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MAESTRÍA EN ADMINISTRACIÓN DE EMPRESAS

TRABAJO DE TITULACIÓN
MODALIDAD ARTÍCULOS PROFESIONALES DE ALTO NIVEL

PREVIO A LA OBTENCIÓN DEL TÍTULO DE MAGISTER EN
ADMINISTRACIÓN DE EMPRESAS

TEMA

**RURAL ENTREPRENEURSHIP AND ITS INTERRELATION WITH BUSINESS
ADMINISTRATION. PANGUA CASE STUDY, COTOPAXI - ECUADOR.**

AUTORA:

VERÓNICA SILVANA GAIBOR SARMIENTO

TUTOR:

Ing. CARLOS NAPOLEON RIBADENEIRA ZAPATA. PhD

GUARANDA-ECUADOR

2023

Dr. CARLOS NAPOLEÓN RIBADENEIRA ZAPATA PhD. EN CALIDAD DE TUTOR DEL TRABAJO DE TITULACIÓN DE MAESTRÍA EN ADMINISTRACIÓN DE EMPRESAS DE LA UNIVERSIDAD ESTATAL DE BOLÍVAR

CERTIFICA

El trabajo de titulación denominado “RURAL ENTREPRENEURSHIP AND ITS INTERRELATION WITH BUSINESS ADMINISTRATION. PANGUA CASE STUDY, COTOPAXI – ECUADOR” con modalidad de artículos profesionales de alto nivel, elaborado por la Ingeniera VERÓNICA SILVANA GAIBOR SARMIENTO, previo a la obtención del título de Magister en Administración de Empresas Corte I. Considero que dicho informe cumple con los requerimientos metodológicos y aporte científico-técnico suficientes para ser sometidos a la evaluación en las instancias respectivas de la Universidad Estatal de Bolívar.

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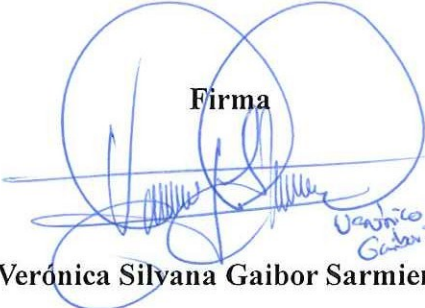
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Maestría en Administración de Empresas

AUTORÍA

Yo VERÓNICA SILVANA GAIBOR SARMIENTO, Ingeniera Comercial, estudiante de posgrado en la Universidad Estatal de Bolívar, bajo juramento declaro en forma libre y voluntaria que el presente artículo con el tema “RURAL ENTREPRENEURSHIP AND ITS INTERRELATION WITH BUSINESS ADMINISTRATION. PANGUA CASE STUDY, COTOPAXI – ECUADOR” ha sido ejecutado por mí misma con la orientación de mi tutor. CARLOS NAPOLEON RIBADENEIRA ZAPATA, siendo así de mi propia autoría, debo dejar constancia que las expresiones obtenidas dentro de este análisis las he realizado basándome en bibliografías y datos actualizados que ayudaron a redactar este artículo científico.


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Carlos Napoleón Ribadeneira Zapata PhD.
Torres Cadena Juan Pablo, PhD
Arcos Bosquez Verónica Maribel, MsC



Title: [-RURAL ENTREPRENEURSHIP AND ITS INTERRELATION WITH BUSINESS ADMINISTRATION. PANGUA CASE STUDY, COTOPAXI - ECUADOR.-]

Dear author, congratulations your scientific article has been accepted for publication after a blind peer review in **Remittances Review** eISSN 20596588 ISSN 20596596, page web <https://remittancesreview.com> in vol 8 (number 5) 2023. The decisions and actions of the Editorial Board are based on ethical principles based on the belief that support scientific journals and publishers should follow the latest advances in the scientific.

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Condición del cedulado: CIUDADANO

Lugar de nacimiento: ECUADOR/PICHINCHA/QUITO/CHILLOGALLO

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Nacionalidad: ECUATORIANA

Sexo: MUJER

Instrucción: SUPERIOR

Profesión: INGENIERA

Estado Civil: CASADO

Cónyuge: TIMBIANO ALBAN HECTOR ADRIAN

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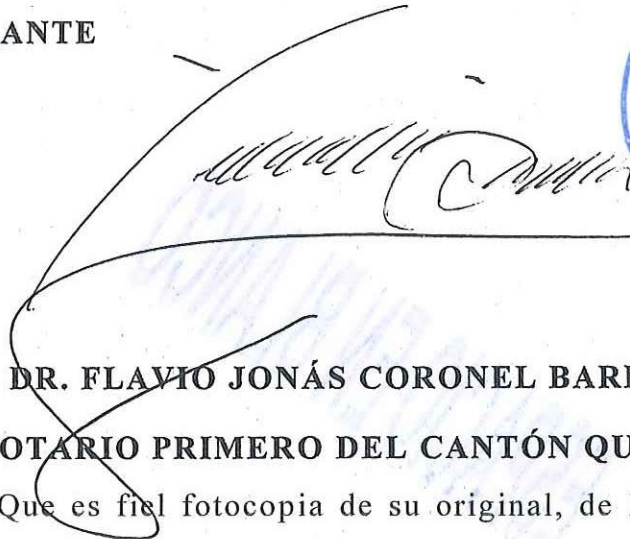


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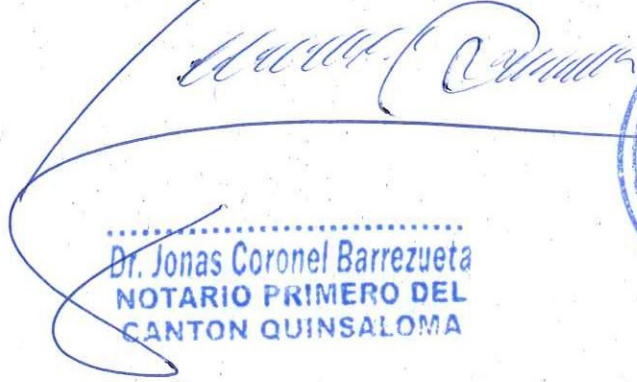
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Date: 28-07-2023

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Regards.

A handwritten signature in blue ink, appearing to read 'Felix Rodriguez', is written over a white background.

EDITOR

Prof Mariam Cornell, The Johns Hopkins University
(U.S.A.)



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Rural Entrepreneurship and its interrelation with Business Administration. Pangua Case Study, Cotopaxi - Ecuador

Verónica Silvana Gaibor Sarmiento¹, Carlos Napoleón Ribadeneira Zapata PhD², Torres Cadena Juan Pablo, PhD³, Arcos Bosquez Verónica Maribel, MSc⁴

Summary

Rural economies are often characterized by structural deficits resulting from population loss, lack of investment, limited availability of human capital, and demographic ageing. Entrepreneurship has emerged as a powerful engine and catalyst for economic growth and development. In this study, data on rural entrepreneurship were collected through a structured questionnaire. A positive correlation was found between accounting management, human resources management, business planning, budget management and financial management, and the profitability of rural enterprises. However, the correlation is not strong, indicating the influence of other factors. The implementation of effective business management can contribute to improving profitability in rural enterprises.

Keywords: *rural entrepreneurship, accounting management, human resources, business planning, financial management.*

Abstract

Rural economies are often characterized by structural deficits resulting from population loss, lack of investment, limited availability of human capital and demographic aging. Entrepreneurship has emerged as a powerful engine and catalyst for economic growth and development. In this study, data on rural entrepreneurship were collected using a structured questionnaire. A positive correlation was found between accounting management, human resource management, business planning, budget management and financial management, and the profitability of rural ventures. However, the correlation is not strong, indicating the influence of other factors. The implementation of effective business management can contribute to improving profitability in rural enterprises.

Introduction

Entrepreneurship plays a crucial role in the progress of regions, as economic and social well-being relies heavily on entrepreneurial momentum. Although not all entrepreneurial initiatives achieve success, their activities can positively boost economies by introducing new competitors, products and services that put pressure on established companies to improve their performance. (Garcia & Diaz, 2018). In today's global landscape, entrepreneurship has emerged as a powerful engine and catalyst for economic growth and development. (Audretsch & Link, 2019; Méndez-Picazo et al., 2021). It is the art of creating something new, of innovating and of taking the risks associated with this innovation. This venture is not only limited to cities

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and metropolitan areas, but has also begun to flourish in rural areas, radically transforming local economies and improving living standards.

Rural economies are often characterized by structural deficits resulting from population loss, lack of investment, limited availability of human capital, and demographic ageing. Much of the dialogue on rural economic development arises from the need to address these weaknesses, especially in terms of economic imbalances between non-metropolitan (rural) and metropolitan (urban) areas. This perceived divide between urban and rural economic assets often drives rural communities to seek resources and undertake (Sisto et al., 2022; Thaher & Jaaron, 2022).

In the context of rural areas, entrepreneurship plays a crucial role in job creation, economic diversification and reducing rural-urban migration. (Zang et al., 2023). Through the exploitation of local resources and the creation of economic opportunities, rural enterprises can contribute significantly to the resilience of rural communities and economic sustainability. (Tang & Zhu, 2020; Zhang et al., 2022).

Rural entrepreneurship is the process by which a person or a group of people creates and develops a business activity in a rural area (Galvão et al., 2020). This type of entrepreneurship focuses on the creation of companies that offer goods and services to rural communities, using local resources and promoting the economic development of the area. (Romero-Castro et al., 2023). Rural entrepreneurs often face unique challenges, such as lack of infrastructure, limited access to finance, and lack of business expertise. (Deller et al., 2019). However, rural entrepreneurship can be a powerful tool to foster job creation, improve the quality of life of rural communities and promote the economic and environmental sustainability of the area. (Dong et al., 2021).

Rural entrepreneurship can be a key driver for the economic and social development of rural areas, but rural entrepreneurs often face unique challenges, such as lack of access to finance, scarcity of resources and lack of business expertise. (del Olmo-García et al., 2023). This is where the role of business administration becomes fundamental in the promotion of rural entrepreneurship.

Latin America, a region marked by its rich geographical and cultural diversity, has also seen significant growth in rural entrepreneurship. Despite the inherent challenges and limitations, many rural entrepreneurs in Latin America have demonstrated an indomitable spirit and have managed to develop successful businesses that generate income, create jobs and improve living conditions in their communities.

Business administration plays an essential role in the growth and profitability of these ventures. The principles and practices of business administration provide entrepreneurs with the tools and knowledge necessary to plan, organize, direct and control their businesses effectively. Through efficient resource management, strategic decision-making, and implementation of effective marketing tactics, business administration can influence the sound development of rural entrepreneurship. (Barber III et al., n.d.).

Business administration provides tools and strategies to help rural entrepreneurs overcome these obstacles, including business planning, organizing resources, directing and motivating the team, and monitoring company performance. (Pucheta-Martinez, 2015). In addition, business administration can also help rural entrepreneurs identify market opportunities and develop sustainable business models that use local resources efficiently. (Mang'ana et al., 2023).

Therefore, business administration plays a key role in fostering rural entrepreneurship, providing rural entrepreneurs with the tools and strategies necessary to create and develop a successful business activity in a rural area. (Mojica, 2022). Ultimately, this can have a significant impact on the economic and social development of rural areas, promoting job creation, improving the quality of life of rural communities and promoting the economic and environmental sustainability of the area. (Soleymani et al., 2021).

management	Yes,	0	5	15	10	30		
	but not very detailed	No						
Human	Yes							resources
		0	8	16	4	28		Yes, 0
		12	0	19	12	43	0,561	0,00
			6	9		16		1
	management	but not						
		very						
		detailed						
	No	0	8	21	12	41		
Planning	Yes	12	0	25	11	48	0,345	0,00
	No	0	8	9	11	28		
	Know	0	6	15	3	24		
Budgeting	Yes	6	0	20	11	37	0,433	0,00
	No	6	13	14	11	44		
	Know	0	1	15	3	19		
Financial management	Yes	12	0	20	11	43	0,493	0,00
	No	0	13	8	12	33		
	Know		1	21	2	24		
Total		12	14	49	25	100		0

Own source. Information obtained from the field survey applied to rural enterprise owners located in Pangua, Cotopaxi. After the analysis of the correlation of Pearson with IBM in SPSS v.25 between the two variables studied.

Accountant management

In the case of enterprises that practice accounting management, most have reported that their profitability has improved significantly or has remained stable. Out of a total of 42 responses in this category, 12 have indicated a significant improvement in profitability, while 18 have experienced stability in their profits. However, it is important to note that 11 of the respondents have experienced a slight decrease in profitability.

On the other hand, different results are observed in enterprises that practice accounting management but not in detail. In this group, most respondents have reported stability in the profitability of their businesses, with 15 out of 30 responses in this line. The remaining results are divided between those that have experienced a slight improvement in profitability (5 out of 30) and those whose profitability has decreased slightly (10 out of 30). Notably, in this group, none of the respondents reported a significant improvement in their profitability.

Finally, for ventures that do not practice any accounting management, most report a stability in profitability (16 out of 28) or a slight improvement (8 out of 28). Only a smaller number of them (4 out of 28) mention that their profitability has decreased slightly and none report a significant improvement.

These results suggest a positive correlation between the implementation of rigorous accounting management and better profitability in rural enterprises. This is supported by Pearson's correlation analysis, which shows a moderate and significant correlation of 0.490 with a significance level of 0.000. This finding indicates that accounting management can have a positive impact on the profitability of these ventures. However, since the correlation coefficient is not close to 1, it also suggests that there are other factors besides accounting management that could be influencing profitability.

For its part in the study of (Merino-Sánchez et al., 2021) it was identified that as a more comprehensive price accounting system is implemented, SMEs experience higher net profit. These results support the idea that having a robust price accounting system benefits price performance.

Human resources management

Enterprises that practice human resource management mostly report that their profitability has remained stable (19 out of 43) or improved significantly (12 out of 43). However, it is also important to note that an equally significant number of them report that their profitability has worsened slightly (12 out of 43).

On the other hand, for startups that have some form of human resource management, but not very detailed, most indicate that their profitability has remained stable (9 out of 16) or improved slightly (6 out of 16). It should be noted that in this group, only one of them reports that their profitability has worsened slightly.

As for startups that do not practice any human resource management, most report that their profitability has remained stable (21 out of 41) or worsened slightly (12 out of 41). A similar amount reports a slight improvement in profitability (8 out of 41).

These data suggest that there is a moderate correlation between human resource management and the profitability of ventures. This finding is supported by Pearson's correlation analysis, which shows a correlation of 0.561 with a significance level of 0.000. This figure indicates that there is a moderate positive relationship between human resource management and profitability. In other words, improvement in human resource management can contribute to improvement in profitability. However, it is important to note that there are other factors at play that also affect profitability, as the correlation is not perfect, i.e. it is nowhere near 1.

In relation to the finding of the study, according to (Cachón-Rodríguez et al., 2022), even though employees are relevant stakeholders for business success, their management and participation in sustainability processes is often overlooked. Therefore, it is crucial that organizations recognize the importance of integrating human talent management into their sustainability strategies and harness the potential of their employees to promote long-term sustainability. For its part (Flores-Quispe & Flores-Quispe, 2019; Hermawan & Arifin, 2021; Vu & Nwachukwu, 2021) They assert in their studies that the effective management of human talent has a direct impact on business sustainability at any level, as well as its profitability, with human resources being responsible for satisfying customer demands.

Planning management

Among the ventures that implement business planning, it is notable that most have observed that their profitability has remained stable, with 25 of 48 ventures reporting this status. Another 12 of these 48 ventures have experienced a significant improvement in their profitability. However, not everything is positive, since 11 of the ventures have seen a slight decrease in their profitability.

As mentioned (Guyadeen et al., 2023) Planning in companies emerged as a practice in the private sector, with the aim of boosting business profitability and mitigating the effects of external change, so they are important to adjust to changes in the environment and improve profitability.

For startups that do not implement business planning, the situation is more diverse. 8 out of 28 of these startups report a slight improvement in profitability, while another 9 out of 28 say their profitability has remained stable. Unfortunately, 11 of these 28 ventures experienced a slight decrease in profitability. None of the ventures in this group reported a significant improvement in profitability.

Within the group of startups that are not sure whether or not they implement business planning, the majority, 15 out of 24, indicate that their profitability has remained stable. 6 of these 24 ventures have experienced a slight improvement in profitability, and a smaller number, 3 out of 24, report a slight decrease in profitability.

These results indicate a modest positive correlation between business planning implementation and profitability. This is reinforced by Pearson's correlation analysis, which shows a correlation of 0.345 with a significance level of 0.000. Although the correlation is positive, it is modest, indicating that, although business planning seems to positively influence profitability, there are other factors that may also be influencing the profitability of these ventures.

In relation to this positive correlation, he explains (Ejigu & Desalegn, 2023), that planning allows companies to be proactive in shaping their future rather than simply taking reactive measures. It uses systematic, logical and rational methods to identify strategic options, which helps organizations formulate better strategies. The fundamental premise of planning is to achieve coordination between the company and its environment to achieve competitiveness.

Budgeting

In the group of companies that maintain budgetary management, the majority indicate that profitability has remained stable (20 out of 37), followed by those that have seen a significant improvement in their profitability (6 out of 37). However, there is also a significant number that have experienced a slight worsening in profitability (11 out of 37).

In companies that do not carry out budget management, the results are more dispersed. 14 of 44 report that their profitability has remained stable, 13 of 44 have seen a slight improvement in profitability, and 11 of 44 experienced a slight decrease in profitability. In addition, in this group, there are an equal number of companies that have significantly improved their profitability (6 out of 44).

On the other hand, the group that does not know if their company maintains a budget management, the majority (15 of 19) reports that its profitability has remained stable. A small number have seen a slight improvement (1 in 19) and a slight decrease (3 in 19) in profitability.

The data suggests that budget management could have an impact on a company's profitability, although it is not conclusive. Pearson's correlation analysis supports this interpretation, showing a correlation of 0.433 with a significance level of 0.000. This correlation, although positive and significant, is moderate, suggesting that although there is a relationship between budget management and profitability, there are other factors that can also influence the profitability of the company.

As expressed (Iliemena & Amedu, 2019) A company can reduce costs through budget management, focused on using fewer materials in the production process or by reducing material prices through the use of quantity discounts and other commercial discounts. The cost of labor can be reduced by eliminating overtime, reducing and, to the extent possible, eliminating downtime, and increasing worker supervision and motivation. When cost reduction is achieved through efficient budget management, it is always reflected in the profits of the manufacturing company, that is, in its profitability.

Financial management

Startups that practice financial management, for the most part, report that their profitability has remained stable (20 out of 43) or improved significantly (12 out of 43). A significant number also report that their profitability has worsened slightly (11 out of 43).

In the case of those who do not carry out financial management, most ventures report that their profitability has improved slightly (13 out of 33) or worsened slightly (12 out of 33). A smaller number mentions that its profitability has remained stable (8 out of 33). None of the ventures in this group has experienced a significant improvement in profitability.

Enterprises whose managers do not know about financial management report that their profitability has remained stable (21 out of 24). Only a small number have experienced a slight improvement (1 in 24) or a slight decrease in their profitability (2 in 24).

The data suggest a moderate correlation between financial management and profitability. Pearson's correlation analysis supports this interpretation, showing a correlation of 0.493 with a significance level of 0.000. This value indicates that there is a positive relationship between financial management and profitability, which means that improvement in financial management could lead to an improvement in profitability. However, the correlation is not very high, suggesting that there are other factors that could also be affecting profitability.

As he explains (Nguyen & Nguyen, 2020) Profitability is a crucial element in evaluating business performance, as it shows profits relative to investment in assets, capital or sales. Improving profitability is a fundamental task for companies, especially in the context of international economic integration in Vietnam. Several factors that directly influence profitability related to financial management have been identified, such as financial leverage, solvency, liquidity control and financial adequacy according to the plans.

Conclusion

The results of the study indicate that there is a positive correlation between business administration (including accounting management, human resource management, business planning, budget management and financial management) and the profitability of rural enterprises. However, the correlation is not perfectly strong, suggesting the presence of other factors that could be influencing the profitability of these businesses.

Accounting management proved to have a moderate positive correlation with profitability. This conclusion suggests that the implementation of rigorous accounting management could have a positive impact on the profitability of rural enterprises.

Human resource management showed a moderate correlation with profitability, indicating that an improvement in human resource management could contribute to an improvement in profitability.

Business planning showed a modest positive correlation with profitability. Although this correlation suggests that business planning can positively influence profitability, it also indicates that there are other factors that may be influencing the profitability of ventures.

Budget management showed a moderate positive correlation with profitability, indicating that it could have an impact on the profitability of a venture, although not conclusively.

Financial management showed a moderate positive correlation with profitability. This correlation suggests that the improvement in financial management could lead to an improvement in profitability, although the presence of other factors that may be influencing profitability is also suggested.

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