Analysis of financial risks of Valle de Santiago SMEs

GÓMEZ-BRAVO, María de la Luz†, ANDRADE-OSEGUERA, Miguel Ángel and BÁRCENAS PUENTE, José Luis

Universidad Tecnológica del Suroeste de Guanajuato, carretera Valle-Huanímaro km 1.2, Sin Colonia, Cp. 38400, Tel:(456) 643 7180.

Abstract

This work aims to contribute to the improvement of the Financial Risk Concepts, the philosophical construction of the Financial Theory and the Improvement of Smes, taking as a point of reference uncertainty and risk in the context of Competitiveness, the model of analysis that It is proposed to determine that internal and external factors play an important role in the explanation of financial risk, supported by the theory of resources and capabilities.

SMEs, Financial Risk, Financial Model

Citation: GÓMEZ-BRAVO, María de la Luz, ANDRADE-OSEGUERA, Miguel Ángel and BÁRCENAS PUENTE, José Luis. Analysis of financial risks of Valle de Santiago SMEs. RINOE-Journal of General Economics.2017, 1-1: 19-23.

---

† Researcher contributing first author.

Introduction

Within this work it will be considered that the companies in addition to being taken as an object for speculation, can be taken for study in which a financial risk analysis will be performed for my SMEs of Valle de Santiago. This analysis will focus on investment (Investment-Risk Analysis).

The analysis will be carried out by planting which are the explanatory factors of risk or success of SMEs in Valle de Santiago, since the purpose is to demonstrate that there is a relationship between financial risk with their internal capacities, the types of environment or the contexts in which find.

In the state of Guanajuato in the city of Valle de Santiago, making a company has become a very high risk mission due to the adverse conditions of SMEs and the situation that is going through the state and the city where the agricultural sector is the most strong in the city of Valle de Santiago.

In the present work taking as an instrument the analysis of financial risk of SMEs in Valle de Santiago and thus be able to predict their situation by identifying the factors that are affecting this situation in such a way that some solutions to the risk factor may arise or strengthen the success factor that has been detected.

A series of questions arise so far as the basis of the analysis of financial risk. How can the financial risk of SMEs be measured if financial theories have been made for large companies? How to determine the importance of financial risk factors. When you start analyzing the context of competition in the SME market is when you know that your financial risk can be based on the great competition you have is when we can begin to give answers to previous questions.

The infrastructures, the economic situation, the financial and governmental measures in the handling of the macroeconomic variables, the risk of these economic units is measured in order to establish the differences of the risks in companies of the same sector that in turn are supported by the differences in the possession and development of resources such as the internal characteristics of the companies, which in turn intensify the effect of the environment that is exerted on financial risk in the SMEs of Valle de Santiago.

The last part of the investigation would be to collect information for the calculation of the financial risk variable of SMEs in Valle de Santiago

Framework

According to Pardo (2002), in modern theories of finance, arising from the fifties and that are based on the study of uncertainty, asymmetric information and risk as the portfolio selection (Markowitz 1952, Sharpe 1964 and Lintner 1965), the valuation of asset prices (Sharpe 1964) and some genres of financial innovation (Ross 1989, Cooper 1986 and 1986), has allowed an important advance in knowledge. However, these theories that are basically based on risk have only been applicable to financial markets and companies registered in the stock market, being relegated to such financial analysis the business.

The above is confirmed by Cazorla (2004), by noting that in the context of the unquoted SME, the employer's disinterest in the use of the issuance of shares is justified, given the loss of control implied by the entry of third-party partners, Therefore, in general, these are companies that are unknown in the financial markets, based on the figure of the owner entrepreneur.

In the research carried out by Álvarez and García (1996) Success and Risk Factors in SMEs, a model was designed and implemented based on the success and risk factors in order to improve their competitiveness. The practical comparison of the model allowed to define the competitive advantages of those companies that obtain better results, beginning with the identification of competitive companies, valuing their results based on work environment, financial situation, productivity, profitability and turnover.

Development

Risk is associated with the probability of loss in the future, the essence of risk analysis is to measure and explain those probabilities in contexts of uncertainty (De Lara 2003). The financial risk of SMEs and their capabilities, there is an inverse relationship, because this internal factor explains the differences in risk between SMEs located within the same sector.
The strength of the association between financial risk and the internal capacities of SMEs is a sign of their weakness or strength with respect to other risk factors.

Considering the current circumstances of SMEs, the mesoeconomic environment has not favored their survival and development, that is, this factor rather than opportunity is a threat, due to the lack of protection in which it is found for SMEs given the low efficiency and impact of the context National, local, institutional and union government, as well as infrastructure needs for the city and the region.

In the research carried out by Álvarez and García (1996) Success and Risk Factors in SMEs, a model was designed and implemented based on the success and risk factors in order to improve their competitiveness.

The practical comparison of the model allowed us to define the competitive advantages of those companies that obtain the best results, starting with the identification of competitive companies, valuing their results based on work environment, financial situation, productivity, profitability and turnover. Second, disaggregate each of the variables {Company, Sector, Environment} in a series of factors focused systemically to determine the intensity of its impact on the competitiveness of the SME.

The practical comparison of the model allowed us to define the competitive advantages of those companies that obtain the best results, starting with the identification of competitive companies, valuing their results based on work environment, financial situation, productivity, profitability and turnover. Second, disaggregate each of the variables {Company, Sector, Environment} in a series of factors focused systemically to determine the intensity of its impact on the competitiveness of SMEs

On the other hand Claver (2000) in his research on the "Comparative impact of the company effect and the sector effect on economic profitability" studies that try to determine in what degree factors such as industry, the corporation, market share, capabilities and company resources, the sector effect, the year effect and the error; explain the differences in performance between companies, using as indicators the variance of profits

Methodology.

It is qualitative since data collection without numerical measurement is used to discover or refine research questions in the interpretation process, Qualitative studies can develop questions and hypotheses, during or after the data collection and analysis.

The qualitative data provide detailed descriptions of situations, events, people, interactions, observed behaviors and their manifestations. The qualitative approach seeks mainly "dispersion or expansion" of data and information, reflection is the bridge that links the researcher. (Hernandez, Sampieri, Roberto, 2006) The qualitative approach studies the various subjective realities constructed in research, which vary in their form and content among individuals, groups and cultures, reality if changed by observations and data collection, describes and interprets the phenomena through the perceptions and meanings produced by the experience of the participants.

The qualitative approach provides depth to the data contextualization of the environment or unique experiences and also provides a "fresh, natural and holistic" point of view of the phenomena as well as flexibility.

The orientation towards the description, prediction and explanation is directed towards measurable or observable data. The goal of mixed research is not to replace quantitative and qualitative research, but to use the strengths of both types of inquiry by combining them and trying to minimize their potential weaknesses.

Mixed methods represent a set of systematic, empirical and critical processes of research and involves the collection and analysis of qualitative and quantitative data as well as their integration and joint discussion to make inferences as a result of all information collected and achieve their greater understanding of the phenomenon under study. (Hernandez, Sampieri, Roberto, 2006). They are the systematic integration of qualitative and quantitative methods in a single study to obtain a more complete picture of the phenomenon, these can be combined in such a way that the qualitative and quantitative approaches preserve their original structure and procedures.

Conclusion

The theory of resources and capabilities is manifested as that factor that counteracts the financial risk of the company, and in turn determines the impact that environmental factors can exert on financial risk, therefore according to the philosophical conception proposed in the theoretical framework , the groups of proposed variables are validated on the one hand, such as the risk or success signals they face.

SMEs in the agricultural sector have a low financial risk due to high levels of liquidity, economic solvency and profitability, and a low level of indebtedness, but this is only a product of the capabilities and resources of the company that articulated to their environment they determine the incidence that this generates in their general performance.

In this order of ideas, it is worrisome that these companies, in their internal characteristics, are presenting poor valuations in the cultural and support factors. In the former, there is a weakness in the culture of export, of innovation, human resources are not covered by the importance required for the achievement of capacities and greater competitiveness, while in terms of support they have weaknesses with technology. used and technical resources.

The capacities and resources are a factor of success of the SMEs of the Agricultural sector, reflected especially in the financial capacity, the qualification of the human resource and the importance of customer service. However, as stated above, some aspects that should be improved significantly are presented. The competitive advantages of SMEs in the agricultural sector, which makes some less risky than others, are the culture of innovation, the culture of customer service, the audit of systems, participation in the planning process and technical resources. To say, these are the aspects that differentiate from other SMEs.

It is worth mentioning the high incidence of strategic alliances in financial risk, explained by the low tendency of association of the metalworking sector entrepreneurs, since they are losing opportunities to export and grow, due to the high volumes demanded that these companies are not in conditions to satisfy individually.

Although the external market is an opportunity for the sector, it will remain a weak signal as long as these companies do not assume greater market management linked to the trade association, market information services, policies and suppression of government procedures that allows them to strengthen them towards external markets.

Finally, the goodness tests of the regression model allow to predict the bankruptcy or solvency of the company based on the self-assessment that the entrepreneurs make of each one of the aspects referenced therein. Therefore, as a final product, software was designed that simulates financial risk based on the competitiveness variables that were involved in the model.

References

(claver, molina, & quer, 2000)

(revistaempresarial, s.f.)

(www.clarin.com, s.f.)

Carzola,P.(2004) Problemática Financiera de las Pyme: Análisis Teórico de los Factores determinantes. IX foro Iberoamericano de sistemas de Garantías Universidad de Amelia Departamento de Dirección Y Gestión De Empresas

De Lara, A, (2003), Medición y control de Riesgos Financieros, incluye riesgos de mercado y créditos 3era Edición, México, Ed Limusa

Escobar R., Francisco, ABC del análisis Financiero para micro, pequeñas y medianas empresas y ejecutivos, Ariel Divulgación Ed. Planeta Mexicana, 1995.

Hernandez, Sampieri, Roberto. (2006). Metodologia de la Investigacion. En S. R. Hernandez, Metodologia de la Investigacion. Mexico: Mc Graw Hill.

Mercado H., Salvador, Administración de Pequeñas y Medianas Empresas, Ed Pac, México D.F. 1999.

revistaempresarial. (s.f.). Obtenido de www.revistaempresarial.com.

Robinson I., Roland. Financiamiento de la dinámica empresa pequeña, ediciones contables y administrativas, México 1972

Robison I, Roland. (1972). Fiananciamiento de la Dinamica Empresa Pequeña. En R. Robison I, Fiananciamiento de la Dinamica Empresa Pequeña. Mexico: Contables y Admistrativas.

www.masmisionpyme.com. (2016). Obtenido de www.masmisionpyme.com.