

Financing and profitability of commercial enterprises in La Libertad, 2022

Financiamiento y rentabilidad de las empresas comerciales del cantón La Libertad, 2022

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ABSTRACT

Financing is very important for the operation of commercial enterprises, its proper management through loans allows resources to be invested for the expansion of business; therefore, the resources obtained from different sources of financing must be managed properly with the intention to ensure a profitability of considered levels. The purpose of this article is to determine how financing affects the profitability of commercial enterprises in the canton of La Libertad, through the analysis of each of the indicators of the variables of study, therefore a descriptive research was used through the desegregation of variables, and situational analysis of the object of study, applying the techniques of interviews and direct observation, in addition correlational research was used to determine the critical factors associated with financing and profitability, through surveys of the companies that were part of the study. The results obtained show that the accounting that the companies are doing is empirical and not very technical, which has caused them to grow slowly compared to medium-sized companies of the same type, which through adequate

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financial management has favored their sustainable growth and decision making.

Keywords: Corporate finance, organizational performance, financial management, profitability indicators, profitability, profitability

RESUMEN

El financiamiento es muy importante para la operatividad de las empresas comerciales, su adecuada gestión mediante préstamos permite que los recursos sean invertidos para la ampliación de los negocios; por lo tanto, los recursos obtenidos de las distintas fuentes de financiamiento deben de ser administrados de manera adecuada con la intención que asegure una rentabilidad de niveles considerados. La finalidad de este artículo es determinar de qué manera incide el financiamiento en la rentabilidad de las empresas comerciales del cantón La Libertad, a través del análisis de cada uno de los indicadores de las variables de estudio, por ello se empleó una investigación descriptiva mediante la segregación de variables, y el análisis situacional del objeto de estudio, aplicando las técnicas de entrevistas y observación directa, además se empleó la investigación correlacional, para determinar los factores críticos asociados al financiamiento y a la rentabilidad, mediante encuestas dirigidas a las empresas que formaron parte del estudio. Los resultados alcanzados evidencian que la contabilidad que están llevando las empresas es de manera empírica y poca técnica, lo que ha incidido que crezcan a paso lento en comparación a las empresas del mismo tipo de tamaño mediano; que a través de una adecuada gestión financiera ha favorecido para su crecimiento sostenible y para la toma de decisiones.

Palabras clave: Financiamiento empresarial, desempeño organizacional, gestión financiera, indicadores de rentabilidad, rentabilidad

INTRODUCTION

According to Abdulla Y. (2020), adequate financial management and correct decision making should contribute to the solution of problems, through the implementation of coordinated and planned processes, in order to foresee risk situations in the future; therefore, managers should apply the financial and administrative tools that best fit the needs of the business line, in some cases they will be: inventories, in others their customers, or perhaps an adequate financing, through a correct control methodology that allows decision making in a more founded and planned way.

Globally, companies that enjoy success are those that carry out an efficient administration, because they apply an adequate financial analysis at all levels of operation; however, small and medium-sized companies called SMEs do not enjoy efficient administrative and financial management, therefore they present problems of unsustainability, when economic crises are evident worldwide and nationally their weakening is much greater, because they cause increased unemployment, as SMEs are the largest producers of employment in the country. (Asobancaria, 2019).

According to Rodríguez Morales, (2022) Ecuador is one of the Latin American countries with growth of small, medium and micro enterprises, especially in the commerce sector; however, not even with the increase in business they have guaranteed their high productivity, but there is evidence of a low level of efficiency achieved against their goals, so this negative aspect is an object of research by international organizations such as ECLAC.

In the Latin American business world there is discrimination and an unfair problem regarding the marked segmentation of financial markets that exists towards SMEs, which is reflected in the different interest rates of loans according to the size of the company, as well as the low participation of SMEs in the access to credit by the private sector, the extensive use of suppliers and self-financing capacity, are almost inaccessible; It is a titanic task to obtain working capital for operations and investments, situations that reflect the difficulties that SMEs still suffer today in accessing credit.

According to the study conducted by the Universidad Andina Simón Bolívar and Young Business, through the topic: "Current situation of entrepreneurship, public and private actors" with source of Altamirano & et al, (2017) it is determined that only 37% of the new ventures analyze the adequate financing offers existing in the financial market; therefore, the rest of the ventures are immersed in the problematic of financing of loans and unsuitable and non-formal credits; by not having access to adequate financing sources, it does not allow them to be competitive in the market and their levels of dynamism are low.

The consequences of the problems in obtaining financing for SMEs are significant, which has led to the existence of several programs to remedy them, as well as credit rationing hinders investment processes to improve production capacity or make new innovations and finally, in more critical cases, leads to the closure of companies, causing fewer companies to be born and slowing the emergence of new ventures such as Star-Up,

which in their initial phase of development require venture capital and financing mechanisms.

According to Amado, (2017) economic profitability has become a basic indicator to measure business management, which establishes that if the behavior of asset accounts has been managed independently of financing, it would be a profitable company; on the contrary in an unprofitable company for the permanence of its assets financing is required, in this sense it is necessary to analyze whether the problem arises from problems in the development of its economic activity or from a deficient financing policy. In Ecuador, most companies seek various forms of financing, because they cannot finance themselves directly, in this context there is formal and informal financing; due to the existing barriers in financing for SMEs, they end up opting for the second option, which makes them end up over-indebted, in addition to the fact that they do not have a correct administration; Most of the time it is done in an empirical way, in addition to the fact that the personnel is not qualified in their areas, especially in the administrative and financial ones, that is why this study by obtaining the results will allow to place in the environment of decisions that the companies are carrying out, as well as to know the impact of the decision making.

For large companies as well as for SMEs it is very important to have sources of financing to ensure their growth, from the capital lent by banks to private capital in exchange for ownership participation, have been resources that allow the expansion, permanence, development and innovation of companies, especially in the initial stages; however, in the business world as the Latin American there is difficulty in accessing the different types of financing, so governments have had to intervene through various policies to compensate to a lesser extent the absence of funding (Bazerque, Orueta, & Echagüe, 2017)..

This study was carried out in the canton of La Libertad, considered the economic capital of the province of Santa Elena, since most of the commercial, port, fishing and banking companies are located there, in addition to being the urban canton with the largest number of inhabitants compared to the canton of Salinas and Santa Elena, which concentrates the largest number of economically active population in this sector, are determining factors for this study.

The basis of the economy in the canton La Libertad is trade, the same that occurs mainly by SMEs in the sector, reaching a number of figures of 408 companies in the commercial sector in the province of Santa Elena, according to data from INEC in 2018; However, there is no accurate information of commercial enterprises in the canton La Libertad, most SMEs have been born informally and with little administrative knowledge, but over time only 5% have managed to be sustainable over time and have managed to grow and be sustainable and have also generated direct and indirect jobs, thus improving the economy of the canton.

Sergún Garzón González, (2017) currently financing means an important support for financial management in commercial companies, because by obtaining bank loans allows

them to continue with their operations, expand their businesses, thus responding to the business market that is increasingly competitive; it is for this reason that the administration of the resources obtained must be in a correct way, with the intention of ensuring the good destination of the same, which contribute to the achievement of the proposed business objectives and goals, in such a way that allows them to strengthen the business sustainability and avoid the closure of the company.

In the canton of La Libertad there are financial institutions such as: Cooperativa 29 de Octubre, Cooprogreso, Jardín Azuayo, Juventud Ecuatoriana Progresista, Cooperativa Nueva Huancavilca, Cooperativa Fernando Daquilema, among others; becoming the financial sector supporting economic and productive activities in the canton, through services such as demand deposits, time deposits and a number of services that are tools available to customers. This research focuses on the analysis and relationship of the variables; financial management and profitability of commercial enterprises in the canton of La Libertad.

In the present study the variables financial management and profitability will be evaluated through the application of a survey directed to the owners and managers of the commercial enterprises of the canton of La Lrtadibe; this work is also based on its theoretical bases both of the variable financial management and profitability, cases of previous studies that will serve as background and relevant information collected in the research process, respecting the methodology that frames the present study where through the analysis and interpretation of results will allow the design of the model of sustainable financial management, finally conclusions and recommendations of the subject of study are formulated.

For Abdulla Y., (2020), within the economy, financing is fundamental, because the financial institutions when placing new loans and updating the forms and means of payment allow a better distribution of goods and services among the economic agents of a society; when the financial system has failures, it affects the supply and demand of the same, the allocation of funds to new companies and constituted companies should be analyzed, and on the other hand, situations that increase the need for new credits should be analyzed.

Formal financing is that which comes from financial institutions, such as: savings and credit cooperatives, banks, savings and loan associations, and others under the supervision of the Superintendency of Banks and other control and regulatory agencies. This type of financing is characterized by: privacy and confidentiality of personal and credit data, variety of offerings according to the different business and personal realities, accompaniment and training for clients. According to Riofrío (2021), it is important for traders to be aware of the various sources of financing, as well as their origin, which may be public, private or internal, because the lack of this information influences the lack of formal financing.

According to Aguilar, (2017) internal financing is provided autonomously thanks to the profits obtained, external capital financing is provided by the contributions of the owners

of the business and the inclusion of new partners; external financing from the owners is the most used. It is considered that SMEs that have financing below their required level affect other sectors, such as: new ventures, job creation, productivity and low levels of growth (Rodríguez Morales, 2022). This research focused its attention on the failures in the demand for financing, which are: a) lack of knowledge of the financial sector and the benefits of acquiring external financing from different sources and forms; b) lack of self-confidence in their business model; c) scarce financial skills; d) reluctance to include new partners; and the difference in valuing the company between the owner and the investor or lender.

According to Perez & Titelman, (2018) financing has become a very important tool for any type of company, according to the type of financing, whether short or long term will depend largely on the characteristics and turn of the business, this process is called acquisition of resources through forms of payments, which will serve to compare the capital goods required by the company to start or continue.

Among the forms of financing is internal financing, which is the capital that the company allocates as reserves and provisions, maintaining this financing represents a minimum cost for the entity; on the other hand, external financing is offered by financial entities such as banks, where the costs of obtaining it are higher, especially reflected in the high interest rates, this type of financing is used when companies do not have the capacity for self-financing for a given reason.

Santiago Chávez & Gamboa Salinas, (2017) mention that financial education is a training and education process where skills and strategies are learned that allow making the best financial decisions in the business and personal sphere, with the help of administrative and planning tools; this education allows people to improve their quality of life by correctly using financial products with previous knowledge and certainty. At the same time, it benefits the relationship between the financial system and clients; initially the client will correctly identify his needs, demanding timely services, while the institutions will have the facility to create, innovate and improve their financial products based on the realities of their clients.

According to Navarro, Crespo, & López, (2018) for commercial enterprises, financing is fundamental, due to the fact that because of their economic conditions and solvency they are unable to sustain themselves over time, and opt for increased sales and financing; not all MSEs meet the requirements and know the procedures to obtain credit in financial institutions. In this sense, they seek alternatives, such as: self-financing, loans to institutions, leverage with suppliers, relatives or friends. (Oñate Paredes, 2020). However, MSEs should opt for formal financing, because it will allow them to have economic solvency and the ability to program their growth appropriately, and thus obtain the expected economic results, knowing their great potential to contribute to the local economy.

According to Pérez & Titelman, (2018), commercial enterprises constantly challenge barriers to obtain financing within the region and its countries, these barriers are:

informality of the company, lack of a physical guarantee or pledge, scarcity of guarantor companies and low credit ratings. Informality is one of the most constant and strongest barriers that make it impossible to open new credits, as well as the lack of a guarantor company; the formalization of the companies and a good accounting management of the same facilitates the capture of loans, reduction of tax payments and public services.

For Hernando, (2021) one of the benefits that MSEs would achieve by obtaining formal financing is obtaining resources to help expand the base business; this benefit can be reflected in the acquisition of new machinery and equipment, hiring more personnel, new subsidiaries, among other benefits. If companies were to obtain formal financing, they would obtain the advantage of growth, increased solvency and greater productivity. Formal financing of commercial enterprises allows investment in other areas such as: technology, research, training, skills development, improvement of production processes, quality, marketing, among others that allow for greater competitiveness and differentiation from the competition, and in turn a greater attraction of customers and sales. For the authors (Rodríguez Morales, 2022), the formal financing of companies can be directed to other factors, such as the management of investment risks, liquidity, external contingencies, instability of raw material prices and changes in demand.

Rojas, (2017) mentions that the study of profitability is of current interest, for the business sector, the economy and the research community in all countries, and defines it as the quality that allows the company to generate economic benefits and that it is important to produce it in the short term to avoid problems of inability to pay or business desertion. For the management and administration of a company it is essential to create mechanisms that allow it to capture or generate economic resources from the business activity or to sustain it; these resources can be obtained through the financing of partners or owners, known as internal financing, and also obtained through credits or loans, which is called external financing.

For the calculation of profitability, financial ratios are used, which according to (Valle Nuñez, 2020) are: financial profitability or return on equity, and economic profitability or return on assets; which denote the company's ability to generate profits from its equity, income and assets. However, these ratios do not answer the research question: What factors determine the levels of corporate profitability? (Oñate Paredes, 2020) considers that the factors that affect profitability are internal factors, such as: financial ratios and number of workers; business environment factors such as: macroeconomic factors, sector to which they belong, and geographical location; and management factors of shareholders and administrators, academic level, experience, gender, among others. For Valladares Guamán, Sánchez Jiménez, Ugando Peñate, & Villalón Peñate, (2021), the best ratio to explain profitability is current liquidity, where Amado, (2017) and Díaz, (2017) contribute that short-term current liquidity positively affects the level of profitability. However, Pérez & Titelman, (2018) state that liquidity has a negative impact on profitability and that indebtedness also affects it, meanings that are supported by the authors Ugando Peñate, et al, (2021) who mention the existence of an inverse

relationship between the levels of indebtedness and the profitability obtained. For authors such as Navarro, Crespo, & López, (2018) it is important to analyze other instances, such as: working capital and its aggregates, the flow of assets and administrative expenses as a function of profitability.

According to Tacuri & López, (2021) profitability is that indicator that measures the effectiveness of a company, and that is visualized through the profits obtained in a certain period, it is related to the good capacity that the company has had in the control of costs, expenses and investments through policies applied in a period of time, that contribute in the increase of sales generating actions with better profit before its partners or owners. There are the following types of profitability:

Financial profitability: its return is obtained by the company's own capital and, regardless of the distribution of the results, it aims at the return of its shareholders or owners after paying their debts; that is to say, it is an indicator that generates wealth in favor of its shareholders or owners.

Economic profitability: it is the one that measures the return on assets, its indicator called R.O.A. establishes the relationship between the profit before taxes and the total assets that the entity has, measuring the profitability independently of its maintenance, if within the measurement the way of financing is not contemplated, a judgment of the company should be issued in which it would cause problems before a bad financing policy.

According to Vera & Iglesias, (2018) management control is that which allows taking financial information and taking it in proactive action towards decision making and establishment of strategies, having this accounting information is important for the timely analysis of the financial situation of the company, this system is represented through management indicators, becoming instruments used by management in decision making. Management indicators have become a basic tool to direct, manage and control the areas of the company, such as production, marketing and human resources, so many companies tend to apply indicators in each of its departmental areas with the intention of being more efficient and optimize resources; on the other hand, in the world of finance indicators serve for the analysis of financial statements, which through financial ratios such as liquidity, leverage, profitability, growth, liquidity, behavior of assets and liabilities, contribute to the diagnosis of the company situation. (Oñate Paredes, 2020).

According to Tacuri & López, (2021) the responsibilities of the financial manager of a company should be focused on financial strategies that allow him to perform analysis and review of investment decisions; so that these contribute positively to the value of the company, they should also handle various techniques for the estimation of cash flows in future investments and finally resort to efficient techniques to evaluate the impact of investments made with the objective that they can contribute to the increase of the company's shares. In financial management, financial decisions are also discussed, such as: cost of capital, leverage and dividend policy, these being the most common in long-

term decisions, while in short-term decisions they focus on the management of current assets and liabilities.

Among the most commonly used financial decisions are the following:

Raising capital through short- and long-term loans or through preferred and common stock.

Leasing or acquisition of fixed assets.

3. Reasonable dividend payment policies.
4. Extension of term of accounts receivable.
5. Provide percentage discounts on accounts receivable within the established term.
6. Determine the amount of cash flow for daily operations.

According to Vera & Iglesias, (2018) through the evaluation of economic results and the comparison of profitability with respect to its previous exercises, it is possible to determine the business growth as a benefit; while a company that does not generate profitability is subject to problems of decrease of its shares in the market. Companies are currently seeking to increase their profitability, where the strategic planning they execute will be key for the proper management of cash flow; however, there are other internal factors associated with obtaining profitability that have an impact, such as liquidity, the level of indebtedness and the size of the company; these are predominant factors in the variation of profitability.

MATERIALS AND METHODS

This research was carried out in the canton of La Libertad, with the purpose of evaluating financing and its impact on the profitability of commercial enterprises; therefore, it is considered necessary to establish a sustainable financing management model that allows for the enhancement of profitability through the efficient use of resources.

For the development of the research, the descriptive approach was used to carry out the situational analysis of the commercial enterprises of the canton of La Libertad, in relation to the way of obtaining financing and its impact on profitability, through the desegregation of the study variables. On the other hand, correlational research was used to establish the critical factors associated with financing and profitability, through surveys of the companies that were part of the study.

To obtain the results of this research, the inductive method was used in order to learn about the object of study, for the design of actions to achieve business sustainability, through direct observation and interviews with managers of commercial enterprises in the canton of La Libertad. On the other hand, the deductive method was used to identify the critical factors associated with financing and profitability, in order to design a sustainable financing management model to strengthen business sustainability. This instrument was designed with 5 identification questions and 13 research questions related to the dimensions of the source of financing as a tool for the execution of business activities.

In this study an unknown population was considered, because there is no exact number of commercial enterprises located in the canton of La Libertad; therefore, the formula for unknown population was used to obtain a sample to identify the critical factors associated with financing and their impact on profitability, in order to design a financial management model.

The sample was made by applying the following formula:

$$n = \frac{z^2 * p * q}{e^2}$$

Where:

Table I Sample calculation for study

N= population size	Unknown
Z= confidence margin	Z= 0.95 (95%)
P= probability of success	P= 50% = 0.50
E= sampling error	E= 5% = 0.05
Q= possibility of non-fulfillment	Q= 1 - P = 0.50
N= ?	Sample size

Sample collection:

$$n = \frac{(1.96)^2 * (0.50) * (0.50)}{(0.05)^2}$$

$$n = \frac{3.8416 * (0.50) * (0.50)}{0.0025}$$

$$n = \frac{0.9604}{0.0025}$$

$$n = 384$$

The sample size is 384 companies to be surveyed to learn in depth about the object of study, with a confidence level of 95%, a margin of error of 5% and with a 50% probability of being fulfilled, and an unknown population, because there is no exact number of commercial companies in the canton of La Libertad. Non-probabilistic sampling was

used, through the researcher's judgment sampling, where, according to the researcher's criteria, the companies to be surveyed were chosen to obtain the necessary information for this research.

RESULTS

The main objective of a company is to generate profits, there are several ways to measure the level of profit produced at the end of the fiscal year with respect to the initial moment of the business; companies with higher profitability grow faster than those where profitability is lower, because the values of their shares decrease. Therefore, having a higher profitability as a goal generates the need to create a strategic planning, which efficiently manages resources, takes care of the correct compliance of its administrative procedures and effectively manages its cash flow.

However, this goal can be affected by the company's own factors that depend on the sector and environment to which the company belongs and the business model, the factors that interfere in achieving greater profitability in companies are: lack of liquidity, high level of indebtedness, and the size of the company. Therefore, it is of vital importance that the commercial companies of the canton La Libertad, use an adequate system of control of income and expenses; because, accounting is important for the fulfillment of tax obligations, having a record of income and expenses in accounting books, sometimes even the calculation is done spontaneously and can be valid and sufficient.

Through the surveys conducted, it was determined that 62.24% of the companies analyzed implement a control of income and expenses to measure the correct use of the assigned resources; however, 37.76% of the companies do not use this system, thus avoiding problems of deficiency of financial information necessary for assertive decision making, due to the fact that their way of managing is in an empirical manner, being necessary to use a financial management model that allows strengthening business sustainability.

Most of the commercial enterprises in the canton of La Libertad, although they are developing, present a problem with respect to the excessive expenses they have, which causes them to spend more of their own resources on them or to request new credits to liquidate the expenses, causing most of the income to be destined to the cancellation of the credits granted.

The flow of financial and non-financial information is an important tool in the process of making timely decisions and is the basis for management control systems, which help companies to achieve long-term objectives. The financial objectives of this system are the financial results, expressed through economic results, represented by: profitability, net income and available resources; while the non-financial objectives are focused on qualitative values such as: product quality, market share, customer satisfaction level, compliance with delivery deadlines and employee motivation.

On the other hand, in practice, management indicators are numerical indicators resulting from the relationship of two or more significant figures, where they maintain a logical link between them and provide relevant information for the management of the company, likewise there are two basic principles within these indicators: what is not measurable is not manageable, and control is exercised through facts and data. The more information available on a subject, the more accurate the decisions will be made, which is why information has become a fundamental tool in the world of management, where decisions are constantly being made, in this sense it is important to highlight the following condition: the higher the quality of information, the better the quality of decision making. Owners and managers should make information analysis an important, normal and permanent activity within the company and draw on past experiences to forecast future results and thus make better business decisions. Decision making involves the analysis of a problem, where several alternative solutions are examined to reach a valid conclusion. This process of logical thinking improves the self-confidence of owners, managers and administrators to make informed judgments and criteria that help them to control risk situations that may arise.

Among the indicators is profitability, which is the most important, because it measures the success of the business and maintaining a sustained profitability accompanied by an appropriate dividend policy, allows the company to be competitive; hence the importance of calculating profitability, which strengthens decision-making in commercial enterprises in the canton of La Libertad.

According to the results obtained, 60.16% of the commercial companies in the canton of La Libertad use management indicators for decision making, which allows for a correct financial analysis and the establishment of sustainable strategies; however, 39.84% do not use these indicators, which causes weaknesses in the decision making process and affects organizational performance, as well as in the allocation of resources, damaging business results.

Loans are the services that financial institutions make available to beneficiaries; customers seeking financing, accessing credit means adjusting to the term and interest requirements that banks stipulate for the use of their money, becoming a legal obligation for companies in the liquidation of the debt in the terms and terminals set; in this sense, companies must seek loans according to their needs and payment capabilities. In addition, companies must consider that granting loans will always be a risk for financial institutions, and for this reason they will demand guarantees that will allow them to recover the resources.

Since financing is the service sought by companies to obtain funds or economic resources, its purpose is to contribute to the fulfillment of their goals and growth objectives. In this process, the commercial companies of the canton of La Libertad must analyze the interest rates of financial institutions; since financing is very important for operations, its proper management through loans allows the resources to be invested

for the expansion of the business. Therefore, the resources obtained from the different sources of financing must be managed in an adequate manner with the intention of ensuring a profitability of considered levels.

Financially, businesses must make two fundamental decisions: where and how to obtain financing, and how and where the investment will be directed, which must be directed to the acquisition of tangible goods and products that allow their commercialization. Therefore, companies must have a long-term policy of formalized financing, and this must be in line with the growth of the company, because, in addition to obtaining cheap financing and a profitable investment, the business must have an investment recovery plan that achieves a healthy cash flow.

In the surveys conducted, it was determined that 72.66% of the companies have obtained financing for operational investments; however, 27.34% have not used sources to finance their commercial activity, due to the complexity of obtaining credit and the fact that many business owners do not have credit capacity, nor do they have collateral to access credit as a source of financing.

Most of the new projects are financed with their own savings and not by financing, which results in insufficient resources for sustainability, as well as for the generation of profits, growth and profitability; therefore, this research is important because it shows how financial management is related to profitability in the commercial enterprises of the canton of La Libertad based on the data obtained.

Through this question it was determined that 62.76% of the companies surveyed have obtained financing through private banks, 18.23% through public banks because of their low interest rates, while 11.98% through savings cooperatives, due to the ease of access, and finally 7.03% through informal sources, because they do not meet the requirements to access credit, negatively affecting business profitability, due to the high interest rates that must be paid in this type of financing.

Adequate financial management is an important tool for companies in the commercial sector in the canton of La Libertad; however, this aspect has not been given the necessary importance, which has led to low financial ratios and unreliable accounting and financial reports. The weaknesses that arise from the accounting area to decision making are reflected in the difficult access to external financing, causing companies to fail to be profitable and competitive in the market by not having access to proper leverage.

The allocation of financing is aimed at boosting business productivity and different sectors in order to achieve economic growth; however, the problem with financing SMEs is their low growth, which depends on administrative, accounting and financial aspects, as well as on the knowledge of their areas. A high percentage of SMEs are family-owned, due to the fact that directors and management positions are inherited and many are held by executives with a lack of experience and knowledge of the business line, which added to their generic operations does not allow the company to have optimal financial backing.

Business growth is manifested through three factors: the value for shareholders, the profits perceived from the shares and the profit obtained from sales; however, in some cases it will also depend on external situations such as; the preferences that customers have at the time of purchase, and external factors that threaten organizations such as the uncertainty of national economic policy and the company's own contingencies, in this sense, actions must be taken that have a lesser impact on growth.

SMEs are economic units that can develop in the commercial field, but many times they arise from family enterprises or small partnerships of friends in order to fulfill a desired dream, but they do not have the technical, administrative and financial knowledge, so they begin to manage in a rustic and empirical way, which makes it become a vicious circle so that in some cases they operate from informality, and that limits the growth of the entity. All the challenges that commercial enterprises in the canton of La Libertad face today, especially in terms of access to financing, would be reduced with the professionalization of their personnel, advice in key departments and the search for experts in financial management to help them move towards a more orderly and planned business world.

Through this question, it was determined that 42.71% use the loans obtained for working capital, while 22.66% are used to expand the business, 14.58% to pay debts, and only 8.33% to improve infrastructure, therefore, many companies cannot increase their business capacity or create value to exceed customer expectations.

The results conclude that financial management helps the development of commercial enterprises in the canton of La Libertad, which have operational problems, lack of strategies and innovation, and weaknesses in the administrative area and in the current organizational structure, where there is poorly trained personnel in key areas of the company, and finally, there is limited access to bank loans.

In profitability is valid the comparison between the income generated and the means used to obtain them in order to judge the efficiency of the actions taken, profitability with risk is associated and in a business world with scarcity, profitability took an important role when deciding on one or more options in making fundamental decisions and that with good capital management would achieve growth; on the other hand profitability allows the comparison of profitability between different companies regardless of the financial structures.

It was determined that 71.09% of the companies surveyed have increased their profitability due to the financing obtained, by expanding their businesses, improving infrastructure, purchasing assets, and having more working capital; financial liquidity allows companies to react quickly and timely to negative externalities, thus reducing the impact on the business line, due to meeting their payment commitments; and this contributes to preserving their credit history for future financing with better conditions. However, 28.91% have not increased their profitability, as they have not made assertive decisions, the allocation of resources was not based on management indicators;

therefore, their business performance is affected, as well as the fulfillment of objectives and goals.

The proposed model MSGP - 2023, is a metamodel that has the name by its acronym identified as: model of financial management system, developed in the year 2023, aims to strengthen the durability of commercial enterprises in the canton La Libertad; the proposal is designed in relation to the critical factors identified, and the dimensions established in the desegregation of the variables financing and business profitability; aims to achieve an optimal level of investment in current assets, through the appropriate combination of short and long term financing to support these investments, on the other hand, portenciar profitability, because it determines the business success through profitable and sustainable projects for the company.

The financial management model will help the business sector, executives, collaborators and others to use the closest tool to assess profitability and its effects; therefore, the importance of the proposal is focused on strengthening financial management, which will serve as an instrument for sustainable decision making, with the purpose of correctly applying accounting and financial tools to provide reasonable security to the information of financial products and that in the short term this information will allow them to be subject to credit.

This research determined that the accounting that the companies are carrying out is empirical and not very technical, which has caused them to grow slowly compared to companies of the same type of medium size, which through an adequate accounting of their resources has favored their sustainable growth and decision making. Therefore, actions should be taken to strengthen the financial system of commercial enterprises in the canton of La Libertad, in order to improve the attraction of funds from savers to businesses and companies that require seed capital, the main reason being the allocation of capital to new projects.

The proposed model includes strategies supported in the area of finance, which are detailed below:

1. Obtaining capital to execute strategies, such as: In addition to net income, two capital options for the company are; credits and stockholders' equity, from this the strategies to be taken arise, due to the fact that through the analysis of Earnings Per Share (EPS) / Earnings Before Interest and Taxes (EBITDA) is the most used technique to analyze if it is the best option to raise capital, or otherwise obtain external financing, either by issuing shares and requesting credits or both.

2. Projected financial statements: these allow companies to evaluate the expected results through a forecast where the consequences of the strategies and decisions to be made are analyzed, which allows calculating the projected financial ratios and from there from various scenarios to make the best decisions to continue, make changes or desist in the most critical scenario.

3. Financial budgets: It is a document where economic values of how resources will be obtained and spent are detailed, it is a planning tool and of importance for the

administration; since it should constitute the line and the path of the proposed proposals and should not limit the expenditures but rather a method for obtaining profitability through the good use and productivity of the assigned resources.

4. Business value: is the information of the value that a company has, what it generates and what it brings to the market, this information is important to establish strategies because the financial or cash value facilitates the implementation of certain strategies, such as: acquisition of another company, sale of division, sale of the entire company, etc., other forms of valuations within the company are related to plans for employees, retirements, taxes, mergers, acquisitions, audits, among others.

The points mentioned above, can be considered as a process for decision making in the implementation of strategies and policies, especially in the administrative and financial areas, at this point it is important that managers and owners before implementing any of the strategies mentioned, analyze the economic resources available to the company and determine the most profitable and productive use that can be given to these resources, to thus foresee the expected results and know the value of the company, which will allow making better decisions to avoid negative effects on the achievement of objectives and growth of the company.

According to Vivel, (2017) access to financing and its management in companies, are one of the most complex procedures and much more when it comes to SMEs, which are usually in situations of vulnerability due to external market conditions, and their own needs in not having an adequate administration and staff poorly trained in financial issues; however, (Tacuri & López, 2021) indicate that the rapid inaccession of suppliers and flow of investors, all this causes them to be at a level of low growth.

On the other hand, (Riofrío, 2021) indicates that the key to financial success in a company is the knowledge possessed by its directors, managers and owners, and for those companies that do not have personnel with knowledge of finance and accounting, it is recommended to hire professionals who are prepared to manage the amounts, terms and adjustment of financing, as well as knowledge of amortization flows, management of accessible markets and credit risks.

According to Sanchez & Lazo, (2018) profitability is defined by the Central Reserve Bank as the ability of an asset to generate profit; it is a ratio of the figures of a certain investment and the benefits obtained once taxes are deducted and this is always expressed in relative terms, profitability is the term that premium in an economic activity where it involves the use of materials human and financial resources in the achievement of some result, broadly speaking profitability is the measure of the yield that in a certain period of time produces capitals that have been used in the same. However, in the research it was determined that in the profitability is valid the comparison between the income generated and the means used to obtain them in order to judge the efficiency of the actions carried out, the profitability took an important role when deciding on one or several options in the decision making process and that with a good administration of capital would achieve growth.

The authors Navarro, Crespo, & López, (2018) in one of their studies propose that from the financial management of accounting accounts the following: a growth in the levels of inventories, in accounts receivable and a decrease in accounts payable, which, through the control of such accounts of the financial statements, which will serve for better decision making that will contribute to the achievement of the goals set. The analysis of financial management and profitability are the study variables of this research, where the first covers the access to bank and commercial credit granted by commercial suppliers; the second variable focuses on measuring economic performance in a given period. Despite the great contribution made by SMEs to job creation and poverty reduction, they encounter barriers in accessing financing services from banks and savings and credit cooperatives, which has been triggering a series of constant problems in the sector, such as the impossibility of promoting productive investments, All of this has a negative impact on the profitability of the companies, which is reflected in the loss of commercial opportunities, over-indebtedness, low productivity, unsustainability in the long term, lack of liquidity, and the continued informality of the sector.

CONCLUSIONS

It was identified that the institutions of the financial system grant commercial enterprises financing mechanisms that are adjusted to their realities, their payment capacity and their objectives; due to the fact that MSEs have difficulties in accessing these institutions, among which are: lack of knowledge of the requirements, the percentage of interest rates and payment terms.

It was determined that the factors of liquidity, indebtedness and size of the company affect the levels of profitability, because this study determines that financial strategies are not implemented due to the lack of a control system in the activities carried out by the companies, which makes it impossible to make appropriate decisions in order to improve and eliminate their weaknesses as a company.

The design of a financial management model for commercial enterprises in the canton of La Libertad will strengthen business sustainability through the application of sustainable financing strategies.

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