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Strategic Business Management and Its Role in the Formalization of Micro and Small Enterprises in Emerging Economies

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Abstract: This study explores the connection between business management and the formalization of micro and small businesses (MSEs) in a particular developing economy environment. The main objective is to identify the business management factors that influence the business registration and compliance processes of these enterprises. This study uniquely contributes to the literature by empirically identifying and testing the specific business management factors that influence MSE formalization in an emerging economy, using a quantitative, data-driven approach. The research design utilizes quantitative methods and non-experimental and correlational elements while surveying 186 informal entrepreneurs from a total population of 361. The analysis used SPSS software version 25 on Likert-type scale survey data to identify relationships between investigated variables. The results demonstrate a weak positive association between business management and MSE formalization through their r = 0.386 Spearman correlation coefficient, which reaches statistical significance at a *p*-value of 0.000. In addition, positive correlations were identified between resource availability and accessibility and service quality with formalization, whereas acceptability and adaptability did not show a significant relationship (r = 0.256, $p = 0.000$; r = 0.359, $p = 0.000$). The formalization of MSEs depends on proper business management; however, a broader contextual approach is required to meet specific demands in local areas such as the study area. These findings suggest the implementation of integrated policies that improve the availability, accessibility, and quality of resources and services offered to MSEs.

Keywords: acceptability; accessibility; adaptability; business management; continuous advising; formalization of MSEs; public policies; resource availability; service quality

check for updates

Academic Editor: Manfred Max Bergman

Received: 24 February 2025
Revised: 24 March 2025
Accepted: 27 March 2025
Published: 28 March 2025

Citation: Aguado-Riveros, U.I.; Barzola-Inga, S.L.; Adauto-Justo, C.A.; Pariona-Amaya, D.; Espinoza-Quispe, L.E.; Poma-Lagos, L.A.; González-Prida, V.; Navarro-Veliz, J.A. Strategic Business Management and Its Role in the Formalization of Micro and Small Enterprises in Emerging Economies. *World* **2025**, *6*, 41. https://doi.org/10.3390/world6020041

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1. Introduction

Academic institutions and policymakers display rising interest in MSE formalization, especially in Latin America, where business informality hinders economic and social development in this region. Formalization enables MSEs to access financing opportunities while participating in expanded markets and simultaneously enables both formal job generation and better competition potential in their home markets [1]. The formalization process encounters several obstacles according to Floridi et al. (2020), comprising inaccessible resources, poor business training, and complex administrative procedures [2]. In this

context, business management emerges as a critical factor that can facilitate or hinder the formalization process of MSEs. Business management is defined as the set of practices and strategies that integrate various functional areas of an organization to improve its planning, control, and sustainability. In this sense, different management theories, such as scientific management, classical theory, and contingency theory, provide conceptual frameworks for understanding how management practices can influence business formalization [3]. The relevance of this issue is that, despite government and private efforts to promote formalization, many MSEs continue to operate informally, limiting their growth and their ability to compete with larger firms [1]. Informality presents several economic effects, which include the deterioration of the tax foundation and the maintenance of inconsistent and precarious workplace conditions [4]. This article focuses on the relationship between enterprise management and the formalization of MSEs in the Provincial Municipality of Chanchamayo, Peru, during the year 2024. To understand how enterprises are classified in the context of this study and in the regulatory framework of countries such as Peru, the range of workers that an enterprise can have to be classified as micro or small is used, as well as the maximum amount of annual sales (Table 1).

Table 1. Classification of MSEs.

	Number of Contributors	Sales/Year
Microenterprise	From 1 to 10	The maximum amount of 150 UIT *.
Small business	From 1 to 100	The maximum amount of 1700 UIT *.

* UIT stands for "Unidad Impositiva Tributaria", which translates to "Tax Unit" in English. This reference value is used in some countries, such as Peru, for calculating taxes, fines, and other financial obligations to the government.

This quantitative research study analyzes business management elements such as availability, accessibility, acceptability, adaptability, and service quality to understand their influence on formalization processes through a non-experimental design. The research findings provide empirical evidence of business management's significance in formalization processes while offering specific policy recommendations to support MSEs. In other words, the formalization of MSEs is an essential component of sustainable economic development, and business management plays a crucial role in this process. This study explains management–formalization interactions for designing effective intervention strategies that simultaneously benefit both individual businesses and regional economic and social welfare [3]. This study contributes meaningfully to both academic and policy-oriented discussions by addressing a persistent gap in the empirical literature: the lack of evidence on how specific business management dimensions influence the formalization of micro and small enterprises (MSEs) in emerging economies. While many studies discuss informality in terms of regulatory burdens or institutional weaknesses, few have explored how managerial practices—such as planning, organization, resource access, and service quality—concretely affect formalization outcomes. By analyzing data from a representative sample in Chanchamayo, Peru, this research not only expands the theoretical understanding of enterprise behavior in informal contexts but also provides actionable insights for policymakers. The formalization of MSEs has profound implications for economic development, including increased tax revenues, job creation, and improved social protection. Socially, formalization promotes more equitable labor conditions and reduces vulnerability among self-employed and informal workers. Therefore, the findings of this study are essential for designing integrated strategies that strengthen MSE competitiveness while fostering inclusive growth in emerging regions. This research aims to bridge a knowledge gap by analyzing how business management serves as a driver for MSE formalization in a specific emerging economy context. Unlike previous studies that address MSE informality from a structural or policy-based perspective, this research innovates by quantitatively testing

the influence of distinct business management dimensions, such as resource availability, accessibility, and service quality, on the formalization process in an emerging economy.

In relation to the problem statement and objectives of this study, business informality is a persistent phenomenon that affects micro and small enterprises (MSEs) in various regions of the world, and Latin America is no exception. Local economic development, together with social inclusion, faces major barriers through informality within the Provincial Municipality of Chanchamayo, Peru. Legal system entry efforts from national and local authorities have failed to bring the majority of MSEs within the formal sector, due to which they remain beyond legal boundaries yet are unable to receive financing opportunities, training access, and integration within larger markets [1]. The central problem addressed by this study is the low rate of formalization of MSEs in Chanchamayo and how business management can influence this process. Business management, understood as the set of practices and strategies that integrate various functional areas of an organization, is presented as a potentially determining factor in facilitating the transition from informality to formality [3]. It is important to clarify that this study does not assess the internal or autonomous business management practices of individual entrepreneurs. Rather, it focuses on evaluating the effectiveness of a public Business Management Program (BMP) implemented by the Licensing and Marketing Division of the Provincial Municipality of Chanchamayo. This program offers advisory, training, and support services to informal MSEs, aiming to facilitate their transition toward formalization. Therefore, the business management dimensions examined, such as availability, accessibility, acceptability, adaptability, and service quality, are understood in relation to the services provided by the municipal program, not the internal management decisions of the enterprises themselves. However, there is a gap in the literature regarding how different dimensions of business management, such as the availability of resources, accessibility to services, acceptability, adaptability, and the quality of service, impact the formalization of MSEs in specific contexts such as an emerging economy [5]. The main objective of this study is to analyze the relationship between business management and the formalization of MSEs in the Provincial Municipality of Chanchamayo during the year 2024. To achieve this objective, the following specific objectives are proposed:

O1. To assess the level of business management among informal MSE owners in Chanchamayo, considering dimensions such as availability, accessibility, acceptability, adaptability, and quality of service;
O2. To determine the correlation between each of these dimensions of business management and the degree of formalization of MSEs, using a quantitative approach and a non-experimental design [3];
O3. To identify the most significant barriers faced by MSEs in their formalization process and propose practical recommendations to overcome them, based on the empirical findings of this study [6];
O4. To provide empirical evidence that can inform the formulation of public policies and strategies to support MSEs in order to improve their competitiveness and sustainability in the market [1].

This study is based on a sample of 186 informal MSE owners, selected from a population of 361, and uses surveys with a Likert-type scale for data collection. The data analysis will take place through SPSS software that helps detect important patterns, as well as connections between study variables. A detailed analysis of business management's effects on MSE formalization will be provided in this study within the context of the Chanchamayo region. This research should help develop stronger interventions that both support single enterprises and enhance regional economic and social development [3].

2. Literature Review

2.1. National and International Background

The global prevalence of business informality mostly affects micro and small enterprises (MSEs) across multiple regions, with especially high occurrence rates in Latin America. The boundary between legal and illegal operations defines such enterprises, meaning that they cannot access essential formal benefits such as financial support, market accessibility, and professional training programs. The study of informality in international settings has characterized both broad universal patterns and exclusive regional challenges across various countries. The issue of business informality remains a long-lasting problem across Latin America, thereby affecting both economic development and social advancement. Research into formalization in Chilean handicraft industries shows that the successful inclusion of these businesses depends on public policies that assist them with joining formal markets [7]. Studies in Ecuador reveal that administrative formalization affects the income of technology microenterprises, although researchers emphasize the need to simplify bureaucratic procedures to promote formalization [8]. Research on dairy microentrepreneurs operating in Cali, Colombia demonstrates that insufficient access to resources coupled with poor training hinders their formalization according to [9]. Business management stands out as a crucial factor for formalization, while these studies demonstrate that MSEs benefit from integrating different functional areas to improve their operational efficiency and market competitiveness [3].

At the national level in Peru, business informality is a critical challenge affecting a large number of MSEs. The present research in the Provincial Municipality of Chanchamayo highlights the significant relationship between business management and the formalization of MSEs. Quantitative analysis employing non-experimental design shows that business management operating through availability, accessibility, acceptability, adaptability, and quality of service directly affects formalization. The role of business management in the formalization of MSEs has been widely discussed in the literature. The concepts of scientific management and classical theory, alongside bureaucracy theory and contingency theory, provide explanations of how formalization responds to different management practices [3]. These theories suggest that effective business management can improve planning and control in organizations, thus facilitating their transition to formality. In addition, business promotion has been identified as a crucial means of fostering formalization. In Peru, FONAFE's role in state business management has been highlighted as a model to be replicated in local governments to support entrepreneurs [1]. Business promotion involves communication strategies and formalization programs that can help MSEs overcome the barriers of informality. In summary, business informality remains a significant challenge for MSEs both nationally and internationally.

Although the literature widely acknowledges the importance of business management in facilitating MSE formalization, perspectives vary regarding the degree and nature of this influence. Some studies suggest that internal management capacities, such as planning, organization, and control, are critical drivers for formalization, enabling firms to meet regulatory standards and improve access to financial and institutional support. However, other works argue that external constraints, such as bureaucracy, excessive costs, and weak institutional infrastructure, often outweigh internal managerial efforts, rendering business management insufficient in isolation. These contradictory viewpoints highlight a theoretical tension between structuralist and managerialist interpretations of informality. Moreover, while policies in countries such as Chile and Brazil have shown success by integrating advisory services with simplified procedures, other regions such as Peru and Colombia continue to struggle due to fragmented policy implementation and limited follow-up support. This discrepancy underscores the need for contextualized

formalization frameworks that go beyond administrative compliance and incorporate strategic management development. Despite growing interest in the topic, there is still a gap in empirical research that simultaneously measures multiple dimensions of business management and their specific impact on formalization, particularly in localized, emerging contexts such as the Provincial Municipality of Chanchamayo. Our study responds to this gap by empirically testing how distinct managerial dimensions correlate with MSE formalization levels in a high-informality setting. The role of business management stands as a fundamental element for formalization and a combined strategy that unifies public policies with business support and modern managerial practices should guide the solution process. This background underlines the need for further research and the development of strategies that promote the formalization of MSEs, thus contributing to sustainable economic and social development [3].

2.2. Theoretical or Scientific Basis

The academic and professional worlds increasingly study business management, together with formal MSEs and their transformation, while emerging economies face substantial barriers to economic expansion due to high informality levels. The practice of business management combines organizational activity coordination that leads to efficient and effective objective achievement. The process requires the unification of functional work areas to reach its goals, such as marketing, finance, operations, human resources, and legal aspects, in order to improve the profitability and sustainability of enterprises. The formalization of MSEs, on the other hand, refers to the process by which these enterprises are formally registered and comply with the necessary legal requirements to operate within the established regulatory framework. This process includes the proper documentation of processes, positions, and functions, which allows for order and efficiency in operations [10,11]. The process of formalization provides MSEs with legal advantages and tax relief in addition to boosting their capabilities to access financial support, bigger market opportunities, and business development initiatives. In the theoretical context, several management theories have been applied to understand and improve business management in MSEs. The theoretical foundations of business management provide critical insights into the formalization of micro and small enterprises (MSEs). Scientific management, pioneered by Frederick Taylor, emphasizes work efficiency through task specialization and process standardization, which can enhance operational consistency in MSEs transitioning to formality. This theory underscores the importance of structured workflows and productivity optimization, facilitating adherence to legal and administrative requirements. The classical theory, developed by Henri Fayol, highlights principles such as division of labor, authority, and discipline, which contribute to establishing the well-organized and hierarchical structure necessary for formalized operations. This perspective suggests that MSEs benefit from clear roles and systematic managerial functions, reducing ambiguity in regulatory compliance. The bureaucracy theory, formulated by Max Weber, advocates for structured organizational procedures, rule-based governance, and professional administration. While sometimes criticized for rigidity, bureaucratic principles offer MSEs a framework for consistency, predictability, and accountability in formalized business environments. Lastly, the contingency theory argues that there is no one-size-fits-all approach to management, as organizations must adapt their strategies based on external and internal conditions. For MSEs, this flexibility is crucial in customizing formalization strategies that align with their operational scale, industry characteristics, and market demands. These four theories collectively provide a conceptual basis for understanding how different managerial dimensions influence MSE formalization outcomes, reinforcing the tested relationships in this study.

Frederick Taylor introduced the scientific management theory, which emphasizes building work efficiency, process standardization, and task-specific roles. The theory relates to work formalization because its principles promote clear and efficient organizational structures [3]. The classical management theory created by Henri Fayol includes division of labor, authority, and discipline as fundamental principles that help establish formal organizational frameworks. These principles are applicable to MSEs in their transition to formality, as they facilitate the creation of a structured and accountable work environment [12]. The bureaucracy principles of Max Weber offer a comprehensive model for formalization through directives of rules and procedures, hierarchical systems, and personnel management expertise. Although bureaucracy can be seen as rigid, it provides a system of control and predictability that is essential for the formalization of MSEs [13]. Under the contingency theory, effective organizational management happens through the application of proper strategies that match individual organizational circumstances. This approach fits MSEs well because it enables customizable formalization plans according to unique business settings [14]. In summary, business management and the formalization of MSEs are interrelated processes that require a sound theoretical approach for their understanding and effective implementation. The conceptual framework from management theories directs MSEs toward an operational organizational structure that enables them to approach formal business practices while enhancing their market competitiveness. This leads to sustainable economic growth. Analyses of applied theories, together with formal MSE (micro and small enterprise) organizational development, represent the core understanding of these theories' practice implications.

An important yet often overlooked aspect of business management in the formalization of MSEs is the role of strategic human resource management (SHRM). SHRM contributes to formalization by aligning workforce planning and talent development with organizational goals that support compliance and sustainability. Through effective workforce planning, MSEs can define roles, responsibilities, and staffing needs that are consistent with legal business operations, a fundamental step in the formalization process. Furthermore, employee training and development are critical for equipping staff with the skills and knowledge required to operate in accordance with regulatory frameworks and quality standards. Training also enhances employee commitment and professionalism, which are often associated with formal business structures. Lastly, SHRM facilitates compliance with labor regulations by institutionalizing policies on employment contracts, social security contributions, health and safety standards, and fair compensation. These HR practices not only mitigate legal risks but also improve the credibility and legitimacy of the business in the eyes of clients, partners, and public institutions. Therefore, integrating SHRM into the management strategy of MSEs not only supports internal efficiency but also serves as a catalyst for their transition into the formal economy. Multiple management theories found success in various research studies to create a standardized framework that promotes MSE formalization.

- As proposed by Frederick Taylor, the scientific management theory demonstrates a focus on process standardization along with task specialization for work rationalization [3]. Various studies use this theory to enhance the operational effectiveness of MSEs by establishing standardized management approaches. According to Geisse (2018), formal process implementation in Chile's traditional handicraft sector leads toward increased efficiency levels and enhanced citizen participation through taxation compliance [7].
- Henri Fayol established the classical management theory, through which organizations use principles such as division of labor, as well as authority and discipline. These principles are essential for establishing formal organizational structures in MSEs. Fam-

ily businesses in Peru experienced improved organizational clarity and operational efficiency with the implementation of such principles, according to [10].

- The bureaucratic system introduced by Max Weber emphasizes structured formal guidelines and standardized procedures, as well as a hierarchical organization coupled with expert personnel management. This theory delivers control mechanisms and prediction abilities, although many doubt its flexibility, thus making it essential for formalization processes. Small Mexican manufacturing enterprises enhanced their regulatory compliance, together with formal financing capabilities, by establishing bureaucratic structures, according to [11].
- According to the contingency theory, the effectiveness of organizational management depends on how well management practices fit the unique situations that each organization faces. MSEs can benefit from this theory because it enables the adjustment of formalization strategies to match their individual organizational requirements. Research on Brazilian technology companies demonstrates that organizations that modified their management approaches for local conditions reached higher levels of formal success while maintaining continuous expansion [15].
- According to the organizational behavior theory, it is vital for employees to establish an alignment between their business targets and personal objectives. This research concept has aided scholars in studying formalization approaches for raising MSE employee dedication and workplace commitment [16]. The alignment of organizational culture with employees' personal goals led Colombian service companies to gain superior talent retention while also improving their performance [3].

The formalization of MSEs benefits from management theories as they establish an essential conceptual structure. Research findings demonstrate that implementing these theories creates operational efficiencies, together with organizational clarity and employee commitment, helping MSEs transition to formal operations, which promotes sustainable economic growth.

2.3. Conceptual Framework of Variables and Dimensions

2.3.1. Description of the Conceptual Framework of Corporate Governance

The business management conceptual framework is a critical part of the management discipline for explaining how organizations can best manage and achieve their operational and strategic goals. Business management is described as a trio of abilities, practices, and processes that a group's leaders employ to develop, structure, manage, and regulate resources to pursue particular goals [17]. This notion includes a variety of interrelated dimensions that are critical to organizational success.

- Planning is one of the most important dimensions of business management, which involves defining clear objectives and developing strategies to achieve them. Planning plays an important role in designing and forecasting challenges and opportunities, enabling the organization to react to the environment's changes [18]. Good planning relies on an examination of the resources that are available to be used in the plan, as well as identifying the best practices for using those resources.
- Organization is a crucial parameter and is defined as the process by which the company is organized to ensure the coordination of human and material resources to achieve strategic objectives. Organization is about establishing a clear structure and assigning tasks and roles that enable coordination and communication in an organization, respectively [19]. A clear organizational structure is essential for operational effectiveness and sound decision-making.
- Leadership is also a core component of business management, involving dealing with, stimulating, and managing employees in order to reach organizational goals. Efficient

management requires communication, leadership, and inspirational skills to positively affect employees' behavior and foster a productive work environment [19]. Leaders are required to be able to motivate and direct their team to arrive at a shared objective.

- Finally, control is the dimension that is responsible for monitoring and evaluating organizational performance to ensure that objectives are being met. The implementation of monitoring and evaluation systems under control facilitates deviation detection and necessary corrective action [18]. An effective control system is essential to maintain quality and efficiency in all company operations.

Business management examines stakeholders in its conceptual framework while analyzing the individuals or groups who manage or experience decision impacts on organizations [19]. The success of a company in the long term depends heavily on well-managed stakeholder support because stakeholders need to cooperate with the company for sustainable progress. The business management conceptual framework creates an inclusive system that helps organizations understand their operations for improvement purposes. Business organizations enhance resource performance through the implementation of planning, organizing, directing, and controlling dimensions. Teams that consider stakeholder effects implement sustainable growth strategies and achieve enduring success [10].

2.3.2. Description of the Conceptual Framework for MSE Formalization

The formalization of micro and small enterprises (MSEs) requires national organizations to introduce formal legal and economic rules for their inclusion. This process not only seeks to regularize the operations of MSEs but also to improve their efficiency, profitability, and long-term sustainability [10]. Organizational design recognizes formal registration for starting operations as an essential requirement since enterprise operations must have well-defined process functions and positions [10].

- Accessibility: The accessibility dimension for formalization provides MSEs with simplified methods to attain essential resources for their formalization process. This includes access to information, financing, and advisory services that facilitate the formalization process [20]. Accessibility is critical to ensure that MSEs can overcome the initial barriers they face when trying to formalize.
- Availability: Organizational resources and the necessary services to conduct formal operations make up the essential element of availability in this dimension. This includes the availability of adequate infrastructure, technology, and trained staff to support business operations [21]. The availability of these resources is crucial for MSEs to be able to maintain their operations efficiently and competitively.
- Acceptability: Acceptability represents a vital measurement factor because it describes MSEs' willingness to accept formal business practices. This implies a cultural change within the organization, where entrepreneurs and employees must be willing to comply with established regulations and standards [22]. The success of MSEs in continuing their formalization depends on their ability to be accepted by the market at large.
- Adaptability: MSEs show adaptability when they transform their operations in response to both regulatory and economic environmental changes. Enterprises need flexible operations combined with willing practice modifications to follow new rules and access formal market opportunities [23]. MSEs need adaptability as a primary condition for sustaining their long-term viability in a performance-oriented competitive marketplace.
- Service quality: Finally, service quality is a dimension that is related to the formalization of MSEs, as high-quality service can improve customer satisfaction and the firm's reputation, which in turn can facilitate its integration into the formal market [24]. Suc-

cess rates in formalization mostly depend on service quality because it demonstrates how enterprises perform against market requirements and official protocols.

In summary, the conceptual framework of MSE formalization encompasses multiple dimensions that are essential for their successful integration into the formal market. By focusing on accessibility, availability, acceptability, adaptability, and the quality of service, MSEs can improve their operational efficiency and ensure their long-term sustainability [10].

3. Methodology

3.1. Research Method

3.1.1. Typology, Level, and Design

Any academic research depends fundamentally on research methods to structure the data collection process, along with subsequent analysis steps and interpretation. The process of formalization for micro and small enterprises (MSEs) employs a research methodology that unites fundamental scientific approaches with the deductive hypothetical research method [25]. Such a methodology enables structured research into variables, which leads to legitimate and dependable study outcomes (Appendix A). The general scientific method is based on the determination of rules and laws that are universally applicable in research. This method provides a solid basis for the formulation of hypotheses and the structuring of the research process [25]. The hypothetical deductive method concentrates on creating hypotheses that researchers evaluate through the direct measurement of empirical evidence. This method is especially useful in research that seeks to establish causal or correlational relationships between variables, as is the case of the formalization of MSEs and their relationship with factors such as business management and public policies [26]. The type of research adopted in this study is basic in nature, implying that its main objective is to generate theoretical knowledge without necessarily being concerned with its immediate practical application [27]. Developing a reliable theoretical construct through this research enables it to predict applied research applications and policy development strategies. Furthermore, the level of research is relational, meaning that it focuses on identifying and analyzing the relationships between different variables [28]. The research design is non-experimental, descriptive, and correlational, with a cross-sectional approach. The data collection takes place at one specific time, thus capturing a temporary picture of variable relationships [28]. The research design enables studies with two variables to explore their correlations without affecting their initial conditions, especially when experimental intervention remains impractical or unethical. The study population is composed of MSE owners in the Province of Chanchamayo, with a sample selected to be representative of this population [10]. Surveys are used as the data collection technique, with a structured questionnaire using the Likert scale, which allows the perceptions and attitudes of the participants to be captured quantitatively [10]. The research method established in this study produces an effective structure for analyzing MSE formalization dynamics. Using a proper research design, together with strict scientific methodology, this investigation adds to the theoretical knowledge of the dynamics affecting MSEs. This work provides essential findings for researchers and policymakers who study MSE formalization [27].

The level of research adopted in this study is correlational, which implies that it focuses on assessing the relationship between two or more variables within a given context, based on the testing of controlled hypotheses [15]. This methodology enables researchers to observe relationships between variables, particularly during studies that examine variable interactions that occur naturally between unmanipulated components, thus generating patterns that advance both research and practical applications. Furthermore, this study is also classified as descriptive, as it focuses on characterizing a phenomenon or group in order to establish its structure or behavior. In this case, it examines the relationship between

enterprise management and the formalization of micro and small enterprises (MSEs) in the same research unit or study subjects [29]. Researchers require this level of research to understand the characteristics and behaviors of variables as fundamental groundwork for future advanced or practical investigations. The research design is non-experimental, descriptive, and correlational, with a cross-sectional approach. Once researchers gather their data measurements at a fixed time instant, they acquire a picture of the mutual relations between study variables without changing the natural state of their research subjects [30]. This design works best in research settings where variables cannot be adjusted due to it being unethical or unfeasible, yet where correlation and associative analyses of variables are required. This non-experimental approach is justified by the nature of this study, which does not seek to alter the research variables to achieve targeted results but rather to observe and analyze relationships as they occur naturally [31]. Research applications benefit from this method when the variables remain challenging to understand or modifying conditions would substantially alter experimental outcomes. Researchers use cross-sectional design methods for gathering specific time data to identify correlations in studies that avoid future longitudinal follow-up requirements. This research design works effectively to reduce costs and time consumption while serving perfectly for initial investigations that establish the groundwork for bigger future studies [32]. In summary, the level and design of research adopted in this study provide a solid framework for exploring the relationship between business management and MSE formalization. This research combines correlational analysis with a cross-sectional non-experimental design to deliver extensive insights about MSEs that benefit both theoretical and practical aspects of this field, according to [15]. The research design's validity stems from ensuring that applicable findings contribute to the existing knowledge, which enables future research development.

3.1.2. Population and Sample

In the present study, the target population consists of 361 owners of informal micro and small enterprises (MSEs) located within the jurisdiction of the Licensing and Marketing Division of the Provincial Municipality of Chanchamayo [26]. This population was selected due to its relevance in the context of this research, which seeks to explore the relationship between business management and the formalization of MSEs in this specific region. The total population of informal businesses considered in this study was determined based on the internal registry maintained by the Licensing and Marketing Division of the Provincial Municipality of Chanchamayo. This registry includes detailed records of informal economic units operating within the municipality's jurisdiction, based on regular inspections, local market monitoring, and administrative documentation. By relying on this official source, this study ensured the accurate and comprehensive identification of the population of informal MSEs eligible for participation, which totaled 361 enterprises at the time of data collection. To ensure the representativeness of the results and to allow their generalizability to the whole population, probability sampling was used. This type of sampling is appropriate when a finite population is available, and the aim is to minimize bias in the selection of participants [33]. The final sample consisted of 186 MSE owners, who were selected by applying a statistical formula for finite populations, which ensures that the sample is representative of the total population [15].

To ensure the representativeness and reliability of the data, a structured sampling strategy was applied. A total of 361 questionnaires were distributed among registered informal microentrepreneurs within the jurisdiction of the Licensing and Marketing Division of the Provincial Municipality of Chanchamayo. From these, 186 valid responses were collected, resulting in a response rate of 51.5%. The sample was obtained using a simple random probability sampling method to minimize selection bias and enhance objectivity.

To further strengthen data integrity, all responses were collected anonymously, encouraging honesty and reducing social desirability bias. Prior to full implementation, the survey instrument was pre-tested with a small pilot group of 15 entrepreneurs to validate question clarity, response time, and the reliability of the Likert-scale items. Minor adjustments were made based on pilot feedback. Microentrepreneurs were contacted and recruited through collaboration with local business associations and municipal support networks, which facilitated access and built trust with participants. Enumerators were trained to administer the surveys in person, ensuring a consistent application of the instrument and resolving any doubts from participants during the process. This study was conducted between January and March 2022, during which time data were collected through face-to-face surveys administered by trained personnel. On average, each participant required approximately 20 min to complete the questionnaire, which included items related to the dimensions of the Business Management Program and MSE formalization.

The sample selection process was carried out considering the need to obtain accurate and reliable data that reflect the characteristics and dynamics of the population under study. The choice of a probability sample responds to the intention of obtaining a sample that allows the results to be inferred from the population as a whole with a high degree of confidence. The achieved 95% significance level and 0.847 Spearman's Rho coefficient demonstrated a significant relationship between the research variables [15].

$$n = \frac{Z^2 pq \cdot N}{E^2(N-1) + Z^2 \cdot pq} \quad (1)$$

where:

n = sample size
p = 0.5
q = 0.5
N = population size
E = error level (5% for 95% confidence) = 5%
Z = Z-value for 95% confidence interval = 1.96
Replacing:

$$n = \frac{1.96^2(0.5)(0.5) \cdot 361}{(0.05)^2(361-1) + (1.96)^2 \cdot (0.5)(0.5)}$$

$$n = 186.32 \approx 186$$

Surveys were used as the data collection technique, which was applied to the 186 selected microentrepreneurs. This approach stands out as an effective tool that retrieves quantitative data, which is analyzed through statistics to reveal connections among different variables [34]. The questionnaire used was designed to capture relevant information on the business management and formalization process of MSEs, ensuring that the data collected is relevant to the objectives of this study. Objective analysis of results through the quantitative approach proves essential for drawing valid and reliable study findings. The application of both basic and inferential statistical techniques ensures that the findings are robust and can inform practical and policy decisions in the field of business management and MSE formalization [35]. In conclusion, the careful selection of the population and sample, together with the application of rigorous data collection and analysis methods, provides a solid basis for the study of the relationship between business management and the formalization of MSEs in the Provincial Municipality of Chanchamayo. The selected methodological elements guarantee representative results, which add significant value to existing knowledge while offering applicable insights for future research and practical applications [15].

3.2. Techniques Applied

3.2.1. Data Collection Instruments

In the context of this research, data collection was carried out using carefully selected techniques and instruments to ensure the validity and reliability of the results. Surveys served as the primary research method because they represent a common instrument in non-experimental studies for collecting structured data, according to [26]. This technique is particularly useful when seeking to assess specific variables, such as business management and the formalization of micro and small enterprises (MSEs), which are the focus of this study. The instrument used for data collection was a questionnaire designed to capture relevant information on the variables of interest. The instrument used the Likert scale for attitude and perception measurement to produce ordinal data that support quantitative analysis [36]. The five-step Likert scale assessment included 1 = Never, 2 = Almost never, 3 = Sometimes, 4 = Almost always, and 5 = Always, enabling participants to show their level of agreement or report frequency regarding the given questions. Voice-to-voice survey administration confirmed that participants clearly understood each question while giving correct responses during the survey. This approach also allowed researchers to clarify any doubts that arose during the data collection process, thus improving the quality of the information obtained [37]. The survey also included guarantees that survey responses would remain confidential, which led participants to provide accurate information. SPSS version 25 operated as the data-processing and analysis software because it serves as an effective statistical analysis platform. This software application provided appropriate platforms for statistical descriptions, as well as inferential methods that enabled precise data interpretation. In particular, Spearman's correlation coefficient was used to assess the relationship between the variables of business management and MSE formalization, providing a measure of the strength and direction of the observed associations [38]. The research methods used, together with the data collection instruments, provide both strong result reliability and functionality to make the findings consistent with other studies across different context areas. Careful planning and execution of data collection are fundamental to the success of any research, and in this study, they have provided a solid basis for the analysis and interpretation of the results. In conclusion, the choice of the survey as a data collection technique, together with the use of a structured questionnaire and rigorous statistical analysis, has allowed us to obtain valuable and reliable data on the business management and formalization of MSEs in Chanchamayo Province. The study adds to the current literature while providing useful recommendations to policymakers for supporting MSEs that function in similar settings [15].

3.2.2. Data Processing and Analysis

In this study, data-processing and analysis techniques were selected in order to ensure the accuracy and validity of the results obtained. SPSS version 25 software handled the data processing through its established capabilities in data management and sophisticated statistics analyses [26]. The software provided a structured method to arrange all gathered data to support analysis afterwards. The research employed descriptive analysis alongside inferential statistics for data processing. The data characteristics were described using descriptive statistics to depict the patterns and trends found within the data collection [15]. The researchers performed calculations for central tendency measures, including the mean and median, together with dispersion measures using standard deviation. For the inferential analysis, Spearman's correlation coefficient was used, a non-parametric technique that is suitable for assessing the relationship between ordinal variables or when the normality of the data cannot be assumed [38]. This technique made it possible to determine the strength and direction of the associations between the variables of business management

and the formalization of micro and small enterprises (MSEs) in Chanchamayo Province. Spearman's coefficient proved suitable for these research conditions because the analysis used a non-experimental and correlational design to find relationships between uncontrolled variables [26]. The procedure involved normality tests to examine data distribution patterns because they verified which statistical methods should be used with specific types of data [15]. The tests are necessary for validating particular statistical methods while maintaining the strength of the obtained results. The research design uses reliable data-processing procedures combined with analysis technologies that ensure the results are both dependable and repeatable. Through the accurate execution of these methods, researchers gain a comprehensive understanding of variable relationships and establish the capability to review their findings relative to supplementary studies from different environments. The analysis of this study's data stands solid due to both SPSS software implementation and descriptive and inferential statistical technique application. The adopted methods produced meaningful results about MSEs' business management and formalization, thus advancing academic understanding and providing direct applications for policymakers in this sector [38].

3.3. Ethical Aspects of This Research

Academic research maintains its validity through research ethics, which serves as an essential mechanism to establish research credibility. In the present work, the ethical principles established by the institution have been rigorously followed, ensuring that all procedures comply with the international standards on research ethics. A key aspect of academic probity should be applied by correctly referencing every source used to ensure original work without plagiarism. In addition, Turnitin software (www.turnitin.com) was used at various stages of the writing process to check for similarities with other sources, thus ensuring the originality of the content presented. The confidentiality and anonymity of participants were prioritized throughout the research process. The collected data from questionnaires experienced full anonymity, which protected respondents from any disclosure of their personal information throughout the research period. Both individual privacy protection and the building of trust became possible through this approach because it provides respondents with secure anonymity. The necessary permissions were obtained from the institution to apply the data collection instruments, complying with the regulations established by the house of study regarding the confidentiality and non-disclosure of results for other purposes. The research process depends on this step to maintain ethical standards by showing respect toward every individual's rights. In addition, this research was conducted in accordance with the UPLA General Research Regulations, as well as the UPLA Code of Research Ethics Regulations. These documents create specific guidelines that firmly define principles and standards, ensuring that research operates with fairness and equitable practices. A highlight of this study was the interaction and socialization with traders, microentrepreneurs, and informal entrepreneurs in Chanchamayo Province. Through this method, researchers achieved data quality improvements, together with respectful participant interviews, which built partnership dynamics between researchers and participants. In conclusion, the ethical aspects of this research were carefully considered and applied at every stage of the process. The research process maintained continuous dedication to participant rights alongside transparent behavior, as well as data integrity across every stage from collection to the presentation of results. This method enhances data quality while boosting both the credibility and reliability of results, with a focus on ethical and responsible knowledge advancement.

4. Results

4.1. Description of Results and Normality Test

Quantitative research relies on descriptions of the results, together with normality testing, to verify hypotheses and support the stability of the statistical analysis. This article presents a detailed analysis of the results obtained from a study on the formalization of micro and small enterprises (MSEs) and their relationship with business management. The description of the results focuses on the distribution of the key variables of this study. In particular, the level of formalization of MSEs was assessed and categorized into low, medium, and high levels. The data revealed that for variable 1, 5.4% of the enterprises are at a low level of formalization, suggesting that a minority have poor business management. Another 74.7% are at a medium level, indicating that the majority of the entrepreneurs have moderate business management. Finally, 19.9% reach a high level, reflecting that a significant, albeit smaller, proportion have strong business management (Table 2). These results highlight that although the majority of entrepreneurs have a medium level of business management, there is a significant gap between those with low and high levels, which could influence their ability to formalize.

Table 2. Variable 1—business management.

Business Management					
		Frequency	**Percentage**	**Percentage Valid**	**Cumulative %**
Valid	Low Level [22–51]	10	5.4	5.4	5.4
	Medium Level [52–81]	139	74.7	74.7	80.1
	High Level [82–110]	37	19.9	19.9	100.0
	Total	186	100.0	100.0	

Note: SPSS results.

This research demonstrates that respondents facing resource access challenges within their companies constitute 21%, although a majority of 59.1% maintain average resource availability levels. This could constrain their formal operational capacities. Finally, 19.9% of respondents report a high availability of resources, suggesting that this group has better conditions for formalization (Table 3). The research data confirm the existing positive link between resource availability levels and business formalization processes, thereby emphasizing the need for enhanced resource accessibility to boost formalization.

Table 3. Dimension 1—variable 1.

Availability					
		Frequency	**Percentage**	**Percentage Valid**	**Cumulative %**
Valid	Low Level [3–7]	39	21.0	21.0	21.0
	Medium Level [8–11]	110	59.1	59.1	80.1
	High Level [12–15]	37	19.9	19.9	100.0
	Total	186	100.0	100.0	

Note: SPSS results.

Similarly, conclusions can be drawn for the dimensions of accessibility (Table 4), acceptability and adaptability (Table 5), and service quality (Table 6). The provided tables present extensive information about key business management dimensions alongside their distribution patterns among the informal entrepreneurs who participated in the survey. The results confirm that availability, accessibility, and the quality of resources and services are positively correlated with formalization, while acceptability and adaptability do not show a significant relationship. The results underline the necessity of creating

comprehensive policies that handle different elements as a means of advancing MSE formality in developing economies.

Table 4. Dimension 2—variable 1.

Accessibility					
		Frequency	**Percentage**	**Percentage Valid**	**Cumulative %**
Valid	Low Level [11–25]	10	5.4	5.4	5.4
	Medium Level [26–40]	130	69.9	69.9	75.3
	High Level [41–55]	46	24.7	24.7	100.0
	Total	186	100.0	100.0	

Note: SPSS results.

Table 5. Dimension 3—variable 1.

Acceptability and Adaptability					
		Frequency	**Percentage**	**Percentage Valid**	**Cumulative %**
Valid	Low Level [11–25]	19	10.2	10.2	10.2
	Medium Level [26–40]	131	70.4	70.4	80.6
	High Level [41–55]	36	19.4	19.4	100.0
	Total	186	100.0	100.0	

Note: SPSS results.

Table 6. Dimension 4—variable 1.

Quality of Service					
		Frequency	**Percentage**	**Percentage Valid**	**Cumulative %**
Valid	Medium Level [12–18]	110	59.1	59.1	59.1
	High Level [19–25]	76	40.9	40.9	100.0
	Total	186	100.0	100.0	

Note: SPSS results.

For variable 2, 50% of the enterprises are at a low level of formalization and 40.3% are at a medium level, suggesting that a significant proportion have a moderate degree of formalization. Finally, only 9.7% reach a high level, indicating that a minority have a high degree of formalization (Table 7). These results indicate that MSEs show growing formalization but most enterprises operate at basic to intermediate levels, thus requiring better policies for enhancing formalization prospects.

Table 7. Variable 2—formalization of MSEs.

Formalization of MSEs					
		Frequency	**Percentage**	**Percentage Valid**	**Cumulative %**
Valid	Low Level [25–58].	93	50.0	50.0	50.0
	Medium Level [59–92].	75	40.3	40.3	90.3
	High Level [92–125].	18	9.7	9.7	100.0
	Total	186	100.0	100.0	

Note: SPSS results.

The entrepreneurial situation serves as a fundamental dimension to understanding owner–business interactions. The results show that 34.9% of the respondents are at a low level, suggesting that a significant proportion of them face unfavorable situational conditions for formalization. Another 59.7% of the respondents are at a medium level, indicating that the majority have moderate situational conditions. Finally, only 5.4% of respondents report a high level of favorable situational conditions, reflecting that this group

has a more enabling environment for formalization (Table 8). This research implies that environmental elements create obstacles for firms to become more formal because they predominantly affect individuals at lower organizational levels.

Table 8. Dimension 1—variable 2.

Situational Condition					
		Frequency	**Percentage**	**Percentage Valid**	**Cumulative %**
Valid	Low Level [7–16]	65	34.9	34.9	34.9
	Medium Level [17–26]	111	59.7	59.7	94.6
	High Level [27–35]	10	5.4	5.4	100.0
	Total	186	100.0	100.0	

Note: SPSS results.

Similarly, conclusions can be drawn for the dimensions of economic nature (Table 9), access to information (Table 10), and compliance with socio-labor regulations (Table 11). Most entrepreneurs practice formalization at either low or medium degrees, indicating that formalization implementation continues to encounter substantial hurdles. Dimensions such as the situational condition (see above) and economic nature show that many entrepreneurs operate in unfavorable contexts or with weak economic bases. The availability of information at good levels by many respondents represents an opportunity to enhance formalization in their sector. Better policies should be implemented to enhance MSE compliance with socio-labor regulations since current levels of compliance are dangerously low. The necessary steps to promote formalization across MSEs in emerging markets require the focused improvement of situational conditions, economic resources, and regulatory support systems.

This research shows that most businesses fall within the initial stages of official recognition because these entities encounter multiple procedural obstacles. To assess the normality of the data, the Kolmogorov–Smirnov and Shapiro–Wilk tests were applied. The table of normality tests (Table 12) forms part of the inferential statistical analysis of this study. This table uses the two aforementioned statistical tests to assess whether the variables analyzed follow a normal distribution. This analysis is fundamental to determine the adequacy of the statistical techniques used in this study.

Table 9. Dimension 2—variable 2.

Economic Nature					
		Frequency	**Percentage**	**Percentage Valid**	**Cumulative %**
Valid	Low Level [5–11]	95	51.1	51.1	51.1
	Medium Level [12–18]	73	39.2	39.2	90.3
	High Level [19–25]	18	9.7	9.7	100.0
	Total	186	100.0	100.0	

Note: SPSS results.

Table 10. Dimension 3—variable 2.

Access to Information					
		Frequency	**Percentage**	**Percentage Valid**	**Cumulative %**
Valid	Low Level [5–11]	28	15.1	15.1	15.1
	Medium Level [12–18]	101	54.3	54.3	69.4
	High Level [19–25]	57	30.6	30.6	100.0
	Total	186	100.0	100.0	

Note: SPSS results.

Table 11. Dimension 4—variable 2.

Compliance with Social and Labor Regulations					
		Frequency	**Percentage**	**Percentage Valid**	**Cumulative %**
Valid	Low Level [8–18]	140	75.3	75.3	75.3
	Medium Level [19–29]	27	14.5	14.5	89.8
	High level [30–40]	19	10.2	10.2	100.0
	Total	186	100.0	100.0	

Note: SPSS results.

Table 12. Normality test—inferential statistics.

Normality Tests						
	Kolmogorov–Smirnov *			**Shapiro–Wilk**		
	Statistical Parameter	**Degrees of freedom**	**Significance**	**Statistical Parameter**	**Degrees of freedom**	**Significance**
Business Management	0.173	186	0.000	0.850	186	0.000
Supervision and Formalization of MSEs	0.171	186	0.000	0.851	186	0.000

Note: SPSS results. * Lilliefors significance correction.

The table shows the results of the normality tests applied to the key variables of the study: business management and MSE supervision and formalization. Mention is made of the Lilliefors significance correction, which is an adaptation of the Kolmogorov–Smirnov test for large samples. In the case of variable 1: business management, both tests yield a *p*-value of 0.000, which is less than the significance level of 0.05. This indicates that this variable does not follow a linear pattern. This indicates that this variable does not follow a normal distribution; therefore, the null hypothesis of normality is rejected. In the case of variable 2: supervision and formalization of MSEs, as with the first variable, both tests show a *p*-value of 0.000, which is less than 0.05. This suggests that the variable 'supervision and formalization of MSEs' does not follow a normal distribution. This suggests that the variable 'MSE supervision and formalization' does not follow a normal distribution either. Therefore, the null hypothesis of normality is rejected. The results of the normality tests indicate that neither of the two variables analyzed follow a normal distribution. This has important implications for the statistical analysis of this study:

- Choice of statistical techniques: Since the variables are not normal, it is advisable to use non-parametric methods for the analysis of correlations and other inferential tests. In this study, Spearman's correlation coefficient was used, which is appropriate for non-normal data and justified by these results.
- Interpretation of results: The analysis warns against generalization because a non-normal data distribution could create inaccuracies when conducting statistical analysis.
- Implications for future research: Researchers working on comparable contexts should expect variables linked to formalization to exhibit non-normal distributions; therefore, they must develop suitable analysis methods.

The collected data in normality tests strongly indicate the necessity of using non-parametric methods in this project while demonstrating how testing normality shapes the selection of statistical techniques. This lack of normality could be attributed to the heterogeneous nature of MSEs and the diverse conditions under which they operate.

4.2. Hypothesis Testing

Personal and formalization variable analysis used Spearman's Rho statistics because it works well with studies that have ordinal-scale measurements [15].

Table 13 on the correlation coefficient describes the ranges and types of relationships between variables, as well as their level of statistical significance. The table shows the correlation indices and the significance level of the results and is fundamental for interpreting the results of the correlations made in this study, such as the correlation between business management and the formalization of MSEs. It presents an organized system for understanding both the directions of correlation coefficients and their corresponding statistical significance levels. Its main contributions are:

- Classification of the strength of correlation: This is used to determine whether the relationship between two variables is very weak, weak, medium, strong, very strong, or perfect.
- Direction of correlation: The directional pattern shows which relationship exists between variables as positive or negative.
- Statistical significance: The statistical significance tests confirm whether observed correlations actually hold the real scientific value needed for valid study outcomes.

Table 13. Correlation coefficient.

Type of Relationship (r)	Range	Relation	Significance
r is 1 Direct (positive)	(+0.10 to +0.24)	Very weak positive correlation	Significant (p-value < 0.0) Highly significant (p-value < 0.01)
	(+0.25 to +0.49)	Weak positive correlation	
	(+0.50 to +0.74)	Average positive correlation	
	(+0.75 to +0.89)	Strong positive correlation	
	(+0.90 to +0.99)	Very strong positive correlation	
	(+1)	Perfect positive correlation	
r is 1 Inverse (negative)	(−0.10 to −0.24)	Very weak negative correlation	Not significant (p-value > 0.05)
	(−0.25 to −0.49)	Weak negative correlation	
	(−0.50 to −0.74)	Average negative correlation	
	(−0.75 to −0.89)	Strong negative correlation	
	(−0.90 to −0.99)	Very strong negative correlation	
	(−1)	Perfect negative correlation	

Source: Own elaboration. Note: SPSS results.

4.2.1. General Hypothesis

Testing the general hypothesis is an essential component in the validation of any quantitative research study. Based on the literature review and theoretical foundations, this study formulates hypotheses that reflect the potential influence of specific components of the Business Management Program (BMP) on the formalization of MSEs. Prior research across Latin America and other emerging economies has emphasized that resource availability and access to support services are central to overcoming informal barriers. Studies also highlight that service quality, acceptability, and the adaptability of public programs are crucial for facilitating compliance with formal standards and legal frameworks. However, empirical evidence connecting these dimensions directly to formalization outcomes remains scarce. Drawing from this gap, the following hypotheses are proposed to empirically test these relationships in the context of a municipal BMP:

H1. *There is a significant positive relationship between the availability of resources provided by the Business Management Program and the formalization of MSEs.*

H2. *There is a significant positive relationship between the accessibility of the Business Management Program's services and the formalization of MSEs.*

H3. *There is a significant positive relationship between the acceptability and adaptability of the Business Management Program's services and the formalization of MSEs.*

H4. *There is a significant positive relationship between the quality of services offered by the Business Management Program and the formalization of MSEs.*

Each of these hypotheses is grounded in the assumption that well-structured and responsive public management programs can act as drivers for transitioning informal enterprises into the formal economy when aligned with the specific conditions and expectations of microentrepreneurs. In this context, the present study focuses on the relationship between corporate governance and the formalization of micro and small enterprises (MSEs). The general hypothesis posed suggests that there is a positive correlation between these two variables, which was assessed using Spearman's Rho statistic, which is suitable for correlational studies with ordinal measurement scales [15]. The data analysis revealed a correlation coefficient of 0.386, with a significance level of $p < 0.001$, indicating a weak positive correlation between business management and MSE formalization (see Table 14).

Table 14. Correlation between business management and MSE formalization.

			Business Management	**MSE Formalization**
Spearman's Rho	Business Management	Correlation coefficient	1.000	0.386 **
		Sig. (bilateral)		0.000
		N	186	186
	Supervision and Formalization of MSEs	Correlation coefficient	0.386 **	1.000
		Sig. (bilateral)	0.000	
		N	186	186

** Correlation is significant at the 0.01 level (bilateral). Note: From software—SPSS 26.

This result is statistically significant, allowing the null hypothesis to be rejected and the alternative hypothesis to be accepted, thus confirming the general hypothesis of this study. This study's results suggest that enhanced business management practices lead to increased formalization in MSEs, as reported in the existing literature on enterprise development. Analyzing these research findings requires a full evaluation of MSE operational environments. Business enterprises in these conditions experience major operational challenges because of financial and technical resource limitations that prevent them from implementing proper business management systems. Research indicates that limited enhancements in management practices lead toward the enhanced formalization of businesses. The researchers discovered through statistical analysis that resource accessibility has a direct connection to formalization and this link shows a positive correlation ($r = 0.556$; $p < 0.001$). The research results confirm that nearby resource availability shapes the formalization process of MSEs. These results demonstrate how basic policies should provide financial and technical resources to microenterprises because doing so will help them strengthen business management capabilities to boost their formalization activities. In conclusion, the testing of the general hypothesis provides empirical evidence on the relationship between business management and the formalization of MSEs. Although the correlation is weak, its statistical significance highlights the importance of business management as a factor that can influence the formalization process. The results create new guidelines for designing public policies that seek to strengthen MSE sector infrastructure along with establishing favorable conditions for sustainable growth. Research advancement in this field, as well

as economic and social development, requires both suitable statistical methods and the precise interpretation of results [15].

4.2.2. Presentation and Analysis of the Specific Hypotheses

This research focuses on the relationship between various dimensions of business management and the formalization of micro and small enterprises (MSEs) in the province of Chanchamayo. In this context, two specific hypotheses were formulated to assess these relationships.

- The first specific hypothesis states that there is a significant relationship between the availability of resources and the formalization of MSEs [15]. Spearman's Rho correlation coefficient served to test this hypothesis because it works effectively for studies based on correlational analysis measured using ordinal data scales. An average positive relation exists between MSE formalization and resource availability; therefore, this study observed a correlation coefficient of 0.556 and a $p < 0.001$ significance level (see Table 15). The availability of resources proves to be essential since it makes formalization possible for MSEs to secure the needed means to comply with administrative and legal requirements.
- The second specific hypothesis focuses on the relationship between accessibility to management services and the formalization of MSEs. Statistical analysis results demonstrate a weak positive relationship between the availability of resources and MSE formalization status via the correlation coefficient of 0.256 and a $p < 0.001$ significance value (see Table 16). Although the correlation is weak, its statistical significance suggests that accessibility to management services also plays a role in the formalization process. Similar to other research, this verifies that enabling access to business support resources serves as an essential method of driving formalization among businesses [39].

Table 15. Correlation between availability and the formalization of MSEs.

			Availability	**MSE Formalization**
Spearman's Rho	Business Management	Correlation coefficient	1.000	0.556 **
		Sig. (bilateral)		0.000
		N	186	186
	Supervision and Formalization of MSEs	Correlation coefficient	0.556 **	1.000
		Sig. (bilateral)	0.000	
		N	186	186

** Correlation is significant at the 0.01 level (bilateral). Note: from software—SPSS 26.

Table 16. Correlation between accessibility and the formalization of MSEs.

			Accessibility	**MSE Formalization**
Spearman's Rho	Business Management	Correlation coefficient	1.000	0.256 **
		Sig. (bilateral)		0.000
		N	186	186
	Supervision and Formalization of MSEs	Correlation coefficient	0.256 **	1.000
		Sig. (bilateral)	0.000	
		N	186	186

** Correlation is significant at the 0.01 level (bilateral). Note: from software—SPSS 26.

This research also addresses the relationship between other dimensions of business management and the formalization of micro and small enterprises (MSEs) in the province of Chanchamayo. In this context, two additional hypotheses were formulated to assess these relationships.

- The third specific hypothesis suggests that there is a significant relationship between the acceptability and adaptability of management services and the formalization of MSEs (see Table 17). To assess this hypothesis, Spearman's Rho correlation coefficient, which is appropriate for ordinal data and correlational studies, was again used. Statistical results displayed an average positive correlation whose coefficient equaled 0.432 and reached statistical significance at $p < 0.001$. This finding suggests that the ability of management services to be accepted and adapted to the specific needs of MSEs is an important factor in their formalization process. Acceptability and adaptability allow enterprises to perceive the services as relevant and useful, which can motivate their formalization by facilitating compliance with legal and administrative requirements.
- The fourth specific hypothesis examines the relationship between the quality of the management service and the formalization of MSEs. Statistical analysis produced robust positive connections between management control and relationships with government institutions, with a coefficient of 0.678 and a $p < 0.001$ significance value (see Table 18).

This result highlights the importance of service quality in the formalization process. High-quality management services help MSEs successfully manage the complex formalization process by offering them comprehensive, accurate information and effective advice. Leading research reveals that service quality stands as an essential factor that determines client satisfaction toward formal services besides their adoption [39].

Table 17. Correlation between acceptability and adaptability and the formalization of MSEs.

			Acceptability	**MSE Formalization**
Spearman's Rho	Business Management	Correlation coefficient	1.000	0.432
		Sig. (bilateral)		0.945
		N	186	186
	Supervision and Formalization of MSEs	Correlation coefficient	0.432	1.000
		Sig. (bilateral)	0.945	
		N	186	186

Note: from software—SPSS 26.

Table 18. Correlation between the quality of service and the formalization of MSEs.

			Quality of Service	**MSE Formalization**
Spearman's Rho	Business Management	Correlation coefficient	1.000	0.678 **
		Sig. (bilateral)		0.000
		N	186	186
	Supervision and Formalization of MSEs	Correlation coefficient	0.678 **	1.000
		Sig. (bilateral)	0.000	
		N	186	186

** Correlation is significant at the 0.01 level (bilateral). Note: from software—SPSS 26.

The interpretation of these results must consider the operational context of MSEs in Chanchamayo. Government policies need to enhance businesses' access to financial and technical resources because their correlation with formalization stood at an average rate.

Acceptability and adaptability have an intermediate relationship with formalization, which indicates that these elements matter but require other supporting factors, such as service quality, to achieve successful formalization. On the other hand, the low correlation between management service accessibility and formalization points out that increasing access might not lead to formalization without supplementary factors, including continuous training and counseling assistance. Continuous improvements in service standards play a vital role in creating a suitable environment for MSE formalization according to the strong correlation between service quality and formalization. This presentation, together with analyses of these particular hypotheses, demonstrates how various factors influence the formalization process for micro and small enterprises. The findings underline the importance of a comprehensive approach that combines improved resource availability, acceptability, and adaptability with increased service quality and accessibility to management services to foster a more favorable environment for MSE formalization in Chanchamayo [15]. Public policies and business support programs require these data to develop effective frameworks that enhance the strength of the MSE sector and its sustainable growth.

5. Discussion

The overall objective of this research was to examine the relationship between business management and the formalization of micro and small enterprises (MSEs) in the Provincial Municipality of Chanchamayo during the year 2024. This objective is based on the need to understand how different aspects of business management can influence the formalization process, a crucial step for the economic development and sustainability of MSEs in the region. The formalization of MSEs is a highly relevant issue in the Latin American context, where business informality is prevalent and limits the access of these firms to benefits such as financing, participation in formal markets, and competitiveness vis-à-vis large firms [15]. In this sense, this research focuses on identifying the business management factors that can facilitate or hinder formalization, thus providing valuable information for the design of public policies and business support strategies. Research findings show that corporate governance develops a weak yet positive relationship with MSE formalization ($r = 0.386$, $p = 0.000$). This finding suggests that while business management is relevant, it is not the only determinant in the formalization process. Service quality, along with resource availability and accessibility, is a major element affecting necessary formalization decisions by entrepreneurs. However, the acceptability and adaptability of management services did not show a clear relationship with formalization, indicating that other contextual or internal elements of firms might be at play [39].

Despite its contributions, this study presents certain limitations that should be acknowledged. First, the data were collected through self-reported questionnaires, which may introduce biases such as social desirability or misreporting, potentially affecting the accuracy of responses. Second, the research is based on a single-case study in the Provincial Municipality of Chanchamayo, which limits the generalizability of the findings to other regions or institutional contexts. Future studies could address these limitations by incorporating multi-site comparisons, longitudinal data, or mixed-method approaches to capture a broader and more nuanced understanding of the formalization process. The discussion of these results must consider the specific context of MSEs in Chanchamayo. The lack of resources and training in this region acts as a barrier that stops companies from using effective management practices to achieve formalization [15]. Entrepreneurs might avoid formalization due to their perception that it is difficult and expensive although it offers several advantages. Research findings demonstrate the essential need to build up business management competencies within MSEs, as well as develop better-quality support systems. This could be achieved by implementing specific training programs,

streamlining administrative processes, and creating strategic alliances with competent entities that can offer additional advice and resources. The overall objective of this research is to provides a solid basis for understanding the complex relationship between enterprise management and the formalization of MSEs in Chanchamayo. The development of a favorable formalization environment requires an all-inclusive approach to include multiple variables across various contexts beyond primary business management functions. These research discoveries enable policy and practice development to support the sustainable development of MSEs, resulting in regional economic and social growth [15]. The present research set out, in addition to its general objective, to address several specific objectives that would allow for a more detailed breakdown and analysis of the relationship between business management and the formalization of micro and small enterprises (MSEs) in the Provincial Municipality of Chanchamayo during the year 2024. These specific objectives focused on key aspects such as availability, accessibility, quality of service, and other factors that could influence the formalization process.

The first specific objective was to establish the relationship between resource availability and MSE formalization. Research findings demonstrated that resource availability produced a weak positive correlation because it failed to propel formalization on its own ($r = 0.386$, $p = 0.000$). Research reveals that MSEs need additional resources, which must be accessible for effective utilization.

The second specific objective focused on the accessibility of business management services and its relationship with formalization. Here, a weak positive correlation was also found ($r = 0.256$, $p = 0.000$). This indicates that although accessibility is crucial, there are additional barriers that need to be overcome in order for MSEs to fully benefit from the available services. The definition of accessibility requires both the availability of useful information and enterprises having access to the financial and additional resources needed for their formalization process.

The third specific objective addressed service quality and its impact on the formalization of MSEs. The study data demonstrated a low positive relationship with a correlation value of $r = 0.359$ and $p = 0.000$. This research implies that better service quality helps formalization yet needs to be combined with training and capacity development measures as a comprehensive solution. Service quality is related to efficiency and continuous improvement, which are essential for MSEs to compete in the formal market.

Finally, the fourth specific objective explored the acceptability and adaptability of business management services. Although no clear relationship with formalization was found, this objective underlines the importance of tailoring services to the specific needs of MSEs in Chanchamayo. Current supportive services seem inadequate to address specific challenges that micro and small enterprises face since no significant correlation appears. Different research objectives in this study establish comprehensive details about factors affecting the formalization process of MSEs. The multiple weak individual relationships merge into an effective whole that explains the entire formalization process. These findings highlight the need for an integrated approach that combines availability, accessibility, quality, and adaptability to foster a more favorable environment for MSE formalization in Chanchamayo.

The findings of this study, while grounded in the Peruvian context, resonate with patterns observed in other emerging economies across Latin America, Africa, and Asia, where informality is deeply rooted in structural and institutional constraints. For instance, studies in Colombia and Ecuador have shown that weak enforcement of formalization incentives and bureaucratic complexity limit the impact of business management initiatives, much like in Peru. Conversely, in Rwanda and Kenya, efforts combining managerial training with access to microcredit and digital tools have shown greater success in en-

couraging formalization among microenterprises. Similarly, in India and Vietnam, the integration of business management capacity-building with simplified compliance procedures has positively influenced formalization rates. These regional comparisons suggest that the effectiveness of business management as a formalization driver depends heavily on institutional frameworks, regulatory burdens, and support infrastructures. Therefore, beyond the specific implications for Chanchamayo, this study supports broader policy recommendations for emerging economies: the development of integrated formalization strategies that combine regulatory reform, business management training, access to tailored financial services, and localized follow-up support. Such an approach would not only enhance formalization outcomes but also strengthen the resilience and sustainability of MSEs globally.

6. Conclusions

This research, carried out on the relationship between business management and the formalization of micro and small enterprises (MSEs) in the Provincial Municipality of Chanchamayo, has led to significant conclusions that contribute to the understanding of this phenomenon. Firstly, it was established that there is a weak positive correlation between business management and the formalization of MSEs, with a Spearman correlation coefficient of 0.386 and a p-value of 0.000, which indicates that although business management influences formalization, it is not the only determining factor ($r = 0.386$, $p = 0.000$). This finding suggests that business management, although relevant, needs to be complemented by other factors to achieve effective formalization. In addition, the availability and accessibility of resources, as well as the quality of service, were also found to have weak positive correlations with MSE formalization. This research demonstrates that simply providing resources alone is not sufficient because MSEs need accessible and high-quality resources to experience maximum benefits. However, the lack of a significant relationship between the acceptability and adaptability of business management services and formalization suggests that there are additional barriers that need to be addressed to improve the formalization process. These important results lead to multiple ramifications that require consideration. First, they highlight the need for an integrated approach that combines business management with improving the availability, accessibility, and quality of resources and services offered to MSEs. Policymakers must create a complete approach to MSE development through which they identify the various needs and obstacles that MSEs encounter during their transformation to formal status.

In terms of future recommendations, it is suggested that the Provincial Municipality of Chanchamayo implement training and capacity-building programs that not only focus on business management but also address aspects such as access to finance, improving service quality, and adapting services to the specific needs of MSEs. Additional research should explore formalization-related factors beyond the identified variables, including the regulatory environment, business support networks, and digital technologies. The evaluation protocol should incorporate a long-term study to track business management factors and their impact on formal MSE development throughout time. Such research would discover long-term patterns to assist policymakers in creating more suitable programs and policies for MSEs to transition toward formal operation. The formalization process of MSEs needs business management as a vital element but requires an extensive examination of local market conditions in Chanchamayo and other factors before developing specific approaches. MSEs need an adaptable and holistic method to develop a supportive setting that promotes their formal transformation and enduring expansion. This study is original in its empirical examination of a municipal Business Management Program's role in MSE

formalization, offering practical insights for policymakers and business support initiatives in similar contexts.

Author Contributions: Conceptualization, U.I.A.-R. and S.L.B.-I.; methodology, C.A.A.-J.; software, D.P.-A.; validation, L.E.E.-Q., U.I.A.-R. and S.L.B.-I.; formal analysis, L.A.P.-L.; investigation, J.A.N.-V.; resources, C.A.A.-J.; data curation, D.P.-A.; writing—original draft preparation, L.E.E.-Q.; writing—review and editing, V.G.-P.; visualization, L.A.P.-L.; supervision, V.G.-P.; project administration, U.I.A.-R. All authors have read and agreed to the published version of the manuscript.

Funding: This research received no external funding.

Institutional Review Board Statement: The manuscript did not require the approval of an Ethics Committee or Institutional Review Board since it did not involve any experiments on humans or animals nor did it collect sensitive personal data. The present research work was conducted in accordance with the Research Regulations of the "Universidad Peruana Los Andes" (UPLA) approved by resolution N° 1769-2019-CU-Vrinv, specifically the principles detailed in article 27 and article 28 (rules of conduct of researchers).

Informed Consent Statement: Informed consent for participation was obtained from all subjects involved in this study.

Data Availability Statement: The original contributions presented in this study are included in the article. Further inquiries can be directed to the corresponding author.

Conflicts of Interest: The authors declare no conflicts of interest.

Appendix A

Table A1. Instrument.

Variables	Operational Definition	Dimensions	Indicators	Measuring Scale
Variable 1. Business management	The business management variable will be measured by a questionnaire with Likert-type scale alternatives.	➢ Availability	➢ Trained Staff ➢ Appropriate environment organization	(1) Never (2) Almost never (3) Sometimes (4) Almost always (5) Always
		➢ Accessibility	➢ Formalization cases ➢ Follow-up ➢ Dissemination of services ➢ Personalized guidance ➢ Technical Assistance ➢ Opening hours	
		➢ Acceptability and Adaptability	➢ Adequacy for the economic situation ➢ Information material	
		➢ Quality of service	➢ Satisfaction ➢ Performance evaluation	

Table A1. *Cont.*

Variables	Operational Definition	Dimensions	Indicators	Measuring Scale
Variable 2. Formalization of MSEs	The MSE formalization variable will be measured by a questionnaire with Likert-type scale alternatives.	➢ Situational condition	➢ Situation ➢ Employment regime	(1) Never (2) Almost never (3) Sometimes (4) Almost always (5) Always
		➢ Economic nature	➢ Annual sales ➢ Client's business area	
		➢ Access to information	➢ Labor inspection ➢ Formalization process	
		➢ Compliance with social and labor regulations	➢ Formalization of the employment relationship ➢ Social benefits	

Table A2. Operationalization matrix of the instrument: variable associated with business management.

Dimensions	Indicators	Items	Measuring Scale
➢ Availability	➢ Trained Staff ➢ Appropriate environment organization	1. The Marketing and Licensing Division has trained a Business Management Program staff member. 2. The Marketing and Licensing Division has an adequate number of staff working on the Business Management Program. 3. The Marketing and Licensing Division has a suitable environment for the attention of users or those administered.	(1) Never (2) Almost never (3) Sometimes (4) Almost always (5) Always
➢ Accessibility	➢ Formalization cases ➢ Follow-up ➢ Dissemination of services ➢ Personalized guidance ➢ Technical Assistance ➢ Opening hours	4. The Marketing and Licensing Division, through the Business Management Program, receives many formalization cases. 5. The Marketing and Licensing Division, through the Business Management Program, is slow to respond to the number of cases submitted. 6. The Marketing and Licensing Division, through the Business Management Program, follows up on the cases dealt with. 7. The Marketing and Licensing Division, through the Business Management Program, disseminates its services. 8. The Marketing and Licensing Division, through the Business Management Program, teaches the steps for business and labor formalization. 9. The Marketing and Licensing Division, through the Business Management Program, teaches how to obtain an RUC. 10. The Marketing and Licensing Division, through the Business Management Program, explains the types of employment regimes that exist. 11. The Marketing and Licensing Division, through the Business Management Program, registers companies in REMYPE. 12. The Marketing and Licensing Division, through the Business Management Program, provides support in registering its workers in the SUNAT T-REGITRO. 13. The Marketing and Licensing Division has a notice of opening hours and is visible to all users. 14. The Marketing and Licensing Division has adequate opening hours for users to be attended to.	

Table A2. *Cont.*

Dimensions	Indicators	Items	Measuring Scale
➢ Acceptability and Adaptability	➢ Adequacy for the economic situation ➢ Information materials	15. The Marketing and Licensing Division, through the Business Management Program, provides its services even in critical or conjunctural circumstances. 16. The Marketing and Licensing Division, through the Business Management Program, provides you with informative and understandable material. 17. The Marketing and Licensing Division, through the Business Management Program, provides you with information material on topics related to your business or venture and important to you.	(1) Never (2) Almost never (3) Sometimes (4) Almost always (5) Always
➢ Quality of service	➢ Satisfaction ➢ Performance evaluation	18. You are happy with the care provided by the Business Management Program. 19. I would recommend others to come to the Business Management Program to set up their business. 20. I would recommend others to use the Business Management Program to get their workers on the payroll. 21. The Marketing and Licensing Division conducts quarterly evaluations to measure the quality of service provided by the Business Management Program. 22. The training provided by the Business Management Program is understandable.	

Table A3. Operationalization matrix of the instrument: variable associated with MSE Formalization.

Dimensions	Indicators	Items	Measuring Scale
➢ Situational condition	➢ Situation ➢ Employment regime	23. You are currently running a formal business. 24. Are you currently engaged in any economic activity? 25. In your economic activity, you have permanent or full-time employees or workers. 26. Your current business was formalized with the support of a program of a public or state entity. 27. Are you aware of any state or public entity programs that help to formalize businesses or enterprises? 28. Your business or enterprise is classified as a microenterprise but taking into account the number of employees and annual sales. 29. Your business or venture is classified as a small enterprise, but taking into account the number of employees and annual sales.	(1) Never (2) Almost never (3) Sometimes (4) Almost always (5) Always
➢ Economic nature	➢ Annual sales ➢ Client's business area	30. Its annual sales are in the range of 0 to 150 UIT (S/.645,000 soles). 31. Its annual sales are in the range of 150 to 1700 UIT (S/.7,310,000 soles). 32. Your business has a list or database of regular customers. 33. Their line of business is variable or seasonal. 34. Customers generate a variable or seasonal income for you.	
➢ Access to information	➢ Labor inspection ➢ Formalization process	35. Are you aware of any state entity that provides up-to-date information on labor regulations? 36. You are aware of the established rules on labor auditing processes. 37. You are aware of the benefits of being considered under the special labor regime in a labor inspection process. 38. You are aware of the process to formalize a business. 39. You are aware of which institutions are part of the formalization process of a business or entrepreneurship.	
➢ Compliance with social and labor regulations	➢ Formalization of the employment relationship ➢ Social benefits	40. You are aware of labor regulations. 41. You have registered your employees on the payroll. 42. You issue pay slips to your employees. 43. You have enrolled your employees in the pension system. 44. Its employees are covered by social health insurance. 45. You make timely bonus payments to your employees. 46. You comply with the timely payment of CTS (Compensation for Time of Service) to your employees. 47. You provide your employees with holiday leave in a timely manner.	

Table A4. Matrix linking the objectives, hypotheses, and methods.

General Objective	General Hypothesis	Methodology
Establish the relationship between business management and the formalization of MSMEs of the Marketing and Licensing Division in the Provincial Municipality of Chanchamayo—2022.	There is a significant relationship between business management and the formalization of MSMEs in the Marketing and Licensing Division of the Provincial Municipality of Chanchamayo—2022.	**Research methods:** General Scientist **Specific Method:** Hypothetical deductive method **Design:** Descriptive correlational, non-experimental, and cross-sectional **Type of research:** Basic **Level of research:** Relational **Research focus:** Quantitative **Sample:** Made up of 186 microentrepreneurs—informal entrepreneurs of Chanchamayo Province. Probabilistic sample **Data collection technique:** Survey **Instrument:** Questionnaire **Data analysis and processing technique**: Basic statistics. Inferential statistics.
Specific Objectives	**Specific Hypotheses**	
Establish the relationship between the availability and formalization of MSMEs by the Marketing and Licensing Division in the Provincial Municipality of Chanchamayo—2022.	There is a significant relationship between the availability and formalization of MSMEs in the marketing and licensing division in the provincial municipality of Chanchamayo—2022.	
Establish the relationship between accessibility and the formalization of MSMEs by the Marketing and Licensing Division of the Provincial Municipality of Chanchamayo—2022.	There is a significant relationship between accessibility and the formalization of MSMEs in the marketing and licensing division of the provincial municipality of Chanchamayo—2022.	
To establish the relationship between acceptability—adaptability and the formalization of MSMEs of the Marketing and Licensing Division in the Provincial Municipality of Chanchamayo—2022.	There is a significant relationship between the acceptability and adaptability of SMEs and the formalization of the marketing and licensing division in the provincial municipality of Chanchamayo—2022.	
To establish the relationship between service quality and the formalization of MSMEs by the Marketing and Licensing Division of the Provincial Municipality of Chanchamayo—2022.	There is a significant relationship between service quality and the formalization of MSMEs in the marketing and licensing division of the provincial municipality of Chanchamayo—2022.	

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