

Economic social capital in microenterprises in the printing industry in Ciudad Juárez, Mexico

SOLÍS-RODRIGUEZ, Fany Thelma*†, RAMOS-RUBIO, Patricia, LÓPEZ-ÁVILA, Ramón Mario

Universidad Autónoma de Ciudad Juárez. Av. Plutarco Elías Calles No.1210 Col. Foviste Chamizal, C.P. 32310

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Abstract

The study addresses the social capital of the economy and its profit in microentrepreneurs in the printing sector. On the one hand, it comprises a theoretical review of the term economic social capital from a perspective of networks of formal and informal interrelation between individuals or organizations based on trust, which favour the exchange of tangible and intangible resources valued in monetary terms to determine the economic impact of that capital on the business development of the sector. On the other hand, from a qualitative approach with interview technique, the case study of ten printers and their links to the sector is exposed to identify the patterns and their effect on obtaining resources according to the distribution of their network. The objective is to explain the contributions that economic social capital gives to microentrepreneurs during a hostile context of insecurity in the period 2008 to 2013 in Ciudad Juárez, Mexico. Such a context, coupled with an economic crisis, affected confidence among microentrepreneurs in the sector, limiting the availability of economic resources and violated market conditions.

Economic social capital, microenterprises, networks

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* Correspondence to Author (email: fany.solis@uacj.mx)

† Researcher contributing first author.

Introduction

Even though there are no official indicators of microenterprise participation in the Mexican economy, several studies on the subject and some statistics agree that around 80% of companies in Mexico are micro-sized. However, a high percentage of these companies do not subsist to generational change or competition in the markets, so their disappearance must be a matter of great relevance and concern. Social capital, generally linked to the networks of links, interactions and social transactions between individuals or groups, is considered as a resource that favors microenterprises, because through it they can create a climate of mutual support between different actors such as: relatives, other businessmen, public sector officials, etc .; what can encourage your own business development. This idea is recurrent in the economic sphere, however, regularly the networks of links are not recorded or measured, so the way they impact on the productive processes of a particular sector is ignored. However, the context of economic and social crisis in Ciudad Juárez occurred in the period from 2008 to 2013, limited the availability of economic resources and violated its activity in the market. This, coupled with the fragility with which certain business organizations represent them and the different governmental changes that impacted them, generated an opportunity to study social capital in its economic sense in hostile conditions, this in order to respond empirically. What are the particular characteristics of economic social capital in microenterprises? What economic benefits does this social capital provide? This study is of a descriptive type with a qualitative approach, aimed at reviewing the main arguments about economic social capital as a resource for business development, through the technique of interviewing micro-entrepreneurs in the printing sector.

The categories analyzed were: printers; family members in the microenterprise; the resources; the organization of the sector, the network and keywords.

Justification

The experience of an economic crisis, the result of the commercial relationship with the United States of America, the changes in the fiscal provisions that eliminated the printed invoice at the national level, and the environment of violence in which extortion cases were presented to businessmen, affected confidence in the owners of micro-enterprises, is the specific case of the printing press in Ciudad Juárez, which allowed identifying an opportunity to study the social capital in hostile situations and analyze whether in such conditions said capital exists as a resource to survive business.

Problem

The economic and financial crisis in the United States of America in 2007, affected the local economy considerably. The significant dependence on maquiladora business relationships with suppliers and customers abroad was altered. On the one hand, imports of raw materials decreased, which caused the production lines to stop and forced rest for workers without pay, thus affecting the level of employment, the income of families directly and their purchasing power. On the other hand, the exports decreased and with this also the benefits to the workers as they are: the concessioned transport, celebrations and events to the workers, etc. The population before these events was limited to take care of its use before the uncertainty that appeared.

"By the third month of 2008, the city had already lost 16,398 jobs, which significantly affected the wage bill in the city" (Coronado, 2010, p.1), and for the following years the trend of the level of local occupation it went down, especially in the export manufacturing industry.

To this situation was added another with even more negative effect. They began to register situations of violence and insecurity never seen in the city, as a result of confrontations between organized drug trafficking groups that sought to seize the border as a bridge for the purchase and sale of narcotics in the United States. According to information from the National Public Security System (2013) for 2008 in Chihuahua, the crimes of intentional homicide, vehicle theft, kidnapping and extortion have increased considerably. The criminal wave was characterized by actions such as: business fires, explosives, detonations to buildings, beheading, massacres, kidnapping of people and extortion or collection of floor to businesses, identified by the population as the payment of fees, affecting greater measure to the business sector, which gave rise to the closing of businesses discreetly (Coutiño, 2011).

In this context, a large percentage of microenterprises closed and those owners who continued their activity took steps to protect their integrity, that of their family and company. One of them was to cancel their activity registration before governmental instances, which prevented them from having access to a loan or financial loan. Another, was to eliminate the commercial name of the exterior of the premises, which prevented them from being identified and prey to some type of violence, but at the same time it made them lose customers, because when they did not visualize the advertisement that identified the trade, they believed that they no longer existed and They stopped buying them.

The previous thing, caused that when diminishing its levels of sale the

microcompanies did not have possibilities of fulfilling the requirements of guarantee of payment that the financial institutions request to be creditors of a loan.

Thus, while the State of Chihuahua was the focus of attention at the national and international level, Ciudad Juárez ranked fifth in crimes declared by urban area with a total of 485,560; of which extortion to businesses was placed at the local level as the most frequent crime, according to the victimization and perception on public security survey (Inegi, 2011).

By virtue of the above, it was then estimated that there was a business closure of around 5 to 8 percent (Arriaga, 2010) and it was unofficially known that a considerable number of businesses and companies operated clandestinely in the fear of being subjects of violence. For this, an indicator of the opening and permanence of companies are the operating licenses granted by the municipal government of Juárez, which from 2009 to 2010 decreased by 11.7%; and by mid 2011 the decrease was already 28.3% compared to 2009, according to data obtained from the General Directorate of Urban Development of the Municipality of Juárez (2011).

Finally, in the specific case of the printing presses, the change in the fiscal provisions that forced the use of the electronic invoice generally reduced the income in the sector, since these came mainly from the printed invoice (Mena, 2010). In this way, the printers distrusted both the authorities and the population in general, they only trusted those colleagues from the same sector they had known for a long time. This is how the economic social capital that makes up the sector was probably the resource that favored their subsistence in this hostile context, helping them to face the crisis through trust and mutual support.

Hypotesis

Economic social capital is a means to reduce the risks and transaction costs of a company, thereby obtaining economic benefits.

Objectives

General objective

Determine the characteristics of economic social capital in micro-sized companies and the way in which it reduces risks and transaction costs, as well as the way in which it brings economic benefits to these companies.

Specific objectives

- Identify the particular characteristics of economic social capital in microenterprises.
- Justify the way in which economic social capital reduces risks and transaction costs of a company.
- Inferring in the economic benefits provided by social capital of an economic nature.

Theoretical framework

When talking about companies, they imply different types of capital that contribute to their growth and development. Some of these capitals are: economic (income, investment, etc.), physical (infrastructure and personal property), human (education, knowledge, experience, etc.), cultural (values, beliefs, customs, etc.). But, unlike other types of capital, the social is the only one that gives a value to social ties. In this way, social capital defined as "the individual or collective capacity of people to obtain tangible or intangible resources through the social links that concern them, and then incorporate them into the particular economic process, thereby obtaining a utility that generates economic effects.

"(Solís and Limas, 2015, p.65), materializes in the social bonds that bring with them the trust, the approach and the reciprocity between actors that interrelate.

Because social capital is inherent in the links between actors in a network, it can help to improve the performance of the members' functions and their learning, since it favors adaptation to the difficult situations they share. It leads to face the crisis through collaboration between them (Calderón and Castaño, 2005, Galaso, 2005, Torcigliani, 2007). In this sense, it is likely that the networks of microentrepreneurs imbued with trust will come to form a social capital of an economic nature, which can exert an area of influence that adequately articulated facilitates their business development, by virtue of the fact that business links provide them with information, affection, assistance, resources and advice as they demand respect, retribution and loyalty from the actors (micro-entrepreneurs) involved in them (Faust, 2002). Even the Economic Commission for Latin America [ECLAC] (2002, p.13) defines social capital as "the set of social relations based on trust and cooperation and reciprocity behaviors", with the understanding that these elements reduce poverty in a region.

This is how social capital includes the relations of trust, reciprocity, cooperation, norms and social rules between the different actors in a group or this one with other groups, which contributes to obtain certain benefits such as the reduction of transaction costs, the production of public goods and the constitution of both organizations and healthy civil societies (Diaz-Albertini, 2003). In this regard, Vázquez (2005, p.52) affirms "without trust we could not talk about networks, neither about local productive systems nor endogenous development processes".

Thus, the formal and informal networks that microenterprises build as social capital are aimed at collaboration and cooperation to obtain benefits that allow them to participate in the economy. Hotz-Hart (2000) proposes that such benefits are:

1. Access to information, skills and experience that, when shared, allow obtaining information on new perspectives and market strategies, which contributes to reducing costs and risks, as well as dealing with market situations. In this regard, Yoguel, Novick and Marín (2000) propose that such market circumstances be seen as challenges, which can range from the volatility of demand, market segmentation, reduction of product life cycles, uncertainty of markets, technological changes, competitiveness, up to compliance with quality standards and environmental regulations imposed by the state, among others.

2. Increase links and cooperation among network members, making them more competitive by creating synergy through complementarity between them.

3. Increase the response capacity by having access to the exchange of information and experience between companies, thus allowing them to anticipate technological changes.

4. Reduces risk, transaction and information costs by allowing the evaluation of market risks.

5. Increase confidence and social cohesion, which creates alliances that strengthen the culture and business values, as well as rules or labor standards that allow solidarity to face market uncertainties.

According to Caracciolo and Foti (2003), social capital is subdivided according to the main objectives of those who constitute it. In this way, the authors divide it basically into three types:

1. Economic social capital: which has to do with the networks of relationships established between individuals or groups with economic, commercial and productive activities.

2. Cultural social capital: those relationships between educational entities and social development and even solidary economy.

3. Political social capital: network of relations between individuals or groups of the political order whose purpose is to promote human rights and citizens.

Theoretical methods

The research was descriptive, transversal, non-experimental with a qualitative approach through the interview technique and the content and discourse analysis method with emphasis on its interpretation, using the semi-structured interview as an instrument for gathering information. The content analysis consists in analyzing the presence, or in its case, the absence of one or several characteristics of content in fragments of discourse subject to consideration (Bardin, 2002), at the same time allows to evidence arguments that are not observed when making a ordinary reading (Tinto, 2013).

In the specific case of the printing presses in Ciudad Juárez, whose owners did not trust the people who visited them, especially if they were asked about their businesses, it was difficult to establish trusting relationships when assembling the interview cases resorted to the snowball method or recommendation, that is, selectively interviewed ten owners who had some kind of link between them, whether commercial or friendly.

The interview was semi-structured, with the purpose of capturing information regarding its network of links with other entrepreneurs in the sector to identify both the regularities in the patterns of links and their effects in obtaining tangible and intangible resources according to the distribution of its network, which allowed, from this perspective, to explain certain consequences and contributions of economic social capital in its business activity. With this information, the respective network of links between the microentrepreneurs interviewed was created in the Ucinet 6 program in order to graphically determine their interconnection.

The semi-structured interview allowed freedom to introduce additional questions and to specify concepts or to deepen in certain information that would help to identify the functions and internal processes of the printing presses, the trust links associated with said functions, the obtained resources, etc. so that the entrepreneurs interviewed provided their experience, opinions, values and beliefs, generating response categories that, in addition to the general context, channeled the interpretation of meanings.

Regarding the limitations of this research, in the first place, it was that only ten cases were studied, which makes it difficult for the findings to be generalized; and, second, the analysis of social capital from a unilateral perspective, that is, only by microentrepreneurs leaving other actors who interact with them aside, which can be addressed in a subsequent investigation.

Results

Next, the information obtained is divided into the following categories: printers; family members in the microenterprise; the resources; the organization of the sector, the network and keywords.

The printers. The ten people interviewed are owners of printers, men who range between 40 and 74 years of age.

Five of them were born in Ciudad Juárez and have lived in it since then, two more were born in other municipalities of the State, but they have been living in Juárez for more than 30 years, as well as the three others that originate from other entities of the Mexican Republic. Rooting in a locality is considered important by virtue of the links they form over time, which can be very strong given their identification with the community where they live. Regarding their level of schooling, four of them have undergraduate studies, four with secondary level and two with primary only. Formal education coupled with experience in the sector allows them to position themselves as entrepreneurs with significant potential in the sector.

Of the ten cases, only one printing company is registered as a moral person, the rest as a natural person. Five of them were created on their own initiative, that is, the owners do not have any antecedents of exercising the office of printer, which places them as businessmen, while the other five printing presses are second or even third generation, that is, they learned the trade as a family tradition and inherited the printing press physically.

In both cases, either on their own initiative or by family tradition, the printers aim to obtain income for family support. In the ten cases, the owners resorted as a first instance to their personal savings for the initial financing. Only two of the owners decided to apply for a loan to a financial institution as an additional resource.

The relatives in the microenterprise. On average, the ten cases have 20.8 years operating as printers in the locality and together they add 89 direct jobs. All, except one, reported having at least one family member among their employees, most of them their children followed by their spouse and siblings.

The businesses of all of them, except two, are located in premises that are not their

domestic unit. Miguel, for example, has his printing house in an extension of his house that he built for that purpose and Eduardo built in the patio of his house a large room which connects him to his house through a corridor, and since his house is located in a corner gave access to the printing press by placing a door to the street.

In reference to work, the children who work in the business are of legal age and even with a finished degree, so they help in the administration or accounting of the business, given that they are first generation companies. In all cases they pointed out that family employees receive a fixed salary and even some extra bonus, so in no case do they work without receiving income.

In relation to the income obtained from the business, all the owners report that their priority is to cover the family support, and in the second instance, the reinvestment in the business, so they are dependent on the level of sales to survive.

The resources. Within the network of trusted links that make up these printers, they point out that they have obtained for free: the recommendation of suppliers (through customers and acquaintances), special prices when outsourcing printing services (by fellow printers), invitation to congresses (through prospects of clients and acquaintances), advice and help in printing techniques (experience of friends and fellow printers), legal advice and advertising (from relatives), credit (via suppliers), advice for mixed commission (free of charge by public institutions such as the Ministry of Labor and Social Welfare), Canagraf meeting place (by acquaintances who work in Canacintra as well as family members), credit counseling (formally by Canacintra), talks by an official of the Tax Administration Service (SAT) of the Ministry of Finance and Public Credit.

The resources and the economic benefit obtained by microentrepreneurs from their network of links are summarized below.

Resource obtained	Economic benefit
Customer recommendation	Decrease in prospecting costs
Recommendation of suppliers	Reduced search costs for specialized information
Special prices when outsourcing printing services	Profitability (gain) by lowering transaction costs
Invitation to congresses	Cost reduction in public relations
Advice and help in printing techniques	Decrease in costs in technical advice
Legal advice	Decrease in costs in legal information
Commercial	Decrease in advertising costs

Table 1 Resources and economic benefits obtained from economic social capital. (Own Elaboration)

The organization of the sector. Regarding the environment that prevails among printers of the sector in Ciudad Juárez, it is possible to identify that all, except for one, have a positive perception when they refer to the printers with whom they have some relationship, that is, they speak about the benefits of their reduced circle of fellow printers with whom they have a link. Some positive aspects that they mention are: the great friendship between them; respect, which has to do with certain rules of unspoken conduct; loyalty, which strengthens the sense of belonging to the network; the support they give each other, which allows them to access resources; the camaraderie, which stimulates cooperation among them; and familiarity, which to some extent creates cohesion.

Network. Figure 2 graphically shows the network of links that form between owners subject to interviews. In order to safeguard the identity of the microenterprises, numbers and

letters were used to identify them, according to a list of 77 printing presses operating in Ciudad Juárez.

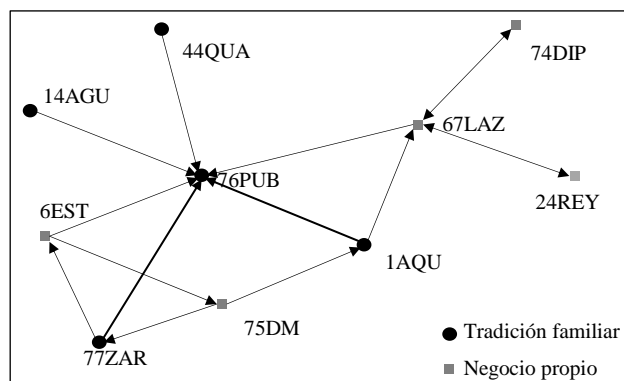


Figure 1 Network of links that make up the economic social capital of the owners interviewed in the printing sector (Own Development)

Network

The network comprises ten nodes or actors, with the printers being interviewed. This network has 90 logically possible relationships, however, at first glance it can be seen that not all actors have links between them or at least do not consider each other as the main links. That said, the network has 16 links, of which only two are reciprocal and the other unidirectional, that is, one actor named another as the main link, but the latter did not point to the first as the main link.

The ten owners were asked their opinion regarding the following sentence: if I help someone, that person will help me when I need it, this in order to determine their expectations of retribution to others. Five of them said they did not expect anything in return when they give help to others, because they do so with a sense of cooperation and support.

The other five, said they agree with the phrase, and in effect, expect a retribution, since they claim that in several situations has worked and have obtained some benefit in return,

which motivates them to continue contributing in their network of links.

Keywords. In the transcription of the interviews, three words were detected that were repeatedly mentioned by the owners: work, company and business. Regarding work, it is possible to point out that because of their zeal to start a business or to continue a family tradition, they have built a work culture, not to mention that being owners and self-employed at the same time makes them refer to work as a guideline of life. Regarding the word company, it is significant to say that the ten owners are entrepreneurs, since they have had to face the risks of starting or continuing a business, this makes them possess an entrepreneurial culture. And the word business has to do with the daily purchase and sale transactions that as owners of the company establish within their economic dynamics and from which they obtain a profit. Finally, because of the times they were pronounced and because they are related to the concept of social capital, the following words were identified: help, credit, financing, loan, friendship, family, support, trust and advice.

Conclusions

Microentrepreneurs in the printing sector in Ciudad Juárez manifest a limited propensity to establish links, exchange resources and generate trust; which, coupled with a weak presence of the National Chamber of Graphic Arts that should represent them and that has no influence or power of congregation, undermines the trust and cohesion between them. The economic social capital that exists is concentrated in a small circle of printers who have commercial ties based on their particular friendship relationship.

These links allow them to obtain resources such as special price for subcontracting, recommendations from clients

and suppliers, specialized advice, among others, which incorporate their production processes and thereby reduce transaction costs, obtain a profit and the possibility of continuing their activity. This is how the premise of research is accepted, since economic social capital gives them the possibility of accessing resources that in a practical way translate into economic benefits that directly impact their activity, contributing to their permanence in the market.

Although, this situation has a positive effect on their business activity, the fact that they are in a circle of commercial ties and very reduced friendship, implies that elitism and exclusion can occur, which hampers the development of the sector in particular. Therefore, given its limited structure, its limited dynamics and diminished quality, the economic social capital among microentrepreneurs in the printing sector is limited. This fact is mainly due to external factors such as the economic crisis, the situation of violence, technological competition and tax regulations, which from 2008 to date have placed the sector in a situation of uncertainty, discouragement and disintegration, causing the Isolation of most printers in the sector.

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