

The management of finances in surviving MSMEs in 2022. After the financial impact of COVID

El manejo de las finanzas en las MIPYMES sobrevivientes al año 2022. Después de la afectación financiera del COVID

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Abstract

The objective of this research is to analyze the statistical data issued by INEGI (2022), where the MSMEs that were born are shown, those that closed their doors permanently and those that survived the financial pandemic by COVID-19, the methodology used is quantitative research, because it searches for and analyzes data issued by reliable sources, The companies under study had more changes and hit the economy much more than large companies, due to the high representation and job creation that occurred during the pandemic, resulting in a birth of MSMEs of 12%, against a closure represented in percentage by 12% similar and equal to the companies created during the pandemic, this type of company had as its main survival strategy, the adaptation of technological and digital aspects in their daily operation, was the resource that they highlight was used by the managers of this type of company. It is concluded that micro, small and medium enterprises in Mexico are the economic engine of the Mexican economy during and after the COVID pandemic.

Resumen

La presente investigación tiene por objetivo analizar los datos estadísticos emitidos por INEGI (2022), donde se muestran las MIPYMES que nacieron, las que cerraron sus puertas de manera definitiva y las que sobrevivieron a la pandemia financiera por COVID-19, la metodología utilizada es la investigación cuantitativa, porque busca y analiza datos emitidos por fuentes confiables, Las empresas en estudio tuvieron más cambios y pegó a la economía por mucho más que las grandes empresas, debido a la alta representación y a la generación de empleos que se dio durante la pandemia, teniendo como resultados un nacimiento de MIPYMES del 12%, contra un cierre representado en porcentaje en un 12% similar e igual a las empresas creadas durante la pandemia, este tipo de empresas tuvo como principal estrategia de supervivencia, la adaptación de aspectos tecnológicos y digitales en su operación diaria, fue el recurso que remarcan fue utilizado por los directivos de este tipo de empresas. Se concluye que las micro, pequeñas y medianas empresas en México son el motor económico, de la economía de México durante y después de la pandemia COVID.

Closure, Opening and surviving companies, MSMEs

Cierre, Apertura y empresas sobrevivientes, MIPYMES

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Introduction

In Mexico, MSMEs have a business representation of 99.8%, hence the importance of analysing what happened to these types of companies during the pandemic that began as a health pandemic and now we are experiencing a global economic pandemic, where the entities under study lived very closely a very important economic and financial affectation. The studies visualise MSMEs as the most important companies for the generation of jobs they provided during two very difficult years, where many companies closed their doors for good, because they were unable to meet their fixed costs during the partial closure. The companies that survived will be our study companies in order to analyse the financial treatment and strategies they followed to keep their doors open in 2022.

Justification

In the whole world, micro, small and medium-sized enterprises are represented in 90% of all countries, and Mexico is no exception. This is due to their contribution to the gross domestic product and the number of jobs they generate to support the economy of each family. Thus, the companies under study are important for their support, mainly economic and social, in order to prevent many families from falling into extreme poverty or some kind of vice. Derived from the above is the importance of studying this type of enterprise. MSMEs generally have their essence in the family, which characterises them as having the characteristic of being accustomed to great economic turbulence and managing to survive thanks to the family strength that supports them. These types of entities have as their main objective a particular family purpose and use as a strategy the reinvestment of profits without withdrawing and thus grow their business incalculably, but there is also the counterpart, where the statistics inform us that only one in three companies survive for more than three years. Companies that break the survival statistics we are interested in their financial techniques used.

Problem

MSMEs in Mexico had economic and financial conflicts derived from the COVID-19 global health pandemic that triggered a global economic pandemic, where the companies under study were seriously affected, so the companies that survived are our objects of study to see how they managed their finances in the face of this global crisis.

General research question

How did the managers of micro, small and medium-sized enterprises handle their finances? After the covid-19 pandemic in Mexico.

The following questions from Block 4 of the questionnaire applied to MSMEs within the RELAYN network were asked.

1. Am I clear about how much money I have available?
2. Am I clear on how much money I owe my customers?
3. Am I clear on how much my inventory is worth?
4. Am I clear on how much my company's assets are worth?
5. Am I clear on how much I owe my suppliers?
6. Am I clear on how much I owe in loans to relatives and acquaintances?
7. Am I very clear about how much I owe to the bank and other institutions?
8. Am I very clear about how much I would get for selling everything I have in my business?

Hypotheses

Micro and small enterprises in Mexico do not have adequate financial management to face and survive the COVID -2019 pandemic.

General Objective

To analyse the financial management after COVID-19 of micro, small and medium-sized enterprises in Mexico.

Specific objectives

1. To apply the information collection instrument to learn about the financial management of micro and small enterprises in León, Guanajuato, Mexico.
2. To analyse the information obtained.
3. Analyse the results of the financial management collection instrument, section 4 of the financial management section of the complete questionnaire.
4. Results, recommendations and conclusions of the data obtained in the research on the financial management of MSMEs in Mexico.

Theoretical framework

This research is based on the theory of the world economy in the year 2020.

This is what Georgieva (2020) refers to. If we go back to the beginning of 2020, the world we live in today would be irreplaceable. In which we live today would be unrecognisable. To protect public health, the world economy went into stagnation. Shops closed, factories shut down, and people's freedom was severely curtailed. Well, what started as a global health pandemic, of a sanitary nature, progressed and is now a global economic, health and social problem.

It is now very important to mention that the economic consequences will take at least two decades to recover and that at least one generation will have to live with the health and economic consequences of COVID-19.

This is how they describe it (Jordá, Singh & Taylor 2020).

But they had already commented on this before (Jordá, Schularick & Taylor, 2013), when they listed the health crises in which more than 100,000 people died and which ended in an economic crisis. Pandemics do not happen overnight, but take their own course towards normality, and this pandemic experienced by COVID-19 has its own characteristics.

Current situation

In order to get into the topic of MSMEs, we start by understanding the current state of business representation in Mexico.

According to the timely results of INEGI's 2019 economic census in our country, we have the following data. INEGI (2022).

In Mexico there are 4,460,247 companies of which 95% are micro companies, 4% are small companies, .80% are medium-sized companies, 0.02% are large companies, so 99.80% are our target companies for this research.

Data presented to the first semester of 2022. (INEGI, 2022).

With data from INEGI itself, the generation of jobs in this type of company is shown. More than 27'000,000 people worked in these 4,460,247 enterprises: 37.8% worked in micro-businesses, 14.7% in small businesses, 15.9% in medium-sized enterprises and 31.6% in large economic units.

The following table shows the criteria considered by INEGI for the classification of enterprises by size, specifying that this classification is made on the basis of the number of workers within the enterprise.

Company size	Number of employed workers
Micro enterprises	0-10 persons employed
Small enterprises	11-50 employed persons
Medium-sized enterprises	51-250 employed persons
Large enterprises	From 250- onwards

Table 1 Classification of companies by number of employed personnel. With data from INEGI, own elaboration

Economic affectation

In research carried out by Maravato (2020), by June of this year, 77% had economic problems or at least temporarily closed their doors due to the red traffic light in each of the states. This assumption was made in many establishments and the exact numbers of the definitive closures of businesses are not known exactly because there are businesses that are taxed informally and there are no records of them.

Economic and financial effects

On the other hand, García & Betancur (2007), conclude that financial management is the key to strengthening the economy in Latin America, which must be constituted in two phases, the first in the analysis of the context, which generates in-depth diagnoses, while in the second phase, prospective planning is proposed as a strategic input to visualise a desired future scenario, allowing these organisations to generate plans in different timelines.

A study conducted in Toluca, Mexico by Dailin, Peña, Nataly & Chávez (2019), defines a model for strengthening MSMEs in four phases; in the first, administrative planning is required, which focuses on the design of an organisational chart and the entire organisational policy; the second is called financial planning, and is characterised by the creation of the budget, the collection system and the company's accounting verification exercises; Finally, the model presents a control phase based on meetings and a methodology that allows this type of company to understand the state of progress or otherwise of the proposed financial management.

For De Thomas, Caster, Ray, & Holland, (1991). In his research on MSMEs and finance, he states that in practice very few companies put financial management first, giving greater importance to the operation and sale of their products and services, mainly because this type of business does not have the trained personnel and the resources or the willingness to pay for expert advice on financial planning.

Birth of COVID-19 and its economic impact

For Proum (2020), Mexican SMEs are in great economic affectation, this putting as background that the virus was born in the province of Wuhan, China and without losing sight of the bilateral relationship that exists between the two countries, because that country is the second country in imports and the fourth in exports, During 2019, China and Mexico signed trade agreements, which resulted in an economic spill of more than 7 billion dollars economic risk, because of this background it is not difficult to anticipate that there will be an economic impact for our country and that this will have a direct repercussion on our companies under study.

For Blancas (2020), a very important problem during this pandemic is the main characteristic of the MSMEs, most of the micro enterprises are taxed in the informal trade and this affects the economy of the country, being affected by the closure, for this the federal government implemented plans of support and loan.

On 31 December, Mexico closed the year with 125,807 deaths and 1 million 426,094 cases, which is discouraging for businesses that are in danger of closing at least temporarily according to the traffic light of each of the states of the Mexican Republic.

Methodology to be developed

The present research uses a mixed methodology, first of all, it starts from grounded theory, contrasts with findings from other research with a systematic review of the literature to form the theoretical framework that gives an answer to the objective of this research, supported by the research question, Why analyse the management of finances after the drastic period of COVID-19 in the economy of micro, small and medium-sized enterprises in Mexico. For the qualitative analysis, a data collection instrument was applied to the entire REDALYN network in Mexico and Latin America as of 2022.

A total of 447 surveys were applied and 378 were correctly validated. These will be our surveys considered in our results to explain the management of finances.

Results

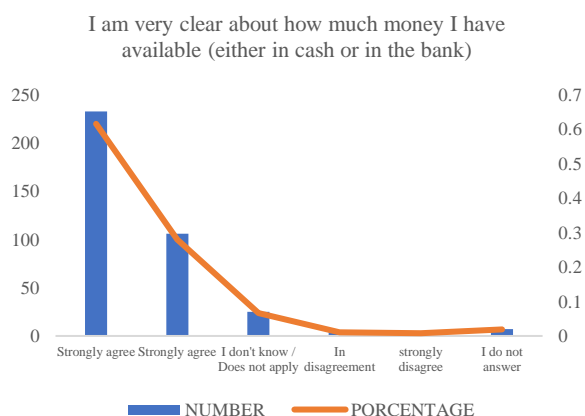
Answering research question number I.

Description	Number	Percentage
Strongly agree	233	62%
Agree	106	28%
Don't know / Not applicable	25	7%
Disagree	4	1%
Strongly disagree	3	1%
No answer	7	2%
Description	378	100%

Table 2 I am very clear about how much money I have available (either in cash or in the bank)

Source: Own elaboration

90% of the MSME managers know the amount of money they have available for payments and investments.



Graphic 1 I am very clear about how much money I have available (either in cash or in the bank)

Source: Own elaboration

In Graphic I, 90% of the MSME managers say they know the amount of money they have available for their payments and investments and for the growth of their business.

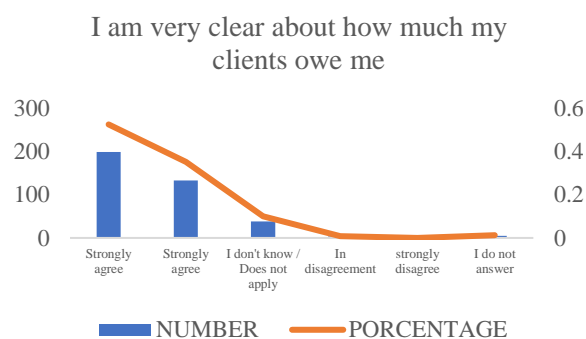
Next, research question number two is presented. I am very clear about the amount of money owed to me by my clients.

Description	Number	Percentage
Strongly agree	199	53%
Agree	133	35%
Don't know / Not applicable	38	10%
Disagree	3	1%
Strongly disagree	0	0%
No answer	5	1%
	378	100%

Table 3 I am very clear about how much my clients owe me

Source: Own elaboration

88% of the entrepreneurs know how much their clients owe them.



Graphic 2 I am very clear about how much my clients owe me

Source: Own elaboration

The previous graph shows that 88% of the MSME managers answered that they know how much money their clients owe them.

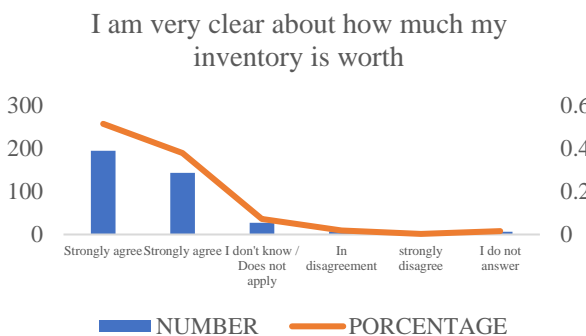
Next, we have question number three "I am very clear about how much my inventory is worth".

Description	Number	Percentage
Strongly agree	194	51%
Agree	143	38%
Don't know / Not applicable	27	7%
Disagree	7	2%
Strongly disagree	1	0%
No answer	6	2%
	378	100%

Table 4 I am very clear about how much my inventory is worth

Source: Own elaboration

89% of the entrepreneurs think they know the value of their inventory, this is favourable because it is in the inventory where a lot of money is badly invested, sometimes with obsolete merchandise.



Graphic 3 I am very clear about how much my inventory is worth

Source: Own elaboration

The previous graph shows the knowledge of the MSMEs' management regarding the value of their inventory, 89% know how their inventory is so as not to consider obsolete merchandise or that they are not aware of any shortages in their inventory.

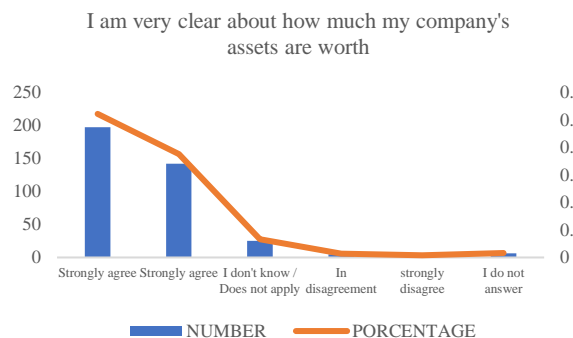
The following is question four "I am very clear about how much my company's goods are worth".

Description	Number	Percentage
Strongly agree	197	52%
Agree	142	38%
Don't know / Not applicable	25	7%
Disagree	5	1%
Strongly disagree	3	1%
No answer	6	2%
	378	100%

Table 5 I am very clear about how much my company's goods are worth

Source: Own elaboration

90% of the company managers responded that they know the value of their company's assets, which is very important in case it becomes necessary to sell the company at a certain point in time.



Graphic 4 I am very clear about how much my company's assets are worth

Source: Own elaboration

The previous graph is very important because it shows that 90% of the entrepreneurs know the value of their company's assets, that is to consider whether there are values that have to be subtracted due to shortages, for example in inventories.

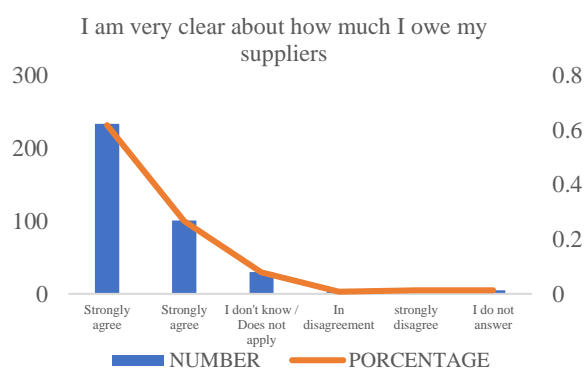
Now question five "I am very clear about how much I owe to my suppliers".

Description	Number	Percentage
Strongly agree	234	62%
Agree	101	27%
Don't know / Not applicable	30	8%
Disagree	3	1%
Strongly disagree	5	1%
No answer	5	1%
	378	100%

Table 6 I am very clear about how much I owe to my suppliers

Source: Own elaboration

89% of the entrepreneurs are aware of the debts they owe to their suppliers of goods and services.



Graphic 5 I am very clear about how much I owe my suppliers

The previous graph shows that 89% of the entrepreneurs know the value of their debts with their suppliers and only 11% do not know the value of their debts or simply do not have any debts.

Now to question number six "I am very clear about how much I owe in loans to my relatives and acquaintances".

Description	Number	Percentage
Strongly agree	201	53%
Agree	100	26%
Don't know / Not applicable	61	16%
Disagree	4	1%
Strongly disagree	5	1%
No answer	7	2%
	378	100%

Table 7 I am very clear about how much I owe in loans to my relatives and acquaintances

Source: Own elaboration

79% of the entrepreneurs say that they know the amount of their debts to relatives and acquaintances. It is very important to know the amount of debts in order to plan how to repay them.



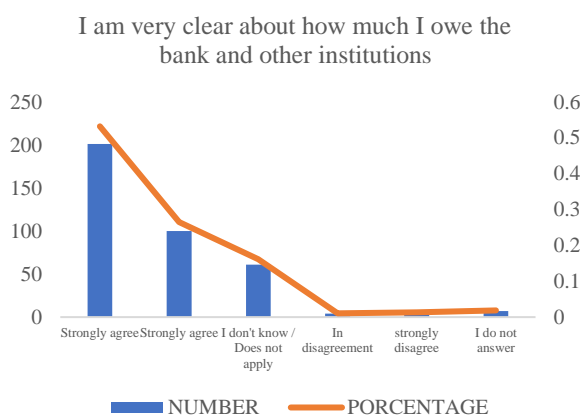
Graphic 6 I am very clear about how much I owe my relatives and acquaintances in loans
Source: Own elaboration

79% of MSME entrepreneurs said that they know the amount of their debts to family and friends. And only 21% are not in debt or do not know the amount of their debts.

Now to question number 7 "I am very clear about how much I owe to the bank".

Description	Number	Percentage
Strongly agree	201	53%
Agree	100	26%
Don't know / Not applicable	61	16%
Disagree	4	1%
Strongly disagree	5	1%
No answer	7	2%
	378	100%

Table 8 "I am very clear about how much I owe the bank"
Source: Own elaboration



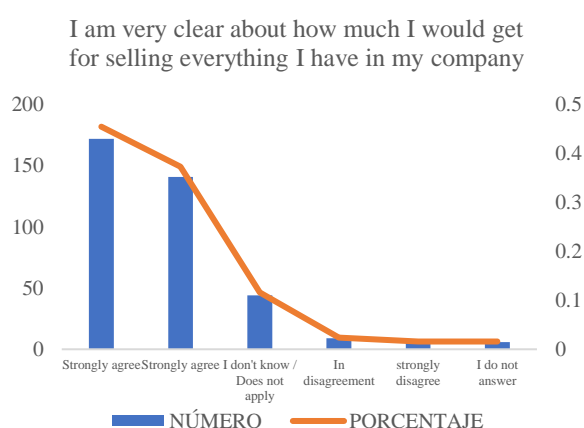
Graphic 7 I am very clear about how much I owe to the bank and other institutions
Source: Own elaboration

Now question number 8, I am very clear about how much I would get for selling everything I have in my company.

Description	Number	Percentage
Strongly agree	172	46%
Agree	141	37%
Don't know / Not applicable	44	12%
Disagree	9	3%
Strongly disagree	6	1%
No answer	6	1%
	378	100%

Table 9 "I am very clear about how much I would get for selling everything I have in my company"
Source: Own elaboration

83% of the entrepreneurs know the value of their company if it were necessary to sell it.



Graphic 8 "I am very clear about how much I would get for selling everything I have in my company"
Source: Own elaboration

Entrepreneurs in the MSMEs of León, Guanajuato, Mexico. 83% know the value of their company in case they decide to sell it and only 17% do not think it is convenient to know the value of their company or are not interested in selling it.

Acknowledgement

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Conclusions

The MSMEs under study are the backbone of the economy of Mexico and of every country in the world due to their high representation. They suffered a very delicate economic and financial situation during this pandemic, putting their survival at risk and being on the verge of closing down definitively.

Mortality statistics increased during the quarantine carried out by each of the states, which occurred gradually as the traffic lights changed from green to red and put people's lives and health at risk. The statistics confirmed this according to the 2019 economic census, where 20% of companies closed permanently and 21% of jobs were lost, causing an unemployment problem that the federal government had to solve with support for companies, granting loans and support. Incomes also fell.

The MSME entrepreneurs said that they had mastered the management of their finances, they were used to the high economic turbulence, they said they knew what they had, what they owed to suppliers and banks, relatives and acquaintances, as well as the partial and total value of their company in case it was necessary to sell it.

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