

## **FINANCIAL TOOLS AND BUSINESS GROWTH: EVIDENCE FROM VALLE DE MÉXICO**

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### **ABSTRACT**

*In México, micro, small and medium-sized enterprises (MSMEs) represent 99.80% of economic units and employ 74% of the population. However, the percentage of gross production is just 35.90%. This implies that, despite their strong presence in the indicators of economic units and jobs generated, their assets are limited and there are insufficient financial resources or inadequate financial management. This study was performed in the Valle de México metropolitan area, which covers the two federative entities with the highest number of economic units, population and gross domestic product. We examine a sample firms of MSMEs in the metropolitan area to apply financial tools and identify the effect on growth and its economic-financial situation. The research was qualitative and includes six sample firms of different MSMEs which were analyzed through three stages: diagnosis, proposal and implementation of financial tools and evaluation. Data was obtained through in-depth interviews, six-month observations and analysis of financial information. Each case study showed a different situation. In most situations favorable results were obtained in administrative control yet, the growth was still not observed in most MSMEs.*

**JEL:** G30, M10, O12

**KEYWORDS:** Financial Tools, Business Growth, Msmes, Finance Management

### **INTRODUCTION**

According to the World Bank (2018), among all economic units in the world, 73.6% are micro, 16.5% are small and 3.0% are medium for a total of 93.1% Micro, Small and Medium Enterprises (MSMEs). In addition, the World Trade Organization (WTO) (2016), affirms that among developed, developing and least developed countries, there exist 82.9% micro, 13.8% small and 3.3% medium-sized enterprises. Hence, these economic units represent the largest units across the world. “in emerging economies, SMEs contribute up to 45% of total employment and 33% of GDP [Gross Domestic Product]”, (Organization for Economic Co-operation and Development [OECD], 2017). In México, MSMEs represent 99.80% of business units and generate 74% of jobs. This implies that they are the Mexican economic base.

It is essential to analyze the characteristics they have and problems they face, to gain a better understanding and further economic growth and social stability. According to Sumanjeet and Minakshi (2017), “MSMEs are important for development because they can make a definite contribution to the realization of a country’s central economic purposes and to bring about an efficient utilization of natural, human and capital resources for the achievement of predetermined ends”. The aim of this research was to examine sample firms from MSMEs in Valle de México metropolitan area. We wish to apply financial tools to the firms and identify their effect on business growth and the MSMEs economical-financial

situation. We begin by conveying a literature review dealing with characteristics and issues MSMEs present, financial techniques that the Financial Management offers and an analysis of business growth indicators. In the Methodology, we described the kind of investigation executed, plus the compiling technique and analysis of results. In the information results and discussion section, we thoroughly describe the compiled data acquisition in the researching process. Findings from the study are conveyed in the results acquisition section. Lastly, the paper closes with some concluding comments.

## LITERATURE REVIEW

### Characteristics and Issues of MSMEs in México

México’s economy is classified as a developing country (United Nations, 2018) with efficiency driven in their stage of development. México enjoys the 51st place in global competitiveness, with an index of 4.44 in 2017–2018 (World Economic Forum (WEF), 2017). Twelve pillars integrate the Global Competitiveness Index: Basic requirements (1-4), efficiency enhancers (5-10), innovation and sophistication (11 & 12) factors subindexes. “According to WEF’s classification, the factor-driven phase is dominated by subsistence agriculture and extraction businesses, with a heavy reliance on (unskilled) labour and natural resources. In the efficiency driven phase, an economy has become more competitive with more-efficient production processes and increased product quality” (Global Entrepreneurship Research Association (GERA), 2018).

A variety of enterprising activities, that cover all fields and sizes of economic entities, take place in México. Among these enterprises, 48.3% are devoted to trading, 38.1% to private non-financial services, 11.6% to manufacturing industry, and 2.0% to the remaining sectors, according to the National Institute of Statistics and Geography (INEGI, 2017). According to the Ministry of Economy (SE) (2009), Mexican companies are classified based on three main characteristics: field, numbers of employees, and annual sales in millions of pesos (MDP). Table 1 shows data from the International Finance Corporation (IFC) (2009). It also includes assets and financing amounts that these enterprises have in monetary values in US dollars (USD).

Table 1: Stratification of Micro, Small and Medium Enterprises in México

Characteristics	Micro	Small	Medium
<b>No. of employees</b>	From 1 to 10	From 11 to 50	From 51 to 250
<b>Revenues (mdp) (USD)</b>	Up to \$4 ≤ \$100,000	From \$4.01 to \$100 >\$100,000≤ \$3,000,000	From \$100.01 to \$250 >\$3,000,000≤ \$15,000,000
<b>Assets (mdp) (USD)</b>	\$182.1 ≤ \$100,000	\$4,155.4 >\$100,000≤ \$3,000,000	\$32,880.9 >\$3,000,000≤ \$15,000,000
<b>Financing</b>	< 10,000 USD	< 100,000 USD	< 1,000,000 USD

*Note: Table 1 shows the four characteristics or elements (number of employees, revenues, assets and financing) that classify the MSMEs in México in their different size. Source: Prepared by the authors, based on the Ministry of Economy (2009) and IFC (2009).*

Each of México’s Federative entities (32 in total, according to its political constitution), presents unique characteristics. What is more, 74 metropolitan areas are identified in México including 75.1 million inhabitants, which represents 62.8% of the nation’s population. This investigation focuses on the Valle de México metropolitan area, because it is the biggest and the most important Mexican metropolitan area. It consists of three federative entities: México City, the State of México and Hidalgo. México City is in Valle de México metropolitan area and it is the biggest metropolitan zone of the country. It includes the most boundaries and districts totaling 76: 16 in México City, 59 in the State of México, and 1 in Hidalgo. Some 68% of the territory consists of 52 districts which are in its centre and hold a minimum of 100,000

inhabitants. This area spreads over 7,866 km<sup>2</sup> and includes 20,892,724 residents. It has the biggest average urban density per kilometer. Most of its population are urban; inhabitants employing themselves in non-primary activities and present a high degree of functional inclusion. There is a high rate of movement among boundaries and districts with thousands of people transmuting everyday according to the Secretaría de Gobernación (SEGOB), Secretaría de Desarrollo Agrario, Territorial y Urbano (SEDATU), Consejo Nacional de Población [CONAPO] and the INEGI (2018). Two federative entities of this metropolitan area (México City and the State of México) have most of the population, employment, economic units, and the highest gross production percentage of the country as shown in Table 2.

Table 2: Integration of Valle de México Metropolitan Area

Geographical Area	Population	Employment	Economic Units	Gross Domestic Product
National	119 938 473	29 642 421	5 654 014	100%
MéxicoCity	8 918 653	4 255 757	452 939	17%
State of México	16 187 608	2 754 212	664 785	9%

Table 2 shows the population, employment, economic units and gross domestic product of the country and data corresponding to the two entities under study: México City and the State of Mexico. Source: INEGI, (2015).

Based on Table 2, México City is ranked in 2nd place in the country due to its population. It generates more employment, holds 2nd place for creating economic units, and provides 17% of the country’s Gross Domestic Product (GDP). The State of México has more population, is second in providing employment, first in possessing economic units, and supplies 9% of the national GDP (INEGI, 2015). In accordance with the National Survey on Productivity and Competitiveness of Micro, Small, and Medium-sized Enterprises (ENAPROCE), the lack of training of the MSMEs personnel is outstanding. Only about 50% of personnel have studied elementary school and junior high school. With this academic level and a lack of training, workers do not have technical knowledge about their job, and their performance in their field is deficient (INEGI, 2015).

Another issue is the low percentage (25%) of control over the administrative-accounting activities, which previously was accomplished with notebooks. In many instances, MSMEs endure inexistence of administrative-accounting records and, as a result, difficulty to manage at a large-scale. This leads to a variety of financial problems. Aruna (2018) explains “the financial problem of MSMEs is the root cause of all the other problems faced by the MSME sector”. In México, financial problems have their origin in their own characteristics. Firms have minimum initial investment, and, as a result, there is little or insufficient capital for developing economic activities. The financial resource MSMEs work with consists of owners personal or family wealth, which is invested in the company and, in this way, the necessary resources are obtained. Not having enough initial capital is manifested by the lack of trained personnel in the finance area, which needs to guide management of financial resources. Therefore, entrepreneurs have neither enough initial capital, nor financial education to support their decisions. Without counseling they lack a long-term vision and worry about day-to-day issues.

### Financial Management and Business Growth

Jindrichovska (2013) states that “most small business people only know one-half of what it takes to succeed. The part they are missing is how to manage and grow their business.” For this reason, it is important to study and apply Financial Management to help entrepreneurs make decisions about money. It is also important to offer financial tools to all kind of enterprises to manage and control financial resources. Some authors divide these tools in three stages: analysis, planning and control (Perdomo 2002

and Besley & Brigham, 2001). Other experts into two stages: analysis and planning (Martínez, 2005; Gitman, 2007; Ochoa, 2009 and Brigham & Besley, 2016).

Financial tools classified in the analysis stage are the financial reasons that allow acknowledging the enterprises' financial situation. We specifically identify liquidity, credit, operative efficiency, and profit displays. During the planning stage, tools are regularly classified so that enterprises can be supported to forecast their figures through financial plans including, budgets, forecast financial statements, analysis of balance points, work capital management. Tools classified during the control stage allow reconciling forecast figures with observed figures. All these tools belong to Financial Management and can be applied to any kind of enterprise. These tools support the enterprise during the use, recording, and control of financial resources. Nonetheless, within MSMEs, it is not easy to apply all financial tools, because they do not have enough records, controls and facilities. In these cases, it is important to adopt these tools to their specific needs and characteristics.

Under these circumstances, it becomes harder to identify business growth in MSMEs, which is normally associated with increased sales and profitability. Several studies suggest that business growth can be seen through different elements in MSMEs. Blázquez, 2005 mentions to Penrose (1962) who says that the organization must be studied as a whole to discover the reasons for its growth. Correa, González and Acosta (2001), argued that "business growth implies not only an increase in economic magnitudes, also the complexity of the business organization". Besides, Correa, González and Acosta (2001) affirm that business growth does not have a specific or unique theory, nor does it have a generally accepted conceptual definition. This concept adheres to different approaches and opinions, measurement parameters and determining factors (Blázquez, Dorta and Verona, 2006a). Blázquez, Dorta and Verona (2006a) presented a summary of concrete and timely contributions of experts in the study of growth in companies. The measures or indicators used are precisely observed to determine the existence of growth in economic entities. Most are quantitative indicators, however, there are also contributions that value multicriteria or qualitative indicators.

In Blázquez, Dorta and Verona's opinion, (2006b), there are two main kinds of business growth: internal and external. Internal growth implies a slower process. It tends to be an initial form of growth. It goes along with companies during the first steps since their emergence. It requires considerable effort and a careful planning to accomplish the expected results by means of the shareholders' increases in funding, and the business profits reinvestment. During this stage, enterprises keep a healthy economic situation and do not accumulate external debt. This internal growth can be seen in increases in work force, production, training programs, investments on facilities, and the entity's administrative-financial strength. External growth implies obtaining financing through external people or by means of mergers and acquisitions. External growth allows expansion in exchange for leaving enterprise control in shareholders' hands that are unrelated to the organization. External growth commonly involves becoming international, stopping being an MSME, and becoming a big enterprise, which encompasses an enlargement in all its transactions.

Amat, Renart and García (2013) assume that business growth implies key factors in business productivity: human resources and training; innovation and quality; internationalization; marketing; financing; activity subsector; and family ownership. A study by Neil (2014), "suggest high-growth firms perceive problems in six areas: recruitment, skill shortages, obtaining finance, cash flow, management skills and finding suitable premises". According to Aguilera and Virgen (2016), "the models for strategy formulation proposed in business administration literature do not integrate business growth aspects in an explicit way." This implies, that business growth covers more aspects than just increases in financial aspects. In addition, Eschker, Gold and Lane (2017) consider important success factors in newly started small businesses and identify specific areas as follows: sources of advice, means of financial support, and background experience of the firm's founder.

On the other hand, there are different approaches about business growth with quantitative indicators. For example, the Statistical Office of the European Union (EUROSTAT) (2014), establish that a high-growth enterprise increases by 20% or more per year over a three-year period. Growth can be measured by the number of employees or total sales to third parties. A considerable amount of literature exists on variables to measure firm growth. These studies affirm Hossain, Ibrahim and Uddin (2016) that “the multiple variables which may represent the growth of a business include sales, employment, net profit, number of customers or market share, asset size, business expansions, market and product diversification, physical output, among others”. Also, Ríos-Manríquez (2018), proposes to establish a costs system that provides information to evaluate performance and impact business growth, by determining profitability indicators including sales growth, gross margin and margin of net income. A recent study by Urbano, Aparicio and Audrestch (2019), mention that Scott (2008) has suggested that organizations at all stages are affected by different institutional pillars: regulative, normative, and cultural-cognitive.

This implies that issues related to business growth affect in these different pillars including quantitative and qualitative factors. The MSMEs importance in the world economy is an undeniable fact. Nevertheless, MSME characteristics and needs limit their growth. Their development relies exclusively on satisfying entrepreneurs’ survival needs. MSMEs entrepreneurs ignore or do not put into practice Financial Management and taking this as landmark. A question may be asked: How does financial tool implementation affect MSMEs growth in Valle de México metropolitan area? We intend to verify the following hypothesis: since the MSMEs lack information to make decisions about management and control of financial resources, if financial tools are implemented in accordance to their particular needs and characteristics, and a strict tracking of their evolution is followed, then we can identify the effect they have over enterprise growth. As a result, using financial tools will be reflected in its tenure and growth.

## METHODOLOGY

The research here was qualitative; descriptive and correlational. It was qualitative, because it provides a specific, deep and holistic study about six economic units with different characteristics. It was descriptive because it specifies in detail the circumstances faced as well as the MSMEs characteristics and needs. Similarly, the study was correlational since we can identify the current relations between MSMEs issues, proposals and results. This research comprehends six sample firms of different MSMEs that were analyzed through three stages: diagnosis, proposal and implementation of financial tools and evaluation. During the diagnosis stage, data was achieved through in-depth interviews compiled in October, 2017. The guide to in-depth interviews was integrated with these sections: (1) company profile, (2) issues and solution measurements in the administrative-financial area, (3) operative area, (4) accounting-fiscal area, and (5) knowledge about tools offered by the financial management. In November and December, 2017, a diagnosis of the sample firms was achieved through a deep content analysis of the interviews. At the same time, observation techniques and documentary information analyses were completed over the daily actions concerning the MSMEs, our subject matter.

Taking as reference the diagnostic study, during the second stage, called proposal and implementation, some suggestions for solving well-identified issues were made. By means of an implementation plan in administrative-financial, operative, and accounting-fiscal areas, financial tools were applied during a six-month period, from January to December of 2018, with different periods for each MSME. During the evaluation, the third stage, a meticulous record of the results obtained after implementing such proposals was maintained. Thus, whether there is business growth or not in the MSMEs can be assessed. In this final stage, it was possible to determine, the results through financial and qualitative information of the sample firms. This stage was completed from January through March, 2019.

**RESULTS AND DISCUSSION**

This section displays the situation of each MSME. To begin with, by looking at Table 3, an overall evaluation can be made of the enterprise’s profiles.

Tabla 3: Profile of the Economic Entities

Concept	A	B	C	D	E	F
Activity	Services	Manufacture	Trade	Services	Services	Trade
Size	Micro	Micro	Small	Small	Medium	Medium
Employees	2	4	8	12	55	150
Seniority	2	4	10	16	10	30
Annual sales (mdp)	From \$4.01 to \$100	Up to \$4.0	From \$4.01 to \$100	From \$4.01 to \$100	From \$4.01 to \$100	From \$100.01 to \$250

*This Table shows the activity, size, number of employees, years of life in operation and anual sales of each company under study. Source: Prepared by the authors based on the results of the project.*

Hereunder, the analysis of the data compiled in the study of each the six economic entities is displayed. These results were gathered in two tables, Table 4 presents the results of the micro and small enterprises (A, B, C and D); Table 5 shows the results of the medium enterprises (E and F). Tables 4 and 5, show the three stages of the study: diagnosis, proposals and implementation, and evaluation. The results achieved in the three areas are presented: administrative-financial, operative, and accounting-fiscal.

In Table 4, results achieved in the enterprise A, B, C, and D are shown. Although they started as micro enterprises, currently the enterprises C and D are classified as small enterprises due to their incomes. The enterprise A, which is micro and offers technical services has been working for two years and requires strengthening its market. This company received the suggestion of implementing a work capital management, which involves cash-based accounting, accounts receivable, inventories, and suppliers. Enterprise B, which is a manufacturing company, and is classified as micro enterprise is a smaller operation. The entrepreneur is not full-time in the business. Therefore, he received the counseling of implementing the administrative-financial monitoring tool. Enterprise C is classified as small due to its income. Taking into account the particular characteristics, enterprise C was advised to implement the financial planning tool. Enterprise D, which is small and offers food services, is very well placed. It has made alliances with companies that have become permanent clients. It has long-term growth expectations. It was advised to improve its management of working capital.

Table 4: Diagnosis, Proposals, And Results of the Economic Entities A, B, C and d (Micro and Small Enterprises)

Area	Problems	Proposals	Evaluation
Administrative Financial	Lack of control in charging clients, inventory monitoring, organization in administrative activities, credit, supervision on accounts receivable and money.  A jack-of-all-trades entrepreneur.  Disagreement between clients and suppliers about pre-established deals.	Record, trace, monitoring, and control of cash, clients and suppliers. Investment on inventory systems. Design and record of return forms. To establish client and supplier policies. Establishing priorities on schedule. To determine entrepreneur duties and distribute responsibilities. Hiring personnel to support the administrative area.	To charge clients on time and to identify precise data of workers in debt. To exam and compare inventories physical with records.  Forms to plan incomes, expenses and purchases. Close cash control (receipts and disbursements).  Hiring someone to be in charge of management and to assign responsibilities to workers.
Operative	Lack of communication between employer and employee. Lack of commitment from employees. Lack of supervision to the employee and training of personnel. Constant turnover of staff. Lacks of a spare parts inventory.	To strengthen organizational identity. To establish schedules in agreement with employees. Periodical training for personnel and to make profiles for post to select personnel. Hiring technicians to assure a better service. Acquiring spare parts and supervising inventory. A software implementation to do the activities and to print reports.	To promote and strengthen organizational communication. To provide training to personnel. More and better supply and control in warehouses. After hiring someone for management, work load became equal for each business member. Technician personnel will be hired. The entrepreneurs accepted make inventories. The acquisition of software is postponed.
Accounting Fiscal	Lack of knowledge of accounting and enterprise fiscal topics, which causes confusion while facing new arrangements. Lack of organization on safeguarding information of fiscal support.	To hire an accountant services. Safeguarding fiscal receipts data in electronic files in a regular and methodical manner.  Frequent meetings with the accountant.	Hiring accountant to deal with accounting and fiscal obligations, now these activities are under control. Better supervision of accounting and fiscal data. Data was finally organized and accessible whenever necessary.

Table 4 shows the problems, proposals and evaluation presented by companies A, B, C and D, in each of the areas: administrative-financial, operational and accounting-fiscal. Source: Prepared by the authors based on the results of the project.

In Table 5, Enterprises E and F information are displayed. Enterprise E is a medium sized company and is identified as a legal entity. It offers environmental counseling. The problem is the debt it carries. This company should look for financial support alternatives. The medium-sized enterprise F consists of a legal entity devoted to trading. It is a company with troubles for overcoming accounts receivable. Consequently, it should improve its work capital management.

Based on the information provided in synthesis in Tables 4 and 5, Table 6 depicts the most significant issues of the six MSMEs, the solution alternatives implemented during a period of six months, as well as the results achieved. It can be clearly appraised that the financial tools implementation demands time, and that positive financial results cannot be assessed in such a short period.

Table 5: Diagnosis, Proposals, and Results of the Economic Entities E and F (Medium Enterprises)

Area	Problems	Proposals	Evaluation
Administrative Financial	Cash shortage. Interest payment. There is no financial planning. Lack of client tracing. Family enterprise; duplicity in commanding. Turnover of staff	To allow cash flow. Renegotiate its debt. To search support alternatives in the Environment Secretariat. Development of financial planning. Regular visits to clients, datelines revision, discounts in each route. Organization chart development. Revision of posts profiles.	To develop a cash flow giving priority to transactions. An agreement with the financial institution to extend the debt dateline and reduce the interest rate. Financial planning becomes affected by the enterprise owners' personal expenses. Acknowledgement of signature changes in contracts of clients. The chart organization was updated. Personnel was hired for Human Resources Department
Operative	It must update its equipment. There are no policies in sales department (discounts). Lack of rout supervision.	To plan updating the cash flow. Development of sales conditions policies. Daily reports from supervisors who monitor clients.	Renting equipment is seen as an option. Attachment to sales terms: discounts, amounts, endorsements with people in charge stated. A punctual tracing of clients by means of supervisors.
Accounting Fiscal	Entrepreneurs ignore accounting and fiscal matters.	Hiring an accountant or an expert on the area.	Updated accounting and fiscal duties.

Table 5 shows the problems, proposals and evaluation presented by companies E and F, in each of the areas: administrative-financial, operational and accounting-fiscal. Source: Prepared by the authors based on the results of the project.

Table 6 shows the most significant financial tools applied to each enterprise, financial data analyzed and the results obtained. This information is classified according to the enterprise's size. In Table 6, we observe that in micro-enterprises, only the financial tool of "administrative and financial monitoring" was recommended. These firms lacked organizational structure and personnel trained to carry out the activities. Moreover, they do not have information systematized in the review of the financial data. There was not enough information, so tools had to be provided to design and elaborate the processes of the activities.

We recommended elaborating the profiles of positions and formats to take control of the records and monitoring of its operations. This type of company only had isolated records of financial information. Once these financial tools were applied, it was observed the companies have liquidity, despite a lack of administrative and financial organization. On the other hand, due to the lack of information, they do not accurately identify the results of their operation. They do not know the amount of profit or loss obtained. Regarding the small companies, the financial tools applied were "financial analysis", to identify their initial situation. We mpte that they have no control over their expenses and costs. Ror this reason, we recommended applying "financial planning". Financial information, accounting and internal reports were taken as reference to carry out this planning. In this six-months planning, we observed this is a favorable tool. They generate quantitative documents where they project all the operations and it permits planning cash flow. These companies have liquidity, despite this, they do not have timely monitoring of their costs and expenses. They authorize any outflow of money and this eventually results in losses in their operation.



Table 6: Financial Tools, Financial Data and Results of the Economic Entities

Enterprise	Financial Tools	Financial Data	Results
Micro Enterprises (A and B)	Administrative and Financial Monitoring	Observation the activities, design the processes, stablishing the profiles and formats. Internal records Classification of the evidences from operations Fiscal evidences	Liquidity Lack of records, not identify with precision incomes, costs and expenses.
Small Enterprises (C and D)	Financial Analysis Financial Planning	Accounting Internal Reports Fiscal Documents	Liquidity No control about the costs and expenses. Without financial planning.
Medium Enterprises (E and F)	Analysis of Balance points. Work capital management	Financial Statements Internal reports	Liquidity and rentability. Operative inefficiency. Enterprises on debt. Profits and loss projection limited.

Table 6 shows a summary of the financial tools proposed to the sample firms, the financial data examined and the results obtained from this study. Prepared by the authors based on the results of the project.

Medium-sized companies, were recommended to apply more detailed financial tools, such as the "Analysis of Balance and Results Accounts", which allow us to recognize whether there is good working capital management. In the review of their financial information, we observed that both companies have loans with third parties. They are in debt, which generates the commitment of interest payments. For this reason, it is essential that these companies achieve an efficient use of their available assets (cash, banks, customers, inventories, suppliers), in this way, they could have cash flow and face their daily operations. These companies have liquidity and profitability, however, their financial situation could improve if they more efficiently used their current and passive assets in the short term. Through this research, we observed that MSMEs must use financial tools to achieve business growth. It is highly transcendental to affirm that these financial tools have to be adopted to meet to characteristics and needs of the economic entities. However, to make this possible, first, the economic entity must be strengthened in its internal structure by, for example, achieving an adequate management of financial and material goods, reinforcing its infrastructure, training staff, establishing a formal and professional organization and making use of technology. Once this stage is over, business growth begins, which is reflected in the size scale of the company, as shown in Table 7, which corresponds to MSMEs characteristics.

Characteristics shown on Table 7 confirm that MSMEs grow steadily, and that time is a deciding factor. We can observe Enterprise F, which has had the longest working period, has the highest growth. On the other hand, Enterprise A, which has just started operations, is on the lowest growth level. Figure 1 shows the size scale of the six enterprises studied grows progressively on account of the reinforcement of their internal structure. This internal strengthening is achieved with the support of Financial Management. All factors achieved during this research are displayed in Figure 1. From this figure, we can acknowledge the effect of Financial Management implementation on the MSMEs growth. These elements were classified according to each entity's size. Number 1 corresponds to Micro, 2 to Small, 3 to Medium-sized, and 4 to large enterprises. Determining factors are the following: constitution (legal entity or physical person), number of employees, revenues (mdp), assets (mdp), financing (USD), type of market, organizational structure (areas), and technology use. In accordance with the former information, we assert that MSMEs business growth comprises these elements, and that these later ones constitute quantitative and qualitative aspects in their internal structure.

Table 7: MSMEs Characteristics

Concept	MSMEs					
	A	B	C	D	E	F
Economic activity	Services	Manufacturing	Trade	Services	Services	Trade
Constitution	Physical Person	Physical Person	Physical Person	Physical Person	Legal Entity	Legal Entity
No. of employees	2	4	8	12	55	150
Revenues (mdp)	≥4	<4	≥4	≥4	≥4	≥150
Assets (mdp)	<4,155.4	<4,155.4	<4,155.4	<32,880.9	<4,155.4	>32,880.9
Financing (USD)	0	≤100,000	≤100,000	0	<1,000,000	>1,000,000
Type of market	Regional	Local	Regional	Local	Regional	Regional
Organizational Structure (areas)	2	2	6	5	5	7
Technology use	Only computer equipment	Software Machinery	Software Machinery	Only computer equipment	Software Machinery	Software Machinery

Table 7 presents the results identified for each company, which are: economic activity, type of constitution, number of employees, income, assets, financing, type of market, number of areas in their organizational structure and use of technology. These elements determine the internal characteristics of the companies under study that need to be strengthened in order to achieve business growth. Source: Prepared by the authors based on the results of the project.

Figure 1: Business Growth in the Msmes of Valle de México Metropolitan Area

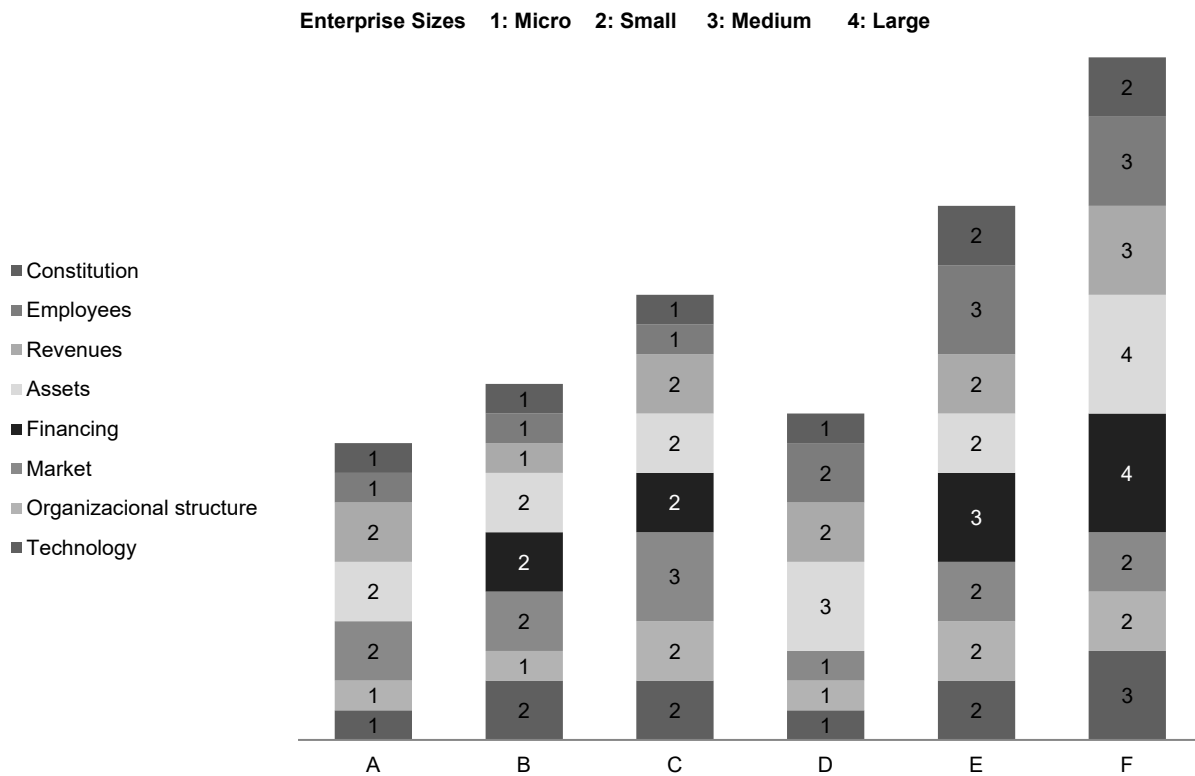


Figure 1 shows the elements determinant for the business growth. These are constitution (legal entity or physical person), number of employees, revenues (mdp), assets (mdp), financing (USD), type of market, organizational structure (areas), and technology use. These elements were classified according to each entity's size, number 1 corresponds to Micro, 2 to Small, 3 to Medium-sized, and 4 to Large enterprises. Each factor presents different situation or evolution in each enterprise. Source: Prepared by the authors based on the results of the project.

## CONCLUDING COMMENTS

Financial Management is a discipline that offers diverse tools, which ought to be adapted to the MSMEs needs to apply them to specific circumstances. In this way, they will be useful for this sector. Until these financial tools are used and the result appraised, business growth will not be present in the MSMEs operations. Generally, business growth can be evaluated through figures (sales increase, profitability, etc); however, regarding MSMEs, it appears first in different elements or factors and, as a result of internal strengthening, later on will be conveyed in profitability. It is noteworthy that business growth is not achieved immediately. Rather it improved in each MSME in a different manner.

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