basic service, personal references, driver's record⁹, valid driver's license with two years old.

During an interview with the manager of Corporación CFC in Cuenca (Annex 1), the engineer Juan Diego Paredes, explained us the work he did since November 2013 when he traveled to Peru with the mission of raising the business of commercialization vehicle portfolio in that country. Mr. Paredes told us that Corporación CFC was the first company dedicated to the purchase and sale of the automotive portfolio in Peru, since the market was quite neglected at that time. By May 2014, after six months of researching and finding the necessary contacts to start the business, the company began to operate. After the third month of operation, Paredes told us that he had placed \$ 1,200,000.00. It is important to mention that CFC was focused on the northern zone of Peru (Trujillo, Chiclayo, Piura, Tumbes, Cajamarca). When we asked him about Lima, he told us that he was in Lima only to carry out all the necessary processes for the operation of the company. Currently, according to the official website of CFC Automotive Credit SAC, it indicates that they already have offices in Lima. In general terms, Paredes indicates that the fundamental difference that exists between Ecuador and Peru in terms of this business is the market, since in Peru the market is extremely informal. The Corporation has presence in different car dealers (Nissan, Toyota, Volvo, Renault, Peugeot, Land Rover, and Hyundai, among others).

⁸ Data until the end of 2015 according to 2015 automotive financial ranking.

⁹ Driver's record: Punctuation system implemented on 2009. It is covered by the traffic regulations. Each driver is given a driving record and it is directed by the Ministry of Transportation and Communications (MTC).

Finally, after carrying out an information survey we were able to find out that one of NovaCredit's direct competitors in Ecuador has started operating in Peru since December 2016. The company is Originarsa Perú SAC, whose economic activity is registered as credit granting activities. In Ecuador, this company is dedicated to the credit rating and to the purchase and sale of the portfolio of light, medium and heavy vehicles.

2.3.3.1 Times

To establish a manual of the processes that must be carried out since a customer has the desire to acquire a financed vehicle until the portfolio is sold, the time taken to complete each activity must be taken into account. For example, in Ecuador, NovaCredit has established the time until a vehicle is disbursed to the customer within a maximum period of 72 hours from the signing of the legal documents. This is mainly due to the fact that, by law, the vehicle's disburse to the client is not allowed without it having been registered. Contrary to what happens in Ecuador, in Peru it is not necessary to carry out the registration process for the client to have the vehicle, so the car dealer can give the client his car in a short time. This information was provided by Mr. Juan Diego Paredes in the interview.

Regarding to the time it takes to the company to analyze a customer and give a response to the commercial agent, in NovaCredit Ecuador this process' average duration is about 63 minutes per client. The process begins when the client's credit request is received. The received data includes the credit bureau's result at the risk center, also the spouse's guarantor's, co-debtors' result if applicable. Criminal background check, consultation of the observed lists, including a phone confirmation about the economic, financial situation, patrimony and references (both bank and personal). To conclude, the credit capacity is analyzed (incomes vs. expenses) to decide the status of the credit (approved or rejected) and a response is sent to the commercial agent. In CFC Corporation in Peru, Mr. Paredes told us that, for the analysis of clients, they have created a specialized CFC simulator in conjunction with Equifax Company in which they obtain the most necessary data for the correct analysis of the credit. This reduces time in their analysis. On the other hand, the company Interbank in Peru says that the credit approval time ranges from 2 to 24 hours depending on the case.

The average time in Ecuador that NovaCredit delays in selling the portfolio since the customer acquires the vehicle is one month. This is basically due to the delay on the

Commercial Registers of each city in the registration of documents and then in the process of registration of the vehicles. However, in Peru, as it is not necessary to deliver the registered vehicle, the delivery will be faster so the portfolio can be ready faster and it can be sold in less time, which is beneficial for the company because it is sold before that the portfolio deteriorates and consequently it is more difficult to negotiate.

According to Peru's legislation, Engineer Juan Diego Paredes, indicated that the process of executing a vehicle from customers who have incurred arrears is much faster than in our country. This is due to the fact that in the same contract of Reservation of Ownership that the client signs when acquiring the credit, there is a clause in which the client accepts that in case of incurring arrears the vehicle will be removed, and unlike Ecuadorian legislation, so this process will be much faster than incurring in a judicial act in which a judge decides the execution of the vehicle.

Once the client has paid off the entire debt to the financial company, it has a ten-day term to give the documentation to lift the lien warranty.

In the upcoming section on legal regulations, we refer to the normative bodies that base these laws.

2.3.3.2 Alliances

It is important to get allies that help the company to offer a better product in the market. The different alliances that can be made, will allow to be efficient in daily activities, as well as to offer a complete product attractive to customers, such as vehicle insurance for the entire term and without interest as NovaCredit Ecuador offers.

We have seen that some commercial companies already have an alliance with different banks or financial entities to offer financing for their vehicles, this alliance allows them to close deals faster and to attract more customers who intend to buy a vehicle. The German dealership BMW has an agreement for vehicle loans with the Banco de Credito de Peru (BCP) called BMW Financial Services. The Hyundai dealer maintains alliances with the Santander group through Santander Consumer. The Easy Derco service offered by the commercial house Derco, is a vehicle credit that can be granted by the main banks and financial institutions of the country: Banco de Credito de Peru (BCP), BBVA, Scotiabank or Santander directly from the commercial house. At each point of sale of the commercial houses mentioned above, a credit promoter from each of the financial

companies will be responsible of processing the approval of the credits. In the current market, the indispensable requirements that the concessionaires request to grant a credit to dependents are: copy of the last three payment roles, a copy of the National Identity Document DNI, a copy of a basic service and the credit application of the chosen bank.

One of the companies that we consider can be an ally to NovaCredit in Peru is the financial entity Refinancia. This company offers the purchase of overdue loans from Peruvian banks, as well as offering credit options to people who are in default.

2.4 Financial and legal regulations

2.4.1 Interest rates

When considering to get into debt to acquire a vehicle, for the consumer it is important to know the interest rate that will be paid. First, the Annual Effective Rate (TEA in Spanish) must be considered, which is the interest that the consumer will pay when acquiring the loan. In the second instance, there is the Annual Effective Cost Rate (TCEA), which includes commissions, insurance, legal expenses, among other costs that are included in the financing.

In the following graph obtained from the Superintendence of Banking, Insurance and Pension Funds (AFP), you can see the difference in the fees and the TCEA in different financial entities, in a simulator in which we entered an amount to be financed for a total value of \$ 14,400 at 36 months term. The TCEA ranges from a 15.14% rate in Interbank with a fee of \$ 495.88 to the highest in Mitsui Auto Finance of 51.2% with a fee of \$ 741.55.

Illustration 14 Superintendence of Banking, Insurance and AFP's simulator

1. Seleccione la Región
LIMA

2. Seleccione el Tipo de Operación
CREDITOS

3. Seleccione el Producto
AUTOMOVIL

4. Seleccione las Condiciones
PRESTAMO VEHICULAR POR US\$ 14 400 A 3 AÑOS

Entidad	TCEA(*)	Cuota
INTERBANK	15.14 %	495.88
CMAC CUSCO S A	16.38 %	497.07
CMAC AREQUIPA	16.64 %	508.55
BANCO FALABELLA	20.47 %	526.17
FINANC. PROEMPRESA	21.97 %	535.32
BANCO CONTINENTAL	22.93 %	568.32
BANCO FINANCIERO	23.87 %	552.66
CMAC HUANCAYO	24.57 %	553.73
SCOTIABANK PERU	27.06 %	568.55
BANCO GNB	29.39 %	583.28
BANBIF	30.36 %	590.21
BBVA CONSUMER FINANC	39.57 %	645.48
BANCO DE CREDITO	41.19 %	655.46
MITSUBI AUTO FINANCE	51.2 %	741.55

*Se registra la TCEA máxima aplicable al producto.
TCEA: Tasa de Costo Efectivo Anual

La TCEA es la tasa que incluye todos los costos de un crédito

Source: Superintendence of Banking, Insurance and AFP. Own elaboration.

The table below explains why credit interest rates do not vary significantly depending on the currency in which it is made. That is, if the operation is in dollars or in soles. This is mainly because the annual devaluation of the local currency against the dollar is not high, so the exchange rate is stable:

Chart 3 Difference of credit conditions according to the currency

	Soles S/.	Dólares \$
Valor Crédito	43200	14400
TCEA (tasa de costo efectivo anual)	15.64%	15.14%
Plazo (meses)	36	36
Cuota	1469.57	495.88
Tipo de cambio: \$1 = 3S/.		

Source: Interbank. Own elaboration

In Peru there is no regulation by the Central Bank on interest rates, which are regulated by the market. In the Superintendence of Banking, Insurance and AFP (SBS) we can find all information on interest rates, which internationally are considered the highest rates in the region in terms of consumer loans with a rate of 150%. In the Constitution of Peru says that the Central Bank is the entity that has to take care of the financial system so it should establish the maximum interest rates¹⁰.

¹⁰ Article 84: The purpose of the Central Bank is to preserve monetary stability. Its functions are: to regulate the currency and the credit of the financial system, to administer the international reserves under its charge, and the other functions that its organic law indicates.

Currently, the average annual interest rate of a consumer loan is 48.1% in soles. The head of the Superintendence of Banking, Insurance and AFP, Socorro Heysen, says that consumers are the ones who can negotiate with financial institutions a lower interest rate for their loans if they build a good credit history. A measure presented by the Consumer Defense Commission seeks to regulate interest rates. The president of the commission Miguel Castro intends to review together with representatives of the Association of Banks and the Chamber of Commerce of Lima how the regulation on interest rates works in other countries and build a normative framework. Meanwhile, the President of Asbanc says that this measure would have a negative effect especially on the small business, as it will restrict access to a loan and will be affected if they go to informal loans at higher rates.

2.4.2 Government measures

President Pedro Pablo Kuczynski established a series of measures aimed at boosting the Peruvian economy in the middle of this year. On July 28, 2017, while celebrating the national holidays, the President apologized in front of the entire Congress for the economic slowdown that Peru has been going through, especially due to the Lava Jato corruption scandal, in which politicians are accused of receiving cash from Brazilian construction companies in exchange for contracts with Petrobras, and later for damages caused by El Niño Costero. Kuczynski says: "It reduced the growth of the Peruvian economy, whose rate had already been decreasing sharply since mid-2014. Instead of a growth of more than 4% that was projected for this year, we will have something less than 3% per year. "(Message to the Nation). For an emerging economy, like the Peruvian economy, which Kuczynski considers to have a young workforce, he believes that each year they should generate at least 300,000 new jobs.

The economic reactivation measures will allow the country to project itself at a growth rate of more than 4% in 2018, according to Kuczynski. In the first place, he stated that he will present a bill in which the processes of obtaining land will be shorter, to facilitate it. It also aims to recover the confidence of investors in the private sector through new investments in the mining sector, roads, ports and airports, for example, the Cusco airport. The Cusco airport project had been paralyzed due to corruption along with an unfeasible financial design, however, it was affirmed to continue with the project.

Another measure that the President pointed out is to boost tourism. This measure is intended to double the volume of tourists who visited the country in 2016, in this way it should exceed 7 million tourists by 2021. For this has also been invested in tourism infrastructure such as the cable cars of Kuelap which were inaugurated in 2017.

Due to the dynamism of the international market in terms of demand, which has allowed the price of Peruvian export metals to increase by 15%, Kuczynski claimed to execute new projects in the mines with an investment of 9 billion dollars.

To strengthen the small and medium enterprises, the President said that a plan for access to credit and government purchases was designed, as well as tax benefits to generate growth in the short term and for small businesses to develop.

Regarding employment, Kuczynski indicated that he works on the design and subsequent implementation of a labor change considered as "Pro employment", which will directly combat the high informal work in the country and the low productivity with which they are managed. In addition, to end the difficulty to get employment of young people.

2.4.3 Laws

In the Constitution, Peru states principles that guarantee a favorable legal framework for private investment and foreign investment. As we already mentioned when pointing out the strengths of the country in the SWOT analysis, a fundamental principle is about equal treatment for national and foreign investment. The main legal standards about private investment are: Legislative Decree No. 662, which approves the Legal Stability Regime for Foreign Investment, Legislative Decree No. 757, which approves the Framework Law for the Growth of Private Investment, and the Regulation of Guarantee Schemes for Private Investment approved by Supreme Decree 162-92-EF. Based on these rules we will indicate the most important points that we consider to be related to foreign investment and the financial business:

- To freely remit abroad the profits or dividends upon payment of the corresponding taxes.
- To use the most favorable exchange rate existing in the market.
- To re-export of the capital invested for free.
- Unrestricted access to internal credit.

- Freedom of Organization and Development of Activities: Every company has the right to organize and develop its activities in the way it considers appropriate.

As mentioned above as to the legal regulations on Contracts of sale with reservation of Ownership, the Civil Code of Peru in article 1583 of which states: "The sale can be agreed that the seller reserves ownership of the property until it has been paid the entire price or a certain part of it, even if the good has been delivered to the buyer, who assumes the risk of its loss or deterioration from the moment of delivery." It is important for the business that the portfolio sales companies manage to include a section on the execution of the guarantee. We have, for example, a model contract for the company MAF Peru, where it is stated that it is cause of execution of the guarantee once the customer fails to comply in a timely manner its obligations contract. The thirteenth clause of the MAF states: "The execution of the security may be made by direct transfer to a third (commissioner) without any intervention of the judge..." This paragraph is based on Article 47 on the Extrajudicial Sale, of the Law of Security Interest. This article establishes that, if the guaranteed obligation is enforceable, the creditor can proceed to the sale of the movable property in the manner established in the constitutive act of the security interest.

In addition, the Law of Movable Security establishes a maximum term for the delivery of cancellation's form of inscription in its article 41, this form must be delivered by the creditor within the ten following days after the debt has been canceled by the constituent. In case the creditor does not meet this time, the constituent may appeal to a judge who will procedure this legal process.

2.4.4 Regulations

The National Superintendence of Customs and Tax Administration (SUNAT in Spanish) is a governmental institution of Peru, attached to the Ministry of Economy and Finance. SUNAT absorbed the National Customs Superintendence and assumed its functions, faculties and attributions. The main function of this governmental body is the creation of tax, customs and internal control regulations. It is the representation of the treasury and the application of taxes.

To set up a company in Peru, it must be done through a public deed in front of a notary, minutes or registration or a company can be set up online. Subsequently, the Single Taxpayer Registry (RUC in Spanish) must be registered, which is a standard to which all

taxpayers administered by the Sunat must register. This registration gives each person or company an RUC of 11 digits, it is obligatory and permanent for any procedure that will be carried out in this entity. It must also process operating licenses, permits according to the business turn and obtain payment vouchers and legalize accounting books.

The Superintendence of Banking, (SBS) is the public law entity responsible for the regulation and supervision of Financial Systems, Insurance and the Private Pension System. In addition, it is in charge of preventing and detecting money laundering and financing of terrorism. Its objectives, functions and attributions are established in the General Law of the Financial System and the Insurance and Organic System of the Superintendence of Banking, Insurance and AFP.

SBS regulations aim to create a system of incentives to ensure that companies' decisions are rigorous to guarantee stability and solvency in the long term. These regulations are based on the principle of suitability, it is necessary to ensure that the market participants are people with economic and moral solvency and that they are trained to carry out this management, in this way solidity and integrity is ensured, for which the regulation of the SBS seeks to verify that the path being followed by the companies under its supervision is in the hands of the right person.

Companies participating in the financial, insurance and private pension systems also provide information for other economic entities, which will help them make decisions. Based on this, there is a regulation on the principle of transparency, in which it aims to create the necessary tools to guarantee the quality of the information issued by regulated companies.

On the principle of enforceability, which tells us that in order for the rules that are dictated by the SBS to be understandable, enforceable and supervised, the SBS seeks that its rules comply fundamentally with 4 characteristics: they must be of a general nature, leaving a margin for the decision taking of the companies, they must have a defined scope of action and on some risk in particular, they must be clear so that there are no misinterpretations and finally, they must establish goals that can be reached.

In 2003, the SBS implemented the Basel agreement. It was created the Special Committee of Basel II. The different areas of the SBS have a representation in this committee, whose main tasks are: design the supervision according to the Basel II agreement, access to information level of operation: a New Central of Risks, the establishment of supervision

procedures and alert mechanisms, the identification of the main changes in the regulation and study of new norms. After the financial crisis of 2008, the Basel agreement was reformed, currently it is Basel III and the SBS evaluates and intends to implement the changes made in the agreement according to the reality of the country.

Chapter 3. Internationalization strategies

3.1 Theoretical fundamental about internationalization.

The business internationalization, according to the Camilo José Cela University of Madrid's Business Strategy School, is the process by which the company creates the necessary conditions to get out to the international market. More and more companies tend to relocate and to direct their strategy abroad. This is a long-term process in which you intend to be completely interested in the economy of one or several countries to which you have access. Globalization has made this process easier thanks to the use of the Internet. The new dynamics of the world economy and the opening of local economies make the market now the whole world.

Jaime Sierra González tells us that there are two fundamental theoretical approaches to the process of internationalization of companies. The first considers that penetration in foreign markets is a process that develops gradually, following a continuum that goes from exports to direct investment abroad, passing through a series of intermediate forms. The second raises the possibility of avoiding any of the stages (leap / frogging) as an event in the case of companies that are born internationalized, that is to say since their appearance they are oriented towards international markets. Or those that decide to penetrate an international market using a more direct commitment formula than exports.

Internationalization is the set of activities that a company develops outside the markets that constitute its initial geographical environment. This can occur for different reasons, among them can be:

- Saturated domestic market: in the future, a low growth rate of population could mean a stagnation in demand.
- Appearance of new and attractive markets: growing economies, countries with more population (more consumers), modernization and globalization.
- Government policies that impede the growth of the company in its natural country: government measures that make products more expensive and create more taxes for entrepreneurs.
- Market research at a different stage of the life cycle of financial services is the automotive industry: with the advancement of technology, industries suffer

changes in their structures so it is necessary to look for suppliers and allies that grow at the same time.

- Diversify the risk: "Do not put all the eggs in the same basket". All countries may be exposed to different situations that affect their economy.

In summary, internationalization is the result of adopting one or several strategies in which both the resources and capabilities of the company are considered as well as the opportunities and threats of the environment. Before starting the process of internationalization, there are three main points that should be clear:

1. Why did the company decide to internationalize?

A decision of the entrepreneurs as a strategy for the future of the company. The motivation that drives entrepreneurs to internationalize must be clear. They should have a vision of where they want to see their company in the future. In NovaCredit, its members began to think about becoming international due to the growth that the company has had in Ecuador during the first five years of life. On the other hand, the lack of a company like NovaCredit in the Peruvian market, so the opportunity to expand operations to a different country has been considered but without neglecting the local market.

2. What is the process to internationalize?

There are different forms of internationalization and the company must define the process to follow. The process of internationalization begins when the company decides to export its products or services.

A multinational company seeks in another country some resources that means a competitive advantage, it can be the use of technology, or a special product. The strategies of a company change from country to country to emphasize the needs and preferences of each market.

A global company makes important transactions in several countries. The strategic approach is the same in all countries and their products are standardized, their production is on a global scale and they manage a centralized control.

The international or transnational company focuses the administration in one country, but has the capacity to supervise and have the other countries under its control without neglecting the country of origin.

3. How will it be internationalized?

It is explained fundamentally with the strategies chosen to internationalize. It must be specified the market the company intends to enter and how it is intended to enter, once inside, it must specify how to transcend in time through a strategy of permanence.

It can get started by export, which is the main method of internationalization. Exportation is the sale of goods, products or services to buyers who are in other countries. Generally, companies choose to start gaining reputation and prestige in another country through export to later settle in that country.

Direct investment consists of entering into operation in the foreign market through an investment of capital, initiative or technology through a transfer of resources of all kinds.

Licenses are a legal figure for a company to use manufacturing processes, brands, patents, etc. The one who acquires the license must pay royalties or rights previously negotiated with the seller. This figure minimizes the weaknesses of the company as it ventures into a market with the experience and name of an existing brand.

To continue with the development of this chapter it is necessary to indicate what kind of internationalization strategy NovaCredit should adopt for its positioning in Peru. Based on the theory obtained previously, NovaCredit will make a direct investment in Peru, where it will take part of its capital from Ecuador, which means, it will take human, financial, technological resources and its legal knowledge to start with the project. Once NovaCredit has defined the type of internationalization strategy, it must design its strategic approach to implement its business model to the Peruvian market. This will consist of formulating strategies for each functional area of the company and strategies for the best use of its strategic resources, in addition to taking advantage of the strategies that were raised at the beginning of the company and that are currently used in Ecuador to differentiate themselves from the competition. .

Due to the market niche to which NovaCredit is directed, the company must adapt a business model in which it can create customer loyalty to the company and generate a better value perceived by it (through surprises values and desired values). From this point of view, a sustainable competitive advantage would be created over time and NovaCredit could differentiate itself from the competition. For example, to offer vehicle insurance for the entire term of the credit without interest and without refinancing rate. Another surprise

value is the Auto a tiempo service, a service that offers customers a substitute vehicle in case of mechanical damage. NovaCredit would enter the market with an innovation in its service, offering a better quality in the origination of portfolio service to both dealers and consumers being effective in what it offers and being superior with respect to the competition.

The purpose of creating strategies is mainly to try to turn weaknesses into strengths. Next, the strategies that NovaCredit has managed to apply in the company in Ecuador will be developed and the possible strategies that can be applied in a new market such as Peru will be formulated.

3.2 Organizational culture strategy

Organizational Culture is the set of attitudes, experiences, beliefs and values within a company. In brief, organizational culture is the psychology of a company. Chiavenato says that a company is changed from the creation of a new mentality and a new state of mind that should have its beginning at the top of the organization.

The organizational culture that NovaCredit will implement in Peru is similar to the one that has been implemented in Ecuador, with its solid foundations in the mission, vision, values, objectives, but mainly based on its management structure.

NovaCredit has been characterized by creating a pleasant space for both employees and managers, in this way it has managed to create a sense of belonging to the company by the entire working group. NovaCredit appreciates commitment, transparency, sacrifice, delivery and continuous improvement, as well as providing the necessary tools to empower each of the collaborators and obtain the best of each one that strengthens teamwork.

Among the achievements of the company is an effective communication strategy: In NovaCredit communication between the different areas is vital, that is why weekly management committees are held where each area exposes its activities, observations, achievements, shortcomings and results obtained in the work week. The company uses several tools for communication (taking advantage of all technological resources that are available).

A fundamental strategy among the hierarchies within NovaCredit is the trust and accessibility that employees have when giving an opinion or taking part in decision-

making together with people who have a greater hierarchical rank. In this way, a participatory and democratic culture strategy was created, with the opportunity for dialogue and suggestions, which is why NovaCredit executives are considered leaders, managing to generate and maintain a good communication and relationship with all employees, providing them freedom, opportunity and confidence in themselves to expose any situation from any field. This motivates all of them to seek to be better in their functions and encourages work between the areas. "A happy employee works better and produces much more than a dissatisfied and rebellious employee." (Chiavenato, page 11)

In NovaCredit the group successes are celebrated, this is why their organizational culture has been fundamental for their great growth of these 5 years. People are considered people and not productive resources.

On the other hand, NovaCredit has also focused on the loyalty of its suppliers (car dealer network) in order for each commercial adviser of the dealers to have NovaCredit as the first financing option. That is why NovaCredit, in addition to paying commissions, performs incentives such as sending snacks to vendors, celebrating birthdays of vendors and dealership officials or holding events where they feel protagonists and identified with the NovaCredit family. These events include trainings, celebrations, meetings, pleasant moments and the opportunity to meet the group that makes up NovaCredit.

When it comes to customers (institutions that buy portfolios), NovaCredit focuses mainly in giving them a good first impression. It is essential that the representatives of each IFI (Financial Institution) trust the company and feel confident about negotiating with NovaCredit. For this, visits are made in a row regardless of the city in which they are located to offer the client the portfolio and explain the business line. Generally, these meetings are led by the General Manager and recently, a Commercial Manager for the Portfolio Sale has been appointed, who stays in contact with the IFIs. Once the client knows about the product of the company, NovaCredit invites them to know the facilities in the city of Cuenca, this generates more confidence in the client since it can observe a company established in a prestigious place with facilities of first quality. With this invitation, with the presentation of the entire NovaCredit team, with the visit of clients to a city to which they may never have gone, the relationship of trust grows little by little between the parties and in this way remains the commitment to agree on future negotiations.

According to the information obtained about the high rates of informal work in Peru, an organizational culture strategy that NovaCredit could adopt is the promotion of the development of young Peruvian professionals, who will have constant training and preparation, providing them with the tools and the necessary motivation so that they can develop professionally in a stable environment and that they feel part of the organization.

A strategy to achieve a sense of belonging to the organization is to offer the possibility of growth within the company. It can be created a program of promotion and rotation of personnel, in which each person can learn about all the areas of the company starting from below, forming part of the processes, so that once you reach the top you know how it is handled and can provide solutions or suggestions to improve processes.

When trying to start a business in a different country, NovaCredit needs advice in several aspects (legal, labor, commercial, bureaucratic, etc.). So a strategy is to use benchmarking to improve processes and services. It is necessary to compare the processes that NovaCredit manages in the portfolio origination with another company that is already successful in Peru and use them as a reference to achieve the objectives.

3.3 Human Talent Strategy

Human resources or human talent are a fundamental pillar for success in any company. Employees who are motivated can contribute to the company with new ideas, this generates a sense of belonging within the place where they perform their duties.

Human Talent is considered a competitive advantage in the workplace, a person who can express their thoughts and ideals is more productive within the company, in addition to creating a climate of closeness and trust between employees and superiors. In summary, talent management is the integrated set of processes within the organization. They are designed to attract, manage, develop, motivate and retain collaborators.

Thanks to the information provided by NovaCredit, we have been able to see that one of the most important strategic resources has been its human capital. Thanks to the performance and job satisfaction of the staff, the company has been able to efficiently and effectively improve its productivity until it grows to what it is today and compete with the main companies that originate the country's portfolio.

NovaCredit's human talent management is based on the planning, development, conservation and control of the members of the organization. The company has developed

a strategic plan on the personnel, guided by a series of objectives, goals and the different conditions to fulfill them.

That is why NovaCredit, based on its experience and studies of the Peruvian environment, can apply the following strategies at the time of its internationalization:

- Consider different people from the NovaCredit team who can perform field recognition in Peru. In this way they can know the market and the operation in this country. In this case, a collaborator should be taken into account for each area of the company, who is trained in all the functions of the department and who can look for ways to implement their processes in Peru. For this, all areas of the company must be embraced to a new market in all areas: cultural, political, economic, social, environmental, technological, etc. The objective is to combine the policies created for Peru with policies that currently exist in NovaCredit Ecuador. With the combination of policies, an employee will feel that they work for NovaCredit no matter in the country where they are located. For example, the human resources area should direct its policies based on the professional development culture that exists in Peru. An attractive professional career for Ecuador may not have the same impact, level and / or competitiveness in Peru and vice versa.
- Recruitment of personnel who already have experience in this business area must be carried out. A person who has knowledge of the market is very useful to guide where the company should go. The staff must be proactive and with initiative to open the way to a new company, in addition to having the ability to work in conjunction with staff in Ecuador, as they must maintain constant communication to develop the strategic plan of NovaCredit in Peru.
- Human talent management strategy: for this we must consider the existing policies in Ecuador and create corporate policies in which the principles and basic elements of Human Resources are defined. To plan with a long-term vision: from the infrastructure so that the staff feels in a comfortable place of work to the sector in which the office will be located. The number of people that will be part of the foundation of NovaCredit in Peru must be established and addressed by areas, so that the processes are in an orderly manner from the beginning. The necessary selection requirements must be established for a person who wishes to be part of the team (professional training, presence, work experience, work tools, etc.). The

incentives that will be applied to employees from the beginning based on their performance should be established.

One of the most important policies must be to attract, retain and motivate employees, so you can invest in them and have the security that they will feel identified with the company and with a sense of belonging to it.

The necessary information about the company (history, values, strategies and business model) must be passed on to any person who joins the NovaCredit team in order to be sure that everyone is searching for the same objective and with the same ideals.

It is important that the policies created by the Human Resources area have clear Peruvian labor laws. Internal policies must be directly related to the legal framework established by the Ministry of Labor and Employment Promotion of Peru, in this way employees can feel safe working in a company where they will respect the benefits established by law.

- NovaCredit in Peru will be based on a management strategy by competencies. This strategy seeks that all of the collaborators work for a mission and not only as a personal goal. Workers who have a proactive and collaborative attitude are important within any company, they are predisposed and familiarized to teamwork and when the team wins, everyone wins.
- To avoid brain drain (a phenomenon that threatens Peru), NovaCredit will design a plan in which an employee with good professional training to apply to any job in the world, feels that it is not underestimated by having a place at NovaCredit. Within this plan, constant visits to NovaCredit Ecuador should be included, in order to have new knowledge to apply in Peru. In addition, NovaCredit offers training plans in renowned institutions in Latin America to employees it considers worthy.
- As part of a policy of occupational health and safety, NovaCredit aims to prevent the risks of accidents and occupational diseases. For this, a plan must be developed in which, at least once a year, a company specialized in Occupational Safety can carry out a study on the situation of the company. Within this plan, it is included that each employee who begins to work in the company must perform medical examinations, in order to avoid diseases and epidemics. In addition, all the infrastructure acquired for offices and electronic equipment must be of the best quality. Computer monitors will be LCD, which cause less damage to vision than

PC screens. Chairs and desks should be adapted to each employee so that the spine is in the correct position and elbows at a 90° angle on the desk. The recommendations of the occupational safety professional will be adopted for the benefit of the company's employees.

3.4 Technological Strategies

ECLAC (Economic Commission for Latin America and the Caribbean) has proven that globalization and ICT (Information and Communication Technologies) exert a strong impact on the composition of economic activity and patterns of social interaction.

A virtual environment, where you interact with several agents at the same time through one or several platforms, is born once the service or product companies acquire a high mobility and start looking to venture into new markets.

“When deploying their technological strategies, companies explain the direction and nature of their innovative activity. ” (Aboites, 1999)

Nowadays, technology is a fundamental tool in the development of a company. Even more in the case of NovaCredit in which the Mother company will be in another country, the support of technology is needed to be connected to each other and maintain good communication. On the other hand, the less a person becomes involved, the less chance of incurring human errors exist. In the case of NovaCredit Ecuador, people are who use technology to facilitate, simplify and perfect processes.

In Ecuador, the software used within the company is Microsoft, with its most important tool the Excel worksheet. This tool is used in all areas of the company to keep track of customer databases. In addition, through this tool reports are made for management. In terms of communication systems, the most used tool today is WhatsApp Web, a tool that was adopted due to the ease and speed of response through an instant message.

The operating system that NovaCredit uses is the SIP that stands for Pointec Integrated System. This software allows to solve operational activities of financial and commercial companies in terms of databases and accounting records guaranteeing security of the information.

To define the strategies in the field of technology, NovaCredit must adopt different advance strategies. Advance strategies are innovation strategies that are based on qualities

that must be developed. In addition, they always try to take advantage of future business opportunities and are able to recognize future needs of customers.

A strategy to reduce response times and provide a better service is the hiring of a personalized customer analysis system to the Equifax¹¹ company. A software designed for automotive credit analysis will be requested. This system should analyze the client's ability to pay, the percentage of risk he or she has, their financial history in the Financial System, etc.

A strategy to gain competitiveness can be achieved through ICTs. For this, it is necessary that ICTs are implemented in all processes; from those that seem to be less important to the most important. The implemented technology must go according to the business model and generate a competitive advantage over other companies. As mentioned above, an advantage of NovaCredit Ecuador is the speed of its response times, so it is intended to earn the same advantage in NovaCredit Peru.

Taking advantage of the strength of the Internet in Peru which is very fast and has reached the most urban areas of its capital Lima, it is necessary to create a strategy which allows the company's officials to connect from different parts to give an answer timely to customers. At NovaCredit Ecuador, commercial advisors are managed through high-speed modems that allow them to connect with the main office through different platforms from anywhere to attend different requirements. Following this same line, at NovaCredit Peru, high-speed internet connection must be managed from anywhere.

NovaCredit handles information considered confidential, so it is necessary to manage a strategy that allows the company to protect the information. There is a risk that the information of the customers will be filtered and put on sale, which would affect the company because it is the one who invests in databases to obtain this information. A possible leak would also be damaging since they would have access to NovaCredit's customer databases, to which the competition can offer direct credits offering supposed benefits that NovaCredit would not have. Therefore, the information must be handled very carefully.

¹¹ Equifax is an international company that enhances the financial future of individuals and organizations worldwide. Equifax combines unique data with innovative technology and analytics. It started as a consumer credit company and has become a provider of insights and insights that help its clients make informed decisions.

For operational processes within the company, such as balance inquiries, transfer requests, payment to suppliers, payment to employees, payment roles, etc. It is very important to have a secure Virtual Banking platform provided by the Bank with which the company decides to work. In Ecuador, the company manages 3 main accounts in banks that allow to access to Virtual Banking and in this way it saves time and resources by making all the requests it needs through the Internet.

Finally, and for the company in Peru to feel equally included as part of the group to which it belongs, one strategy is to be part of the Intranet created by the Vázquez Group in mid-2017. On this platform is all the information of the companies that make up the group, as well as promotions, discounts for employees in the different companies, competitions, group information and more.

3.5 Logistic strategy

Within a company, the process of planning, implementing and controlling the processes from the point of origin until after the point of consumption, in order to meet the needs of customers, is known as "logistics". This process must be integrated within the company, it is associated with the good management and administration of capital, goods, services and people. The development of logistics will be directly reflected in the performance of organizations creating a competitive advantage for the company.

With the experience of having started a company from the beginning, NovaCredit Ecuador knows what it should not repeat when starting a new project. In the same way, it knows many things that must be done from the beginning, one of them: design a Logistic Plan where the processes of the company as a whole and of each functional department are defined.

The objective of Logistic Plan is not only to grant vehicle financing to a client. The goal is to make available to each client the service they need, at the right time, under precise conditions and at an optimal cost. All this in order to complete each stage of the internal process of the company in an efficient and effective method.

To create the Logistic Plan, we will focus on three main aspects: processes with suppliers, operating process and portfolio sales, portfolio recovery process.

- Processes with suppliers:

First, a selection of providers must be made. It must be defined with how many suppliers is the company going to work. For example, allying with Toyota which is the main brand that is marketed in Peru, getting to reach the Chevrolet brand through the General Motors Group with whom NovaCredit has created a great commercial relationship in Ecuador. Once the dealers with whom the company is going to work are clear, it must be established a location for the offices. The location should be at a midpoint between the suppliers, to perform the entire process of signing documents and processes of legalization and delivery of vehicles in a fast way with all the concessionaires alike. In addition, it should be considered the closeness to notaries and the Commercial Registry.

It must be clarified jointly with the concessionaires the channels that are going to be used to attend every requirement, as well as the people who will be in charge of serving them. For this, a personnel selection process must be carried out for each dealer, it must be established if the same person will serve several agencies or only one of them. The good communication and relationship that exists between a commercial house and the company is essential. It must be established who will carry out the process of providing information to the customer about NovaCredit, whether it will be carried out by a vendor of the concessionaire or if the employee of NovaCredit will do it.

It is also very important to establish the commission system with the vendors of the car dealers. As we mentioned before, in Peru the issue of commissions is very strong and workers are handled in this way.

- Operating process and portfolio sales:

For each functional area of the company, a flowchart must be created, establishing the processes that must be carried out within the company. Based on what has been achieved by NovaCredit Ecuador, a manual should be taken for granted, establishing a process with a long-term vision of all the activities carried out by each department. For example, the first filter that is carried out by customers corresponds to the commercial area. Based on a pre-qualification process, it is determined if the client reaches a deeper analysis in which the risk area begins its work. Once the client is approved, the contract generation process is carried out for the client to sign, this is when the process goes to portfolio purchase. The documents are reviewed according

to the request for risks and the portfolio is paid to the concessionaire. In this process purchase of portfolio and operations intervenes, who are in charge of making portfolio payments. After the portfolio is paid, the process continues with the portfolio sales area, in which potential customers are selected to sell to the different financial entities. Both operations and systems departments are also involved in the sale due to the different platforms needed to negotiate the portfolio. Finally, the process is transferred to collections who are responsible for carrying out the recovery of the portfolio. We mentioned that it should be a flow chart with a long-term vision since the number of processes that will be carried out when there is a greater flow of clients should be considered. For example, when NovaCredit Ecuador started, it was not expected to become what it is today, therefore the processes have been changing little by little according to the amount of work that has taken place, but without being guided by an established process. The result is a series of non-standardized processes that have been carried out in a mechanical way, if a person separates from the company, maybe nobody else really knows how to perform certain processes.

Within this process it is important to define the times and strategic resources that should be used within each activity and for each area. For example, the risk department should have a specific time in which they will respond to the dealer if a customer is approved or denied, likewise if there is an appeal, an average response time should be handled. Another example to establish times is in the sale of portfolio, if a portfolio is not sold in an average time of 30 days it can begin to deteriorate and it will be increasingly difficult to negotiate it.

The strategic resources that are going to be used to fulfill the NovaCredit Logistic Plan are part of the entire organization, since it involves human talent, technology, material supplies, the environment, the management of the company, among others.

- Portfolio recovery process:

For this business, the collection area is essential, if the portfolio that has been purchased is not charged, the company would not keep buying more and the business is stagnant. The logistics process used in this area must be closely linked to the technological resources we have available today. Free resources such as access to satellite location through platforms such as Google Maps, which give us the exact location of a person and helps us find directions is essential to locate customers. On

the other hand, the satellite device services that are included in the financing are very helpful to know where the vehicle is in case of a demand.

NovaCredit's Logistics Plan must include the work performed by this area since it must follow a protocol established in the cases of customers who default on the different phases (between 5 to 15 days, from 15 days to 1 month, more than 1 month) since the treatment given to clients is differentiated by the delay they have.

At last, it is essential to establish the processes that will be performed to start the demand of a client. It must be considered the legal aspect of Peru on how many notifications have to be made to the client or how long does a client have to be in default in order to start a judicial process, etc.

3.6 SWOT Cross Matrix

Chart 4 SWOT Cross Matrix

STRENGTHS S1. Economic stability, positive macroeconomic indicators S2. Attractive to foreign investment S3. Decreasing unemployment rate S4. Low risk country S5. Progressive government open to private initiatives S6. Promotion of the young workforce	OPPORTUNITIES O1. Globalization O2. World economic growth O3. Public-private partnerships for investment in infrastructure O4. Tourism promotion O5. Stable and attractive legal framework for investment
WEAKNESSES W1. High levels of poverty and inequality W2. Deficit in infrastructure and investment for development and research W3. Corruption W4. High rates of informal work W5. Administration of justice W6. Poor fiscal administration W7. Citizen security	THREATS T1. Great Power's economy T2. Global Warming and Climate Change T3. Brain drain T4. Currency risk T5. Border conflicts with Ecuador and Chile T6. Drug trafficking between Peru, Bolivia and Ecuador

Source: Own Elaboration

Based on the SWOT analysis carried out in chapter 2, this section formulates the strategies that NovaCredit can apply, taking advantage of the country's opportunities, threats, weaknesses and strengths.

SO Strategies (Strengths and Opportunities)

S1 / O1 = S1:

Nowadays, globalization has been the fundamental pillar for the opening of borders in the world, it has been possible to reach places that had not previously been thought through foreign investment and the exchange of resources. That is why NovaCredit intends to take advantage of the economic stability that Peru has had in the last time and has decided to analyze the possibility of entering the Peruvian market with its business model, so the company will analyze the best tactics to achieve it.

S2 / O5 = S2:

NovaCredit will take advantage of this strength and opportunity for its international expansion. As Peru is an attractive country for foreign investment and has a stable regulation and legal bases, NovaCredit can now formulate its internationalization strategies in different areas, especially in the legal part, adapting to these without risking risks and the threat of political interference in the judicial power. In the first instance, it is important for NovaCredit to know the entire legal framework of Peru, its Constitution, regulatory bodies, regulations, regulations. For this, the respective analysis was carried out in Chapter 2.

S4 / O2 = S3:

Since the global economic growth and Peru's country risk being one of the lowest in Latin America, NovaCredit will acquire greater security for its introduction in this country. Considering the possibility of its introduction in other countries as the comparison was made in chapter 1 between Colombia, Peru and Panama of some factors that influenced the decision of choosing Peru, this strength is one of the answers to this question.

S6 / O2 = S4:

From our point of view and from the NovaCredit's business model it can be seen that the young workforce is very important for the growth of a company. In addition, since the world economy has been growing in recent years, and due to the investment that several

countries have made in the development of young people, NovaCredit will use its strategic plan on human talent, which mainly considers young people from Peru to grow within the company and within the process of positioning NovaCredit in this country.

S5 / O5 = S5:

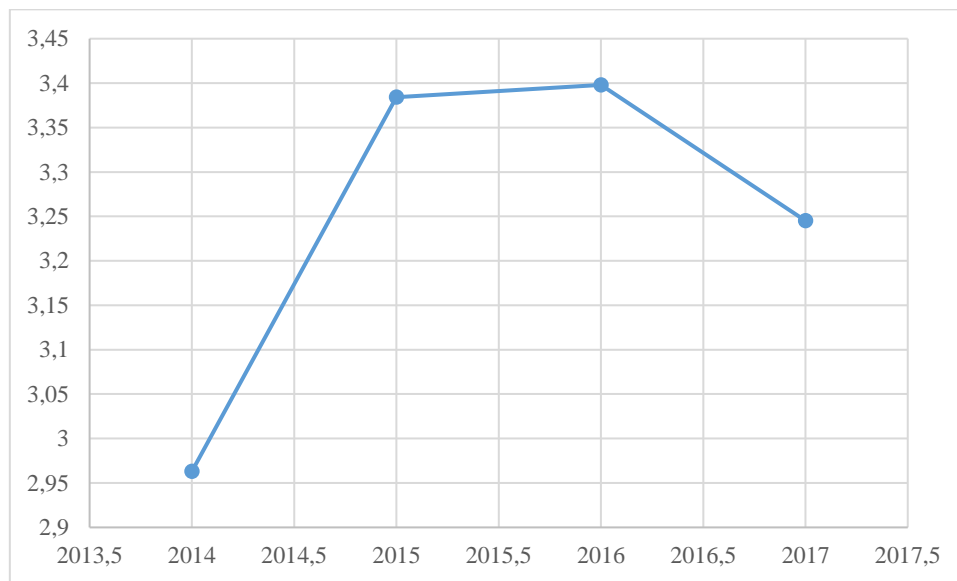
One of the major advantages that NovaCredit will have at the time of its introduction in Peru is the factor that the Government is open to private initiatives. Even more so if there is a stable legal framework and its policies promote and guarantee investments. Peru does not have many procedures to follow when setting up a company. For NovaCredit it means optimization of resources and time, by optimizing resources at this stage, it can harness more resources at the time of the position in the market. Peru is considered an attractive country for investment, this is where NovaCredit with its initiative and business model should consider the Peruvian market as a Blue Ocean, so the company will distinguish itself from the competition by reaching this market where it is not exploited, arriving with new ideas and great growth opportunities, ready to be leaders.

ST Strategies (Strengths and Threats)

S4 / T4 = S6:

Peru's Country Risk indicator is one of the lowest in the region, making Peru an attractive country for investment since it provides security to investors. This strength reduces the threat of exchange rate risk. Although the foreign exchange market is very volatile and involves a great risk, based on the price presented by the PEN (Peruvian peso) with respect to the dollar since 2015 it has been stable, with the lowest price in January 2015 with a value \$ 2.97 and uphill to \$ 3.51 in February 2016. Since 2016 the lowest value that has fallen is \$ 3.27 in May 2016 and currently the average is \$ 3.26. So NovaCredit can take advantage of the low volatility of the exchange rate for greater investor security. The following is a graph of the devaluation of the Peruvian sol against the dollar since 2014:

Chart 5 Currency's devaluation against the dollar since 2014



Source: Own Elaboration

The accumulated devaluation of the period 2014 - 2017 is 9% in four years, which gives an average of 2.3% per year. This relatively low devaluation trend, due to the good economic management of the country, results in the difference between the interest rates in Soles vs. Dollars to be minimal. However, it should not be forgotten that Latin American economies tend to have political factors that affect the exchange rate and eventually the devaluation in Peru could be higher. It is important to take this into account because if the portfolio NovaCredit purchases is in dollars, there is an additional exchange rate risk to the credit risk.

S6 / T3 = S7:

Promoting and encouraging the young workforce in Peru is a great challenge if we consider that there is a high rate of brain drain. This is mainly due to the search for better work and life opportunities for young people, who specialize abroad and then do not want to return. For them, NovaCredit must focus its Human Talent strategy and get good professionals, specialized both in Peru and abroad, to retain them and provide them with good opportunities.

S1 / T1 = S8:

Although the economic situation in Peru has been stable in the recent years, and has shown a progressive growth of GDP, the moment that there is a recession of the great powers, the developing countries are the most affected. As happened after the housing

crisis in the United States in 2008, both Peru and Ecuador, Panama, Colombia and others were affected. That is why the situation of the great powers was considered a threat, since, if something goes wrong, Peru, the market and NovaCredit will be affected. NovaCredit must be constantly investigating the global situation, so that in case there is a threat that could affect the company's welfare, it can be prepared.

S3 / T3 = S9:

Unemployment rates in Peru give a positive outlook on labor issues. The number of unemployed has been decreasing as time goes by. We have already mentioned that NovaCredit seeks to implement a young workforce, so it will try to hire qualified and young labor avoiding the brain drain. NovaCredit aims to gradually grow in the Peruvian market and to be an important source of employment in that country. To achieve this, committed and prepared professionals must be trained.

WO Strategies (Weaknesses and Opportunities)

W2 / O3 = S10:

As Peru is a developing country, it has opted to make agreements, alliances and to invest in the companies for its growth in all areas, especially for the country's research and development. This is why NovaCredit has the opportunity to reach this market with its model or concept of company and that several companies (even if they do not have the same business or target) adopt this type of business administration and can contribute to its development. NovaCredit must aim for greater access and better positioning in the market, being an example for companies in Peru.

W3 / O5 = S11:

Corruption is a problem that occurs in all countries and has been due to the misuse of power and the violation of laws in their own country. That is why NovaCredit will not be an accomplice of this crime for any reason nor will it risk incurring any legal problem. It must always be governed by the correct, that is, it will be managed under the policies, laws and regulations without getting involved in any corruption issue for it. For this, the regulations to which the company must abide to exercise its activities must be established. For example, NovaCredit will always carry out asset laundering prevention studies, thorough analysis of the credit subjects will be carried out and the necessary backups of the origin of the funds will be requested.

W4 / O1 = S12:

Thanks to globalization, NovaCredit has been able to project abroad. In this case it will be Peru, a country with high rates of informal work. This does not mean that NovaCredit in its beginnings will be a large company that will provide several jobs, but can be considered that, being a new company, will provide work to several people, young and more experienced wishing to start this project and support in the growth of the company.

Looking at it from another perspective, it can be considered that, if new competitors arrive to a market, the market grows and therefore more sources of employment are created. NovaCredit can generate -in the long term- more jobs in the company.

W2 / O3 = S13:

We have mentioned that Peru has a deficit in infrastructure and investment for development and research, on the other hand, it also has the solution to this problem since public-private partnerships have been created for investment in infrastructure. NovaCredit will not promptly apply strategies in this regard, but can consider constructive advantages for NovaCredit Peru. That is, if Peru is investing in development, NovaCredit has more possibilities for growth and development in this country. With the long-term objectives set not only in research and development, will contribute to the company (both administrative, operational and even in logistics) through infrastructure, means of transport, roads, between others. This means that, if Peru grows and develops in this aspect, the investing companies will also have an opportunity to grow.

W5 & W6 / O5 = S14:

Peru has stable regulations and promotes investment, therefore it shows that its laws are clear and precise. In addition, they guarantee that the laws are not changing, so that a normative body can be accepted without the uncertainty of the validity of the same. As in any country, especially in Latin America, the public sector neglects the fiscal administration and there are gaps within it. Similarly, in the administration of justice, to which the executive power does not generally provide total autonomy and maintains constant interference within the judiciary. That is why NovaCredit from its inception must be governed by the provisions of the law, under the tutelage of its regulatory body in this case the Superintendence of Banking, Insurance and AFP. NovaCredit must adhere to its regulations to avoid any inconvenience in the development of its activities. In addition,

NovaCredit will cancel all taxes that apply in order to obey the law properly. The company is aware that, if all companies comply with their tax obligations, all benefit from the development of the country.

WT Strategies (Weaknesses and Threats)

W3 / T1 = S15:

One of the biggest corruption scandals that has affected Latin America in recent years has been the Odebrecht scandal. The Brazilian construction company that has a presence throughout the Americas, Africa, Europe and the Middle East was accused of several corruption offenses such as money laundering, currency evasion and criminal organization. Within the investigations it was discovered that several officials of the Government of Peru had received bribes in exchange for contracts with the Odebrecht Company. This is just one example of how the situation of the great powers can affect a country. In this case, the uncertainty within Peru of who will get affected by this scandal, can scare investors who had planned to take their companies to the country. NovaCredit must present all the records of where the funds that it will use to start operating in Peru come from. In the event that NovaCredit Peru is linked to a corruption scandal, NovaCredit Ecuador will be directly affected, as will the entire business group it represents.

W1 / T3 = S16:

Peru has high rates of poverty and inequality in the social aspect. Globally, it suffers from the phenomenon of brain drain as mentioned above. At this point, NovaCredit must apply its strategic plan of Human Talent offering job opportunities that are attractive to professionals, making people feel identified with the company, creating a sense of belonging and finding new opportunities to develop their potential and personal growth. This will avoid that young people who have achieved their professional degree want to go to other countries, the effort of professionals must be assessed when they obtain their degree within their country to avoid looking for spaces in other countries.

W7 / T5 = S17:

NovaCredit must consider the risk zones that exist in Peru when analyzing the credit subjects. As mentioned in the previous chapter on Citizen Security, there are areas in which insecurity is perceived more than others. NovaCredit initially plans to work just in

the capital Lima, but in the future it can expand to other cities, so the risk will be higher. It is important to bear in mind that there are riskier areas than others, for example, the northern zone (border with Ecuador) and the southern zone (border with Chile) due to border conflicts that have existed for a long time in these areas. Therefore, NovaCredit must segment the risk areas to avoid granting financing to people who live in these areas since they are usually people engaged in smuggling or informal work.

Summary of strategies:

Chart 6 Direct Investment Strategy

Strategy: Direct Investment	
Objective	To situate in the Peruvian market
Formulation	<ul style="list-style-type: none"> • NovaCredit will take part of its capital in Ecuador: human, financial, technological resources and its legal knowledge to start with the project • Agreements and alliances will be made with suppliers (concessionaires, insurers) and clients (IFIs)
Control	<ul style="list-style-type: none"> • Estimated time of positioning in Peru: 1 year • In charge: Planning Manager, Management.

Source: Own Elaboration

Chart 7 Competitive Advantage Strategy

Strategy : Competitive Advantage	
Objective	To create loyalty of the users towards the company and generate a better perceived value.
Formulation acción	<ul style="list-style-type: none"> • To enter the market with an innovative service: offering a better quality in the portfolio origination service to dealers and consumers. Be effective in what is offered and superior compared to the competition. • NovaCredit and its business model must consider the Peruvian market as a Blue Ocean, so the company will distinguish itself from the competition by reaching this market where there is still space for portfolio originators, with new ideas and great growth opportunities, ready to be leaders
Control	<ul style="list-style-type: none"> • In charge: Planning Manager, Marketing Manager.

Source: Own Elaboration

Chart 8 Organizational Culture Strategy

Strategy : Organizational Culture
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Objective	To implement in Peru an organizational structure similar to that of Ecuador: solid foundations in the mission, vision, values and objectives, with the support of its management structure.
Formulation	<ul style="list-style-type: none"> • Participatory and democratic organizational culture • Effective communication between áreas • Pleasant work environment • Loyalty to suppliers (dealers) through commissions, incentives, training. • Customer Loyalty (IFIs) generating a good impression, confidence and security of the portfolio.
Control	<ul style="list-style-type: none"> • Estimated time of adaptation to the market: 6 months • In charge: Managers in Perú, Planning Manager (Ecuador).

Source: Own Elaboration

Chart 9 Human Talent Strategy

Strategy: Human talent	
Objective	To provide human capital with the necessary tools to develop personally and professionally. In this way it is intended to achieve the established business goals.
Formulation	<ul style="list-style-type: none"> • To do field recognition by sending staff from NovaCredit Ecuador to Peru: know the market and find ways to implement the processes in Peru. • Recruitment of personnel in Peru with experience in the business. • To establish the same human talent management plan of Ecuador in Peru (planning, development, conservation and control of the members of the organization) • Promote the young workforce • Attract, retain and motivate employees. • Management by competences: reaching common goals with the entire team • Training and constant preparation. • Establish occupational health and safety policies.
Control	<ul style="list-style-type: none"> • Personnel surveys and interviews will be conducted to measure their job satisfaction. • In charge: Managers in Peru, Planning Manager (Ecuador), Human Resources Manager (Ecuador)

Source: Own Elaboration

Chart 10 Technological Strategy

Strategy: Technology

Objective	Facilitate, modernize, automate and perfect processes
Formulation	<ul style="list-style-type: none"> • Manage Microsoft software in Excel especially. • In communication systems, to manage available platforms to everyone: emails, WhatsApp, Skype. • Acquire an operating system that facilitates processes within the company and minimizes human error • Constant update in electronics. • Hiring a customer analysis system customized to the company Equifax. • Security and protection of information as data from the client portfolio. • Hire a secure Virtual Banking platform
Control	<ul style="list-style-type: none"> • In charge: Managers in Peru, Planning Manager (Ecuador), System Managers (Ecuador y Perú)

Source: Own Elaboration

Chart 11 Logistics

Strategy : Logistics	
Objective	To give the customer the service they need at the right time, under precise conditions and at an optimal cost in an efficient way.
Formulation	<ul style="list-style-type: none"> • Create a logistics plan according to each process of the company. • Strategic location of the NovaCredit offices in Peru • To define channels to attend requirements. • Encourage good communication between dealers and NovaCredit • Create flowcharts for each area • To make a guide of functions for each área • To define strategic times and resources to be used in each process of the company • To use all the necessary technological resources: Google Maps • To create protocols to proceed with the demand and execution of operations that are in default.
Control	<ul style="list-style-type: none"> • In charge: Managers in Peru, Planning Manager (Ecuador)

Source: Own Elaboration

Chapter 4. Budgets and risks

4.1 Financial evaluation

When a company carries out a project, it is necessary to determine what the risks are, benefits and profits that are inherent to it. In the financial world, this type of research is defined as a Financial Project Evaluation.

To carry out the financial evaluation of the NovaCredit project in Peru, the following factors will be considered.

A comparative chart was made among the competitors to obtain the following data according to the market: percentage of an average initial fee that the financial institutions request to grant a credit; average term of an automotive credit operation; average interest rate. For this comparative table, the institutions considered as competitors are: Yapa, CFC, Banco de Crédito de Perú and MAF.

Chart 12 Average data of credit conditions by Financial Institutions

	YAPA	BCP	MAF	CFC	NOVACREDIT's Projection
Rate	25%	14.72%	14.9%	18%	18%
Term	60	60	36	60	52
Initial Fee	10%	0%	10%	20%	10%

Datos en soles S/.

Source: Own Elaboration

The following chart shows the market value of the best-selling cars in Peru in 2017. With this information we obtained the average value of a vehicle to continue with the financial evaluation.

Chart 13 Vehicle's price in 2017(Dollars)¹²

Brand	Model	Price US\$
Toyota	Yaris	\$ 16.590,00
Kia	Rio	\$ 11.990,00
Hyundai	Accent	\$ 14.000,00
Hyundai	I10	\$ 10.250,00
Kia	Picanto	\$ 9.990,00
Chevrolet	Sail	\$ 10.990,00
Hyundai	Elantra	\$ 18.800,00

¹² Data taken from Todo Autos. Referential Price on new cars.

Kia	Cerato	\$ 16.490,00
Toyota	Etios	\$ 12.990,00
Nissan	Versa	\$ 14.290,00

Source: Own Elaboration

Average price according to the previous data: \$ 13,638.00. The average price we will use will be \$ 13,600.00.

Next, the data to be considered for the financial evaluation is presented for each operation in its business line. For this exercise, we consider that the average market initial fee is 10%. In this case the entry for the vehicle of \$ 13,600.00 would be \$ 1,360, so the amount to finance is 90% or \$ 12,240.00.

Chart 14 Financial Evaluation Data

PORTFOLIO PURCHASE DATA	
Average amount to finance per vehicle	\$ 12.240,00
Average rate per vehicle	18,00%
Average term in months per vehicle	52
PORTFOLIO SALES DATA	
Average balance of operation	\$ 12.240,00
Rate of sale to the IFI by vehicle	15,00%
Spread per vehicle	3,00%
Utility by vehicle in %	5,55%
Utility by vehicle in \$	\$ 679,16

Source: Own Elaboration

From these data, for the projection was taken into account that the first six months are inactive, because it takes approximately this time to settle in the offices, to get the dealers with whom to work, staff and permits of operation.

This is why year 1 is considered to buy the portfolio of only 240 vehicles. As of the second year, the growth in portfolio purchases is projected due to the fact that the obstacles of the first year would have been overcome. The costs were already considered for this projection according to the growth from the second year.

Chart 15 Financial projection

PROJECTIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
NUMBER OF CREDITS GENERATED BY MONTH	20	80	120	150	200
CREDITS GENERATED PER YEAR	240	960	1.440	1.800	2.400

GENERATED CREDITS (accumulated)	240	1.200	2.640	4.440	6.840
MANAGED CREDITS(by the end of the year)	216	1.080	2.376	3.996	6.156
AMOUNT OF CREDITS GENERATED BY MONTH	\$ 244.800	\$ 979.200	\$ 1.468.800	\$ 1.836.000	\$ 2.448.000
AMOUNT GENERATED PER YEAR	\$ 2.937.600	\$ 11.750.400	\$ 17.625.600	\$ 22.032.000	\$ 29.376.000
GENERATED AMOUNT (accumulated)	\$ 2.937.600	\$ 14.688.000	\$ 32.313.600	\$ 54.345.600	\$ 83.721.600
REVOLVENT CREDIT LINE	94.800	829.200	1.189.486	1.490.297	2.053.481
INCREASE IN COSTS		1,70	1,50	1,25	1,33

Source: Own Elaboration

With the data presented above, the income simulator would be as follows:

Chart 16 Income projection

INCOMES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
EARNED RATE (until portfolio's sale)	\$ 44.064	\$ 176.256	\$ 264.384	\$ 330.480	\$ 440.640
SPREAD (in USD)	\$ 162.999	\$ 651.997	\$ 977.996	\$ 1.222.495	\$ 1.629.993
OTHERS (commissions)	\$ 32.600	\$ 130.399	\$ 195.599	\$ 244.499	\$ 325.999
TOTAL INCOME	\$ 239.663	\$ 958.653	\$ 1.437.979	\$ 1.797.474	\$ 2.396.632

Source: Own Elaboration

Regarding expenses, we present a projection of monthly fixed expenses:

Chart 17 Expenses Projection (pay sheet)

REFERENTIAL STAFF EXPENSES (PAY SHEET) in USD			
Position	#	Salary	Total
MANAGER	1	\$ 4.000	\$ 4.000
OPERATION'S CHIEF	1	\$ 2.000	\$ 1.300
OPERATION'S ASSISTANT	1	\$ 400	\$ 400
COMMERCIAL MANAGER	1	\$ 2.000	\$ 2.000
RISK MANAGER	1	\$ 2.000	\$ 2.000
RISK OFFICIAL	2	\$ 700	\$ 1.400
RISK ASSISTANT	1	\$ 400	\$ 400
COMMERCIAL EXECUTIVE	3	\$ 800	\$ 2.400
OFFICIAL OF COLLECTIONS	2	\$ 600	\$ 1.200
ACCOUNTANT	1	\$ 1.000	\$ 1.000
Subtotal Personnel Expenses	14		\$ 16.100

% Social Benefits		17%	\$ 2.737
TOTAL EXPENSES			\$ 18.837

Source: Own Elaboration

Chart 18 Projection of Administrative Expenses

ADMINISTRATIVE EXPENSES PER MONTH in USD	
RENT	\$ 1.000
PHONES AND CELLPHONES	\$ 1.000
OFFICE SUPPLIES	\$ 50
SYSTEMS TECHNICIAN	\$ 300
POST, FREIGHT, PACKAGING, MESSENGER SERVICE	\$ 150
LEGAL ADVICER	\$ 300
SYSTEM MAINTENANCE	\$ 100
INTERNET	\$ 1.000
PROCESSORS (\$10 e/client)	\$ 60
CENTRAL RISK	\$ 200
OTHERS	\$ 500
TOTAL	\$ 4.660

Source: Own Elaboration

If we consider growth from the second year, operating costs should also have growth, which was projected in table N ° 9 as an increase in costs. So in the following table we multiply the monthly fixed costs by 12 in the first year and from the second year this increase is considered:

Chart 19 Total Cost

EXPENSES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
OFFICE FIXED EXPENSES	\$ 281.964	\$ 479.339	\$ 719.008	\$ 898.760	\$ 1.198.347
TOTAL OPERATING COSTS	\$ 281.964	\$ 479.339	\$ 719.008	\$ 898.760	\$ 1.198.347

Source: Own Elaboration

Considering that NovaCredit shareholders invest \$ 300,000.00 to start operating in Peru, and considering the annual increase in operations in the projection made, the need for working capital would be as follows:

Chart 20 Projection of working capital

WORKING CAPITAL NEEDS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
MONTHLY PURCHASES	\$ 244,800	\$ 979,200	\$ 1,468,800	\$ 1,836,000	\$ 2,448,000
ANNUAL INCREASE %		400%	150%	125%	133%
NEED FOR FINANCING	\$ 94,800	\$ 829,200	\$ 1,172,751	\$ 1,475,450	\$ 2,035,138

Source: Own Elaboration

The financial costs of the financing that the company would need each year due to the increase in its operations are considered below, based on an interest rate of 5% (reference rate of business loans at the end of November 2017 in Peru). In addition, the 2% provision is considered due to the market arrear rates that were indicated in chapter 2.

Chart 21 Financial costs

FINANCIAL COSTS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
FINANCIAL COST (Revolving credit)	\$ 4,740	\$ 41,460	\$ 58,638	\$ 73,773	\$ 101,757
COST OF PROVISION (2% total portfolio)	\$ 58,752	\$ 235,008	\$ 352,512	\$ 440,640	\$ 587,520

Source: Own Elaboration

Finally, considering the total income, the total costs and expenses and the provision of the portfolio, the profit of NovaCredit before taxes and profits to workers would be the following:

Chart 22 Profit before Taxes and Participations

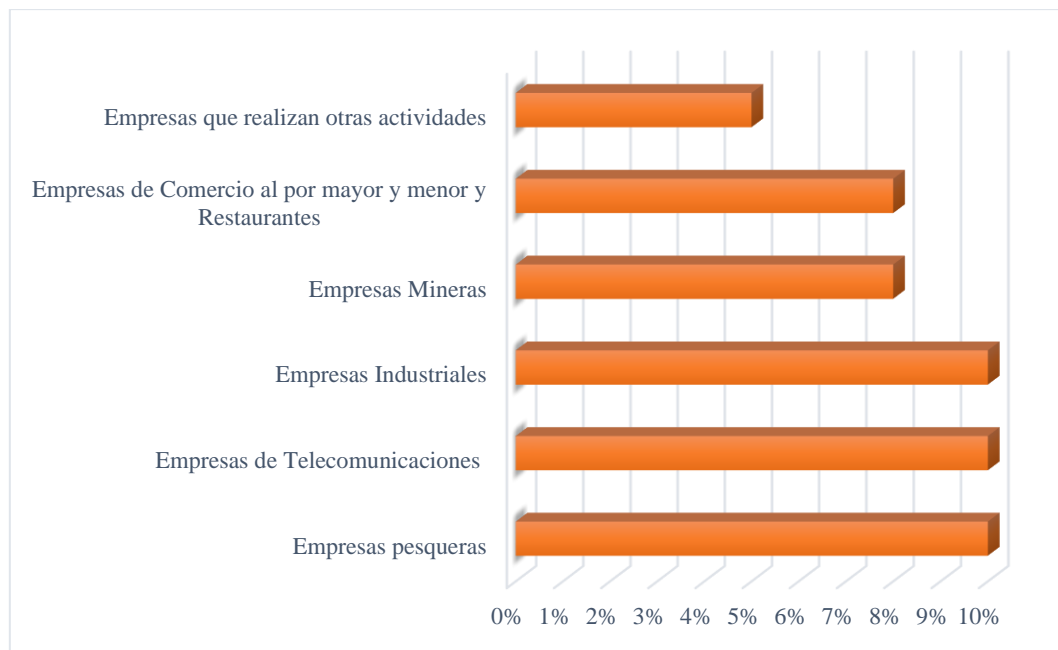
PROFIT BEFORE TAXES AND PARTICIPATIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	\$ (105,793)	\$ 202,846	\$ 307,821	\$ 384,301	\$ 509,008

Source: Own Elaboration

To calculate the shares, it is considered that they will be paid as of the third year because the Peruvian legislation establishes that the profits will be distributed in the case of having more than twenty workers in the company's return. According to Legislative Decree No.

892 of the Ministry of Labor, the distribution of profits according to the sector to which the company belongs is as follows:

Chart 23 Distribution of profits according to the sector



Source: Own Elaboration

NovaCredit would be placed in the last category, so the percentage to distribute among workers would be 5%.

The net profit of the company, after paying 28% of Income Tax and 5% (from the third year) of participation of profits to the workers, would be as follows:

Chart 24 Net Profit

NET PROFIT	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
WORKERS UTILITY			\$ 15,391	\$ 19,215	\$ 25,450
INCOME TAX		\$ 56,797	\$ 81,880	\$ 102,224	\$ 135,396
NET PROFIT PROJECTED	\$ (105,793)	\$ 146,049	\$ 210,550	\$ 262,862	\$ 348,161

Source: Own Elaboration

The IRR Internal Rate of Return, which measures the return on investment in the 5-year life of the project, is 29% per annum. In order for the investors to decide on this project, they must compare the IRR with the opportunity cost. NovaCredit should analyze if a performance of 29% per year in 5 years is expected after the effort involved in entering a

foreign market. To calculate the IRR, we assume that the profits generated from the second year are reinvested in the company, it may happen that the shareholders decide not to reinvest, so this calculation is relative.

4.2 Investment plan

For an investment project, the financial evaluation is very important. This means, identifying all possible income and costs, the projected profit, the working capital requirements, the initial contribution of capital for the execution of the project.

According to the aforementioned, an initial projection of the investment plan was established, which includes all the costs that may be needed to start the business.

For this, it was considered that the associates of NovaCredit would have an initial investment of \$ 300,000.00. This value was considered because it is the value of the investment that was made in Ecuador to begin its portfolio purchase and sale operations.

Chart 25 Initial investment

Investment Plan	
Computer equipment	\$ 8,400
Hardware & Software	\$ 4,000
Furniture	\$ 5,000
Adjustments	\$ 2,000
Total	\$ 19,400

Source: Own Elaboration

If the initial investment is \$ 300,000.00, the company could subsist the first months in which (based on the projection presented in chart N° 10) it would not generate enough income to cover the expenses. The initial working capital, to begin with the purchase of the portfolio would be \$ 244,800.00.

4.3 Funding

According to the presented projections, the company would cover its financial needs of the first year based on the initial investment. From the second year on, and considering the increase in operations, bank financing and / or new capital contributions would be needed by the company's partners. That is why in the projection of chart 8 about financial costs, a revolving credit percentage is considered for the 5 years, considering an annual interest rate of 5% (Peruvian business interest rate to November 2017).

4.4 Credit lines

In order to obtain credit lines in a different country, NovaCredit must first try to reach those banks that already have a commercial relationship in Ecuador and could have subsidiaries in Peru.

These institutions can be Banco Financiero de Perú, an institution that is part of the Banco Pichincha Group. In Ecuador, NovaCredit and its shareholding group maintain important credit lines with this institution.

Likewise, the Inter-American Finance Bank that is part of the IF group, to which Banco Internacional belongs, operates in Ecuador. NovaCredit also maintains a strong relationship with this institution, with credit lines, checking accounts and online collection services.

According to the projection made, the amount that would be needed from credit lines per year would be the following:

Chart 26 Funding projection

NEEDS OF WORKING CAPITAL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
NECESIDAD DE FINANCIAMIENTO	\$ 94,800	\$ 829,200	\$ 1,172,751	\$ 1,475,450	\$ 2,035,138

Source: Own Elaboration

4.5 Breakeven

The Breakeven tells us the number of vehicles per month that NovaCredit needs to buy and sell its portfolio to avoid generating losses.

The fixed expenses per month of the company are valued in \$ 23,497. The utility for each generated client is \$ 679.16. The division of the fixed costs by the utility of each client gives 34.60.

$$\text{Breakeven} = \frac{\text{Fixed expenses per month } \$23,497}{\text{Utility \$ } \$679.16} = 35 \text{ credits}$$

According to the analysis, NovaCredit needs to generate 35 monthly operations to reach its break-even point.

Conclusions:

To do this degree work it was very important the opening that NovaCredit gave us. Without the information provided by the company, it would not have been possible to carry out the internationalization strategies. Thanks to the information gathered, this work presents reliable data and displays a real panorama of the situation of the company in Ecuador to externalize to a new market.

The conclusions we reached with this work are the following:

- To diversify risk is always beneficial for a company. Being internationally known can empower the brand and make it stronger in Ecuador. Facing the competition would mean having international prestige. However, there are some obstacles when entering other markets in different aspects: cultural, legal and market.
- We chose Peru as the country to formulate internationalization strategies due to the closeness to Ecuador, it can be easily reached both by air and by land and at a lower price than with other countries. Economically and politically Peru is a stable country, socially it has a lower unemployment rate than Panama and Colombia and the salary of qualified labor is lower compared to the two countries.
- In Peru, the share that is distributed to employees of a company over profits is lower compared to Panama and Colombia. On the other hand, in Colombia and Panama, banks have a strong presence in the automotive credit segment, making it more difficult for a company to enter into the market to compete with banks.
- In Peru, the interest rate is not regulated by the State, so if it is considered that there is a higher risk, the interest rate is higher. In case a customer is in default and the vehicle must be withdrawn, it is a faster process than in Ecuador, since in the Reservation of Ownership Contract there is a clause that establishes the faculty of the company to withdraw the vehicle in case of non-payment. In addition, the most widely used rate in Peru today is in the local currency. Therefore, we consider that the risk is lower when granting credits in Soles.
- According to the financial evaluation, the Internal Rate of Return, the annual return is 29%. All income and expenses that the company can generate in the five-year period (years of operation of NovaCredit in Ecuador) were considered.

Recommendations:

- NovaCredit should implement the business model in Peru in the same way that it managed to position itself in Ecuador. A solid structure must be created in which people feel part of the company and struggle to achieve common goals.
- To differentiate itself from the competition, NovaCredit should offer a bonus that is not offered by other institutions. For example, we have seen that the maximum term for credits is 5 years, so NovaCredit could come into the market by offering to buy a portfolio with a term of 6 years. In addition to other benefits offered such as vehicle insurance for the entire term, without interest and without refinancing rate.
- Being a company that generates incomes based on the risk of payment, it should be very strict when analyzing customers who are going to buy the portfolio. Just to charge a higher rate could harm the company's portfolio, by not knowing 100% of the market, investigations of the most and least dangerous areas of Lima should be showed, therefore riskier zones are determined.
- NovaCredit must analyze if the financial performance of 29% per annum is what it expects to receive, after the costs involved in the internationalization of a company. If NovaCredit has the capital and does not want to invest it in Ecuador, or generate new income in Ecuador, it would be a good option to invest it abroad. However, it should not neglect the operations at the domestic market to carry out this implementation process in Peru. While the collaboration of the workforce is needed, it can not neglect the business that is growing well in the country. So the company could also consider investing this capital in Ecuador.
- It is recommended that NovaCredit moves to Peru with its business model in every aspect, from its organizational culture, human, technological and logistical talent, adapting it to the Peruvian market. We have seen that these have been the basic pillars for the continuous growth of the company, and there is no doubt that positioning in the Peruvian market with these qualities will generate a great competitive advantage.

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Annexes

Anexed #1. INTERVIEW

Interview with Engineer Juan Diego Paredes, General Manager of the company CFC Corporación S.A. The meeting was held on November 15, 2017 at the CFC facilities on Av. España, Cuenca.

We reached to Ing. Paredes because we had prior knowledge that he started with the CFC business in Peru, so he gave us his point of view and his experience in that country.

- **How are interest rates for vehicle loans handled in Peru?**

In Peru they manage two ways, it can be given in dollars or soles if the financial system allows it. But the regulation is based on providing credits in soles.

The rates are not controlled as in Ecuador, for example, for vehicles is at 16.06% interest. In Peru, the rates are set by the market. Rates are high depending on the market and the profile of the client.

- **¿Are there high interest rates because there are few financial institutions that lend money for loans?**

Within the vehicle market there are several entities, some that give a vehicle credit product such as banks, and since they have their own money collection, they can lend money and set up their vehicle credit department.

On the other hand, there are financial entities like us, who dedicate ourselves to making vehicle loans but we are entities that are not controlled by the Superintendency of Banks, but we do the purchase and sale of the portfolio. And it is important that you are clear about this.

For example, in Peru, we were pioneers in this type of business, being the first company to buy and sell portfolio in Peru.

- **When was CFC installed in Peru?**

I left Cuenca in November 2013 and started with all the documentation and permits in May 2014.

- **Did you go to live in Peru?**

Yes, I did. I went to live in Peru, in Lima, and I started the business.

- **Is CFC operating nowadays?**

Of course, in the third month of operation we left buying around \$ 1,200,000 portfolios. Only in the northern zone. We only placed in the area of Trujillo to the north (Trujillo, Chiclayo, Piura, Tumbes, Cajamarca).

All the documentation for the creation of CFC in Peru was made in Lima because this type of business did not exist in this country. It was very difficult to enter this market because they did not understand the business line.

After studying some laws, which are basically the same as in Ecuador, what they differ in are their form. For example, when you are getting a vehicle loan, here in Ecuador you must make a pledge on the vehicle and then proceed to a claim to remove the vehicle in case of default. In Peru this process is done in a single act, that is to say, at the moment of making the contract to grant the credit a clause is established in which the client is told that if he does not pay his credit within a period of 3 months or 90 days the vehicle is removed without a need for a lawsuit.

- **In Peru they work under the figure of Domain Reserve Contract or Industrial Pledge?**

At the end they are the same, the difference is only in the domain of good.

The contract is registered with the National Superintendency of the Public Registry (SUNARP).

The process of legalization of documents after the client signs the documentation is:

- ✓ Contracts are taken to the notary to certify the acts.
- ✓ It is taken to register in the SUNARP to register.

- **How long does it take to deliver the vehicle to the client after the signing of documents and delivery of supporting documents?**

It takes approximately one day since in Peru it is not necessary that the car is registered to deliver to the customer, unlike Ecuador.

But the vehicle is delivered once CFC confirms that all the documentation is correct: contracts, promissory notes, invoices, payment roles, etc.

- **Vehicles leave the dealer insured?**

Of course, all vehicles have insurance and satellite device included for the entire term.

- **What vehicle insurance are the best in Peru?**

CFC works with Rimax and Positive insurers. In Peru there are only 4 insurers that are large, but there are several brokers.

What struck me most is that the Peruvian is very calm as they do not want to get ahead, are passive and are satisfied with what they have. So it is difficult to find who to work with.

- **In what currency are salaries paid to employees?**

CFC pays its employees in soles.

- **What is the average salary of a risk analyst, for example?**

From S/. 1200 to S/. 1800. Each month.

- **How is the credit rating performed?**

There is a big difference between qualifying a loan to a natural, legal, formal and informal person.

In a natural formal person is easy because it is an employee who has fixed income and consultations are held at the risk center (Equifax).

The Equifax company that also works in Ecuador, its parent company has in Lima.

Equifax builds a simulator according to the need or credit conditions that the financial institution needs to provide loans. Where each variable has a rating. And according to the result it is decided to give or not the credit.

- **Do Commercial advisors of the concessionaires receive commissions for the sale of the vehicle on credit?**

In Peru, it is handled in the same way as in Ecuador.

The seller when closing a sale, receives commission from the dealer, receives commission from the financial, the insurer, the device and accessories.

- **Who are the competitors of CFC in Peru?**

The strongest competition is banking among other entities dedicated to buying and selling portfolio.

- **How it is handled in the sale of CFC portfolio?**

The sale of the portfolio fell in Peru due to the crisis caused by the phenomenon of El Niño, many people lost everything for which the bank was also affected.

The portfolio is usually sold to banks and CFC earned a spread around 3%.

The entire portfolio that is sold is sold with the 100% resource.