

The Financial Recovery of Microenterprises Four Years after Covid-19 in Mexico

Ligia María Bestard Alcántar, Ileana Vázquez Carrillo, Martín Iván Martín Puc

Facultad de Contaduría y Administración. Universidad Autónoma de Yucatán, México.

***Corresponding Author:** Ligia María Bestard Alcántar, Facultad de Contaduría y Administración. Universidad Autónoma de Yucatán, México.

Abstract: The objective of this article is to provide an overview of the current financial situation of microenterprises in Mexico four years after the 2020 pandemic. Considering that the reopening of businesses was carried out gradually from June of that same year, the aim is to understand the impact that this closure has had to date on businesses that had to close and on those that reopened their doors with sanitary measures and a maximum number of customers allowed, in order to prevent further infections.

It is also important to analyze how businesses implemented measures and acted promptly to grow their businesses and keep them stable up to today, considering that at the beginning of the reopening they faced a decrease in revenues and the inability to rehire all the staff they had before the pandemic.

The situations of these types of businesses are analyzed, including their gradual growth and the problems they faced, such as staff layoffs, job losses, and business bankruptcies. Additionally, it is identified how they have managed to stay open until today and, in some cases, the difficult decision to close.

Keywords: Microenterprises, Pandemic, Finance, Economy.

1. INTRODUCTION

According to the National Institute of Statistics and Geography (INEGI), in Mexico, between May 2019 and May 2023, 1.7 million micro, small, and medium-sized enterprises (MiPymes) were established, and 1.4 million closed, according to a publication from June 2024. This data helps to understand the impact on microenterprises in their recovery during this post-pandemic period.

During 2020 and 2021, microenterprises faced the challenge of selling their products and reaching customers who were at home. To address this, they used social media, which boosted these communication channels and allowed them to attract more customers by offering products and services in the comfort of their homes, thus avoiding the risk of going out and contracting COVID-19.

It is important to highlight that the pandemic began with confinement on March 17, 2020, which almost entirely restricted economic activities that required the movement of people. This drastically reduced the use of public transport, private vehicles, and company vehicles. Subsequently, on June 1st of that same year, a gradual reopening process began, with businesses reopening gradually under established hours and with many mobility restrictions. In December of that year, the vaccination campaign began, which allowed for a more active recovery of the country's microenterprise economy.

The World Bank states that in 25% of businesses, sales fell to half, and approximately 65% reduced wages, either through decreases, leaves, or fewer working hours. This led to only one-tenth of the businesses laying off staff, according to Ruíz (2021).

2. DEVELOPING

2.1. Technological Adaptation of Microenterprises Post-Pandemic

Currently, many businesses continue to operate despite the pandemic and all that it entailed. Some still offer their services and products in traditional ways, such as at counters and self-service stations. However, others have adopted technologies, using social media to offer their products and services, as well as payments via bank transfers or point-of-sale terminals for card payments.

Before the pandemic, these technologies were rarely used in microenterprises, whether in the productive, commercial, or service sectors. Only a few in the restaurant sector used terminals for card payments, and that was the extent of their use.

After the pandemic, with the gradual reopening, many businesses found themselves needing to update their digital presence. This was because many people continued to stay at home and, due to health risks, sought ways to obtain their basic products. In this context, microenterprises adopted the mindset of "I need to reach the customer somehow," even though this involved risks, as the impact of using social media effectively to reach customers was unknown at that time.

Potential risks can never be completely eliminated, especially when negative factors arise. However, they can be reduced through appropriate procedures, techniques, and measures (Martínez & Rodríguez, 2024).

Due to the necessity for microenterprise owners to learn and adapt to the use of technologies, these have become essential for the financial growth of businesses. Although many companies have incorporated e-commerce, there are still questions about why consumers prioritize other forms of payment, such as cash, especially among older individuals. It seems that mistrust in making electronic payments persists, which prevents some consumers from adapting to using technology for transactions (Bejar, Valenzo, Madrigal, Madrigal, and Montesinos, 2023).

Despite the challenges, microentrepreneurs decided to invest in and trust online commerce technologies to increase their revenues. To this day, many of these businesses continue to use these technologies, as they discovered numerous benefits, such as reaching more potential customers and saving their finances, which were at risk of imminent bankruptcy. During the COVID-19 pandemic, the adoption of e-commerce significantly boosted sales and potential customers, as it was considered a very safe option for obtaining goods and services without having to leave the house (Bejar, Valenzo, Madrigal, Madrigal, and Montesinos, 2023).

2.2. Impact of the Pandemic on Employment and Entrepreneurship

The impact of the pandemic on those who lost jobs and faced serious economic difficulties in supporting their families cannot be overlooked. Nor can the challenges faced by entrepreneurs and business owners, whether starting or continuing a business, who had to lay off a significant number of staff as wages and benefits dropped significantly to the same level as sales, be forgotten. Although entrepreneurial capability largely depends on the efforts or skills acquired by individuals, administrative capability, in addition to personal skills, can be built or conditioned by institutional support and environmental qualities that are external to the individual but have a significant degree of influence (Saavedra, Martínez, and Osorio, 2022).

As the opportunity to gradually resume business arose, many micro-entrepreneurs decided to reopen. However, those who were laid off due to the previously mentioned circumstances began seeking ways to generate income by creating new businesses, either in physical locations, from home, or through social media.

It can be said that entrepreneurship is a combination of factors that determine its success or failure. These factors can be internal, directly controllable by the business, or external, which are less dependent on the company's control. This leads to the connection between entrepreneurship, resilience, and the economic cycle as the main theme of the research (Saavedra, Martínez & Osorio, 2022).

2.3. Resilience and Adaptation in Times of Crisis

The word "resilience" has taken on many meanings, such as "to recover or bounce back." The root of the word resilience is the Latin term "resilio," which, combined with "cia" and "salire," means "to jump or leap." Therefore, it can be said that it involves overcoming problems and seeking multiple applicable solutions (Pino and Torralbas, 2024). In business terms, this is exactly what happened to those who lost a job or business and had to decide to start over and adapt to many changes to achieve financial recovery. Resilience is related to the opportunity to access productive employment that provides a fair income, job security, social protection for families, and better prospects for personal development and social integration. It also includes the freedom for individuals to express their opinions and participate (Vera, Vera, Martínez, and Márquez, 2023).

2.4. Technological Acceleration and Post-Pandemic Recovery of Micro-Entrepreneurs

The pandemic significantly accelerated the use of information technologies and social media as marketing tools, enabling a more agile recovery for micro-entrepreneurs. As previously mentioned, these entrepreneurs had to adapt to new circumstances, contributing to Mexico's gradual growth. The Mexican Gross Domestic Product (GDP) showed an upward trend with slight fluctuations during the 2020-2030 period. These fluctuations reflect setbacks in the increase of the national GDP in the early years of the studied period, mainly due to the circumstances caused by SARS-CoV-2, according to Guzmán, Rebollar, Hernández, Terrones, and Callejas (2024).

In the quarter from January to March 2024, the Economically Active Population (PEA) of the country, according to INEGI (National Institute of Statistics and Geography), was 60.7 million people, 574,000 more than in the first quarter of 2023. This represented 60% of the population aged 15 and older. A total of 59.1 million people were employed, 629,000 more compared to the first quarter of 2023. This increase was concentrated in professional, financial, and corporate services, with an increase of 245,000 people; in various services, with 181,000; in social services, with 158,000; and in restaurants and accommodation services, with 136,000 people (INEGI, 2024).

Combining decent work with economic growth reveals various challenges in achieving both objectives, including:

1. Salaries for performing the same functions, without gender differentiation.
2. Lack of employment opportunities for youth and abuse of child labor.
3. High presence of the informal economy and nascent education among individuals, which impedes employability and leads to migration. Citing (Vera, Vera, Martínez, & Márquez, 2023)

The leader of the company must define the strategies to follow and the functions to perform, based on a diagnosis that considers both internal and external elements. This will enable the leader to determine the necessary resources, whether material, financial, or human. The changes will depend on each of the proposed strategies, as well as on resilience and the ability to adapt to external elements, which are difficult to control and, in many cases, impossible to modify (Guerrero, Hernández, Bonilla, Sánchez, Guerrero, 2024).

3. CONCLUSIONS

Although the pandemic was a health emergency that, in common terms, "turned society upside down," for microentrepreneurs it represented an opportunity to confront unexpected experiences and situations. These included reduced income and sales, the dismissal of employees due to the inability to cover their salaries, and even business bankruptcy and closure. However, not everything was negative. Many microentrepreneurs learned new ways to reach their customers, which accelerated the use of technologies and social media. Businesses began to promote their products through these channels, reaching more customers and realizing that even with the full reopening of their businesses, continuing to use these technologies allowed them to save resources and increase sales.

After the pandemic, there was a rapid increase in online sales and the use of digital platforms offering products and services accessible from home. This contributed to the reopening of businesses across all sectors and the emergence of entrepreneurs offering their products and services in this way, adding value. To date, this has resulted in a gradual growth in the finances of the microenterprise sector.

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AUTHORS' BIOGRAPHY

Ligia María Bestard Alcántar, is a full time professor in the Facultad de Contaduría y Administración, UADY, Tizimin Multidisciplinary Unit. M.Ed, UNID. B.S. in Public Accounting: Universidad Autónoma de Yucatán (UADY).

Ileana del Socorro Vázquez Carrillo, is a full-time Professor in the Facultad de Contaduría y Administración, UADY. Computer Systems Engineer from the Instituto Tecnológico de Mérida. Master's in Educational Innovation from the Universidad Autónoma de Yucatán.

Martin Ivan Martin Puc, is a full time professor in the Facultad de Contaduría y Administración, UADY. Independent Consultant PhD in Taxation Sciences, Instituto de Especialización para Ejecutivos. M.S. in Taxation, Instituto de Especialización para Ejecutivos. B.S. in Public Accounting, Universidad Autónoma de Yucatán (UADY). Facultad de Contaduría y Administración, Universidad Autónoma de Yucatán (UADY).

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