Chapter 6

Microfinance and Rural Entrepreneurship in Mexico: A Budget Study for PROMUSAG

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ABSTRACT

One of the popular policies for rural entrepreneurialships in Mexico is the Program for Women in the Agricultural Sector, or PROMUSAG, whose objective is to contribute to the generation of employment and income of women entrepreneurs with 18 years or more living in agrarian centers by funding and training for implementation of productive projects. The aim of the chapter is to analyze the case of a joint venture stage to determine the successes and failures to undertake this business based on the theory of resources and skills of entrepreneurship and business in general and budget study of PROMUSAG in particular. The analysis concludes that the empirical knowledge of entrepreneurs in this case were not sufficient to direct the business to success, and structured knowledge strongly directed towards the non-permanence on the market is still lacking to serve the targeted population. However, based on CONEVAL Report, we can say something about the increase in women empowerment as far as the budget program is concerned.

INTRODUCTION

One of the popular policies for rural entrepreneurialships in Mexico is the Program for Women in the Agricultural Sector, shortly, PROMUSAG, whose objective is to contribute to the generation of employment and income of women entrepreneurs with 18 years or more living in agrarian centers; by funding and training for implementation of productive projects. The Mexican government through the Ministry of Agrarian Reform supports rural entrepreneurship projects. This is a support program for rural women entrepreneurs, seeking their integration in the productive sector to earn income to help in the fight against poverty in this rural environment. The support consists of a sum of money to start up
the business to undertake, which is repayable but it is considered at lost funds. In 2009, hundreds of projects have benefited from PROMUSAG, one of which has been analyzed for this report. This case is featuring nine women in the municipality of San Martin de Hidalgo, Jalisco. In that year, nine women was PROMUSAG order required for each project. The program measures its results through the Indicators Matrix Indicators for Results and external evaluations, in addition to those provided in the Annual Evaluation Program, conducts additional evaluations have provided independent information on progress in their strategic indicators; however, the program does not have impact assessments because of issues related to the budget itself. The team for this project consisted of women with little or no preparation in business, but the team had a leader with knowledge and skills acquired empirically that gave the project some routing to success. PROMUSAG central requirements requested to be eligible for funding to the various proposals were teams of nine members, all participants should be female, a project to undertake the business detailing emphasizing the distribution of grant money, it is sent to be developed by an engineer in the agricultural area and the last requirement was to have an area of land sufficient to carry out the purpose of the enterprise activity. The venture was marked by the fall in leader’s illness, which conditioned the project to a resounding lack of profitability, this, coupled with the lack of scientific preparation and support scientists generated a mismanagement of resources and capabilities that had the project, bringing this to its final termination in six months.

LITERATURE REVIEW

The essences of a few studies related to this area are needed to be mentioned here to carry out our study. The enterprise is the basic and elemental production system of an economy, is an indivisible economic unit that is generated in the process of value creation that is the essence, purpose and function of the entire economic system (Alegre, Berne, and Galve, 1995). Strategic management is the scientific discipline that studies issues related to management of organizations and how are managed the functional areas of the firm. Just as the way the company has designed herself, to set their goals and values, and to relate to their environment. According to Rumelt (1997), the purpose of the strategy is to provide partial support for the company to survive and be successful. Strategic management analyzes and determines the behavior of the target company specifically focuses on the determinants of competitive advantage and how it can be used to generate profits. In any organization or company, it is essential to have certain resources and capabilities that are the basis for the generation of competitive advantages, which are crucial to the achievement of the objectives of the firm, that is, to generate sales and more importantly, getting benefits.

The theory of resources and capabilities focuses on the analysis of assets owned and / or controlled by companies, as well as their differences, and the importance of this fact to explain the evolution of the results (Barney, 1991). From this approach, the company is considered as a unique set of resources and capabilities with a unique story (Castro and Lopez, 2006). In this perspective the strategy is defined as a constant search and maintenance benefits, which shows the economic approach model (Reynoso, 2005). Achieving success in business depends on the performance of the tasks of management and internal coordination and the efficiency with which the company competes. The theory of resources and capabilities and the structural theory explain the existence of extraordinary benefits of this success, although the empirical analysis shows that the first explains even better.

The value of the company is more related to intangibles than tangibles aspects on which the valuation was done traditionally (Jiménez, 1999). In turn, intangible resources and capabilities are usually
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