

THE BUDGET IN THE FINANCIAL MANAGEMENT OF THE SMES ASSISTED BY THE ADMINISTRATIVE PROCESS AS A COMPETITIVE TOOL

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ABSTRACT:

The life expectancy of micro, small and medium enterprises in Mexico according to official data is 6.9 years, a worrying fact considering that they generate more than 70% of the jobs in the country, thus having an important participation in their economy. This work has the purpose of making an analysis of strategies that contribute to its productivity and competitiveness, which positively impacts the life cycle of micro, small and medium enterprises. For this, the adoption of better administrative practices is proposed, such as; the implementation of operational and financial budgets linked to the administrative process as a means to ensure an efficient and reliable process. The above based on the field information collected in the present investigation.

Keywords: Competitiveness, SMEs, budget, administrative process and productivity.

INTRODUCTION

The SMEs worldwide represent a determining factor in economic activity and job creation. The General Secretary of the Organization for Cooperation and Economic Development, José Ángel Gurria (2018), said that between 50 and 60% of the aggregated value of the economies is provided by the small and medium enterprises (SMEs), considering also in the present study the micro companies, for the significant number of them. Normally in Mexico large companies are installed in development poles, derived from the communications infrastructure that favors them in terms of logistics. However, the SMEs are attending needs at local and regional level, contributing to employability and micro-financial development.

In Mexico it is not the exception, the economic contribution of the SMEs is transcendental, because according to the National Institute of Statistics and Geography, (INEGI), the National Institute of the Entrepreneur (INADEM) and the National Bank of Foreign Trade (BANCOMEXT), in the National Survey on Productivity and Competitiveness of Micro, Small and

Medium Enterprises (2015), 97.6% are microenterprises and concentrate 75.4% of the total employed personnel. It is followed by small companies, which are 2% and have 13.5% of the staff employed. Medians represent 0.4% of economic units and have just over 11% of jobs.

Because of the importance they represent for the national economy, it is necessary to look for strategies that contribute to their consolidation, mainly because of the short life expectancy of these organizations. According to data presented by the INEGI (2016), the average life of these organizations at a national level is 6.9 years, since they face various challenges. Among them those of an administrative nature, since these establishments are usually run by a person who makes all kinds of decisions, without counting in many cases with external advice, which affects the correct implementation of plans, the effective organization of processes, or the proper measurement of results. From the above, it originates as a strategy to deal with this problem, the implementation of budgets, as a management tool to improve productivity and competitiveness.

BACKGROUND

The budgets represent a control tool for the organizations, mainly in financial matters. They allow establishing the direction of the same ones and by means of their appropriate inspection they channel the established plans in monetary terms. According to Mendoza (2013), these are related to the capacity of strategy and execution, in small companies, the challenge is to overcome inexperience and draw up a plan that allows and facilitates growth.

It is precisely a requirement the search for alternatives for the growth of small and medium enterprises in Mexico, allowing in the first place its permanence in the market and greater contribution to the national economy. For purposes of delimiting the study, this research work focuses on these organizations in the city of Lázaro Cárdenas, Michoacán. The above is motivated by the information obtained from INEGI (2016), which states that the national life expectancy of businesses is 6.9 years, while for the state of Michoacán the average is 4.9 in the commerce sector, a worrying fact and that the search for solutions is urgent. Below is a graph of the mentioned results (Figure 1).

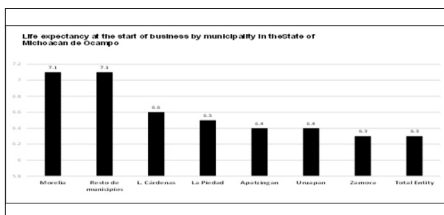
Figure 1: Life expectancy of businesses in the state of Michoacán



Source: National Institute of Statistics and Geography (2016).

In the City of Lázaro Cárdenas, according to the information of the INEGI (2016), there are 3,645 economic units that correspond to the retail trade sector, and 193 to wholesale, and in terms of manufacturing companies' total 731 establishments. The life expectancy in business is 6 years and 6 months, surpassing the figure presented at the state level. However, it is a few points below the figure determined at the national level. The above is presented in the following figure of results.

Figure 2: Life expectancy of businesses in the state of Michoacán



Source: National Institute of Statistics and Geography (2016).

The above data present an unfavorable scenario for these establishments, since their life cycle is relatively short, affecting the economic and employment contribution in the region and the one related to the payment of taxes, in terms of their tax participation. This requires the adoption of strategies to improve their competitiveness, which in turn contribute to their permanence as a going concern,

consolidating and achieving sustained growth. The administrative part is of vital importance, since it involves the coordination of resources whether material, human and financial, the latter being the lever to move the previous ones. Therefore, the present research work focuses on the establishment of budgets as a tool that develops its potential in a globalized market.

1. Approach and delimitation of the problem

This research is aimed at highlighting the scope of the SMEs in Mexico and specifically in Lázaro Cárdenas, Michoacán, the problems they face regarding their permanence in the market. This is how the proposal to establish budgets as a permanent plan that contributes to the achievement of organizational objectives, positively impacting their competitiveness and productivity, as well as a strategy to address the low level of life expectancy. From the previous approach the following question arises: Can budgets be adopted in the SMEs as a strategy that impacts their productivity and competitiveness?

A. Research objective

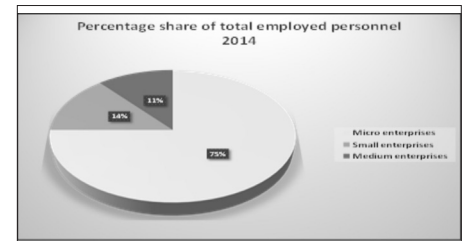
Examine and propose the formal implementation of the budgets for the SMEs, as a strategy to improve their productivity and competitiveness, also strengthening their life cycle.

2. Justification

As already mentioned, in Mexico the SMEs represent a very important sector in their economic development, because according to the information presented by INEGI (2015), regarding the National Survey on Productivity and Competitiveness of the Micro,

Small and Medium Enterprises of the Year 2014, a total of 4,048,543 companies, of which the micro constitute a 75% percentage share.

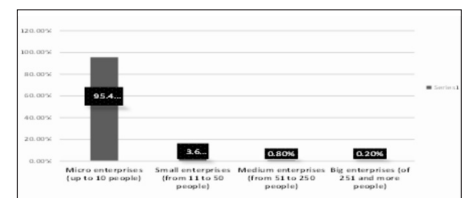
Figure 3: Percentage share of SMEs in employment



Source: National Institute of Statistics and Geography (2015).

The above if it is taken into account the total number of establishments in the country, of which 95.40% are micro businesses and only 0.20% are large companies, according to data from INEGI (2015).

Figure 4: Total establishments by sector



Source: National Institute of Statistics and Geography (2015).

Therefore, if strategies are sought that strengthen microenterprises, contributing to their growth and competitiveness, they will achieve their permanence in the market, and by representing the majority of the establishments in percentage terms, will allow them to consolidate as small and subsequently as medians, thus increasing their average lifespan, positively impacting on employment, the national and regional economy, without neglecting the tax collection that in any case would benefit naturally.

3. Theoretical foundations

A. Definition of competitiveness

Competitiveness in the present work is analyzed as a consequence derived from the adequate planning of budgets and their efficient application. It is therefore addressed in the business world, as a result of a strategy that improves its life cycle and strengthens productivity and competitiveness. Competitiveness is defined as the set of institutions, policies and factors that determine the level of productivity of a country. The level of productivity, in turn, establishes the level of prosperity that can be gained by an economy (Forum, 2014). Regional competitiveness can be defined as the administration of resources and capacities to steadily increase business productivity and the well-being of the region's population (Benzaquen, Del Carpio, Zegarra, & Valdivia, 2010).

Business competitiveness is derived from the competitive advantage that a company has through its production methods and organization (reflected in price and quality of the final product) in relation to those of its rivals in a specific market (Ibarra, González, & Demuner, 2017). Comparative advantage is driven by differences in the costs of inputs such as labor or capital. Competitive advantage, on the other hand, is driven by differences in the ability to transform these inputs into goods and services to obtain maximum utility (Romo & Abdel, 2005).

From the above definitions, the term competitiveness is considered from the national level, which reflects the productive capacity of a country, as well as the level of welfare of its citizens. Similarly, it is dealt with in a regional manner, considering as such the productivity that it is capable of generating, for the benefit of the population and a territorial margin. It also addresses the business environment, the objective of this

work, specifically SMES, considering as such the potential level in the market, as a result of the quality in their processes of transformation and organization. Finally, the difference in costs of inputs and labor is mentioned, however to be able to plan, measure and control them, it is necessary to budget them.

Competitiveness is considered the capacity of an entity with economic or social purposes, to fulfill its mission through the completion of its processes efficiently, identifying the needs of the client and through the use of technologies, maintaining a process of continuous improvement and innovation, for its own benefit, of its human capital, consumers and suppliers.

B. Definition of budget

The Budget is the systematically programmed estimate of the conditions and results to be obtained by a company in a given period. Formal estimation of income and expenses that will occur in a period. It is the essential device that allows a company to work financially in the best conditions, obtain the maximum benefit in easy periods and safeguard it in difficult periods (Martínez, 2007). The budget is a starting point that allows to appreciate what will happen in a given period, providing a broad view of the activities that will be developed throughout the year (Martínez O., 2012).

Budgets are a common accounting tool that companies use to implement a strategy. Management uses budgets to communicate the guidelines and goals to the entire company. Budgets drive managers' perspectives, and help in the planning and control of actions that managers must take to satisfy their clients and to succeed in the market. Budgets provide measures of the financial results that a company expects from its planned activities, and help define the objectives and chronologies against which progress is measured.

Thanks to budgets, managers learn to anticipate and avoid potential problems (Horngren, Datar, & Rajan, 2012).

In the review of the literature it is observed that the authors consulted in the present investigation, agree that the budget is a tool that anticipates the activities of an organization and the results, therefore it can be said that they represent an administrative tool that allows to glimpse the future of a company or organization, in a globalized environment, expressing its objectives aligned with its mission and vision, in monetary terms, likewise, through planning, coordination, direction and control, achieving desired and competitive results.

The budgets according to the literature examined, have a broad classification, according to the different authors, however, for the purposes of the present investigation, budgets are addressed from the operational and financial point of view. According to the field of applicability in the company, and taking into account in a simple way the needs of SMEs, the point of reference is taken as expressed by Díaz, Parra & López (2012), who group them as follows:

1. Operating or economic budgets. They are related to the operative part of the company, that is, operational income, non-operational income, costs (production, sales and services) and operational and non-operational expenses.
2. Financial budgets. They are related to the budget of the items in the balance sheet, mainly due to the treasury budget, which generates a large number of accounts.

C. Financial management

Financial management is the process of analyzing and making decisions about the financial needs of an entity, trying

to use the best financial resources, ensuring that they are sufficient for it to work, thus contributing to the fulfillment of the proposed objectives (Alvarez, 2017, pp. 338-358). Financial Management is the activity carried out in an organization that is responsible for planning, organizing, directing, controlling, monitoring and coordinating all the management of financial resources in order to generate greater benefits and / or results. The objective is to make the organization develop effectively, support the best financial decision making and generate investment opportunities for the organization (Terrazas, 2009, pp. 55-72).

Basically, financial management encompasses everything related to money, investment, administration and ownership, so that it is properly managed' and is lucrative; therefore, its objective is focused on maximizing the value of the investment of the owners of the company (Nava & Marbelis, 2009, pp. 606-628).

The aforementioned authors agree that financial management optimizes resources for the benefit of the organization and the achievement of established objectives. From the above it is concluded that it is the activity aimed at obtaining, managing and applying resources in an efficient and effective manner, with the purpose of ensuring the usual development of economic operations necessary for the achievement of the mission and business vision, also ensuring the planned results.

D. SMEs

According to data from the National Institute of Statistics and Geography (2009), the MSMEs represent, on a global level, the segment of the economy that provides the greatest number of economic units and employed personnel; Hence, the importance of this type of companies and the need

to strengthen their performance, as these influence fundamentally on the global behavior of national economies. In accordance with the Ministry of Economy (2010), microenterprises are all those businesses that have less than 10 workers, generate annual sales of up to 4 million pesos and represent 95 percent of the total of companies and 40 percent of the total employment in the country; In addition, they produce 15 percent of the Gross Domestic Product.

The small company is an independent entity, created to be profitable, that does not predominate in the industry to which it belongs, whose annual sale in values does not exceed a certain limit and the number of people that make up does not exceed a certain limit, and like any company, it has aspirations, realizations, material goods and technical and financial capacities, all of which allow it to dedicate itself to the production, transformation and / or rendering of services to satisfy certain needs and wishes existing in society (Thompson, 2007).

Considering the information of the Ministry of economy, (2010), medium-sized businesses are businesses dedicated to trade that have from 31 to 100 workers and generate annual sales that range from 100 million and can exceed up to 250 million pesos. For greater clarity regarding the segmentation of the SMES, considering the employed workers and the income received, in the Official Gazette of the Federation, of June 30, 2009, the stratification was published according to the following table:

Table 1: Micro, small and medium company stratification

Size	Sector	Rank of number of workers	Annual sales amount range (mdp)	maximum combined stop
Micro	All	Until 10	Hasta \$4	4.6
Small	Commerce	From 11 to 30	From \$4.01 to \$100	93
	Industry and services	From 11 to 50	From \$4.01 to \$100	95
	Commerce	From 31 to 100	From \$100.01 to \$250	235
Medium	Services	From 51 to 100		
	Industry	From 51 to 250	From \$100.01 to \$250	250

* *Maximum Combined top* = (Workers) X 10% + (Annual Sales) X 90%.

Source: Official Gazette of the Federation (2009).

A. Administrative process

The administrative process is a means of integrating different activities to implement the business strategy, after defining the business objectives and formulating the strategy that the company intends to develop, analyzing the environment surrounding the company, the task to be performed and the technology which will be used, as well as the people involved. The business action that will implement the selected strategy must be managed (Chiavenato, 2001).

The administrative process is a fundamental methodology for the application of the administration, regardless of whether it is part of the administrative process school, it is an indispensable tool around which other administrative schools or approaches can be applied. Its importance is similar to that of basic arithmetic operations; without these it is not possible to perform other mathematical operations. Likewise, the stages of the administrative process are basic to apply any style or school of administration (Munch, 2007). The functions of managers provide a useful structure for organizing administrative knowledge. No new ideas, research findings or techniques have been presented that cannot be easily placed in the classifications of planning, organizing, staff integration, directing and controlling (Koontz, Weihrich, & Cannice, 2008).

The administrative process in relation to the budget is an essential element that comes to strengthen from the integration process, its administration and application of the same, contributing in an efficient way in its consolidation. The established plans

require a mechanism to ensure their efficient and effective development, meeting established goals, controlling deviations at the appropriate time, as mentioned in its definition (Munch 2007), its importance is similar to that of basic operations.

E. Productivity

Currently referring to productivity is alluded to different factors that intervene and determine it, such as; financial resources, the quality of products or services, the use of technologies, human capital, machinery and equipment and administrative accounting, elements that when applied efficiently in the respective processes, contribute directly to the results of the organization. With the above, it is clear that it is not the volume of production itself, rather the ability to meet the needs of customers or the market, through the efficient gearing of the resources available to the organization.

Productivity is the ability to achieve objectives and generate high quality responses with the least human, physical and financial effort, for the benefit of all, by allowing people to develop their potential and get a better level of quality of life in return (Fernández, 2010). Productivity is a strategic objective of companies, because without it the products or services do not reach the levels of competitiveness needed in the globalized world (Medina, 2010). Productivity is a relative indicator that measures the capacity of a productive factor, or several, to create certain goods, so by increasing it, better results are achieved, considering the resources used to generate them. The importance of productivity lies in the use as an indicator to measure the real situation of a country's economy, an industry or business management (Miranda & Toirac, 2010).

The previously stated definitions of productivity are directly associated with the results. However, it is important to

consider other factors that intervene in their achievement. Considering the above, it can be defined as the ability to generate goods and services that meet the needs of customers, by efficiently gearing the resources of the organization and the administrative process as a regulatory element, meeting their institutional objectives, developing competitiveness and favorable results.

4. Methodology

In the present research work, the methodology used is based on an empirical approach with qualitative analysis, based on electronic, literary and scientific sources, as well as government statistical information, obtaining in this way the data considered useful for this study, by its degree of contribution to the problem to be solved, it is considered a descriptive study because it provides useful information to the SMEs. It seeks to specify properties, characteristics and important features of any phenomenon that is analyzed. Describe trends of a group or population (Hernández, Fernández, & Baptista, 2014, page 92).

To give greater certainty to the findings of this investigation, a survey was applied to 30 establishments in the city of Lázaro Cárdenas, Michoacán, to know if the SMEs elaborate budgets as part of their administrative activity. The validation of the instrument for collecting this information, processed using the Likert scale as a reference for its elaboration, without considering all its elements, composed of 5 questions, was carried out using the statistical package IBM SPSS Statistics, version 25, determining reliability through the coefficient alpha of Cronbach, throwing a degree of reliability of .812 on 5 elements that integrated it.

5. Analysis of results

Mexican companies need to start using financial tools that allow them to know where they are currently, where they want to go and in what way they

are going to achieve it. One of those tools is the budget, since there is no worse scenario in any activity and more in the economic dynamics of business than uncertainty (Gutierrez & Frausto, 2016). According to the results of the survey applied to the SMEs establishments, mentioned in the part of the methodology of this research, the need to implement budgets as a tool to improve productivity and competitiveness is reaffirmed, considering the following:

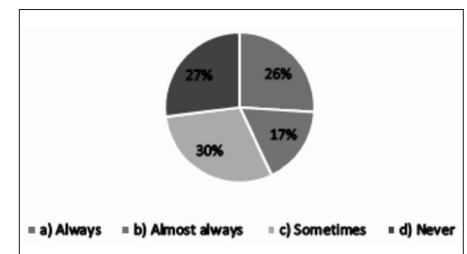
1. Are your budgets prepared annually in your company?

Table 2: Results of question 1

Answers	Amount
Always	8
Almost always	5
Sometimes	9
Never	8

Source: Own elaboration

Figure 5: SMEs that elaborate budgets



Source: Own elaboration

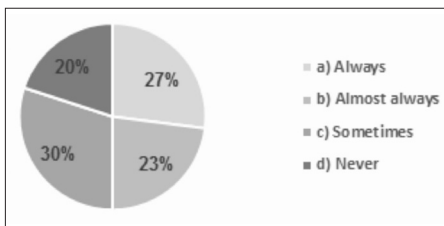
In the previous figure, it is observed that 26% of the establishments surveyed, always elaborate budgets, sometimes 30% and never 27%, which shows that there is a degree of improvisation. Therefore, uncertainty in their results, so previous they do not have cleared the course to which they are directed. Those who permanently perform them represent an extremely low proportion.

2. Is your income planned in advance and is compliance monitored?

Table 3: Results of question 2

Answers	Amount
Always	8
Almost always	7
Sometimes	9
Never	6

Source: Own elaboration

Figure 6: SMEs who plan

Source: Own elaboration

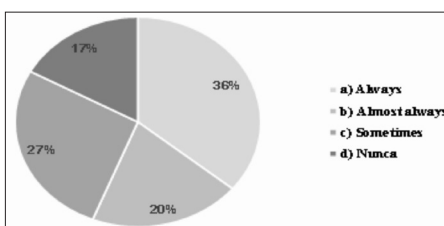
27% of the establishments consulted always plan their income, 20% never and 30% sometimes, observing a correspondence with the previous question, especially in this response, confirming the lack of budgetary culture as an administrative control tool, that makes evident the financial problems that propitiate the disappearance of a large number of them.

- Are your costs and expenses planned in advance and is compliance monitored?

Table 4: Results of question 3

Answers	Amount
Always	11
Almost always	6
Sometimes	8
Never	5

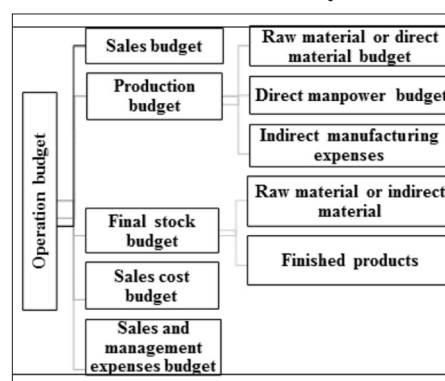
Source: Own elaboration

Figure 7: SMEs that plan their costs and expenses

Source: Own elaboration

As for the planning of costs and expenses, 17% never does, 27% sometimes, 36% always and 20% almost always. The lack of proper handling of cash outflows generates non-payment of payments to suppliers, payroll, taxes and other expenses, affecting the results. Likewise, in the absence of an orderly predetermination, it is not possible to establish continuous improvement programs in these areas, tending to the optimization and standardization of the same.

With the above, the proposal regarding the implementation of the basic budgets for SMEs is strengthened as a strategy to improve productivity and competitiveness, through a simple process that facilitates their understanding, considering that these organizations do not have a departmental distribution, being only one person in most cases who performs the administrative operations, however, having the necessary and timely accounting information, as well as the advice of the public accountant, as an external consultant, may carry out its preparation, mainly in the financial statements. For this purpose, the integration of operating and financial budgets is suggested in the following order:

Figure 8: Operating budgets for an industrial activity

Source: Own elaboration

As previously mentioned, for this study, the budgets are dealt with in two

categories. First of all, the operating budgets, as represented in the previous figure and which have the following order, which is explained in a simple manner to facilitate their understanding to those responsible for administering or managing a SME, based on the bibliographic sources consulted:

- 1) Sales budget. As Tamer & Guerra (2010) describes it in a simple way, it is integrated by the estimated sales quantity and is determined through the sales forecast, once an analysis of the possible future demand of the market is made, the result by the unit sale price.
- 2) Production budget. They are commonly expressed in physical units. The information needed to prepare this budget includes types and capacities of machines, economic quantities to produce and availability of materials (Mendoza, 2013).
- The industrial SMEs to integrate their production budget, should formulate the following budgets:
- 3) Budget of raw materials or materials to be used, quantifying physically according to their unit of measurement and in monetary terms in order to determine the value of the purchases to be made.
- 4) Budget of direct labor. According to the production, the number of workers, in their case the salaries to pay, through the established system, to quantify the cost of the payroll of the workers or workers who intervene directly in the production process.
- 5) Budget of manufacturing overhead. They are related to each of the expenses that indirectly are part of the production, such as depreciation of machinery, indirect labor, fuel, electric power, maintenance of equipment, that is, those expenses that originate in the productive process and that

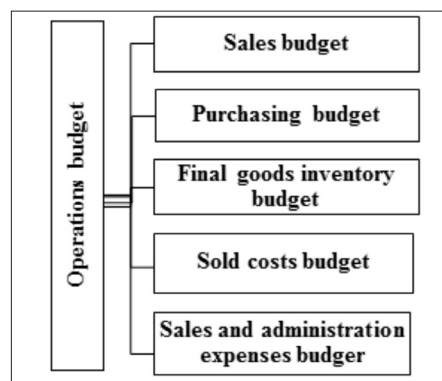
are not physically identified in the unit produced, but that are produced and through proration applied to the process. For this, it is important to identify and quantify them.

- 6) Budget of final inventories. The established policies must be taken into account regarding the stocks that are to be maintained at the end of each period, both raw materials or direct materials, as well as finished articles, which will form the final inventories. They can be integrated into a single document.
- 7) Cost of sales budget. It presents a complete overview of the entire budget process described to this point, starting with the raw materials, following through the elaboration of the same and concluding in the warehouse of finished products. That is, it is a budget that allows a general appreciation of the fable activity in terms of monetary units (Rivadeneira, 2014). It involves the initial and final inventories, both raw materials and finished production, the production cost as a result of the sum of direct materials plus direct labor and indirect manufacturing costs.
- 8) Budget for sales and administration expenses.
 - a) Selling expenses are constituted as mentioned by Rivadeneira (2014), by the set of disbursements, depreciations, amortizations and applications related to the storage, dispatch and delivery of the goods produced by the company; the promotion and propaganda expenses and the expenses of the sales department and its personnel. In other words, all those expenses related to the activity of selling.
 - b) Administrative expenses mention the author cited

in the previous paragraph; which are constituted by the set of disbursements, depreciations, amortizations and applications related to the management and direction of the general operations of a company. They usually include the functions of management, auditing, accounting, credit and collections and general offices. In the case of SMEs, they are those related to the activity of directing and administering.

- c) For SMEs whose activity is commercial, the elaboration of their budgets is simpler, because instead of production budgets, they only elaborate purchases of merchandise, likewise the final desired inventory of the same ones. In the determination of the cost of what is sold in the same way, its elaboration will be easier. In the following figure it is shown graphically in figure 9.

Figure 9: Operating budgets for a commercial activity

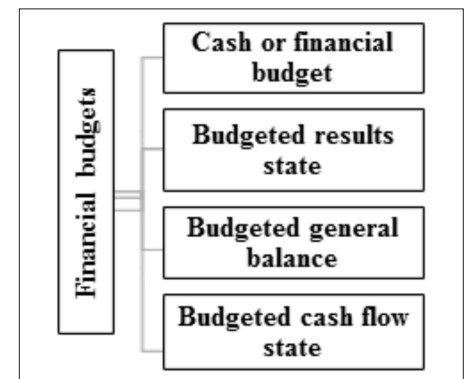


Source: Own elaboration

The financial budgets that correspond to the second category mentioned in this work, necessarily require the advice of the head of the accounting process, which is usually an external professional, the public accountant and are the same for a SMEs that performs

industrial activities or commercial. Next it is shown in figure number 10, how they are integrated.

Figure 10: Financial budgets



Source: Own elaboration

The financial budget, according to Horngren et al. (2012), is that part of the master budget formed from the budget of capital expenditures, the cash budget, the budgeted balance sheet and the statement of budgeted cash flows. A financial budget focuses attention on the way in which planned operations and capital expenditures affect cash. Below is a brief explanation of each one.

- 1) Cash budget. Considering the structure presented by the different authors consulted, it is possible to verify the importance of the information presented, from the available resources, its application, in its case the lack thereof, to look for the possible sources of financing with all opportunity, in its case adjustment of credit and collection policies, optimization of resources among others.
- 2) Budgeted income statement. Once the cash budget has been drawn up, the effect of the financing derived from the payment of interest for contracted loans is known, therefore, there is enough information to make this projected financial statement, since there is also

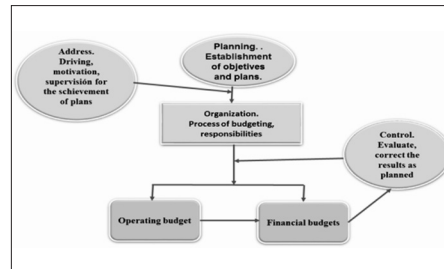
data on income, cost of sale and sales and administration expenses determined in the first category operating budgets. This accounting document presents the form in which the profit will be obtained or in its case the loss of the period to which the projections correspond.

- 3) Budgeted general balance. This projected accounting document reflects information related to goods, rights and obligations, among the most relevant with respect to budgeted data, accounts receivable and payable, inventories, profit determined in the income statement, credit debts, taxes to pay, utilities to distribute to workers, information generated in the previous budgets and that finally concentrates this financial statement.
- 4) State of budgeted cash flow. The efficient use of cash is one of the purposes of this accounting document. It shows the resources and their application, which allows making decisions in a timely manner when knowing the balance at the end of the period, which at a certain moment may represent a risk to make against immediate obligations or an excess in your case that merits planning your investment or appropriate use.

With the development of the aforementioned budgets, the SMEs will have tools that will allow them to visualize the needs in terms of income generation, production, expenses for purchases, salaries and salaries and other operating expenses, even to project the profit to be generated, or in its case the desired one, giving certainty to the business development, having clear where it is going financially. However, as previously stated, the elaboration of budgets requires mechanisms that ensure their efficient

and effective application, proposing the administrative process for their strengthening, as described below in graphic form.

Figure 11: Budget preparation process assisted by the administrative process



Source: Own elaboration

When preparing the budget through the application of the administrative process, it is possible to adequately define the objectives of the SMES, determine who, when and how each action will be carried out, who will be responsible for directing each stage of their integration, in the same way timely execution in the evaluation of the results, which is part of the control phase, with the purpose of verifying that the goals consigned in the budgets are being carried out according to the plans, in case of presenting deviations, analyzing and determining their causes for apply the corrective measures that are necessary.

CONCLUSION

The information consulted in the different sources that make up this work, first confirm the importance of the SMEs in the national economy, likewise show their low average life, as well as an uncertain future for many of them, mainly because they do not have an effective planning, that allows to know its objectives in a clear and precise way, to have budgets that serve as a guide in the development of its economic activity, that favor the obtaining of better financial results, likewise the information obtained through an applied survey, reveals the

need of better administrative practices that contribute to their productivity and competitiveness.

In this sense, the present investigation concludes with the proposal of implementing the operating and financial budgets for the industrial and commercial SMEs, being a strategy aimed at improving their productivity and competitiveness, for this their process is exposed graphically from figure number 8, indicating an order for effect of its elaboration, followed by a brief explanation of the different concepts that integrate them, by means of a simple language for its better appreciation. Regarding the part related to the financial budgets, the intervention of the person responsible for the generation of the accounting information is necessary.

One of the most important findings of this research is the need to combine the process of preparation, administration and application of budgets, with the administrative process, because alone, its effective compliance is not assured, mainly due to the need to establish with precision the goals, how and when they will be carried out in a timely manner, who will direct the actions, finally how compliance will be monitored according to the established, verifying that there are no deviations, correct them where appropriate and evaluate the results.

With the above and according to the characteristics of the SMEs, among others, as mentioned that they are family businesses and who directs them does not have the preparation and updating in the administrative field, an area of opportunity for governmental organizations, employer groups and chambers of the different branches of the activity, direct training and assistance processes, mainly addressing basic aspects of the administrative process and the advantages of adopting best practices in their businesses, such

as the implementation of budgets, to achieve better productivity and competitiveness.

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