

# Influence Of Administrative Management In Business Formalization

Víctor Dávila Arenaza, Edwin Arce Álvarez, Teodoro Carranza Estela, César Eduardo Jiménez Calderón

**Abstract:** The general objective of the investigation has been to determine the influence of administrative management in the decision to formalize business in northern Lima; quantitative approach, non-experimental transectional design, hypothetical-deductive method, applied type, causal level; the sample consisted of informal businesses 380 of the Los Olivos district; 367 of the district of Puente de Piedra; 360 of the district of Comas; 325 of the Carabaylo district. The data were collected using the survey technique using a validated and reliable questionnaire as an instrument. According to the results, administrative management influences the formalization of business; The main causes of informality have also been determined; factors that did not allow the decision to formalize the business; the key factors considered by informal traders to achieve their formalization goals and objectives and the key actions that support informal businesses for the decision to formalize in the North Lima market.

**Index Terms:** Administrative management, business formalization, Lima, Los Olivos, Comas, Carabaylo, Puente Piedra.

## 1. INTRODUCTION

The small and micro enterprises are of transcendental importance in the growth and development of Peru; these develop activities that contribute to the dynamics of the market with their products or services. This group of companies has relevance in the productive apparatus of the country because they represent approximately 80% of the universe of companies in the country and generate jobs for 70% of the EAP. It can also be observed that in some regions they are considered as organizations in which economic activity is sustained [1]. However, the fundamental contradiction arises because these companies operate on the margin of formality, according to the regulations in force in the country. Consequently, the purpose of the investigation is to determine the causes, factors and effects that originate the administrative management in the formal decision, with the purpose of proposing alternatives to solve the problematic situation. At the international level and according to globalization, MYPES have to be competitive and to achieve this the first step is to be formalized; in this regard the World Bank mentions that informality represents 34.5% of the official GDP in 162 countries around the World[2]; complementarily the ILO [3] (International Labor Organization, 2014) reported that informality persistently grows in those developing countries; in Latin America it is in the order of 50 to 53 % of the employed population, that is to say 6 out of 10 get work in informal organizations.

Currently, small and medium enterprises in Lima and Latin America have a common problem, such as: low and inadequate government interaction with individuals, formal and informal enterprises, and inadequate administrative management models with a rigid regulatory framework [4]. There is an excessive burden of tax rules, bureaucracy and low knowledge management. Human resource management is also deficient and discourages new business entrepreneurs

from continuing with the bureaucracy of formalization procedures. Access to financial capital is another restriction due to the guarantees required, inadequate terms, high interest rates and little training [5] (Abad & Rubia, 2005). If the problematic situation continues, then it will result in the country's scarce socioeconomic development. Therefore, it is necessary to identify and analyze the causes, factors and consequences of this reality in order to suggest alternative solutions. One way of systematizing information is to formulate questions that give shape to the research work: Considering what has been said, we pose the following problems: General what is the influence of administrative management in the formalization of business in northern Lima? Specific a) what are the main causes that influence the informality of business in Northern Lima? b) What are the key factors that informal businesses consider to achieve their goals or objectives of formalization? c) What are the key actions that give support to informal businesses for the decision to formalize in the Northern Lima market? And the general hypothesis raised was the administrative management significantly influences the decision to formalize business in Northern Lima. Therefore, the following Objectives are proposed: General objective has been to determine the influence of the administrative management in the formalization of businesses in Northern Lima; Specific were a) to identify the main causes of the informality of businesses in Northern Lima. b) To identify the key factors that consider informal businesses to achieve their goals and objectives of formalization in Northern Lima. c) To identify the key actions that support informal businesses in the decision to formalize in the Northern Lima market. d) To identify the key actions that support informal businesses in the decision to formalize in the Northern Lima market. d) To identify the key actions that support informal businesses in the decision to formalize in the Northern Lima market.

## 2 METHOD

The research was based on the quantitative paradigm, non-experimental design of transverse cut, applied type. The informal business objects of the

- Víctor Dávila Arenaza. Teacher at Universidad César Vallejo, Highly specialized professional and extensive experience in public management and university teaching, teacher, advisor, thesis jury willing to do research to provide knowledge to solve the problems of Peruvian society. E-mail: vdavilaa@ucv.edu.pe
- Edwin Arce Álvarez, Teacher at Universidad César Vallejo. E-mail: eddo125@hotmail.com
- Teodoro Carranza Estela, Teacher at Universidad César Vallejo. E-mail: tcarranza@ucv.edu.pe
- César Eduardo Jiménez Calderón, Teacher at Universidad César Vallejo. E-mail: cjimenezc@ucv.edu.pe

Priority	Factor	Average
1	That the state guarantees the capital invested for a certain period of time	71.58
2	Advice, training, accompaniment and, sensitization to the entrepreneurs who wish to formalize	69.21
3	The shortest possible time	67.37
4	Agreement of the state and entrepreneur to define the time of formalization	65.53
5	That the state assume the cost of formalization	64.47
6	Priority of the formalization of your business	60.79
7	Benefits of formalizing your business	57.63
8	Requirements for the formalization of your business	56.58
9	Established procedures for the formalization of businesses	55.53
10	That the determination of formalization requirements should be with the co-participation of employers and the state	55.53

study that formed part of the population are the following: Los Olivos 34,500, Puente de Piedra 8,200, Comas 5, 593, Carabayllo 2,088 and the sample was made up of the informal businesses of the districts: Los Olivos 380, Puente de Piedra 367, Comas 360 and Carabayllo 325. The data were obtained through the survey technique, using for this purpose a Likert type questionnaire. In order to validate the instrument, a method of expert judgment was used, and reliability was achieved through a previous survey of a reduced population, using Cronbach's Alfa statistical index.

### 3 RESULTS

#### Hypothesis Test

Since the variables did not have a normal distribution, Pearson's nonparametric "R" test was applied.

#### General hypothesis

H<sub>0</sub>.- Administrative management does not influence the decision to formalize business in Northern Lima.

H<sub>1</sub>.- The administrative management does influence the decision to formalize business in Northern Lima.

#### Decision rule

$p > 0.05$ , H<sub>0</sub> is accepted.

$p < 0.05$ , H<sub>0</sub> is rejected.

		Administrative Management	Business Formalization
Administrative Management	Pearson Correlation	1	.292**
	Sig. (2-tailed)		.000
	N	1432	1432
Business Formalization	Pearson Correlation	.292**	1
	Sig. (2-tailed)	.000	
	N	1432	1432

#### Interpretation:

Seen the table 1 the significance is  $p\text{-value} = 0.000 < (\alpha) = 0.05$  to 95% confidence, this result allow according to the rules of decision the alternative hypothesis is accepted and the null hypothesis is rejected. According to the standardized table of [6], there is a positive correlation of 29.2%; therefore, it is concluded that in the business formalization decision in Northern Lima, there is an influence of the administrative management.

Priority	Factor	Average
1	Time currently required to formalize your business	75.56
2	The cost of formalizing your business	65.79
3	Lack of Suitability of personnel in charge of formalizing businesses	65.36
4	Lack of knowledge that the formalization of your business will allow you to enjoy different kinds of benefits	60.79
5	Disagreement with the current cost of formalizing your business	60.26
6	Disagreement determined by the public administration for the formalization of your business	58.95
7	Ignorance of the formalization procedure of your business	58.42
8	Disagreement with the time established by public institutions for the formalization of their business	58.42
9	Perception the time used in formalization is a "waste of time"	56.84
10	Disagreement with the actions and/or procedures in force for the formalization of your business	56.32

The specific objective b) To identify the key factors considered

by informal negotiators to achieve their goals and objectives of formalization in Northern Lima; with respect to the order of priority are the following: The specific objective c); To identify the key actions that support the informal businesses for the decision to formalize in the North Lima market; in this respect the following have been identified according to the order of priority.

Priority	Factor	Average
1	Permanent training, accompaniment and awareness-raising	82.89
2	Permanent advice to businesses formalized by the government.	74.21
3	Security	70.79
4	Improve labour legislation without cost overruns.	70.00
5	Reduce the time it takes to formalize your business.	68.16
6	Maximum time of 24 hours to obtain the municipal license.	66.84
7	Advice of the state so that it has the minute of constitution of the Company.	66.58
8	Access the use of financial instruments for your business.	66.32
9	Lower the cost of legal professional services.	65.79
10	Promotion and motivation for business formalization at the national level.	65.79

It has been determined in the context of the study confirmed by the districts of North Lima; that the actions of the public administration influence the formalization of the companies, workers and activities that operate outside the legal and normative framework that govern the economic activity of the country. It has been identified that the most relevant causes of the informality of businesses located in Northern Lima according to the order of priority among others are the following: 1° The excessive time currently required for the formalization of your business. 2° The cost of formalization of your business. 3° Suitability of the personnel in charge of formalizing the businesses. 4° Lack of knowledge that the formalization of your business will allow you to enjoy benefits of a different nature. 5° The cost of the current procedures for the formalization of your business. 6° Not very accessible and distant places determined by the public administration for the formalization of your business. 7° Lack of knowledge of the procedure for the formalization of your business. 8° Excessive times established by public institutions for the formalization of your business. 9° Consideration that formalizing your business is a "waste of time". 10° Actions and/or cumbersome procedures in force for the formalization of your business, among others. It has been identified that the decision to formalize business in Northern Lima has the following limiting factors: 1 It is necessary to modify the constitution of the state; modify, make more flexible, simplify and improve the economic policies as well as the administrative, labor, tax, and financial promotion and guarantees laws. 2 It is necessary to modify the laws to formalize the totality of business in our country. 3 The payment of taxes will allow better working conditions for your business. 4 Protection and security on the part of the state for the operation of formalized businesses. 5 Modify the resolutions of the different institutions of the state to formalize the totality of businesses in our country. 6 Lack of knowledge that the formalized businesses will allow the expected profitability. 7 Lack of promotion on the part of the state for the financing of formalized businesses. 8 Formalization will increase production costs and time in the processing of your business. 9° the need to modify the regulations and directives, and instructions in the three levels of government to formalize the totality of businesses in our country. 10° the formalization of businesses requires working capital. It has been identified that the key factors that consider informal businesses to achieve their goals and objectives of formalization in Northern Lima according to the order of priority among others are the following: 1 The state must guarantee capital for a certain time. 2 Counseling, training, accompaniment, and sensitization by the state to entrepreneurs who wish to formalize. 3 Less

time possible for formalization.4 Involvement of informal entrepreneurs to propose the time required for such action.5The costs of formalization should be assumed by the state and the entrepreneur in a shared way.6° Prioritization of negotiators for the formalization of their business.7° Consider that the formalization of their business will be beneficial.8° Conformity with the current requirements established for the formalization of their business.9° Conformity with the actions and procedures established for the formalization of business.10° Participation of entrepreneurs to establish actions and procedures for formalizationIt has been identified that the key actions that give support to informal businesses for the decision to formalize in the North Lima market according to the order of priority among others are the following:1° Training, extension and awareness permanently to formal and informal entrepreneurs.2° Permanent advice to formalized businesses.3° Security and guarantee for the decision to formalize your business.4° Appropriate labor legislation avoiding an over cost.5° The time required for the formalization of your business.6° Achieve the Municipal License to operate in 24 hours..7° Use of financial instruments for your business.8° lower the costs of legal professional services to formalize the business. 9° Promotion and motivation for the formalization of businesses at the national level by the state at all levels of government. 10° Promotion and motivation on the part of the state in the formalization of business. It has been determined that the impediment to the formalization of business are the following factors: Aggressive, Inflexible and cumbersome tax legislation, Inefficient Management and Public Administration, High Complexity in labor standards and conditions, High cost for access to Social Security, corruption, economic instability and inflation, poor access to economic and technological resources, low level of education and training of human resources among others.

## REFERENCES

- [1] IDECOPI. Anuario de Estadísticas Institucionales correspondiente al año 2018, 2018.
- [2] Loayza N. BANCO CENTRAL DE RESERVA DEL PERU, BCR sobre causas y consecuencias de la informalidad en el Perú. 2013.
- [3] OIT en América Latina y el Caribe: Panorama Laboral. 2014
- [4] Parrales V. Junco O (2019) Vacíos en la aplicación de políticas públicas ecuatorianas y su relación con las pequeñas y medianas empresas. 2019.
- [5] Abad D. Rubia A. Lecciones de Finanzas Corporativas: Valoración de proyectos y Empresas. 2011.
- [6] Hernández. S, Fernández. C. & Baptista. P. Metodología de la investigación. (6th Ed). México D.F. México: Mc Graw Hill. 2014.