

The financial function in the micro and small companies of Ixmiquilpan, Hidalgo

La función financiera en las micro y pequeñas empresas de Ixmiquilpan, Hidalgo

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Resumen

La información y estrategia financiera es un instrumento que coadyuva en la eficiencia de la micro y pequeña empresa y es la base para la toma de decisiones, es por ello que el analizar el área financiera implica contemplar aspectos que van más allá de índices o ratios tales como, saber acerca del conocimiento que posee el empresario sobre materia financiera así como conocer cómo es su desempeño del mismo en las funciones que realiza, las cuales dependiendo de su ejecución pueden coadyuvar al éxito empresarial, crecimiento y competitividad. La presente investigación pretende contribuir al desarrollo y consolidación de la micro y pequeña empresa es por ello que está orientada al análisis de la función financiera que realizan los directores de las existentes en el municipio de Ixmiquilpan, Hidalgo. Se analizó el desempeño y conocimiento de la función financiera lo que permitió identificar oportunidades y carencias del conocimiento. En cuanto a la metodología fue una investigación descriptiva y exploratoria que gracias a sus resultados se apreció que en la figura del director predomina el desconocimiento sobre el dinero, bienes, derechos y obligaciones que posee derivado de relaciones con clientes, proveedores, acreedores e instituciones financieras.

Empresa, Función Financiera

Abstract

The information and financial strategy is an instrument that contributes to the efficiency of the microenterprise and the company and the basis for decision making, that is why it analyzes the financial area implies contemplative aspects that go beyond the indices such as, know about of the knowledge that the entrepreneur possesses on the financial matter, as well as knowing how it works in the functions that are achieved, those that depend on its execution can help business success, growth and competitiveness. The present research aims to contribute to the development and consolidation of the micro and small companies is for that reason that it is oriented to the analysis of the financial function carried out by the directors of the existing ones in the municipality of Ixmiquilpan, Hidalgo. The performance and knowledge of the financial function was analyzed, which allowed identifying opportunities and knowledge gaps. Regarding the methodology, it was a descriptive and exploratory investigation that, thanks to its results, it was appreciated that in the figure of the director the ignorance about the money, goods, rights and obligations that it owns derived from relations with clients, suppliers, creditors and financial institutions.

Company, Financial function

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Introduction

As in many countries of the world, in Mexico micro, small and medium enterprises (MSMEs) represent the majority of the country's companies, but they also face the greatest challenges. The most serious problem of MIPYMES is the lack of competitiveness and business growth which prevents them from having continuity and consolidating.

To study the factors that make some companies more competitive than others has occupied a large part of the efforts of researchers in the last decades. The usual scheme of explanation of the causes of business competitiveness, has traditionally focused its attention on external factors to minimize the importance of the performance of the company itself at the time of, through their decisions, influence the likelihood of success or failure in a market. The term competitiveness may have different approaches, but both the economic, political and academic focus refer to the progress and business growth experienced by companies. This study proposes an analysis of the financial function that serves as a competitive strategy to boost the growth of the Mype in the municipality of Ixmiquilpan, Hidalgo in order to specifically identify those factors that, to a greater extent, contribute to improving their capacity to respond and react to market challenges.

Approach

According to García (2015) the report of the Organization of American States of 2010 estimates that there are around 200 million companies worldwide, of which 190 million are micro, small and medium enterprises, which represent between 90 and 95% of the total. These MSMEs generate between 50 and 70% of employment, depending on the country or region; this type of company has an average life of 14 months and many of them operate in the informal.

The problem faced by most countries in the world and our country among them, is the lack of competitiveness and growth of Micro, Small and Medium Enterprises, which prevents them from having continuity and consolidation (OECD 2012). In Mexico, according to López (2009), "a study by Nacional Financiera and INEGI reveals that almost 50% of Mexican microenterprises do not live longer than five years and suffer a high mortality rate.

According to this analysis, 30.9% of microenterprises have an average age of less than three years; 48.4% is less than five years old and only 30% live more than 10 years or become a small industry ". The economic and social development of Mexico depends in an important way on the dynamism of the MSMEs, which constitutes 99.80% of the economic units, contributes with 52% of the GDP and generates 78.5% of employment, so it is essential to know its characteristics to be able to implement strategies for its strengthening (INEGI, 2010).

One of the areas that regularly have the greatest vulnerability is the area of finance. Although as they say that the business language is finance, in the case of MSMEs, most do not understand this language well, which is critical since in certain cases such information is elaborated by a person outside the organization who only is dedicated to generating the information to deliver a result for mere fiscal effects, reducing the importance of the financial function as well as its internal financial factors, which are factors that could influence the competitive result and growth of the company. The problem of ignorance of the aforementioned information results in an incorrect and incorrect decision making, decisions that are not aligned with strategies derived from information that reflects the resources and internal financial factors of micro and small companies.

Justification

The state of Hidalgo is one of the 32 states of the United Mexican States, located in the geographic region of the center of the country, bordering the north with the states of Querétaro, San Luis Potosí and Veracruz; to the east with Veracruz and Puebla; to the south with Puebla, Tlaxcala and the state of Mexico; and to the west with the State of Mexico and Querétaro. During the period 2003 - 2013, 19 entities presented an average annual growth higher than the national one that was of 2.6%, for its part, the one of the State of Hidalgo was of 2.5% for what has had a growth of the GDP inferior to the national average (2.6%), which contrasts with the dynamics of other states in the center of the country, such as the cases of Querétaro (5.1%), Puebla (3.56%) and Tlaxcala (3.51%). These data reveal a complex economic situation in the state of Hidalgo that affects its development. However, there are some productive activities whose value places Hidalgo in the foreground at the national level. SEDECO (2014).

The GDP of Hidalgo in 2013 was mainly integrated by the services sector (111 thousand 438 million pesos), followed by the Industrial sector (88 thousand 627 million pesos) and finally the agricultural sector (7 thousand 501 million pesos). At the national level, similar behavior was observed in the proportion of sectors in GDP. SEDECO (2014).

The state of Hidalgo has 81 570 economic units, according to the economic census carried out in 2009. This population represents 2.1% of the total units nationwide. In Hidalgo there is a clear predominance of microenterprises that is in accordance with the trend that exists in the rest of the country. INEGI (2009). According to INEGI (2014) of the total number of registered companies, 99.6% are Mypes, with a limited participation of medium and large companies in the state.

Euraskin (2011) points out that the study regarding business growth is relevant, so it is important for him to point out that according to different authors, researchers have historically used different measures or indicators of growth (Brush and Vanderwerf, 1992, Chandler and Hanks, 1993). Delmar, 1997, Murphy et al., 1996, Weinzimmer et al., 1998, Davidsson and Wiklund, 2000, Delmar et al., 2003). Delmar et al. (2003) considers that what motivates this variety of measures used in the empirical studies of business growth is the lack of recognition about the heterogeneous nature of the growth phenomenon itself and that these differences in variables and methodologies is only an aspect that denotes the need of a more integral and complex vision of business growth.

According to the data previously stated, the importance of MSMEs in the economy of the state of Hidalgo is evident, being of vital importance all the possible actions aimed at strengthening and growing as a strategic factor of economic and social development. For all this the subject of study of the present investigation is the micro and small company, being excluded the medians to own characteristics that more resemble them to the big companies.

Objective

To indicate with precision the phases of the investigation and activities to be developed, for the present work the following objective has been proposed.

Analyze the financial function of the director of the micro and small business of the municipality of Ixmiquilpan, Hidalgo

Hypothesis

Derived from the above, the following hypothesis is proposed:

If the financial function is carried out efficiently, the growth of the Micro and small company of the Municipality of Ixmiquilpan, Hidalgo will have a significant effect.

Theoretical framework

Gómez (2010) in his article called The financial function, points out that the activity of a business is nothing other than the gearing of a series of activities that, depending on the nature of the company, go from the simplest to the most complex. He also affirms that the economic theory of the company has identified three fundamental functions in any company that has a strictly business objective: the production function, the marketing function and the financial function. Each one is important but in the case of the financial function it has characteristics that give priority over other functions because finance is conceived as the way to manage money in an economic unit, and in the case of companies in the course of its operations the monetary flow is of vital importance since without these the other functions and areas could not be carried out. On the other hand, the financial function is related to the wealth of a company which is achieved through the increase of cash flow over time.

The financial function is divided into three activities: bookkeeping, management accounting and fund management. The bookkeeping, purely technical aspect in terms of accounting management, is aimed at recording the economic transactions of a company, the consolidations of activities, the rules governing the preparation of financial statements and the processing of data to generate information on the basis of the accounting record. Management accounting focuses its activities primarily on information management for decision making, budget preparation, financial reports, cost management, among others. The management of funds is the part most directly linked to the nature of the financial function, both from a conceptual and operational point of view.

Lozada (sf) defines the basic financial objective (FBO), stating that this is the maximization of the wealth of the entrepreneur and the maximization of the long-term utility of the company and that the dividend distribution policy and activity must also be considered. that develops the company. Regarding the conceptualization of the financial function, he mentions that this is an activity that consists in the implementation of strategies demanding that the company's funds be committed, while all the functional areas are project generators and fundraising investors. It also indicates that the financial administrator must, at the time of generating the demand for funds, determine which suits the company, that is, that are aligned to the achievement of the basic financial objective. On the other hand, regarding the role of the financial administrator, he defines that the role of all the directors of the functional areas is to promote the maximization of the value of the company.

The growth dynamics of small and medium-sized companies are very relevant not only from the point of view of the particular business, but also at a socio-economic level, due to the great contribution that the growth of these business realities brings to a territory. However, this growth is not free of problems since in most cases growth implies overcoming the organizational resources of the business itself (Fombrun and Wally, 1989; Slatter, 1992), and leads to the existence of turbulent periods (Wiklund, 1998).

On the other hand, there is another growth perspective which starts from the resource structure that the company owns or controls, which will determine the incentives, the brakes and the development directions (Kochhar and Hitt, 1998). Optimal business growth implies the existence of a balance between the exploitation of existing resources and the development of new ones (March, 1991, Penrose, 1959, Rubin, 1973, Wernerfelt, 1984).

In the same direction, Fernández (1993, p.180), from the perspective based on resources, establishes human resources as a primary factor for achieving a greater advantage of the company in the market; These resources include not only knowledge, training and experience, but also their adaptability and loyalty to the company.

Similarly, Petrakis (1997, p.388), in the classification he makes about the causes of growth, suggests, as a main internal factor, the "personal skills and attitudes", these attitudes being more noticeable in larger companies where the management team is motivated by the success of their personal careers.

Methodology

Method

The present work is part of the results of the research carried out in the Latin American Business and Administration Network (RELAyN) in Mype's of Mexico and Colombia (Peña, Aguilar & Posada, 2017) addressed from the descriptive and exploratory quantitative method which has as an objective to analyze the financial function of the director of the micro and small business of the municipality of Ixmiquilpan, Hidalgo, proposing strategies that contribute to economic development.

Instrument

The instrument used was the one developed and validated by Peña, N.B., Aguilar, O.C. & Posada, R., (2017) in its book called Factors that determine the closing of the micro and small business, comparative between active and inactive companies in Mexico and Colombia. The verification to validate the data of the surveys was on paper and its capture was made by the investigating teachers who coordinated the activity. Two types of surveys were applied: (A) to Mype's Managers that remain open and (B) Mype's Managers who closed, the latter being the object of study of this work called "Innovation as a factor of economic development. Analysis of the innovative profile of the entrepreneur and / or director of the Mype's of Ixmiquilpan, Hidalgo".

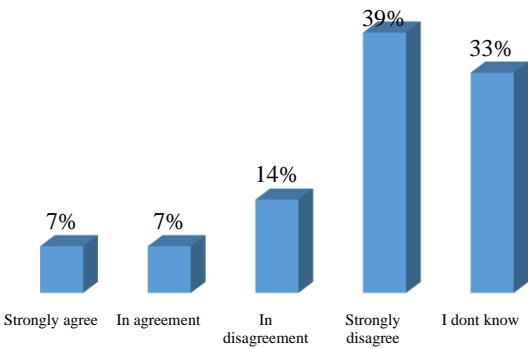
Population and sampling

Peña, N.B., Aguilar, O.C. & Posada, R., (2017) indicate that according to INEGI statistics (2015) the municipality of Ixmiquilpan Hgo has a population of 93 502 inhabitants with an average age of 27 years; for every 100 people of productive age there are 55.1 in the age of economic dependence; the average of inhabitants by house is of 3.8, 6.8% of the population does not count on educative instruction, 55.1% have basic education, 21.1% average superior and 16.7% superior.

The economically active population (PEA) is 51.8% and the non-active population 48.1% (INEGI, 2015). The municipality has 5 252 economic units of which 5 236 are Mype's, representing 99.6% (INEGI, 2016).

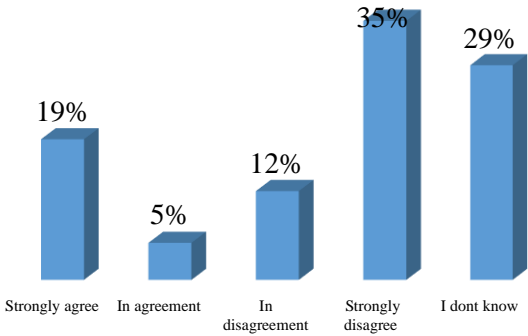
As for sampling and sampling to carry out the comparative analyzes, it was determined that it would be carried out using a difference of means, seeking a confidence level of 95%, with a statistical power of 90% of bilateral type. A sample of 401 active and 133 inactive companies was covered. For the collection of information, a convenience sampling was conducted. For the purposes of this work we worked with the sample of 133 inactive companies.

Results



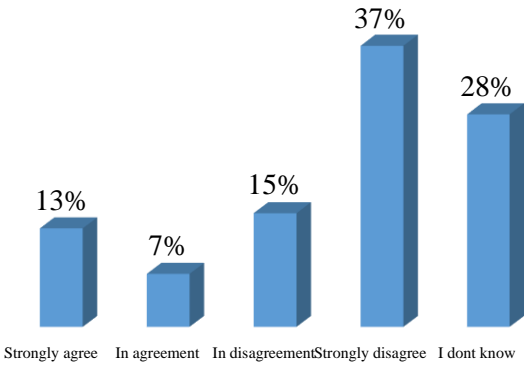
Graphic 1 I have very clear how much money I have
Source: Self Made

Only 14% of the directors of Mypes strongly agree and agree as to how much money they have, while 72% do not know and strongly disagree about the resource they have, which could be a reason for the closure of companies.



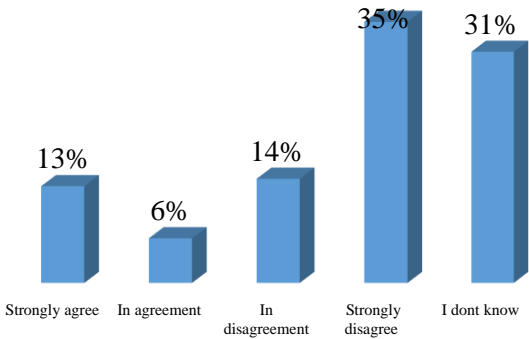
Graphic 2 I have very clear how much my clients owe me
Source: Self Made

64% of the directors do not know how much the customers owe them and only 24% if, which translates into an incorrect management of the client portfolio and that can become uncollectible.



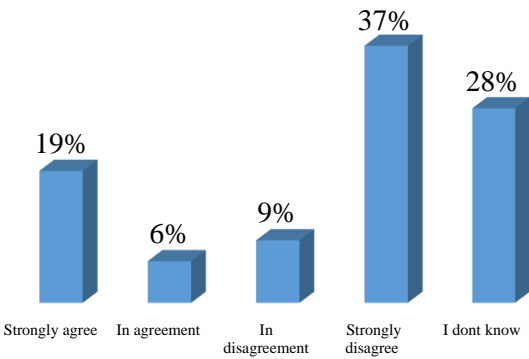
Graphic 3 I am very clear about how much my inventory is worth
Source: Self Made

65% of entrepreneurs do not know the value of their inventory, which generates lack of control and possible obsolescence or waste, and only 20% if they know its value.



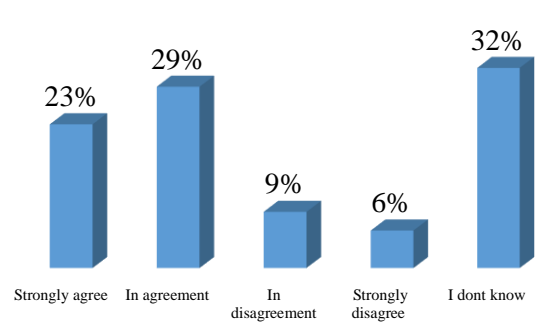
Graphic 4 I am very clear about how much my company's assets are worth
Source: Self Made

Only 19% of the directors know the value of their company in assets, which is worrisome because 65% do not know it and lets see the lack of control over the assets.



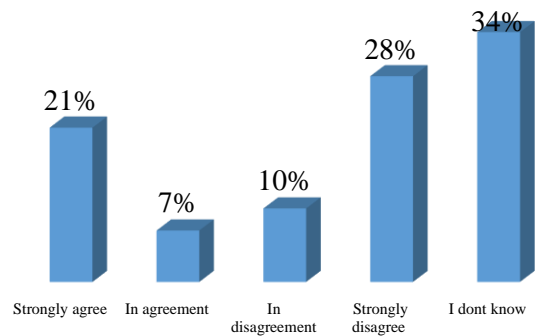
Graphic 5 I have very clear how much I owe to my suppliers
Source: Self Made

65% do not have a good control of accounts payable, which can cause an excess of indebtedness and liquidity problems.



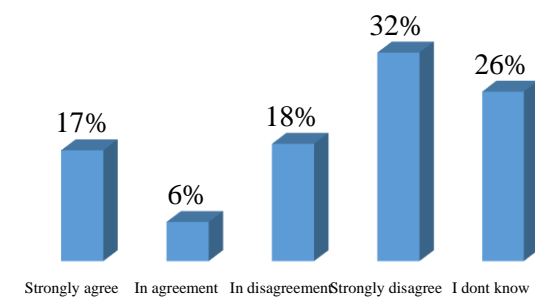
Graphic 6 I am very clear about how much I owe on loans to relatives and acquaintances
Source: Self Made

52% of directors know their debts with relatives and acquaintances, which allows to see the interest they have on this type of financing being a positive factor, however 32% do not know how much they should.



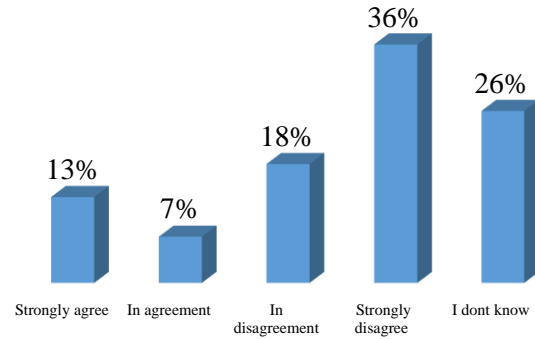
Graphic 7 I have very clear how much I owe the bank and other institutions
Source: Self Made

62% of directors are not aware of this type of financing, since only 28% are concerned, which can trigger debt growth problems for interest payments, and may have even more serious consequences.



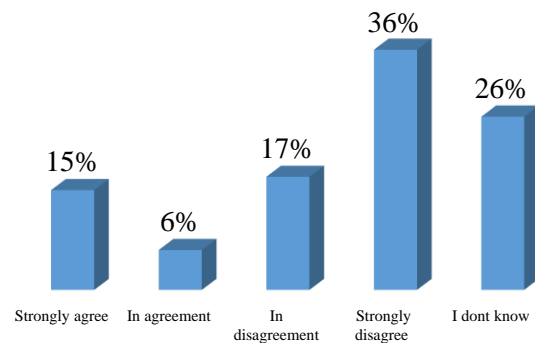
Graphic 8 I have very clear how much I would get for selling everything I have in my company
Source: Self Made

As you can see 58% of the directors have no idea of the value of their companies, which is worrisome compared to the 23% who do know.



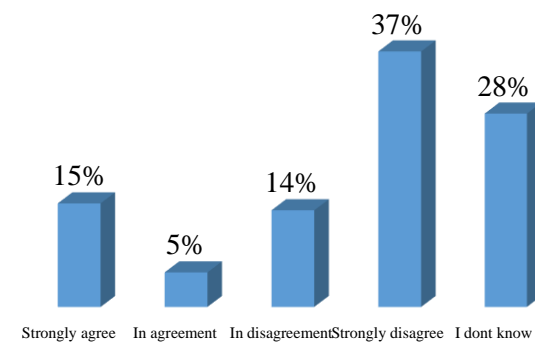
Graphic 9 I am very clear about the value of everything I sold last month
Source: Self Made

There is a lack of control over the sales history, which does not allow a comparative analysis in this area, since only 20% if you know vs. 62% that you do not.



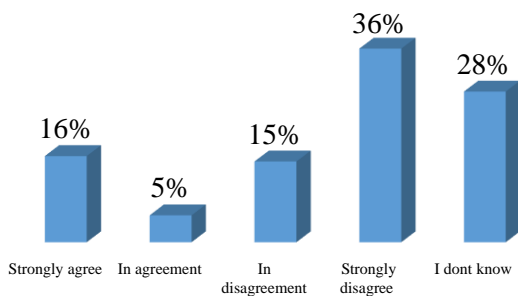
Graphic 10 I am very clear about the value of everything I received last month
Source: Self Made

There is lack of control in collection due to the fact that 62% are not clear about how much they collected the previous month and only 21% show knowledge about it.



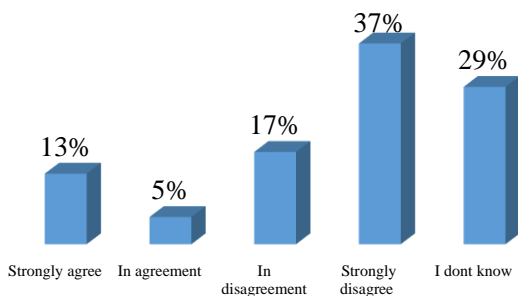
Graphic 11 I am very clear about the value of everything I bought from suppliers last month
Source: Self Made

65% of the directors do not have a correct control over the purchases, being an area of opportunity for the company, being 20% of them who do know the data.



Graphic 12 I am very clear about the value of everything I paid my suppliers last month
Source: Self Made

The handling of payment to suppliers is limited, considering that only 21% remembered how much payment in the previous month, being worrying that 65% do not know.



Graphic 13 I am very clear about the value of everything I spent
Source: Self Made

The directors do not have a correct cash flow management, especially in relation to expenses, because 66% are unclear about the value of their expenses, which can lead to losses for the company.

Discussion

Once the results are described, it can be observed that the closure of the micro and small companies can be attributed to the director's deficiency in their performance when executing the financial functions since the results showed that most of the entrepreneurs and / or directors do not know aspects fundamentals such as the control of financial resources, financial position, debt, the value of their assets, the value of the total of the company and the proportion that keep the financial resources as well as the relationship with customers and suppliers.

On the other hand, the minority of the interviewees showed that they had a good management, control and knowledge of the financial aspect of the company, aspect that was not enough to avoid the closure of the same.

These results show a direct relationship with the contribution of Kochhar and Hitt (1998) who points out that optimal business growth implies the existence of a balance between the exploitation of existing resources and the development of new.

Conclusions

In conclusion, we can say that the results of the investigation show that the inactive micro and small companies in the municipality of Ixmiquilpan did not comply with the efficient financial function. We have also been able to appreciate that although the Mypes have common weaknesses and strengths, derived from their smaller size, not all of them show an equal behavior in the execution of financial activities. As for the working hypothesis, this has been accepted since the results showed that a financial function can contribute to the growth and continuity of the Small and Micro Business of the Municipality of Ixmiquilpan, Hidalgo.

Finally, we note that the conclusions and opinions of this research work have a purely approximate meaning, since at all times the purpose has been to conduct a descriptive and exploratory study in order to approach the knowledge of the financial function and / or performance of the directors of the Mype's. Its generalization would be risky due to the number of companies that make up the sample. In another sense, it is considered that the research presents a series of valuable information regarding what has been published to date in relation to the concept of innovation in the Mypes of the region.

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