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FINANCIAL BEHAVIOR OF ELDERLY MICROEN- TREPRENEURS

Viramontes Romero Miguel Ángel

Research Professor of the Economic-Administrative Directorate at: ``Universidad Politécnica de Querétaro`` - UPQ

Patricia Ducoing Rodríguez

Full Time Professor at ``Universidad Tecnológica de Querétaro`` - UTQ

Yadira Rodríguez Sierra

In charge of the Economic-Administrative Department of the ``Tecnológico Nacional de México``; campus: Querétaro TECNM - Querétaro

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Abstract: This document represents the beginning of an investigation into the financial management that prevails in elderly microentrepreneurs in the State of Querétaro. This segment of the population is increasingly important in economic activity, given the change in the population growth pyramid in Mexico and, however, it is one of the least studied. This document aims to investigate the level of knowledge that these microentrepreneurs have about basic financial aspects and the management they give to the financial resources generated in their business activity. To understand these aspects, 436 formal and informal microentrepreneurs, aged 60 or over, from some municipalities in the State of Querétaro were surveyed. Some outstanding results found in this research are: that a low percentage of the microentrepreneurs surveyed have knowledge of basic financial concepts, that their income/savings proportion is marginal given that there is great distrust or ignorance of the formal financial system and, finally, the No support from municipal and state agencies to improve the conditions of their business.

Keywords: Financial Management, Microentrepreneurs, Seniors.

INTRODUCTION

As part of the activities of the Academic Department of Innovation and Business Management of the Polytechnic University of Querétaro UPQ, in 2023, we will teach a personal finance course at the Manuel Gómez Morín Cultural Center in the city of Querétaro within the framework of a meeting for women. The highlight of the meeting was that more than half of the attendees were women over 50 years of age and they were, without a doubt, the most enthusiastic and those who asked the greatest number of questions. In their comments and suggestions they requested more information about these issues since one

of the factors that worried them most was the management of the financial resources they have. From here arose the idea of designing a course specifically aimed at seniors, both men and women, that would include tools that provide solutions to these aspects. Since 2018, the Academic Department has investigated the problems of SME micro-entrepreneurs, but not specifically senior citizens. Therefore, this document aims to investigate the degree of knowledge that elderly microentrepreneurs have about various financial aspects.

This is a descriptive study that will serve as a reference to generate a series of actions aimed at improving the management of the economic resources of the elderly in municipalities and communities adjacent to the UPQ. Some of these actions are courses, conferences, brochures, workshops, as well as the formation of an interdisciplinary support group that supports older adults in deeper aspects. To have a greater impact on this project, fellow researchers from prestigious universities such as the Tecnológico Nacional de México Campus Querétaro and the Technological University of Querétaro were invited to work, which will allow the project to be strengthened and cover a greater number of participants.

In 1990, the population in Mexico over 60 years of age was a little more than 7 million, by 2010 it already represented a little more than 10 million and by 2023 it reached 16 million. The projection is that by 2030 they will exceed 20 million and by 2040 they will be close to 30 million (CONAPO,2023). This growth shows the importance that this sector will have in the coming years. In the case of Querétaro, the population aged 60 or older amounted to 240,000 inhabitants in 2022 and is expected to double in 13 more years (INEGI, 2022). While in 1989 the aging index in Mexico represented 10%, by 2023 it represented 23% and by 2040 it will be 68% (INEGI, 2023). These figures show

the importance that the population referred to in the current study will have in the coming years and, therefore, their participation in economic activity goes hand in hand with that importance.

Without a doubt, a person's financial education is closely linked to their schooling. By 2023, 48% of Mexicans aged 60 or older only had, on average, primary education and only 10% had higher education, so it is expected that their knowledge of financial aspects will be scarce.

The low level of financial culture that the Mexican population has is mainly reflected in the little or no use of financial products and services, in bad habits when acquiring them, in the lack of knowledge of their rights and obligations, as well as in the lack of planning. financial situation, which negatively impacts their well-being and quality of life, while at the same time it does not help financial institutions reach the required levels of competitiveness and promote the economic development of the country. According to (Escobar and González, 2020), a person who has good financial knowledge, behaviors and attitudes is a person with a greater capacity to make responsible decisions regarding income, expenses, savings, investments and debt, that is, someone who is financially educated. The study led by (Hernández, 2023) reaches a similar conclusion.

According to (Contreras, 2018), to ensure that older adults achieve comprehensive financial education, the following elements must be considered: Financial Inclusion, Personal Finance, Financial Behavior, Financial Well-being, Debt, Planning, Savings and Readjustments and Interest. It is also necessary to consider that (Lussardi and Mitchell, 2011, p. 12) in addition, education is not a good substitute for financial education. That is, when education and financial literacy are included in multivalent regression models, both tend to be statistically significant,

indicating that financial education has an effect that goes beyond education. According to these authors, financial literacy is higher among those who are working, and in some countries among those who are employed, compared to those who are not working. This difference may be partly a result of educational programs offered in the workplace (such as in the United States); It could also be the effect of learning from colleagues or skills acquired on the job.

There are also urban/rural differences: people living in urban areas in Russia tend to be more financially literate than those living in rural areas. There are also notable differences in financial knowledge between people with different religious beliefs; In the Netherlands, those of other religions (which includes Muslims and other smaller religious groups) are less likely to be financially savvy. A very important factor that we must not forget is that regarding access to financing for older adults since "access to financing is positively related to the income level of a country, to the reduction of inequality in the distribution of income and to the poverty reduction" (Levin, 2004). Rodeiro (2007) points out that financing has been related to business success, identifying proximity and access to it as a primary factor for companies to expand their production, especially in the case of smaller, recently created and innovative character

In the case of our study, religious and gender factors are not studied because they will be part of subsequent analyses. Rather, they are focused on the questions that were mostly collected in the talk held last year and in subsequent interviews with older adult microentrepreneurs.

METHODOLOGY

To determine the degree of knowledge of financial aspects in older adults, 436 interviews were conducted with microentrepreneurs aged 60 or over, both in informal and formal businesses in the municipalities of El Marqués, Corregidora, Pedro Escobedo and Toluca. The surveys were conducted at the participants' businesses. Each questionnaire consisted of 37 questions that analyzed different topics; Those that were considered for the present study were 20 since the rest of them will be considered for a later article. 55% of those interviewed were women and 45% were men. The average age of the interviewees was 67 years and their average education was 8 years (equivalent to 2nd year of secondary school). The average age of the businesses surveyed was 14 years and the average number of workers working in the establishments is 4 workers. 36% of businesses are informal and the rest pay taxes regularly. The surveys were carried out between October 2023 and December of the same year. Each interview was preceded by a short talk to let the interviewee know that it was part of an academic investigation and that it had no relation to any fiscal issue or related to the municipality to which the business belonged.

To achieve reliability, it was sought that in the questionnaire all the items met the requirement of having the shortest possible form to avoid excess time or confusion for the respondent due to the large number of surveys that were carried out. Likewise, the formulation of all the questions brings together the following characteristics of each item (Acosta, 2019)

- 1) It is clear, precise and understandable;
- 2) It refers to a single aspect;
- 3) Use simple, direct and familiar language;
- 4) Avoid negative formulations and take into account reformulating those

questions that could be uncomfortable, threatening or that would put the respondent on trial (Palou, 2011); and

- 5) Maintain the same number of negative and positive options. The questions asked are shown in Table 1 and are not in the order in which they were asked.

Additionally, Chronbach's Alpha (Conelly, 2011) was used to provide greater certainty to the quantitative validation of the instrument. The measurement resulted in a Chronbach's alpha of 0.79. Cronbach's alpha values between 0.70 and 0.90 indicate good internal consistency. The determination of Cronbach's alpha is indicated for unidimensional scales between three and twenty items (Oviedo, 2005).

RESULTS

The results obtained, in the same order as shown in Table 1, are described in Table 2:

DISCUSSION

Although an analysis related to gender was not generated, a difference is found in financial management between men and women, which coincides with the analysis carried out by (Culebro, 2009). Financing from formal financial institutions is essential for the operation of the business (Maldonado, 2017), so social programs, although they are not a form of financing per se, have contributed significantly to providing liquidity to businesses through part of older adults. Additionally, it is expected that the new Banco del Bienestar can become a means of accessing financing for seniors, at low interest rates and with minimal requirements. The results coincide with what was described by (Vazquez, 2006) in the sense that a fundamental problem of small businesses is the entrepreneur's lack of knowledge of the business he is starting. He does not have a clear idea of the objective for which he initiates it. Another point to

| Number | Question |
|--------|--|
| 1 | How do I know my income, expenses, profits? |
| 2 | As an owner I get a fixed weekly, biweekly or monthly salary |
| 3 | Does my family depend on the income from the business? |
| 4 | During 2023, business revenue (relative to last year) |
| 5 | Do my suppliers give me credit? |
| 6 | Do I have a credit card? |
| 7 | Do I know the annual interest rate that my credit card charges me? |
| 8 | Do you know savings instruments such as CETES, Investment Funds, Promissory Notes? |
| 9 | When I have surplus money.... |
| 10 | If I require financing for my business, I turn to... |
| 11 | I receive support from the government for some Social Program |
| 12 | Do I know the tax rate I pay to the treasury? |
| 13 | I have resorted to informal financing |
| 14 | Do I know what a trust is and how it works? |
| 15 | I assign a salary to family members who support me in the business |
| 16 | I know the interest rate they charge me in the places where I apply for credit |
| 17 | I know the interest rate paid by the institution where I have my savings |
| 18 | What is the objective of having my business? |
| 19 | Have I received any support for my business from the local government? |
| 20 | Do I allocate a fixed amount of my gross income to save? |

Table 1: Questions performed

| Question | Answers |
|----------|--|
| 1 | 18% hire an accountant or a professional to support them, 34% do it themselves and 48% do not keep control. |
| 2 | 91% do not assign themselves a salary |
| 3 | 23% of microentrepreneurs mention that their family depends on the income from the business. |
| 4 | 72% responded that their income has improved, 13% that it has decreased and the rest that it remains the same. |
| 5 | 28% mention that their suppliers give them credit. |
| 6 | 32% have a credit card |
| 7 | 8% had a rough idea of the interest rate their card charges. |
| 8 | 24% have heard of some of them, but only 10% have used any of those instruments |
| 9 | 34% keep it at home, 32% in a financial institution and the rest have no surplus. |
| 10 | 27% turn to friends or family, 36% to a formal and informal lending institution, 10% to suppliers and the rest mention their savings. |
| 11 | 89% mention that they have support from the federal program for older adults. |
| 12 | 15% know the tax rate they pay. |
| 13 | 36% have resorted to informal financing |
| 14 | 11% know something about the topic |
| 15 | 19% of those interviewed assign a salary to family members who support them |
| 16 | 41% know the gross interest rate on loans and 8% know the CAT |
| 17 | 72% are certain of the rate they are paid and 15% only know the GAT |
| 18 | 34% mention that the objective is to earn income to live, 28% mention that, although they have enough to live on, it is part of their way of life; 30% mention that it is the heritage of their children and family. |
| 19 | 11% have had some support from the local government. |
| 20 | 14% mentioned that they dedicate a fixed amount of savings. |

Table 2: Results obtained in the survey

highlight is that family, personal and business expenses have a very important weight in the spending of the microentrepreneurs surveyed.

An important factor that could be considered in subsequent research would have to consider the low income that microentrepreneurs receive. Economic theory mentions that the higher the income, the greater the marginal propensity to save and, therefore, the greater their access to the financial system; On the other hand, at lower income levels, a significant part of the income is consumed and, therefore, the marginal propensity to save is negative, which causes debt and the need to seek financing in non-formal sectors (Dornbusch, 2008).

A fundamental factor that must be considered is the tax situation of the company. Companies, both formal and informal, show a lack of knowledge in this matter, which causes great uncertainty and fear, which may explain that when asked about the topic, most of them were reluctant to answer. Therefore, it is necessary that, given the high heterogeneity among informal microenterprises, the policies to be applied must be different. Thus, while certain companies would benefit from the creation of productive policies, others may require social assistance policies. On the other hand, it is essential that microentrepreneurs take into consideration basic accounting factors such as considering assigning themselves a fixed salary (Rico, 2021), which does not depend on profits. Another important aspect to delve into is the way in which entrepreneurs decide how much money they must allocate as business owners, how they allocate it, whether in kind or in what form, and what are the ways in which they compensate their family members for the money. support they receive in the business.

CONCLUSION

At first glance, it seems that a fundamental problem is the lack of financial culture. An important factor that could be considered in subsequent research would have to consider the low income that microentrepreneurs receive. Economic theory mentions that the higher the income, the greater the marginal propensity to save and, therefore, the greater their access to the financial system; On the other hand, at lower income levels, a significant part of the income is consumed and, therefore, the marginal propensity to save is negative, which causes debt and the need to seek financing in non-formal sectors.

Regarding the importance that the owners of Mexican microenterprises give to accounting, economic and financial administration, it can be mentioned that in general they give it due importance without becoming outstanding; However, microenterprises that are located in urban areas, located in 198 The microenterprise in Mexico: a diagnosis of their current situation industrial zone, that have a permanent position for their operation, that are companies registered as a company, that are registered by several male owners, that have adult owners, and that their owners have university academic training are the ones that give the greatest degree of importance to these activities (Rivera, 2018).

Another factor that must be considered is the use of e-commerce to publicize the products or services that older adults are offering. In a study carried out by (Viramontes, 2021) aimed at microentrepreneurs in Pedro Escobedo, Querétaro, it was found that less than 20% of the microentrepreneurs surveyed do not use social networks to improve their sales. In this study, microentrepreneurs of all ages were considered, so it is expected that it is much higher among older adults.

The owners of microbusinesses need to implement practical and effective accounting, economic and financial administration, relying on tools and techniques that are sufficiently flexible and appropriate to develop in the short term in their different economic and competitive environments, for this, universities, among others. institutions, they must have clear and accessible programs to support them; in forming a business culture that promotes its comprehensive development, job creation, technological innovation, business ethics, sustainability and, of course, obtaining

financial profits to achieve its permanence. Based on the above, the next step of this analysis consists of structuring a course that aims to improve the financial management of the elderly microentrepreneurs who were surveyed. By the time this article is written, invitations have already been sent to all of them for the course that will take place in August 2024, completely free, at the facilities of the Polytechnic University of Querétaro. To do this, there will be various specialists who will help improve the financial management of the target population of this study.

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