

## **Financial behavior of microentrepreneurs and its influence on business success**

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### **ABSTRACT**

Microentrepreneurs have always shown a clear vulnerability to the continuous changes in the economic and financial sphere, however, the pandemic has further accentuated these circumstances, which has caused a devastating effect on this important sector of the Mexican economy. To alleviate these adverse circumstances, it is necessary for the small business owner to seek to more efficiently manage increasingly scarce financial resources, caused by greater competition and less and less demand. The financial management of resources is an essential factor for the survival of the business and that has a fundamental influence on its development. Unfortunately, after the pandemic, the shortage of sales and income has accentuated the economic condition of the businesses. The objective of this research is to identify some features of the financial behavior of Mypes entrepreneurs in the metropolitan area of the State of Querétaro and verify the influence it has on the management of their business.

**Keywords:** financial management, performance, success, profits, mypes.

### **1 INTRODUCTION**

According to an analysis of business demography by (INEGI, 2022), the life expectancy of businesses at birth, at the national level, is 8.4 years, while in Querétaro it is 9.8 years; once they have completed 5 years of life, life expectancy at the national level increases to 10.2 years and in Querétaro to 11.8 years. However, in Mypes businesses, mortality has grown substantially since the pandemic stage, which has increased the closure of thousands of establishments. It is estimated that 90% of the companies in Mexico fall into the category of Mypes and that they contribute more than 50% of the GDP, however,

around 80% of them die before reaching their first year of life. The causes of high mortality require an in-depth analysis given its importance at the economic level, since, according to data from (INEGI, 2020), there are more than 5,487,061 companies, of which 5,119,909 are micro, which is equivalent to 93.30% of the total; the small ones are equivalent to 5.42%; the medium ones at 0.98%, and the large ones, 0.28%.

The statistics of the autonomous body show that MYPES represent 98.72% of national companies and contribute 64% of the labor force and that they also contribute 70% of the Gross Domestic Product (GDP). To this must be added the fact that 65% are family-owned and the majority are single-owned businesses; a high percentage of the premises used are rented; almost a third employ between one and two people; almost half are financed with family resources, and, in most cases, their clients are local consumers. The foregoing shows the importance of this type of company and how difficult it is to understand that they always have a marginal importance in public policies and even in statistical figures. The literature is saturated with explanations for the failure of this type of company. From external factors that affect these companies, such as economic, technological, political, and social, government support, credit availability, among others, and internal factors, such as financial, market, human resource, and administration aspects. The previous aspects are related to the level of knowledge or professional experience in the subject of business vision, by the directors (Agarwal and Gort 2002; Navarro and Sánchez, 2013; Aguilar, 2011).

A fundamental aspect, from which the present investigation starts, is the financial aspect. According to Perren (1999), there are four factors that influence the performance of microenterprise entrepreneurs: development, motivation for growth, managerial skills to achieve such growth and, finally, access to resources. and market demand. For Córdoba (2012) "The importance of financial management is evident when facing and resolving the liquidity, profitability dilemma, to provide the necessary resources at the precise opportunity: with the most efficient decision-making of said management and to ensure the financial returns that allow the development of the company" Later the author mentions that "Financial management is of great importance for any organization, having to do with the control of its operations, the achievement of new sources of financing, the effectiveness and efficiency operational" Hence, this article aims to identify some features of the financial behavior of Mypes entrepreneurs in the metropolitan area of the State of Querétaro and verify the influence it has on the management of their business.

## **2 METHOD DESCRIPTION**

It was considered that to maintain the meaning of the questions and answers obtained by the microentrepreneurs, the original language in which they were made will be maintained, which in this case was Spanish, in such a way that the context of the investigation is maintained.

A survey was applied to 385 Mypes entrepreneurs, both formal and informal, from the municipalities of Marqués, Pedro Escobedo and Tequisquiapan, to find out how they manage their financial resources. The surveys were applied to the owners or main managers of said economic units. The survey consisted of 51 questions and for the answers, the Likert scale was chosen, which consists of a method that consists of evaluating the opinion and attitudes of people towards a particular phenomenon. To measure the consistency and precision of the test, the Cronbach's alpha test was applied and an average value of 0.86 was obtained, so there is consistency between the items. Table 1 shows the sociodemographic characteristics of the respondents who correspond to the owners or direct managers of the business

Table 1 Sociodemographic characteristics of the surveyed MYPES entrepreneurs

CARACTERÍSTICAS SOCIODEMOGRÁFICAS DE LA POBLACIÓN ENCUESTADA (385 NEGOCIOS)	
NEGOCIOS FORMALES	61%
NEGOCIOS INFORMALES	39%
HOMBRES	58%
MUJERES	42%
ESCOLARIDAD PROMEDIO	11.3 AÑOS
CASADOS	64%
SOLTEROS U OTROS	36%
APERTURA NEGOCIO PROMEDIO	9.3 AÑOS
FUNDARON EL NEGOCIO	76%
ENTRE 1 Y 4 TRABAJADORES	69%
ENTRE 5 Y 8 TRABAJADORES	22%
MÁS DE 8 TRABAJADORES	9%

To find out if financial factors have an influence on the satisfaction towards the business of Mypes entrepreneurs and the importance of each one of them, the quantitative analysis was used. First, a dependent variable and some dependent variables were determined and, using the multiple regression method, which is a statistical technique to investigate the functional relationship between two or more variables by adjusting a mathematical model, we tried to determine if there is a relationship between both variables. The MINITAB statistical program was used for the calculations. Table 2 shows the dependent and independent variables and the interpretation of each of them:

Table 2. Based on data from Sanchez (2022).

Modelo original				
Variable Dependiente	Variables independientes	Concepto	items	autores
Grado de satisfacción al negocio (Seguir contratando trabajadores, seguir invirtiendo en el negocio y obtener utilidades suficientes) 5 ítems	Utilización de Servicios Financieros "Formales" USF	Acceso a servicios financieros otorgados por instituciones reguladas.	3	(Mindra, Moya, Zuze y Kodongo, 2017).
	Utilización de Servicios Financieros "Informales" USI	Acceso a servicios financieros otorgados por instituciones no reguladas.	3	(Mindra, Moya, Zuze y Kodongo, 2017).
	Conocimiento de conceptos financieros básicos CF	Manejo de conceptos en su interpretación y aplicación.	6	(Grigion & Mendes, 2018; Mendonça & Mendes, 2014).
	Propensión al endeudamiento PE	Pago inmediato de compras, uso de la tarjeta de crédito, contratación de préstamos, etc.	6	(Denegrí, Cabezas, Del Valle y González, 2011; Grigion y Mendes, 2018).
	Control de gastos personales, hábito de ahorro ya signación de un sueldo. GP	Gastos personales, comparación de precios, hábitos de ahorro, reservas financieros, etc.	6	(Mendonça y Mendes, 2014; Parrotta y Johnson, 1998).
	Previsión de siniestros PS	Adquisición de seguros de vida, seguro del negocio, apartado de imprevistos, etc.	5	(Dinç Aydemir y Aren, 2017; Mendonça y Mendes, 2014)
	Tendencia compras compulsivas. CC	Realizar gastos no programados, impulsivos, bienes de corto plazo, etc.	5	(Grigion y Mendes, 2018; Mendonça y Mendez, 2014)
	Valoración del dinero o materialismo. MT	Percepción del dinero como motivador y recurso que genera felicidad, valoración personal en base a los bienes materiales, etc.	6	(Lindgreen y Lindgreen, 2004; Mendonça y Mendes, 2014; Richins, 2004)

The dependent variable, Degree of satisfaction with the business, refers to the motivation shown by businessmen to continue hiring workers, to continue investing in the business, to obtain sufficient profits to encourage them to continue in the business, and to feel confident in keeping the business afloat. The independent variables were obtained from various studies that show factors that explain the financial management of Mypes businesses.

The working hypothesis is the following:

Ho: The management of the financial resources of the company does not influence the degree of satisfaction of the businessmen

Multiple regression was performed using the minitab statistical program, with a confidence level of 95%, and the results are shown in the following section.

### 3 SUMMARY OF RESULTS

The results obtained in the regression are shown in Table 3. It can be noted that the adjusted determination coefficient is 0.75, which indicates that 75% of the dependent variable is explained by the independent variables, so there is a relationship in some of the independent variables with the dependent variable, although it would be necessary to incorporate additional variables to have a more robust regression equation. In this sense, the table shows that at a level of  $\alpha = 0.05$ , the variables PS and MT are not significant. Regarding the coefficients, the value and sign of USF, PE and CC stand out, indicating

robustness and an inverse relationship with the dependent variable. When testing multicollinearity between the independent variables, no evidence of it was found, although some correlations were greater than 0.5, as was the case of PE with CC, CC with MT, and GP with PS, which is logical given the concepts of each. one of those variables.

Table 3. Regression results obtained

**RESUMEN**

Estadísticas de la regresión	
Coef de corr múltip	0.8946
Coefe de det R <sup>2</sup>	0.8003
R <sup>2</sup> ajustado	0.7598
Error típico	0.6466
Observaciones	385

  

	Coeficientes	Error típico	Probabilidad
Intercepción	-0.7595	0.8946	0.018
USF	-1.7767	0.6660	0.007
USI	-1.2518	0.4523	0.042
CF	0.4579	0.3082	0.010
PE	-1.7658	0.5643	0.011
GP	1.2346	0.5393	0.032
PS	0.6578	0.9190	0.089
CC	-1.2909	0.5649	0.039
MT	0.8250	0.9864	0.121

#### 4 DISCUSSION

The theory of resources and capabilities has served as a framework for select success factors assumption that the fitness of the business to get results superiors depends on your ability to acquire and coordinate their resources. growing business success and sustained is always a function of the entrepreneurial ability to identify and harness appropriate, efficient and profitable the opportunities of the moment; and for, in that process, increase and better use the potential of the business. The ability of the company to obtain success in the markets depends on the resources it possesses and how that these are managed. So, success for a company would be achieve a competitive position favourable, maintain it and increase it in the market and obtain a higher performance than its competitors, which will depend on the capacity and of the resources it possesses (Aragon and Rubio,2005).

In an interesting article focused on microenterprises in Colombia, Castillo and Villarreal (2012) found that the owners and managers of SMEs in Nariño, Colombia show little interest in financial management, decisions are only short-term, giving greater importance to capital. of work, with the consequent neglect of productive investment decisions, investment policies have not been outlined, especially for the replacement of productive assets, and they are not aware of the importance of analyzing financial statements. The accounting information generated by SMEs responds to the need to comply with tax regulations but is not used as a basis for decision making.

Proper financial management in SMEs consists of seeking autonomy, that is, self-sufficiency in terms of financial resources, generating sufficient income to finance purchases of raw materials,

machinery and equipment, land, administrative expenses, and others, having a good ability to pay suppliers in the short term as a consequence of a correct application of resources and that, in addition, generates sufficient returns to finance its growth (Anzola, 2002). In an interesting empirical investigation, (García, 2017) it was shown that there is a relationship between all the factors of financial management and the competitiveness of the company and the smaller the company, the more it depends on the financial management factors to achieve competitiveness. The foregoing highlights the importance of SMEs adopting financial management practices in order to achieve levels of competitiveness that allow them to remain and achieve levels of adequate profitability. There is also a relationship between some factors of financial management and the sector in which the SME is located.

In another case referring to microenterprises in Peru, the author mentions that in addition to the factors inherent to the marketing and administrative efficiency of the business, a relevant factor is the accounting and financial factor. On this it has been found that the Poor financial processes are a critical factor in microenterprise failure according to studies related to the importance of accounting advisors and the use of accounting structures and financial processes. According to Camargo, "Small and medium-sized companies need operational foundations that define their problems and their strategies to facilitate decision-making in the aspects financial. must consider from its management the financial risk and its aptitude against the failure, .... The failure of SMEs in Barranquilla is due in large part to an action attributable to the behavior of the directors of the company (negligence-strategy - financial and accounting), as well as the game of competition and the mutations of the sectors economic, in addition to showing how the economic situation constitutes an element of macroeconomic regulation." (Camargo, 2016). However, it is important to mention that there are external factors, other than the nature of the company, that can make it difficult for companies to function. (Romero, 2022) mentions that quick review of current business communications is focused on their concern about the lack of governance in the country, the lack of democracy or the militarization of the country, however, they are different factors from those that concern "ordinary "Micro-entrepreneurs in our country.

## 5 CONCLUSIONS

According to the results obtained, it is concluded that there is no evidence to accept  $H_0$  and, therefore, it is rejected, which implies that the variables chosen to explain the Degree of Satisfaction of Mype Entrepreneurs, in the case of the chosen municipalities, they are adequate. In this sense, the cases of the Use of the Financial System stand out, showing that when Mypes entrepreneurs use the services of formal banking, their degree of satisfaction decreases and this may be due to the facilities they have to access credit more quickly, but with very high interest rates, which decreases their degree of satisfaction. Another outstanding variable is the Propensity to Indebtedness which, by showing a negative sign,

indicates that the higher the indebtedness, the degree of satisfaction of businessmen is lower. We can see that there is a close relationship between access to the financial system and levels of indebtedness, which seems paradoxical since financial propaganda always tries to show that having access to banking services is an advantage, however, the data found contradicts it.

Although to a lesser extent than the previous two, Compulsive Purchases and the Use of the Informal Financial System, show high negative coefficients, which is linked to the previous explanation. In the case of Loss Forecast and Materialism, they were not significant. A possible explanation for the above is the scant attention of Mype entrepreneurs (and people in general) to the acquisition of insurance for their businesses, equipment and people. In the case of Materialism, the interpretation that can be given is that regularly people do not openly agree with materialistic issues and spiritual or affective issues are always evoked as the most important, however, in the subconscious they always that materialism is present.

## **RECOMMENDATIONS**

In the specific case of our study, it is necessary to look for additional variables that explain the degree of satisfaction of the businessmen since the model found, although it is good, it is recommended to improve it. There is no doubt that, in the case of Mexico, the financial system is one of the most monopolized and least regulated, therefore, it is not just a question of entrepreneurs knowing different ways of managing the resources derived from their business activity but of change the way financial institutions work. There is no doubt that, even if a person has a good income in his business and manages his money properly, the high costs of managing money, obtaining credit and the very high interest payments make it impossible to maintain a balance between a productive activity, which is business and a financial activity that only consists of serving as an intermediary. However, it is important to mention that there are external factors, other than the nature of the company, that can make it difficult for companies to function. (Romero, 2022) mentions that quick review of current business communications is focused on their concern about the lack of governance in the country, the lack of democracy or the militarization of the country, however, they are different factors from those that concern "ordinary" Micro-entrepreneurs in our country.

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