

Entrepreneurship Finances, Feasibility and Consistency

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Abstract

When you want to start a business idea, it will always be of vital importance to put financial viability first, since starting without having an idea of the initial investment, the investment recovery period and other financial indicators, can make a profitable business in a very short time bottomless pit. The main idea of this research is to define which are the most important points of the Business Plans in terms of finances; For this, to detect which are the points that require more emphasis in terms of attention and focus, with this it is intended to facilitate the tasks and training required in said topics, this due to the fact that the financial aspect is the most relevant issue and that to the it gets more and more complicated. This will allow any venture to be on the right track in search of the desired success in any type of venture. It was found that the order of difficulty in the development of a Business Plan is the following: the Financial Analysis of a Business Plan is the item that is most difficult, understanding that 397 students representing 55.14% put it as the main topic in degree of difficulty, followed by Procedures and Compliance with Legal Requirements, which is considered the most complicated item by 202 people, which represent 28.26%; being the Market with a choice of 65 students as the most difficult topic to cover, while 56 people indicated the other items, Strategic, Organizational and Processes as the most complicated. Emphasis will be placed on financial aspects and their respective topics.

Keywords: Financial Viability, Ratios, Financial Statements, Initial Investment.

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INTRODUCTION

It is essential to understand that a venture needs healthy finances in order to be able to gestate, grow and develop in a consistent and uniform way; Healthy finances begin from planning to the execution of budgets, estimates and projections that have to do with decision-making in any economic and production field.

Most of the ventures fail in the first years for not developing adequate financial planning from the beginning.

The essence of business entrepreneurship begins with the fact that it is a generator of both economic and social development, both because of its importance in job creation and because of the effects of entrepreneurial activity on social behavior.

Within the arduous task of undertaking, it is of vital importance to analyze the activities inherent to entrepreneurship, which are carried out mainly during

the process of creation, initiation and development of the business project.

These activities can be classified as points or requirements of a Business Plan, For Filion (1999), entrepreneurship can be defined as the field that studies entrepreneurs. It examines its initiatives, characteristics, social and economic effects, as well as the support methods used to facilitate the expression of entrepreneurial activities.

He also comments that the entrepreneur is one who differentiates himself in the market through the launch of a new product or service, achieving a better strategic position in relation to the competition.

The fact of founding a company depends on the individual evaluation of the current situation (micro and macroeconomic). The success of a venture consists in the fact that, once the company is founded, it is determined by the people and their specific managerial capacities, which are integrated into the combination and complementarity of their abilities. In short: its

human capital. In the short term, the survival of the company depends decisively on a balanced relationship between human capital and venture capital. The missing human capital cannot be replaced by venture capital and could eventually lead to insolvency. As the company has to invest its funds profitably within a certain period of time, the misfit company will not have enough human capital to manage the proper investment and will eventually face insolvency. However, in the long term, the economic success of a company depends on its competitiveness. Competition is represented by a heterogeneous oligopoly, as Grebel, Pyka and Hanusch (2003) also mention, who emphasize the need for vertical integrity in a balanced set of incorporated competencies and a horizontal variety that emphasizes the qualitative dimension of competition for innovation.

MATERIAL AND METHODS

In 2021, the GEM Mexico Team participated only in the NES survey. However, valuable insights into the state of entrepreneurship in Mexico can still be gained from expert assessments. Overall, experts' scores for Mexico tend to be above average compared to other GEM C-tier economies.

This is particularly true in the areas of financing and infrastructure (commercial and physical). However, other areas that are traditionally considered strengths of the Mexican business sector scored slightly lower than expected.

In 2020, Mexico's Business Finance condition scored 3.8, which represented a lower performance than previous results. Last year, however, the experts improved their assessment, rating Business Finance at 4.1, fourth among GEM Tier C economies, and 4.3 for Ease of Access to Business Finance, third among GEM Tier C economies. The lower scores in 2020 may have reflected both the impact of COVID-19 and the simultaneous rise of the currency, which made funding quite volatile. Fortunately, the weight stabilized in 2020.

Conditions related to Mexico's governance received average scores in 2021; however, everything had improved during 2020. The condition of Government Policy: Taxes and Bureaucracy increased to a score of 3.6 in 2021, from 3.2 in 2020. However, it still ranks eighth among C-tier economies from GEM. Difficulties paying taxes in Mexico have been noted in previous World Bank Doing Business reports, although the government is making some digitalization efforts, partly in response to COVID-19 concerns. Until very recently, registering a company in Mexico required paperwork in person and dealing with various agencies.

By continuing to digitize this process, younger entrepreneurs will feel more comfortable registering their new businesses.

Both infrastructure conditions also improved this year compared to 2020. In physical infrastructure, a score of 6.5 in 2021, third among GEM C-tier economies, was an improvement from a score of 6.1 in 2020, while that business and professional infrastructure improved by a full point to 5.4 in 2021, first among GEM Tier C economies. Strong performance from Mexico relative to its peers in business and professional infrastructure is to be expected, given the level of development of the country and the solid professional sector. However, the Physical Infrastructure score is a bit surprising because it has traditionally been seen as difficult to obtain electricity and register property in Mexico.

However, thanks to recent digitization efforts, this may be improving. Additionally, this condition also assesses the quality of the communication infrastructure, which is quite strong in most areas of Mexico.

However, in the conditions of Research and Development Transfers and Ease of Entry: Charges and Regulation, Mexico underperformed its peers compared to expectations. In 2021, Mexico received a score of 3.2 for the former, down from 3.7 in 2021. The 2021 score was still fourth among GEM C-tier economies. Mexico has quite a few national companies and startups that partner with large international companies. The knowledge sharing that should be happening in these partnerships may have been interrupted by recent macro challenges, but hopefully it will improve in the future. Furthermore, while Mexico's Ease of Entry: Charges and Regulation score actually increased to 4.2 in 2021, it is still surprising, considering the size and demand of Mexico's domestic consumer base, that this score is not higher. Perhaps, as the economy continues to recover from COVID-19 and currency concerns, this condition will improve and better reflect one of Mexico's core strengths as a huge, business-ready internal market.

The nature of the investigation was mixed, with an inductive method beginning with the individual study of the facts and formulating general conclusions and proposals. It was a non-experimental investigation that was carried out with information generated during 10 semesters, beginning with the January-June 2018 semester until the August-December 2022 semester; the information is related to the generation of Business Plans in the Entrepreneurial Development Courses, from which information was taken on the points that are most difficult in the development of the course.

The type of sampling was probabilistic, since the observation or sampling units had the same chance of being selected. The results of this research can be generalized to the rest of the population related to the process.

Sample Size, based on the above, 720 opinions from a total of 179 teams integrated into 47 groups were analyzed during the 10 aforementioned semesters.

The measurement instruments for this research were both the evaluation and the answer to the question: Please list the topics in the order in which it was most difficult for you to develop during the course; in addition to analyzing the result of the final evaluations

of the Business Plans and their content in general. With this, the indicators to be investigated were evaluated and a specific order was concluded on the issues that are most difficult for students when developing a Business Plan in the Entrepreneurship Development Course.

RESULTS AND DISCUSSION

Table 1: Most Difficult Financial Topics in a Business Plan

Financial Statements-Ratios	42.82%	170
Costs	28.21%	112
Taxes	16.88%	67
Sales, Payroll, Expenses	12.09%	48
	100.00%	397

Source: Field Survey conducted during 2018-2022

In this analysis, the specific issues of each item are taken into account, in this case the Financial issues that include the Development of Financial Statements (EEFF), generation of Indicators, such as Net Present Value (NPV), Internal Rate of Performance or Return (IRR), Minimum Acceptable Rate of Return (MARR), Weighted Average Cost of Capital (WACC), Investment Recovery Period (IRP), among others, is considered the most complicated, which is considered by 170 of the 397 who mentioned Financial issues as the most complicated, to establish that 42.82% of those who consider financial issues the most complicated, focus on the heading of Financial Statements and Indicators or Ratios. The next financial issue is the determination of Costs in a Business Plan, since 117 people representing 28.21% of the 397 who consider it so are those who refer to this as a matter of complexity.

As a third topic considered complex, it turns out to be the Fiscal topic or related to Taxes, which is considered by 67 students, which represents 16.88% of the total universe. And finally, the topics of Sales, Payroll and calculation of Expenses, 48 opinions that represent 12.09% of the people who consider the Financial Topic to be the most complex of the Business Plans.

CONCLUSION

Finally, based on the analysis of the data obtained, its interpretation and supported by the experience of the academic practice of the researchers, the emphasis on the development of Courses prior to the development of Business Plans is presented as a recommendation, both from the society in general, as well as students who focus on the creation of new ventures and the specific development of Business Plans.

Being the financial item, followed by compliance with legal requirements, the issues that present the most difficulty for the developers of the

various plans and undertakings; The additional participation of experts on the subject is recommended, in addition to authorities involved, who are the ones who define said requirements for the start-up of businesses.

These decisions, together with proposals to simplify procedures, would facilitate both the economic and social development of the various regions, thus promoting the community participation of the majority of people who are concerned about generating their own businesses and ventures, both of a commercial and economic, as well as social and altruistic, since even many enterprises of a social nature see their march intentions diminished, inhibited by legal and economic obstacles and barriers, often caused by a lack of experience and ignorance of both legal and economic requirements.

For this reason, the items that must finally be addressed are presented in the following order:

Financial

- Initial-Total Investment
- Costs
- Financial statements
- Ratios - Indicators

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