

Chapter 13

FOREX Risk Administration in Sinaloa's Micro-Industries: Case Study

Jéssica Frías Sánchez

Facultad de Contaduría y Administración, Universidad Autónoma de Sinaloa, Mexico

Deyanira Bernal Domínguez

 <https://orcid.org/0000-0001-8990-1988>

Facultad de Contaduría y Administración, Universidad Autónoma de Sinaloa, Mexico

José G. Vargas-Hernández

 <https://orcid.org/0000-0003-0938-4197>

University Center for Economic and Managerial Sciences, University of Guadalajara, Mexico

ABSTRACT

The present work is related to the administration of the exchange risks in an industrial microenterprise of Sinaloa. Its objective is to contrast the effect obtained on the decision-making process by managing the exchange risks inherent in the businesses that buy imported raw materials in order to be able to produce their goods that they commercialize. For this reason, it is based on a literature review contained in scientific articles, books, and theses where evidence was found that it is possible to reduce risk through the use of derivative instruments such as European futures and options contracts. The methodology is qualitative with the case study. The results indicate that it is possible to manage the exchange risk using derivative products in the microenterprise studied.

INTRODUCTION

In Mexico, the situation for newly created companies is complex, various internal and external factors afflict entrepreneurs. According to Gascón (2012), between 350 and 400 thousand Small and Medium Enterprises (SMEs) are created annually in the country, of which half close during the first year, and

DOI: 10.4018/978-1-7998-7436-2.ch013

only, 10% continue in the next five years. The National Institute of Statistics and Geography (INEGI), through the Statistical Directory of Economic Units (DENUE), published in 2014 that a total of one million 584 thousand 927 businesses closed or suspended activities. In addition, for every 10 companies that open in Mexico, 8 correspond to micro-sized companies.

The importance of micro and small companies lies in that they constitute an important contribution to the national economy, a situation expressed in the country's Gross Domestic Product (GDP), with a 52% share in 2010 (OECD, 2013, p. 4). The INEGI economic census, in 2014, shows that 94.3% of companies in Mexico were micros. If the Mexican economy is objectively analyzed, it is largely supported by the participation of these units as generators of employment sources and providers of goods and services.

Now, regarding the state of Sinaloa, according to data provided by the National Statistical Directory of Economic Units (DENUE, 2016), 91.51% of state companies employ up to 10 employees. In the city of Culiacán, Sinaloa, the trend persists given that 90.18% of economic units have fewer than 11 employees and only 9.82% of companies are more than 11 (INEGI, s / f). Regarding the personnel employed in 2013, in Mexico, the total occupation was 21,576,358, of which 8,580,027 - that is, 39.79% - corresponded to people who worked in micro-enterprises (INEGI, 2015, p. 19).

In this context, where the economic and social importance of micro-sized companies is observed, it is decided to study this business stratum. Specifically, that of the manufacturing industry sector of manufacturing of integral kitchens and modular bathroom furniture in Sinaloa. According to a consultation in DENUE of INEGI there are 156 economic units of this line.

On the other side, according to the National Statistical Directory of Economic Units, in the state of Sinaloa, 572 companies were identified, of which 559 are micro-companies dedicated to the manufacture of integral kitchens and modular bathroom furniture. Likewise, it was found that in Culiacán 98.59% of the total companies are of micro size. In other words, of the total, only one is small (DENUE, 2016).

Based on the foregoing, the object of study of this research is a micro industrial company dedicated to the manufacture of wooden furniture and serves as a livelihood for five families from Sinaloa. The company was founded in 2005 under the name of Carpintería Caldera, supported by a financial resource granted by the Aguilar Padilla government in Sinaloa. Through the development secretary in charge of C. Jesús Vizcarra Calderón with an amount of \$ 47,000.00 in materials and equipment for the manufacture of wooden furniture in favor of the three owners: Martha Graciela Lizárraga Morales, Ramón Caldera Castro and Luis Fernando Caldera Lizárraga settled in the 4th of March colony in the city of Culiacán.

In 2013 the company changed its address and business name, remaining as the property of a natural person named CarpiCal. The new sales office and manufacturing workshop were domiciled in Lomas del Bulevar in the PEMEX neighborhood of the same city where they currently remain. Two sales agents work in the office, responsible for prospecting and following up on clients until the sale is effective. A manufacturing carpenter, cutter and painter are employed in the manufacturing workshop, with the same owner being responsible for coordinating both areas, as well as serving as company administrator. There are two transport vehicles, one destined for the hauling and installation of wooden furniture and the other for the quotation of jobs and the purchase of materials.

Its clients are emerging as young, newlyweds who are in the process of furnishing their home, childless or with young children. Its suppliers are national companies: Triplay Market. Conglomerate of ten Mexican companies that distribute products derived from wood. As well as, BASA plates and hardware. Local company that distributes door plates, hardware and furniture accessories. Northwest Woods Group. Leading supplier of high-quality imported woods offering plywood, mahogany and cedar plywood for sale from Southeast Asia (Thailand, Malaysia and Vietnam).

11 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/forex-risk-administration-in-sinaloas-micro-industries/280679

Related Content

Monopolistic Business Practices: Opportunities for Entrepreneurs? The Case of the Big Four Accounting Firms

Md.Jahidur Rahman and Rob Kim Marjerison (2021). *Entrepreneurial Innovation for Securing Long-Term Growth in a Short-Term Economy* (pp. 16-31).

www.irma-international.org/chapter/monopolistic-business-practices/272283

Toward a Theory Development on the Synergetic Entrepreneurship in the Hotel Industry: An Exploratory Study of the Albergo Diffuso in Italy

Angelo A. Camillo (2020). *International Journal of Sustainable Entrepreneurship and Corporate Social Responsibility* (pp. 105-133).

www.irma-international.org/article/toward-a-theory-development-on-the-synergetic-entrepreneurship-in-the-hotel-industry/259411

Career Predilections and Options to Opt Occupation for the Youth in Pakistan

Muhammad Nawaz Tunio, Syed Mir Muhammed Shah, Muhammad Asif Qureshi, Ahmed Nawaz Tunio and Erum Shaikh (2022). *Developing Entrepreneurial Ecosystems in Academia* (pp. 156-170).

www.irma-international.org/chapter/career-predilections-and-options-to-opt-occupation-for-the-youth-in-pakistan/289327

Strategic Capabilities for the Sustainability of Small, Medium, and Micro Enterprises

Sulaiman Olusegun Atiku and Abiola Afolakemi Abatan (2021). *Reshaping Entrepreneurship Education With Strategy and Innovation* (pp. 17-44).

www.irma-international.org/chapter/strategic-capabilities-for-the-sustainability-of-small-medium-and-micro-enterprises/263389

Leveraging Social Media in Facilitating Women Entrepreneurs in India: A Case Study of Pune Ladies (PULA)

Madhura Manish Bedarkar, Mahima Mishra and Ritesh Ashok Khatwani (2020). *International Journal of E-Entrepreneurship and Innovation* (pp. 76-90).

www.irma-international.org/article/leveraging-social-media-in-facilitating-women-entrepreneurs-in-india/253876