



## Introduction

In Mexico, according to INEGI (2022), MSMEs have a business representation of 99.8%, hence the importance of analysing the economic and financial challenges that can be a determining factor for the closure or permanence of the company, without forgetting that all companies around the world were severely affected by the important health and economic events that many companies are still going through. And the MIPES are no exception, where this type of entity experienced very closely an economic and financial affectation, this type of business came to the rescue of the economy of families, for their own characteristics that distinguishes them, for their easy creation, for the generation of jobs that they triggered and above all the support to the economy when it was most needed. It should be noted that there was a partial closure to reduce the health contingency and that many companies could no longer reopen their doors and closed permanently because they were unable to cover the fixed costs during the closure period. Thus, the companies that survived this sanitary contingency and that triggered an economic crisis according to the forecasts of the World Bank (2020), were the companies analysed in this research.

### *Justification*

Micro and small enterprises are highly represented in each of the countries of the world, accounting for more than 90%, and in Mexico 99% of this type of entity. According to data collected in ECLAC (2022). Likewise, their contribution to the gross domestic product is low due to their deficiencies in productivity levels and they generate employment for 67% of all workers, to support the economy of each of the families in the world. Thus, the companies under study are important for their economic support by employing a high percentage of society in each of the economies, which results in obtaining a social benefit, to prevent many families from falling into extreme poverty or some kind of vice. MSMEs are generally born and have their roots within the family nucleus, which characterises them as being accustomed to the great economic and now health turbulences.

They manage to survive because of the family strength that supports them. Where this type of entities have as their main objective a family purpose and very particular to take care of the legacy of many generations and that use as main strategy the reinvestment of their profits without withdrawing from their accounts the profits obtained and thus make their business grow incalculably, but also has the counterpart, where the statistics inform us that only one in three companies survives for more than three years CEPAL (2020), are the companies that break the statistics of permanence, those that survive and we are interested in their financial techniques used.

### *Problem*

MSMEs in Mexico, had economic and financial conflicts arising from the global health pandemic COVID-19 that triggered a global recession ECLAC (2020), where the companies under study were seriously affected, then then then the companies that survived are our object of study to see the economic and financial challenges faced by MSMEs, to completely change their way of marketing their products and in recovering their customer portfolios, to this global crisis.

### *General research question*

What are the economic and financial challenges that managers of micro, small and medium-sized enterprises face in managing their company's finances?

Analysis of the financial management of the managers of the MSMEs in León Guanajuato.

The following questions were asked in the finance block of the questionnaire applied to the MSMEs of León, Guanajuato, within the RELAYN network.

1. Am I very clear about how much I owe my suppliers?
2. Am I very clear about how much I owe to the bank and other institutions?
3. Am I clear about the value of what I sell each month?

4. Am I very clear about the value of everything I collect each month?
5. Am I very clear about the value of everything I buy from suppliers each month?
6. Am I very clear about the value of everything I pay to suppliers each month?
7. Am I very clear about the value of everything I spend?

### Hypotheses

Micro and small enterprises in León, Guanajuato, Mexico, do not have adequate financial management after surviving the COVID-2019 pandemic.

### General Objective

To analyse the knowledge of managers on the finances of MSMEs in León, Guanajuato. In order to find out how the entrepreneurs handled it after the COVID-19 pandemic.

### Specific objectives

- a) To obtain the results of each of the research questions for micro and small enterprises in León, Guanajuato, Mexico.
- b) To analyse and interpret the results of the information obtained.
- c) Contrast the results with the state of the art of financial management of MSMEs in León, Guanajuato, Mexico.

Now, it is very important to look at MSMEs in Mexico, since what year did they emerge and under what type of trade did they do so? It is important to know how MSMEs evolved and to know that by 1930 the companies with the greatest representation were artisans, and also to show the percentages of business representation of this type of business in our country and in which years they had their upturn, so that by 1998 and 2004 they had significant increases until they reached 99.8% of the total number of businesses in Mexico.

The following table shows the background of the original representation of MSMEs in Mexico.

## Box 1

**Table 1**

Background on MSMEs in Mexico

Year	Company size	Company representation as % of total
<b>Note: Arose in 1910 after the Mexican revolution.</b>		
1930	Small and medium industry	12%
1930	Workshops and craftsmen	86%
1950	Small and medium industry	25%
1950	Workshops and craftsmen	72%
1955	Small and medium industry	46%
1955	Workshops and craftsmen	52%
1960	Small and medium industry	57%
1960	Workshops and craftsmen	43%
1965	Small and medium industry	57%
1965	Workshops and craftsmen	42%
1971	Small and medium industry	64%
1971	Workshops and craftsmen	36%
1995-1998	37% increase	88.35%
2004-2009	Increases by 21.1% above 90%.	90%
2009	MSMEs represent	99%
2014	MSMEs represent	99%

Source: own elaboration based on data from: (Molina, 2016).

The above data show that MSMEs have been gaining representation in our country. It is extremely important to know the data on the birth of this type of companies because they have survived economic crises and their representation continues to grow. As can be seen in table 1, in 1930, 12% was represented by industry and 86% by small workshops and artisans; by 1950, industry was growing and accounted for 25% and workshops and artisans for 71.9%; in 1955, industry accounted for 45.8% and workshops and artisans for 51.9%; by 1960, industry accounted for 56.7% and workshops and artisans for 42.8%; by 1965, industry accounted for 56.7% and workshops and artisans for 42.8%; by 1965, industry was growing and accounted for 25% and workshops and artisans for 71.9%; by 1955, industry accounted for 45.8% and workshops and artisans for 51.9%; by 1965, industry accounted for 56.7% and workshops and artisans for 42.8%. 8%, by the year 1965 industry accounted for 56.8% and workshops and artisans 41.8%, by the year 1971 industry accounted for 64.4% and workshops and artisans 34.6%, by the year 1995-1998 industry had already increased by 37.2% which is equivalent to industry accounted for 88.35% with 11.65 of workshops and artisans, by the year 2004-2009 it is above 90% in industry and the difference is workshops and artisans.

## Literature review

In order to base this research we start from the theory of the world economy of the year 2020. This is referred to by Georgieva (2020). 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, a health pandemic, progressed and is now a global economic, health and social problem.

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

This is how they describe it (Jordá, Singh & Taylor 2020). But they had already commented on this earlier (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 results of INEGI's 2019 economic census in our country, the following data are available. 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 based on the number of workers within the company.

## Box 2

**Table 2**

Ranking of enterprises by number of persons employed

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

Source: Own elaboration. With data from INEGI 20202.1

### Economic affectation

In research carried out by Maravato (2020), by June of this year, 77% would have economic problems or at least have closed their doors temporarily due to the red 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 Dailín, 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 all 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 their research on MSMEs and finance, they state 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*

According to Proum (2020), Mexican SMEs are in great economic affectation, this being so because the virus was born in the province of Wuhan, China and without losing sight of the bilateral relationship that exists between both countries, due to the fact that this country is the second country in terms of imports and the fourth in terms of 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 impact 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 informal trade and this affects the country's economy, as they are affected by the closure, for which the federal government implemented support and loan plans. As of 31 December, Mexico closes the year with 125,807 deaths and 1 million 426,094 cases, this 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

The present research uses a mixed methodology, firstly, it starts from grounded theory, contrasts with findings from other research with a systematic review of the literature to form the theoretical framework that responds to the objective of this research, supported by the research question, Why analyse the management of the finances of micro, small and medium-sized enterprises (MSMEs) in León, Guanajuato, Mexico. For the qualitative analysis, a data collection instrument was applied to the entire RELAYN network in Mexico and Latin America to the year 2022.

In the case of León, Guanajuato, Mexico, 447 surveys were applied and 378 were correctly validated. These will be our surveys considered in our results to explain financial management.

### *Hypothesis*

Micro and small enterprises in León, Guanajuato, Mexico, do not have adequate financial management after surviving the COVID-2019 pandemic.

## Results

The results obtained in this research are presented below.

The first question I am very clear about how much I owe to my suppliers.

### Box 3

**Table 3**

"I am very clear about how much I owe 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%

*Source: own elaboration.*

The table above shows that 89% of the entrepreneurs know the debts they have with their suppliers of goods and services. This is one of the questions with the highest percentage, which shows that the managers of the MSMEs are mainly financed by their suppliers.

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

#### Box 4

**Table 4**

"I am very clear about how much I owe the bank"

DESCRIPTION	NUMBER	PORCENTAGE
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%

Source: own elaboration

In the previous table 79% of the entrepreneurs are aware of what they owe to the bank, this is the question with the lowest score, due to the fact that entrepreneurs of this type of enterprises do not use bank credits.

Now the third question, "I am very clear about what I sell per month".

#### Box 5

**Table 5**

"I am very clear about what I sell each month".

DESCRIPTION	NUMBER	PORCENTAGE
Strongly agree	171	45%
Agree	156	41%
Don't know / Not applicable	33	9%
Disagree	9	2%
Strongly Disagree	2	1%
No answer	7	2%
	378	100%

Source: own elaboration

The table above shows that 86% of the managers know their monthly sales amounts. This is very important to achieve the monthly and annual objectives of their company, to obtain financial resources and to grow their business.

Next we have the fourth question "I am very clear about how much I earn per month".

Then we have the fourth question "I am very clear about everything I charge per month".

#### Box 6

**Table 6**

"I am very clear about what I receive every month"

DESCRIPTION	NUMBER	PERCENTAGE
Strongly agree	199	53%
Agree	138	37%
Don't know / Not applicable	28	7%
Disagree	8	2%
Strongly Disagree	0	0%
No answer	5	1%
	378	100%

Source: own elaboration

This is the highest response on the subject of finances, with 90% knowledge of what the micro and small business owner charges, placing his company in a healthy financial position to meet the payment commitments for products and services and to maintain his company without financial leverage, which could put it at risk and even lead to the closure of the business. Next, we have the fifth question 'I am very clear about everything I buy from my suppliers each month'

#### Box 7

**Table 7**

"I am very clear about everything I buy from my suppliers of products and services every month".

DESCRIPTION	NUMBER	PORCENTAGE
Strongly agree	199	53%
Agree	137	36%
Don't know / Not applicable	28	7%
Disagree	8	2%
Strongly Disagree	0	0%
No answer	5	1%
	378	100%

Source: own elaboration

89% of entrepreneurs say that they know the amounts of their purchases of products and services, in order to know the amount of their debts with their customers and suppliers.

Now the sixth question "I am very clear about what I pay my suppliers each month".

**Box 8****Table 8**

"I am very clear about what I pay my suppliers each month"

DESCRIPTION	NUMBER	PERCENTAGE
Strongly agree	191	51%
Agree	142	38%
Don't know / Not applicable	36	10%
Disagree	4	1%
Strongly Disagree	0	0%
No answer	5	1%
	378	100%

Source: own elaboration

MSME entrepreneurs know the amount of their debts with their suppliers, in order to pay on time and not have commitments that could jeopardise the financial health of the company, with demands from their suppliers for non-payment.

Next, "I am very clear about the value of everything I spend per month".

**Box 9****Table 9**

"I'm very clear about the value of everything I spend per month"

DESCRIPTION	NUMBER	PERCENTAGE
Strongly agree	199	53%
Agree	137	36%
Don't know / Not applicable	26	7%
Disagree	11	3%
Strongly Disagree	0	0%
No answer	5	1%
	378	100%

Source: own elaboration

The last question asked the managers know the total amount of their expenses in order to be clear about the total value of their monthly debts. Analysing the previous results we can deduce that the main question 'I know what I charge per month' gave as a result that 90% of the managers of the MSMEs have knowledge of the income that enters their company, this answer detonates the management of finances and cash flow to meet monthly commitments and accumulate annual profits for the healthy growth of the micro and small business.

However, something very important that comes out of this research is the lack of knowledge and easy access to bank loans, it was the question with the lowest score, because entrepreneurs prefer to leverage and get into debt with their suppliers rather than with the bank.

**Conclusions**

It is concluded that the MSMEs that survived the COVID-19 pandemic now have special characteristics in the management of their finances, because without a good use of their finances they could have closed their doors definitively and they are now an example that even with great turbulence the well-prepared ship floats. And it is their own family traits that led them to stand on their feet today. It has been proven that the MSMEs in León finance themselves with their suppliers and that most of them avoid financing themselves with banks. This is not always the best decision because entrepreneurs face increased prices, considering the time it takes to recover the sale. From this research it is recommended to make use of loans from banks, as they have more affordable rates and lower interest rates than leveraging from suppliers. This is reflected in the increase or decrease of the net profit.

**Declarations****Conflict of interest**

The authors declare that they have no conflicts of interest. They have no known competing financial interests or personal relationships that might have appeared to influence the article reported in this paper.

**Authors' contribution**

*Ma. Guadalupe Serrano Torres:* Main idea and article development.

*Sandra Ruiz Esparza:* Research of the state of the art according to each of the research questions.

*Ma. De la Luz Quezada Flores:* Elaboration of tables of research questions.

*Oscar Javier Zambrano Valdivieso:* Elaboration of conclusions and revision of the article.

### Availability of data and materials

The data obtained in this research were the result of the application of surveys as participants in the REDALIN 2024 research network.

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### Abbreviations

MSMES. Micro small and medium enterprises.

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