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Impact of working capital on the profitability of SMEs in Ecuador

Incidencia del capital circulante en la rentabilidad de las microempresas en Ecuador

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Abstract: the management of a company's working capital is important in the current scenario, especially because of its impact on operational efficiency. Business sustainability can only be achieved by organizations that maintain a balance between profitability and liquidity. The purpose of this research is to examine its impact on the performance of microenterprises engaged in wholesale and retail activities in Ecuador. To this end, secondary data from 1,634 companies registered with the Superintendency of Companies, Securities, and Insurance for the year 2023 were used. Through a statistical prediction technique, it was possible to identify the elements of working capital that are related with the performance of the selected firms. The results show that variables such as leverage, company age, equity strength, and operating profitability have a positive relationship with profitability. In contrast, the average collection period and asset turnover did not reflect significant effects, while higher customer turnover was negatively associated with financial performance. These findings show that efficient management of the elements that make up working capital favors not only profitability but also stability and the creation of business value. In a competitive environment with limited access to financing, these practices are crucial for strengthening the permanence of microenterprises in the Ecuadorian business structure.

Keywords: profitability, micro-enterprises, efficiency, leverage, enterprises, Ecuador, age, management.

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Resumen: la gestión del capital circulante de una empresa es de gran importancia en el escenario actual, especialmente por su incidencia en la eficiencia operativa. La sostenibilidad empresarial solo puede ser alcanzada por las organizaciones que mantienen un equilibrio entre rentabilidad y liquidez. El propósito de esta investigación fue examinar su impacto en el rendimiento de las microempresas que realizan sus actividades comerciales al por mayor y menor en Ecuador. Para ello, se utilizaron datos secundarios procedentes de 1634 compañías inscritas en la Superintendencia de Compañías, Valores y Seguros correspondientes al año 2023. A través de una técnica estadística de predicción se pudo identificar los elementos del capital circulante que están asociados al rendimiento de las firmas seleccionadas. Los resultados muestran que variables como el apalancamiento, la edad de la empresa, la solidez patrimonial y rentabilidad operativa mantienen una relación positiva con la rentabilidad. En contraste, el periodo medio de cobranza y la rotación de activos no reflejaron efectos relevantes, mientras que una mayor rotación de clientes se asoció negativamente con el desempeño financiero. Estos hallazgos evidencian que una administración eficiente de los elementos que componen el capital circulante favorece no solo la rentabilidad, sino también la estabilidad y la creación de valor empresarial. En un entorno competitivo y con limitaciones de acceso al financiamiento, estas prácticas resultan determinantes para fortalecer la permanencia de las microempresas en la estructura empresarial ecuatoriana.

Palabras clave: rentabilidad, microempresas, eficiencia, apalancamiento, empresas, Ecuador, antigüedad, gestión.

Introduction

Working capital plays an integral role in short-term financial management and is key to profitability, liquidity, and shareholder value creation. The investments made by the company in current assets and current liabilities represent an important item within the economic and financial structure of the company. According to Hossain (2021), every company, regardless of the size and nature of its business, needs efficient working capital management to maintain liquidity and profitability levels in order to avoid scenarios of financial insolvency and business failure. Ahmeti and Balaj (2023) argue that the basic objective of working capital management is to provide adequate support for the efficient functioning of the company's commercial operations, achieving a balance between its three dimensions, namely profitability, liquidity, and risk.

Previous studies (Korent and Orsag, 2023; Madhou *et al.*, 2015) agree that efficient management of working capital components will enable both small and large companies to achieve financial flexibility and reduce their dependence on external sources of financing. On the other hand, poor management of both current assets and current liabilities reduces the profitability of investments in the short term (Mardones *et al.*, 2024). This element is particularly relevant in companies engaged in trade, where cash flow is essential for long-term sustainability (Ngwenya, 2010).

Working capital management is particularly important for microenterprises due to the restrictions they face in accessing external financing, lack of raw materials, and scarcity of customers. These organizations expand thanks to factors such as entrepreneurship and the quality of their products in relation to demand. Therefore, proper management of their economic structure becomes a necessary condition for maintaining their operations. In this context, Zambrano-Farías *et al.* (2023) state that, due to these limitations, microenterprises must periodically evaluate their financial policies to ensure adequate levels of profitability and liquidity.

In an emerging economy such as Ecuador's, these enterprises play a key role in job creation and economic growth (Rifai *et al.*, 2024). Defined as owner-managed organizations typically created by a marginalized member of the population, these enterprises take various organizational forms to address barriers to entry and capital constraints (Ghosh and Guha, 2015). However, because they are small, microenterprises are much more flexible and responsive to market and customer demand, allowing them to progress despite limited support from government, civil, and financial organizations (Ruiz López *et al.*, 2023).

In this context, it is imperative to understand how working capital elements influence the performance of microenterprises in order to develop financial strategies that strengthen their sustainability in the medium term. This research contributes to the literature through an empirical analysis that takes into account the at-

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tributes of the commerce sector in Ecuador, providing evidence that allows for both academic and business decisions to be made.

The rest of the study is organized as follows: Next, a brief literature review of the relationship between working capital and business profitability is presented. Section 2 describes the sample used, the variables included in the model, and the empirical method. Section 3 presents the results, and section 4 concludes with the study's findings, limitations, and possible avenues for future research.

Literature review and research hypotheses

The study of working capital and its impact on the financial performance of companies has become increasingly relevant in recent years. This interest stems from its close relationship with the ability of companies to invest large sums of money in current assets, relying on current liabilities as a source of financing (Susilo *et al.*, 2020). For Wichitsathian (2019), working capital management is a type of liquidity management of current assets and liabilities that deals with the interrelationships between accounts receivable, accounts payable, inventory, and cash flow. Priharta and Gani (2024) state that the main objective of working capital is to meet operational needs while reducing the risk of being unable to meet payment commitments and avoiding unnecessary investments in this area. In this way, efficient resource management not only ensures the company's ability to meet its short-term obligations, but also influences its potential to create value in the medium and long term.

The financial literature presents various approaches to this relationship: Durrah *et al.* (2016) point out that achieving a balance between profitability and liquidity allows financial resources to be used efficiently without jeopardizing the fulfillment of obligations. Authors such as Hossain (2021) and Wichitsathian (2019) agree that the constant generation of cash flows is essential for the company to make investments that guarantee its growth and allow it to meet its short-term obligations. On the other hand, poor management of working capital elements causes sharp variations in the company's cash level which, in the case of microenterprises, compromises their stability and permanence in the market.

Previous studies (Hersugondo *et al.*, 2025; Spitsina *et al.*, 2022; Yazdanfar, 2013) recognize that variables such as company size, cash conversion cycle, and macroeconomic market conditions have a direct impact on working capital investment. In the case of emerging economies, companies are forced to rely on their own resources due to financing constraints, which increases the need for efficient management to avoid scenarios of financial stress and subsequent business failure (Anton and Afloarei Nucu, 2020).

According to Syaharani and Chalid (2021), working capital management strategies can be aggressive or conservative. Aggressive policies aim to minimize current asset levels in order to increase profitability; however, this strategy increases the likelihood of the company experiencing financial insolvency. In contrast, the conservative approach prioritizes high levels of cash flow by increasing short-term resources, thereby seeking to reduce financial risk with more moderate returns (Afza and Nazir, 2008). In countries such as Jordan (Al-Shubiri, 2010) and Pakistan (Afza and Nazir, 2008), the implementation of aggressive working capital management policies has negatively affected profitability. Conversely, studies conducted in Croatia (Korent and Orsag, 2023) and Poland (Anton and Afloarei Nucu, 2020) show that working capital management through conservative policies has a positive effect on financial performance. Specifically, the effectiveness of these financial strategies depends on the economic context and access to financing in each country.

Additionally, the efficiency of working capital management is also evaluated using financial indicators such as inventory turnover, accounts receivable turnover, and accounts payable turnover, as well as the components of the cash conversion cycle. For Binsaddig *et al.* (2023), these indicators allow opportunities for improvement in resource management to be identified, while Kasozi (2017) asserts that

higher inventory and portfolio turnover improve profitability. However, Vicente-Ramos *et al.* (2020) conclude that there is a negative relationship between profitability and the average collection period (ACP conclude that the impact of accounts payable turnover may vary depending on the terms of negotiation with suppliers and the associated financial costs.

Based on the theoretical review presented, the following research hypotheses are proposed:

H_1 : The age of microenterprises has a direct relationship with the financial profitability of companies in the commerce sector in Ecuador.

H_2 : Leverage has a positive effect on the financial performance of microenterprises in the commerce sector in Ecuador.

H_3 : The average collection period does not have a significant influence on the financial profitability of the companies under study.

H_4 : Equity strength has a direct impact on the financial performance of microenterprises in the commerce sector in Ecuador.

Materials and method

Sample selection

The sample obtained and used in this research consisted of microenterprises grouped in sector G (according to the National Classification of Economic Activities: wholesale and retail trade; repair of vehicles, motor vehicles, and motorcycles) that reported their financial and accounting information through their financial statements to the Superintendency of Companies, Securities, and Insurance in 2023.

To ensure the quality and representativeness of the data in the context of the study, the following selection criteria were established: (i) only micro-enterprises incorporated as corporations or limited liability companies were included; (ii) the selected companies had sales of less than USD 100,000; (iii) organizations with equity greater than or equal to USD 800 were included; (iv) companies whose results for the 2023 fiscal year showed profits were included; and (v) companies with incomplete information were eliminated. Once the aforementioned processing was carried out using the STATA 18 statistical package, the sample for this study consisted of 1,634 companies.

Description of variables

The study focused on examining the variables that are considered part of working capital management and that, according to financial theory, affect profitability. To evaluate financial performance, ROA (*return on assets)* and ROE (*return on equity)* indicators are commonly used, as they allow for effective measurement of the return on investments based on assets and shareholder contributions (Rifai *et al.*, 2024). In line with previous studies (Endri *et al.*, 2020; Islam and Ullah, 2020), fixed asset turnover (FATO), this research has used financial profitability as a quantitative continuous dependent variable.

Although Romero Espinosa (2013) confirms the usefulness of the financial information provided by the type of companies under analysis. To achieve this end, the accounting records of all companies required to report to the Colombian Superintendency of Companies for the years 2005 to 2011 were taken, from these, 40 financial ratios and 5 structural ratios (independent variables) were calculated. The explanatory variables are classified into internal factors, environmental factors, and factors related to the management of the company's owner or shareholder. This study focuses only on internal factors due to the quantitative nature of the (cross-sectional) analysis and the availability of reported financial data. The selected variables are based on previous studies widely recognized in the literature on working capital and profitability.

Table 1 describes the variables used in the research.

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Table 1
Definition of variables

Abreviation	Variable	Definition	Authors
ROE	Financial profitability	Net profit divided by equity	Shahnia *et al.* (2020); EL-Ansary and Al-Gazzar (2020)
Apalanc	Leverage	Total assets divided by equity	Susanti *et al.* (2020)
PPC	Average collection period	(Accounts receivable * 365) divided by sales	Wichitsathian (2019); Ahmeti *et al.* (2022)
RotActTotal	Total asset turnover	Sales divided by total assets	Alarussi y Alhaderi (2018); Ceylan (2021)
RotCxC	Accounts receivable turnover	Sales divided by accounts receivable	Kasozi (2017); Phuong and Hung (2020)
Fort	Equity strength	Share capital divided by equity	Freyre (2018)
RentOper	Operating profitability	Operating profit divided by equity	Endri *et al.* (2020)
Edad	Age	Time the company has been in the market	Syaharani and Chalid (2021); Yazdanfar (2013)

Note: Prepared by the authors based on the cited literature.

Financial profitability

Authors such as Shahnia *et al.* (2020) highlight that ROE is a solid indicator for evaluating performance and efficiency in business management. This financial indicator reflects the ratio between after-tax profit and the company's equity, allowing for analysis of the organization's ability to generate profits from the capital contributed by shareholders (EL-Ansary and Al-Gazzar, 2020; Guragai *et al.*, 2019).

Leverage

Defined as the ability of equity to obtain assets (Susanti *et al.*, 2020), leverage is a financial indicator widely used in empirical studies to analyze its influence on business profitability . Companies whose profitability is sustainable over time react by leveraging themselves as a result of the positive relationship between these variables.

Average collection period

This is recognized as one of the key elements in working capital management (Wichitsathian, 2019). According to the financial theory linked to this area, business profitability tends to increase when the recovery period for accounts receivable is reduced, indicating an inverse relationship between the two variables (Ahmeti *et al.*, 2022; Kasozi, 2017).

Total asset turnover

Total asset turnover is an activity ratio that assesses the level of efficiency with which a company uses its resources to generate income. Most previous research, on which this study is based (Alarussi and Alhaderi, 2018; Ceylan, 2021), agrees that there is a direct and statistically significant relationship between this indicator and business profitability.

Accounts receivable turnover

Previous studies (Binsaddig *et al.*, 2023; Wichitsathian, 2019) conclude that this financial indicator is one of the most important elements in working capital management and has been frequently used in models that aim to predict corporate profitability, financial stress, and business failure. Like the previous indicator, it has a positive relationship with financial performance, positioning itself as a key tool for evaluating the economic performance of organizations. This indicator shows how many times the company manages to recover its credit sales during a given period, which allows it to measure whether credit policies are effective (Kasozi, 2017; Phuong and Hung, 2020).

Equity strength

This ratio measures the percentage of capital contributed by shareholders in relation to the company's total equity, which is a key factor in assessing the financial structure and level of dependence on shareholder contributions in the development of the company's operations (Freyre, 2018).

Operating profitability

In financial literature, this indicator is fundamental to financial performance analysis, as it allows for estimating the firm's ability to create value from its own funds, focusing on operating results without taking into account non-operating expenses incurred by the company.

Age

As in previous research (Orazalin *et al.*, 2019; Ruiz López *et al.*, 2023), this study defines the age of the company as the number of years it has been in the market since its creation or incorporation. Due to its importance, the relationship between the age of the company and its profitability has been widely studied in financial theory. Authors such as Syaharani and Chalid (2021) and Yazdanfar (2013) indicate that there is a negative relationship between the two variables, i.e., the longer the company has been in the market, the lower its ability to generate profits. In contrast, studies such as those by Balasubramanian *et al.* (2019) and Takon and Atseye (2015) argue that this relationship is direct because companies with a longer track record tend to develop specific advantages that contribute positively to their financial performance, such as experience and economies of scale.

Methodology

This research adopted a quantitative approach, with a descriptive, correlational, and explanatory scope, based on a non-experimental cross-sectional design. A linear regression model was used to analyze the relationship between working capital components and the financial profitability of microenterprises in the commercial sector in Ecuador. This type of analysis allows the average value of the dependent variable—financial profitability—to be estimated based on a set of independent variables.

Prior to estimating the model, an analysis of the data distribution was performed to validate the assumptions of normality required for parametric methods. To this end, the Jarque-Bera (JB) test was applied, which allows evaluating whether the data follow a normal distribution, considering the asymmetry and kurtosis of the sample. The formula used is as follows:

$$JB = \frac{n}{6}\left(S^2 + \frac{(K-3)^2}{4}\right)$$

Where n is the sample size, S is the skewness, and K is the kurtosis. The resulting value of the JB statistic is compared with the chi-square distribution with two degrees of freedom. This research confirmed that the variables used do

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not show a significant deviation from normality, which validates the application of the linear regression model under the classical assumptions.

The equation of the econometric model used is presented below, which describes the relationship between the factors associated with working capital and the financial performance of the microenterprises analyzed:

$$RentFinanc = \beta\_0+\beta\_1\ Apalanc+\beta\_2\ PPC+ \beta\_3\ RotActTotal+\beta\_4\ RotCxC+\beta\_5\ Fort+ \beta\_6\ RentOper+\beta\_7\ Edad+ \phi$$

In this equation, the dependent variable represents financial profitability. The explanatory variables included in the model are , which corresponds to financial leverage; , the average collection period; , which represents total asset turnover; , accounts receivable turnover; , equity strength; , operating profitability; and , which refers to the number of years from the company's incorporation to 2023. Finally, the coefficients quantify the effect of each explanatory variable on financial profitability and correspond to the random error term that captures the influence of unobserved factors.

Results and discussion

The results in Table 2 present the descriptive analysis of the main financial variables considered in the model, together with complementary indicators that allow for a broader interpretation of the behavior of microenterprises in the commercial sector in Ecuador. In this study, the size of the company was evaluated based on the total value of its assets, an indicator that directly reflects its operational capacity and economic structure. On average, the companies analyzed reported assets amounting to USD 715,422.98, with values ranging from a minimum of USD 3,814.65 to a maximum of USD 19.04 million.

Indicators frequently used in the literature were also added. Regarding short-term solvency, measured by the current liquidity ratio, an average of USD 6.25 was obtained. Although this figure generally shows a solid capacity to meet liabilities immediately, the analysis revealed considerable variability, with values ranging from USD 0 to USD 9,332.14. This range reflects the marked financial dynamism of the commercial sector and the diversity in resource management among Ecuadorian microenterprises.

As for leverage, another indicator frequently used in the literature and defined as the ratio of share capital to total equity, the average was USD 12.04, with values ranging from USD 0.84 to USD 563. At the same time, equity strength averaged 17.52%, with values ranging from -11.84% to 742%, suggesting that in Ecuador's commercial sector there are, on the one hand, companies with negative equity and, on the other, companies with highly leveraged structures.

Indicators related to working capital management also show relevant results. Thus, portfolio turnover and total asset turnover averaged 35.21 and 5.48 times, respectively. Meanwhile, the average collection period was 82.31 days, indicating that companies took, on average, just over three months to recover credit sales.

Finally, the average economic return of the microenterprises analyzed was 8%, ranging from 0% to 65%, while the financial return, selected as the dependent variable in this study, averaged 21.38%, with minimum and maximum values of 1.93% and 69.25%, respectively. These results showed significant financial performance and highlighted the role of these companies within the Ecuadorian business structure, demonstrating their ability to generate attractive returns despite the restrictions inherent to the sector.

Table 2
Descriptive analysis of the sample

Variables	Mean	Standard deviation	Minimum	Maximum
Size	715,422.98	928,214,0.5	3,814.65	19,041,000.63
Current liquidity	6.25	107.81	0	5,322.14
Leverage	12.04	19.62	0.84	563.18
Equity strength	0.1752	0.43	-0.1184	7.42
Accounts receivable turnover	35.21	230.12	0	2,741.02
Total asset turnover	5.48	3.92	0	102.35
PPC	82.31	117.38	0	1,176.27
Financial profitability	0.2138	0.18	0.0193	0.6925
Economic profitability	0.08	0.11	0	0.65

The correlation matrix, shown in Table 3, revealed statistically significant associations between the explanatory variables and the financial performance of the companies selected for this study. As seen, leverage, total asset turnover, and operating performance have a positive and significant relationship (p<1 %) with financial performance, suggesting that these factors have a favorable impact on the economic performance of organizations. In contrast, average collection period and company age showed a considerable inverse correlation (p<1 %) indicating that longer account recovery times and a longer track record in the market could be related to lower levels of financial performance.

Similarly, accounts receivable turnover showed a positive and statistically significant correlation at the 10% level (p<10 %), suggesting a slight direct association with financial profitability. On the other hand, equity strength showed a negative and significant relationship at 5% (p<5 %), indicating that a higher level of equity capital may not necessarily translate into better financial performance. Based on these correlations, and once the magnitude and direction of the relationships between the independent variables and financial profitability had been determined, the econometric model was estimated, the purpose of which was to identify the effect of working capital components on the financial performance of the companies analyzed.

Table 3
Pearson correlation matrix

Variables	ROE	Leverage	PPC	RotActTotal	RotCxC	Fort	RentOper	Age
ROE	1.0000							
Leverage	0.1786***	1.0000						
	(0.000)							
PPC	0.1454***	0.0478	1.0000					
	(0.0021)	(0.7961)						
RotActTotal	0.2594***	-0.0147	0.0478**	1.0000				
	(0.000)	(0.6742)	(0.0325)					
RotCxC	0.3712*	-0.0875	0.0814***	0.2416***	1.0000			
	(0.0526)	(0.4127)	(0.0000)	(0.0000)				

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Fort	-0.0952**	0.0014***	0.1246***	-0.0097	-0.1175*	1.0000		
	(0.0318)	(0.0000)	(0.0000)	(0.56314)	(0.0684)			
RentOper	0.4357***	-0.2056**	0.2598	0.2145	0.0119	-0.3314	1.0000	
	(0.0000)	(0.0248)	(0.3952)	(0.5137)	(0.1537)	(0.2371)		
Edad	-0.3148***	-0.1452***	0.1487	-0.2281	-0.0098*	0.0627	-0.4581	1.0000
	(0.0000)	(0.0072)	(0.7268)	(0.3714)	(0.8296)	(0.4731)	(0.4472)	

Note. *Significant at 10%; **Significant at 5%; ***Significant at 1%.

Table 4 below shows the results of the estimated regression model, which found a statistically significant relationship at 1% ($p<0.01$) between financial profitability and the explanatory factors included in the analysis. In line with previous research (Ilaboya and Ohiokha, 2016; Pervan *et al.*, 2019; Takon and Atseye, 2015), a direct and significant relationship was identified between leverage, firm age, equity strength, and operating profitability. These findings confirm hypotheses 1, 2, and 4 formulated in this study, highlighting the importance of these variables in generating sustainable financial results within microenterprises in the commerce sector in Ecuador.

Regarding the elements that are part of working capital, it can be observed that both the average collection period and total asset turnover have an inverse relationship with financial performance; however, these coefficients were not significant. These findings confirm hypothesis 3, which states that the average collection period does not have a significant impact on financial performance. This result is consistent with those obtained by Akoto *et al.* (2013) and Nurhayati *et al.* (2017), who indicate that flexible credit policies in terms of maturity do not have a significant effect on financial profitability, especially in economies where sales growth is prioritized. In line with the results obtained by Sehgal *et al.* (2021), the customer turnover ratio in this study shows a direct and significant relationship, indicating that higher recovery of accounts receivable has a positive impact on financial performance and thus improves the company's liquidity.

The statistical model used in this research explains 52.70% of the financial profitability of the companies studied. Although this coefficient of determination suggests that there are other factors not included that also influence financial performance, the variables considered provide a solid and representative basis for understanding the dynamics of profitability in the context of micro-enterprises in the commerce sector, highlighting the importance of strategic working capital management and financial structure in generating business value..

Table 4

Estimated regression

Variable	Abbreviation	Coefficient	t-value	P-value
Leverage	Leverage	0.0151***	5.814	0.0000
Average collection period	PPC	-0.0435	-0.72	0.6873
Total asset turnover	RotActTotal	-0.0745	-0.61	0.3257
Accounts receivable turnover	RotCxC	0.0087*	2.57	0.0647
Equity strength	Fort	0.0275***	-3.54	0.0000

Variable	Abbreviation	Coefficient	t-value	P-value
Operating profitability	Operating Profitability	2.248***	18.59	0.0000
Age	Age	0.1462	-12.68	0.0000
	F	98.27		0.0000
	R^2	0.5270		

Note. *Significant at 10%; **Significant at 5%; ***Significant at 1%.

In order to verify the absence of multicollinearity among the independent variables, a variance inflation factor (VIF) analysis was applied, a widely recognized tool in econometrics for detecting possible correlations between predictors in regression models. As shown in Table 5, the average VIF value was 1.09, considerably lower than the critical threshold of 5, indicating that there are no relevant levels of multicollinearity between the explanatory variables included in the model.

Table 5
Variance inflation factor

Variable	Abbreviation	Coefficient	t-value
Leverage	Leverage	1.9	0.526
Average collection period	PPC	1.6	0.625
Total asset turnover	RotActTotal	1.75	0.571
Accounts receivable turnover	RotCxC	1.45	0.689
Equity strength	Fort	1.55	0.645
Operating profitability	RentOper	1.4	0.714
Age	Age	1.5	0.666
	Average VIF	1.59	

Conclusions

The objective of a company is to maximize shareholder profits by investing in assets that are profitable and generate value for the company. For this reason, business success depends on management's ability to effectively manage its resources. The objective of this research was to examine the relationship between the components of working capital and the financial profitability of micro-enterprises operating in the commercial sector in Ecuador. To this end, a model was constructed to identify the factors that explain financial profitability behavior.

The findings confirm that indicators related to the financial and operational structure of microenterprises have a significant impact on profitability. In other words, in developing economies such as bbEcuador's, financial performance does not depend on macroeconomic factors but can also be managed through internal decisions related to the efficient administration of resources, capital structure, and budget.

One of the main conclusions drawn from this research is that financial managers of microenterprises should adopt a comprehensive approach to working capital management. Beyond the importance of maintaining adequate

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levels of liquidity, it is essential that short-term decisions be linked to the company's profitability objectives. This implies the ongoing review of credit policies, the strengthening of the company's social capital, and the optimization of operating cycles.

It was also determined that age is not only an indicator of market positioning, but it also allows microenterprises to consolidate efficient practices that affect their financial performance. In other words, microenterprises should innovate in production processes that strengthen their financial performance as they gain experience in the market.

The results of this study allow us, from a strategic perspective, to consider the role that the sector in which the microenterprise operates, and the economy plays in its financial performance. Although the research focused on variables specific to the company, the findings suggest that the country's structural conditions, such as limited access to credit or the informality of certain commercial activities, can increase or reduce the effects of business decisions. Therefore, it opens up a space for debate on the need to design public policies aimed at strengthening this business conglomerate, in which working capital is considered a key factor in improving the sector's competitiveness.

The contribution of this research to financial theory lies in proposing an empirical analysis that integrates factors related to financial structure and working capital, applied to a specific sector. This broadens the understanding of the determinants of corporate profitability in developing economies and provides useful tools for decision-making at both the business and institutional levels.

Like other studies, this research is not without limitations; however, these limitations give rise to opportunities for future studies. First, the results are limited to companies in a specific sector, such as the commercial sector, which prevents these findings from being extrapolated to other sectors or types of companies. Second, the use of cross-sectional data prevents the observation of changes over time or the establishment of definitive causal relationships. Finally, categorical and macroeconomic variables such as GDP growth or inflation, which can offer a comprehensive view of how working capital affects company profitability, were not considered.

Based on these limitations, several avenues for future research are proposed. It is suggested that longitudinal studies be conducted to analyze the behavior of financial profitability in response to changes in working capital policies over time. Second, it would be relevant to replicate the model in other economic sectors, such as industry or services, to compare the effects on different operational dynamics. It is also recommended to incorporate qualitative variables related to the composition of the board of directors, the level of digitization, or organizational culture, in order to identify whether there are internal capabilities that enhance or limit the impact of working capital on profitability. Finally, comparative research between countries in the region could offer relevant findings on the role that institutional frameworks play in the effectiveness of short-term financial strategies.

The existence of working capital is closely linked to the company's liquidity situation. In this sense, proper working capital management prevents imbalances that cause liquidity situations and force the suspension of payments or even jeopardize the company's survival due to lack of credit. The survival of the company, understood as its ability to meet its short-term obligations, or the probability of being declared technically insolvent, depends on proper working capital management.

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