

BUSINESS EVALUATION OF COMMERCIAL ESTABLISHMENTS IN THE RETAIL SECTOR IN A COMMUNE OF THE CITY OF CÚCUTA, COLOMBIA.

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Summary


The objective of this paper is to know the characteristics of retailcommercial establishments in commune 1 of the city of Cúcuta. For this, an investigation was made with a quantitative approach, with field design of correlational descriptive type, the population was 57 establishments, a probabilistic sampling was used for 50 businesses. The main results obtained are as follows: (1) approximately 60% of enterprises do not generate employment, since most of these are managed by their owner, in other words, they have become a source of income; (2) To itself, it was found that these have been created on their own initiative 43% and to improve the well-being of the family 31% (3) to stay in the market, 42% use prices as the predominant strategy. Therefore, it was concluded that the business sector of the commune 1 of Cúcuta is made up of small companies, which do not have the capacity to generate employment, and in turn, internal rigidities prevent them from carrying out innovative strategies to increase their sales.

Keywords: initiative, companies, enterprises, establishments

INTRODUCTION

The diagnosis and business direction has managed to infer in the decisions made in an organization, since it allows to adopt the strategies that are appropriate to apply in each of the activities that are assigned, either in the administrative and operational areas; these decisions are made from a detailed analysis based on in different tools, thus allowing the success of the result in the investigation.

However, data from the Chamber of Commerce of Cúcuta reveal that the business fabric is mainly made up of microenterprises, approximately 96%. This reflects the high dependence on microenterprises, that is, these are the dynamizers of the city's economy; So knowing the structural characteristics of these is fundamental. Given this scenario, the business evaluation is very useful, since it allows to determine the degree of maturity or evolution of the company; This covers extensive knowledge about what the strengths and weaknesses are. That is why, in this work, the business evaluation of the retail sector will be made, defined as the small commercial establishments located in the different neighborhoods that comprise the city.



The main characteristic of the retailer is that it has a tendency to buy wholesale and sell retail at very low prices, obtaining profits from the difference. With its operation, it helps to meet the basic needs of people with few resources, since they do not have enough money to go to chain stores.

The business evaluation will be carried out specifically to the retail sector of the commune 1 of the city of Cúcuta, this is done in order to determine the particularities of these commercial establishments.

To this end, the present study is structured as follows: in the following section (2) a review of the literature on the work that has been done on enterprise evaluation is carried out; in section 3, the details of the sample are presented. and the type of methodology used; Section 4 shows the results obtained; And finally, in section 5 are the conclusions.

BACKGROUND

Companies are fundamental to the creation of wealth in an economy, since through their operation they increase the amount of goods and services available. But the above is achieved only if its structure is well defined, that is, if both internal and external conditions encourage the efficient use of resources. Internally, they must have trained human capital, this in order to increase the number of sales, either through marketing strategies, etc. Externally, it must have the basic services provided by the State, such as adequate public infrastructure, security, etc.

Research by Juan F., Hinestroza M. (2014) that analyzes the effect of Free Trade Rates on small businesses in Medellín. The factors that retail commercial SMEs must take into account to strengthen their organizations and deal with the Tratados of Libre Comercio are, the direction of the company, where it is going and how it will arrive; the knowledge of the client, their needs and tastes; the elements that will differentiate it from the competence; internal quality processes and requirements; inventory control and management; Perform and optimize the processes that really generate value for the company.

On the other hand, taking into account external factors; Gómez, J. (2012), in his research work finds that where there is concordance between the payment capacity of merchants and informality, a good implementation and a consistent design of the taxes that they must pay, are determinants of informality. Also, negligible taxpayers achieve the highest evasion rates and significant taxpayers have lower compliance costs than those already mentioned. In other words, it is partly high taxes that drive people to be outside the rules.

The study of González, J. (2016) where he made a general diagnosis whose purpose was to present the situation in which the city of San José de Cúcuta is located, starting from the current economic crisis and establishing a possible alternative for economic reactivation such as the implementation of a Special Customs Regime Zone, given the geographical conditions of the territory as an added value. Now, its main result is that San José de Cúcuta is a city that is immersed in an economic crisis due to economic dependence on Venezuela. Added to this, the lack of interest of the State and the different social problems, have led to the city for almost a decade not having significant advances in urban development.



THEORETICAL REFERENCE

MANAGEMENT THEORY

Arianne M. and Adalberto A. (2002) states that this theory deals with increasing the efficiency of the company through its organization, the form and arrangement of the component bodies of this (departments) and their structural interrelationships. In turn, Hernández, Z. (2014) asserts that management allows individuals to develop skills and techniques, whose purpose is to ensure that organizations achieve the objectives that are set. Weihrich et al. (2022) ensures that management is the process by which individuals are made to work in groups to achieve a goal efficiently. As described above, the theory of management tells us that every company succeeds if it increases the level of efficiency, through all the human talent that composes it. This is of vital importance for the achievement of the objectives of the enterprises of commune 1, since the person in charge of the microenterprise must use economic and human resources efficiently, and therefore achieve the success of the company.

THEORY OF SUPPLY AND DEMAND

The theory of supply and demand states that at a certain price, the general population will demand a certain number of units. The higher the price, the lower the units demanded and the higher those offered, and vice versa. Mankiw, N. (2021) asserts that supply and demand refers to the behavior of people when interacting in a competitive market. Samuelson, P., and Nordhaus, W. (2019) conceptualizes the theory of supply and demand, as one that shows how consumer preferences influence their respective choice, and in turn, that the cost of producing a commodity depends on its supply. In the same way, Pindyck, & Rubinfeld (2009) states that supply and demand help to understand the cause and effect of price variation, and in turn, the consequences of state intervention in markets. The concept of supply and demand is extremely important to understand the functioning of the companies of Comuna 1. Since this gives us the tools to know how consumers and suppliers will react to variations in the price of their products.

SYSTEMS THEORY

Originally proposed by Von Bertalanffy (1986) in the area of natural sciences, its main contribution is that a system should be considered as a set of interacting elements. Rios, & Santillan. (2016) Following this same line, establishes that systems can be classified as open or closed, the first are those that are in relation to their environment; while closed are those that are completely isolated from the circulating medium. It should be clarified that there are very few closed systems, in the real world the vast majority of systems are open, that is, there is a constant interaction and dependence. From the perspective of administration, Gutiérrez (2013), establishes that an organization is "a socio-technical system included in a broader one that is the society with which it interacts influencing each other (p.70)".

Systems theory is a fundamental part of this research, given that the companies of Comuna 1 of the city of Cúcuta interact with a large part of the commercial sector of the city center; this means that the changes or characteristics of their environment affect or condition their operation. In turn, the organization as a socio-economic system, has to ensure the functioning of the resources it has internally.

METHODOLOGY

The type of research that will be used for the development of this study is a field research, with a quantitative and descriptive approach. Bernal (2010) argues that the quantitative method or

traditional method "is used to measure the characteristics of social phenomena, which derives from a conceptual framework relevant to the problem analyzed, a series of postulates that express relationships between the variables studied in a deductive way. This method tends to generalize and normalize the results (p.60)". Hernandez; S. (2018) asserts that quantitative research makes it possible to establish exactly the patterns of behaviour of a society (p.10). On the other hand, Hueso and Cascant (2012) express that this is based on statistical techniques to know the characteristics of the int erés of the object of study.

The sample was obtained randomly, according to López, P. (2004) the sample is a representative part of the study population; for its part Palella, S., Martins, F. (2010) states that "this type of research seeks to collect data directly from the reality where the events occur, without controlling the variables (p.88)". To obtain the sample size, the procedure described by Bernal (2010) was carried out, the result of which was that, for a margin of error of 5%, it was necessary for a sample of 50 companies; this taking into account that the population was 57 establishments. The instrument used to collect the information was the survey, which was applied to the entrepreneurs of the selected minority commercial establishments (50), in order to know the characteristics of the companies in the sector.

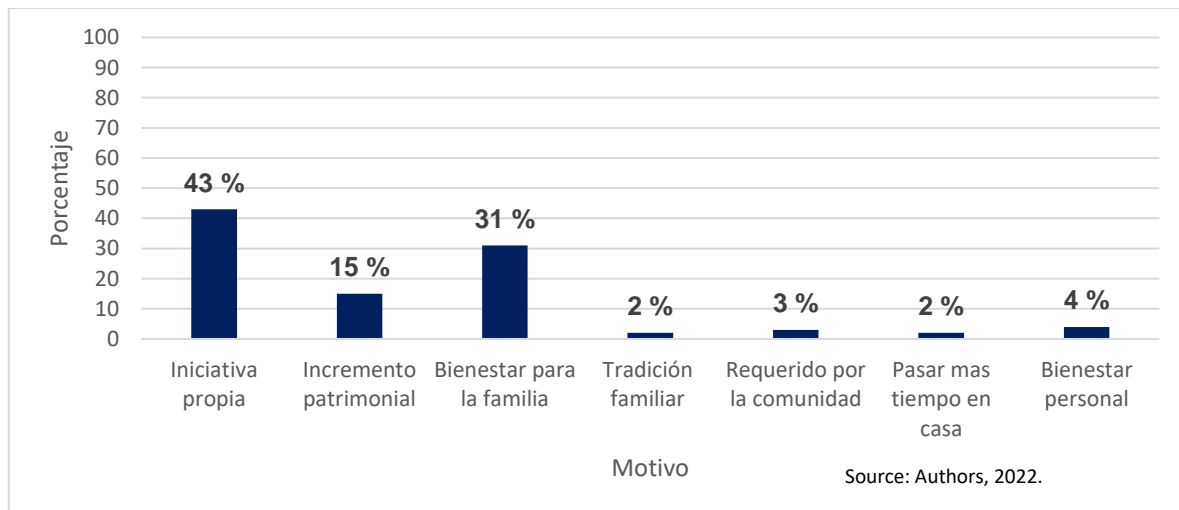
The data obtained were organized and tabulated for the calculation of descriptive and correlational analysis, based on the use of SPSS software in Excel. Next, the answers were organized, for which the answers with greater relevance for the respective descriptive analysis and interpretation of the data were taken into account, as well as for the significance coefficients of the correlations.

RESULTS

This section presents the descriptive analysis of the results, this from the answers obtained by each of the subjects of the sample.

Figure 1

Mohad to start his company

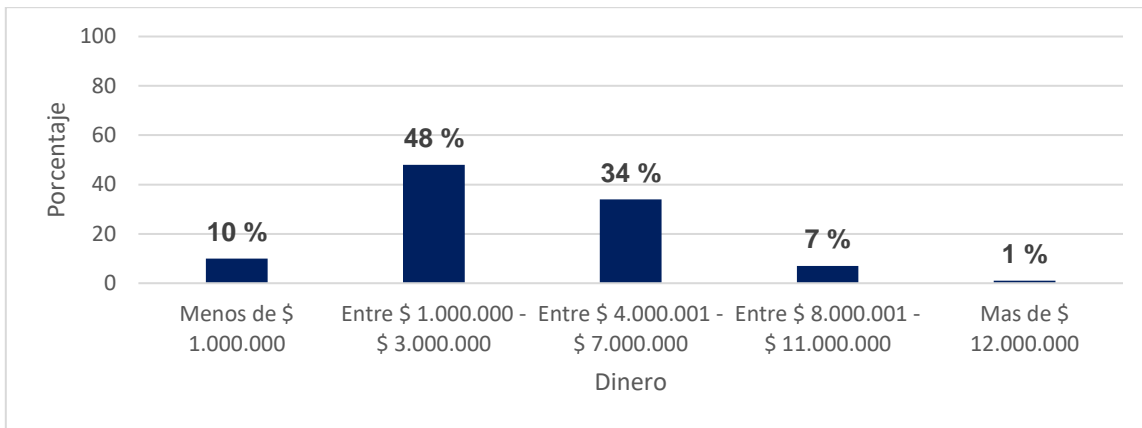


In Figure 1, it can be seen that the main reason for starting the business was own initiative with 43%, followed by family welfare 31% and by those who want to increase their assets 15%. From the above, it can be deduced that most of the businesses in Comuna 1 were created with the aim

of being a source of formal income and ensuring the welfare of the family; this is partly due to the high informality of the city. According to DANE for the year 2021 the informality rate in Cúcuta and its metropolitan area was 70%. That is, out of every 10 people of working age approximately 3 are formally employed, which becomes an incentive to earn self-employment. Approximately 70% of these businesses are between one and seven years old.

Figure 2

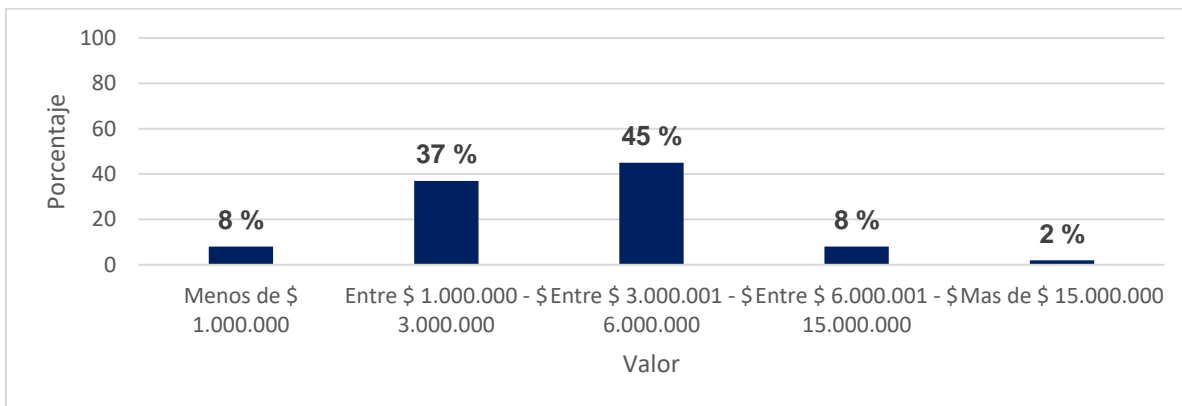
Money required to start your company



However, in relation to the capital invested to establish the business, it can be seen in figure 2 that 48% of the businesses needed an investment of between one and three million pesos, followed by the businesses in which between four and seven million were invested with 34%. It is noteworthy that only 1% of businesses need more than 12 million pesos. The above is a reflection of the size of the businesses of the Region 1, since the lower the investment, the smaller the size of the business; Given the above, it can be said that they are businesses mostly for family sustenance.

Figure 3

Average sales value in your company's month

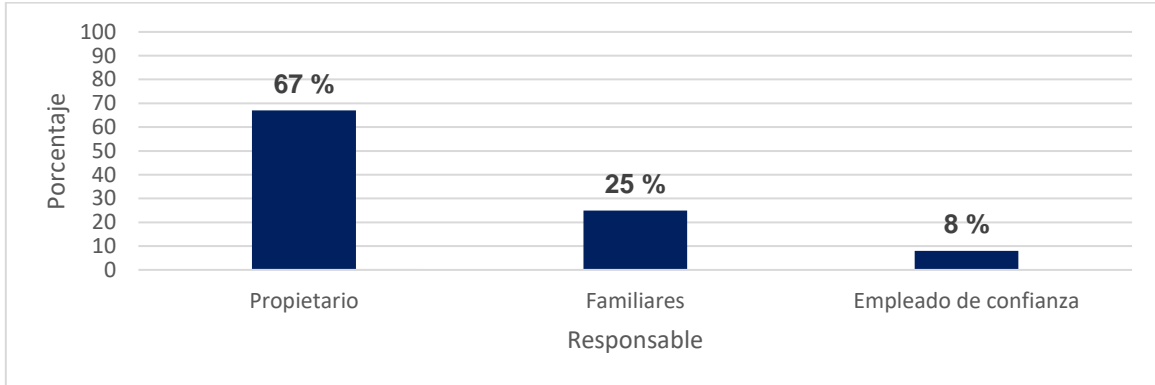


Within companies, sales are a fundamental role, since profit is obtained from them. Figure 3 shows the monthly sales generated by businesses in the sector, where it is observed that 45% responded that they sell approximately between three and six million, followed by those who make sales worth between one and three million with 37%. On the other hand, only 2% of

businesses make sales for more than 15 million being the ones that sell the most and in contrast the 8% that sells less than one million pesos per month. Comparing sales with the initial investment, it can be said that although the businesses are mostly small, their level of sales is moderately high.

Figure 4

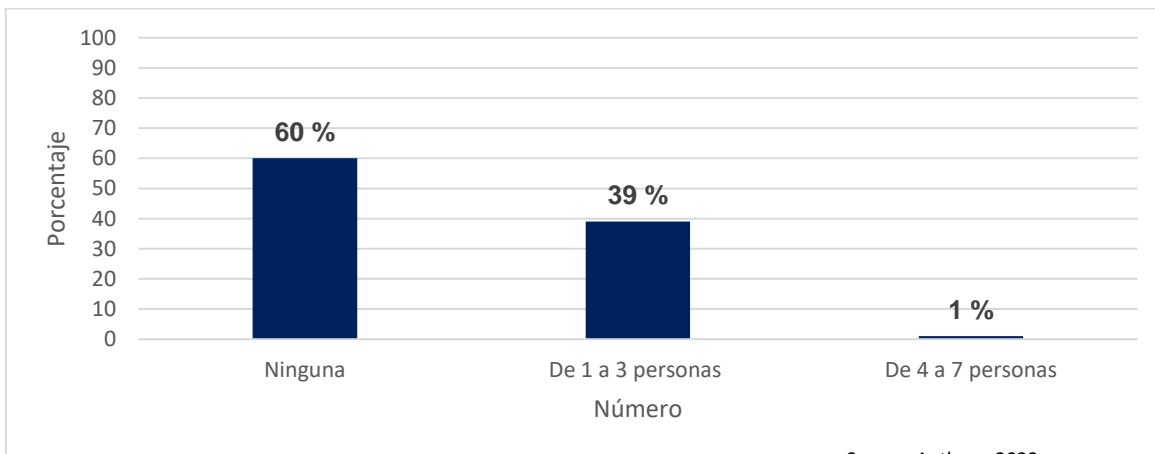
Who runs operations in the company?



Economic entities must respond to changes in their environment, so it is necessary to make the right decisions. In Figure 4, it can be seen that those who make the decisions in the company are mostly the owners, since 67% of the sample affirmor do so; followed by family members (25%) and finally by a trusted employee (8%). The above shows that in most businesses in commune 1, they are managed by their owner, which is very common in this type of business where the owner wants to be at the forefront of decision-making.

Figure 5

Apart from you, how many people work in your company?



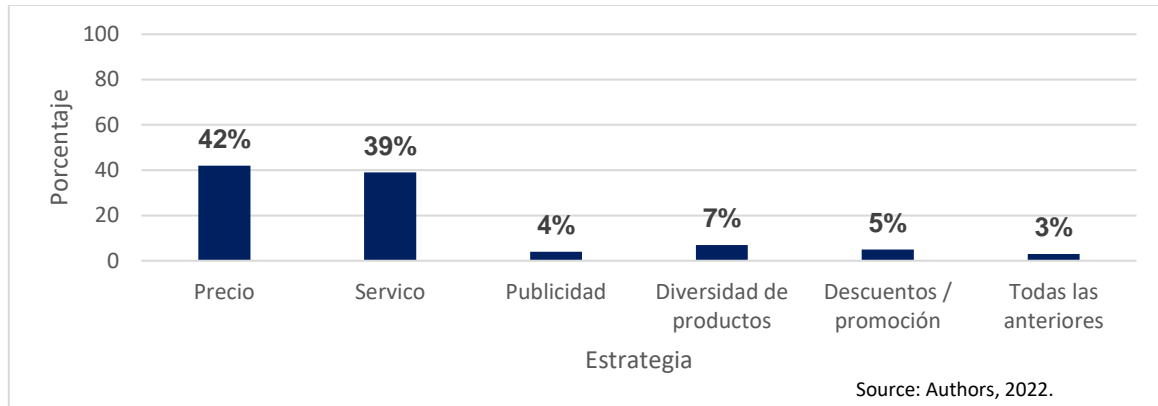
Source: Authors, 2022.

The demand for workers is one of the expected effects of the emergence of a company, but considering the characteristics of the businesses established in Comuna 1 described above, this is not necessarily so. In figure 5, it can be seen that approximately 60% of businesses do not have employees, that is, only one person is required for the operation of this, and that role is occupied by the representative or owner of the business. In turn, 39% have between one and three employees, and only 1% employ between 4 and 7 people. This is mainly due to the lack of job

opportunities, so having a business is an alternative to generate your own income; Faced with this situation, investment in most cases does not generate employment. However, companies that have employees mostly expressed having a verbal contract and paying them daily.

Figure 6

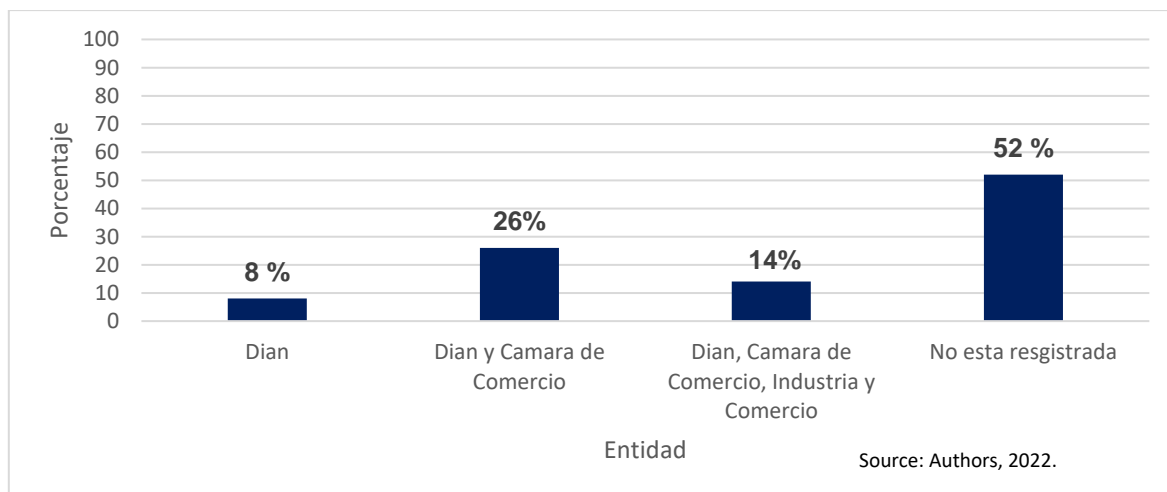
Strategies used to differentiate yourself from your competitors



The differentiation of a company with its competitors is of paramount importance, since this becomes an advantage that allows it to increase its sales. In Figure 6, it can be shown that the majority of companies in Comuna 1 (42%) expressed the use of price discrimination as a differentiating strategy, followed by the way in which the service is provided (39%). Between these two, the second is the most economical option, since it depends on the attitude of the people; while the first is more expensive, since it has to reduce a profit margin in order to increase market share, which can be dangerous for the sustainability of the company. Other strategies they expressed to carry out in their order are: diversity of products (7%), discounts (5%) and advertising (4%).

Figure 7

In which of the government organizations is your company registered?



Registering legally represents advantages for companies, since they can access benefits such as those given in the pandemic. According to the data collected, in Figure 7, it can be seen that

approximately half of the retail establishments in Commune 1 of San José de Cúcuta, are registered with one of the government institutions named: DIAN, Chamber of Commerce or Industry and Commerce. The other half, are not registered in any entity, there are very few who have all the records in order. This may be due to the thought that because they are retailers they have no traditional responsibilities or simply because they are unaware of the commercial registration procedure.

Table 1
Tax Returns by Businesses

Tax	Yes	No
File taxes	26%	74%
Declare income tax	3%	97%
Declares industry and commerce tax	28%	72%
Declare VAT tax	0%	100%

Note: Table 1 shows the different taxes paid by the establishments of commune 1. Own elaboration, 2022.

The formality of a business is also measured by the tax payments they make. Table 1 shows the different taxes declared by the establishments of Comuna 1; it is observed that the total of the businesses does not declare the VAT tax. 97% do not declare income tax, this according to the answers obtained in figure 3, where the average monthly sales were mostly less than three million pesos, so their income would be in this range, which does not oblige Failure to comply with the minimum amount in the income statement. However, the value of positive responses should be higher, since there are many establishments that do receive sufficient income to declare income. On the other hand, 72% do not declare industry and commerce tax, and approximately 74% say they do not declare taxes. Given the above, it can be affirmed that the fact of not being registered with a government entity, does not generate a fiscal or tax commitment on the part of the establishments.

Figure 8

How regularly you supply your business

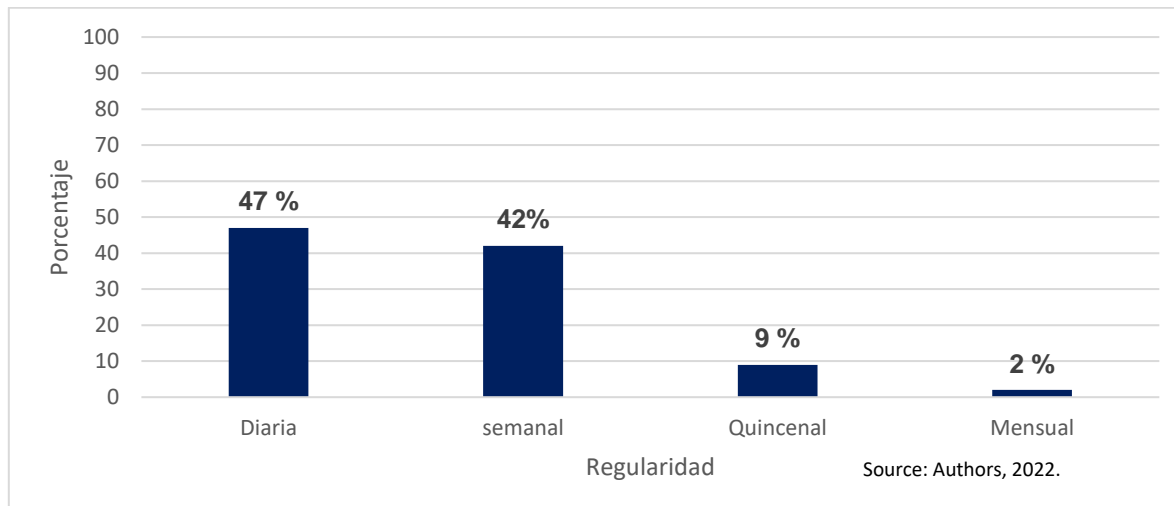


Figure 8 shows the regularity with which businesses are supplied in Comuna 1, in the city of Cúcuta. Approximately 47% supply their business daily, this is mainly due to the size of the business, since being small inventory turnover is faster. Followed by 42% who supply their business weekly, 9% who supply it biweekly and 2% monthly. In general, businesses are supplied daily or weekly, which may indicate that in this way they will have availability of fresh products or to be able to more easily meet the needs or requirements of customers.

Cellular analysis

Next, the correlational analysis is carried out from the statements of the owners or employees who were part of the research.

Table 2

Reason for starting a company and money required to start operations

Statistical	Value	Error Típ asint a	Approximate T b	Approximate sig
Tau - b de Kendall	-,008	,050	-,156	,876
Ordinal by ordinal Gamma	-,011	,073	-,156	,976
Measure of agreement Kappa	,060	,032	-1,782	,075
Number of valid cases	300			

Note: It shows the correlation between starting the company and the money needed. Own elaboration, 2022.

Table 2 reflects a correlation with a p-value > 0.05, which expresses that it is a non-significant correlation. This means that the companies that participated in the study have a motivation to start their company (receive income), but do not consider that there is a direct relationship with the money that was required for its creation.

Table 3

Time of operations and product placement strategies

Statistical	Value	Error Típ asint a	Approximate T b	Approximate sig
Tau - b de Kendall	,098	,047	2,077	,038
Ordinal by ordinal Gamma	,137	,066	2,077	,038
Measure of agreement Kappa	-,011	,031	-,340	,734
Number of valid cases	300			

Note: Shows the correlation between time to operations and marketing strategy. Own elaboration,



2022.

Table 3 shows a correlation with a p-value < 0.05, which translates into a significant correlation greater than 95%. This reflects that the time that a business remains in the market is important, since it takes experience; This translates into greater knowledge and in turn in the adoption of marketing strategies. In the case of the companies of Comuna 1, the location of products in a strategic way is evidenced in order to obtain positive results, in other words, to increase their sales.

Table 4
Registration in government institutions and tax obligation

Statistical	Value	Error Tip asint a	Approximate T b	Approximate sig	
Tau - b de Kendall	,656	,034	14,587	,000	
Ordinal by ordinal	Gamma	,868	,027	14,587	,000
Measure of agreement	Kappa	,318	,026	10,847	,000
Number of valid cases	300				

Note: Shows the correlation between registration with government entities and tax liability. Own elaboration, 2022.

Table 4 reveals a correlation with a p-value < 0.05, which expresses a correlation significantly greater than 95%. Therefore, it is evident that there is a positive relationship between the companies that are legally registered in the government entities of the country and the contributions made to the State; that is, they comply with their obligations through the taxes paid.

Table 5
Customer service hours and financial loan application

Statistical	Value	Error Tip asint a	Approximate T b	Approximate sig	
Ordinal by ordinal	Tau - b de Kendall	-,118	,053	-2,213	,027
	Gamma	-,311	,144	-2,213	,027
Measure of agreement	Kappa	,029	,015	1,969	,049
Number of valid cases	300				

Note: Shows the correlation between hours of operation and the application for a loan. Own elaboration, 2022,

Table 5 shows a correlation with a p-value < 0.05, which translates to a correlation significantly greater than 95%. Which, then symbolizes that there is a strong association between the observed

items; From which it can be deduced that the total hours of attention provided to customers, can respond to the need to apply for a financial loan.

CONCLUSIONS

The structural characteristics of firms are of vital importance, since they can become weaknesses or potentialities. Weaknesses can be a drag, since they are rigidities that prevent an effective response to changes that are generated in the environment, such as consumption habits. On the other hand, the potentialities allow the efficient use of resources, so that changes in their environment can be internalized in an effective way. Ideally, every company can respond immediately to changes in its environment, mainly microenterprises, which due to their size can respond immediately to sudden changes.

However, the business fabric of the city of Cúcuta is made up mostly of microenterprises, approximately 96%. The companies of the commune 1 therefore are mostly of this type, according to the results in this investigation, these are characterized by an age between one and seven years. The reason for its creation is mostly due (43%) to the need to receive income, since the labor market does not absorb the available labor, so setting up a business becomes an alternative; Given the above, approximately 60% of businesses do not generate employment; and those that do, They have a verbal contract with their employees and the pay is daily.

On the other hand, to remain in the market, the following strategies are mainly carried out: price reduction (42%) and differentiation in service (39%). The first is extremely dangerous, since the prices of the goods they offer are already determined, so that a reduction in prices translates into a reduction in profits. In turn, approximately half of the companies in Comuna 1 do not pay taxes, this is because they are not registered with government entities such as the DIAN.


As for the rotation of their inventories, it is found that the majority does it daily 47%, followed by those who do it weekly 42%. The above can represent two things; First that businesses, being small, quickly rotate their inventories, or because they are small they do not have enough money to supply for several days.

Finally, the correlational analysis shows that companies due to their trajectory in the market have managed to adopt strategies to increase their sales, as is the case of the strategic location of the products. In addition, companies that are registered with government entities pay taxes. In addition to the above, companies that work more hours have the need to make loans.

All of the above reflects that the companies of the City of Cúcuta are an extension of the socio-economic characteristics of the city; informality, culture of non-payment, etc.

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