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How Individual Microentrepreneurs Reacted to The Covid-19 Pandemic in Brazil



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ABSTRACT

The public policy to support small businesses in Brazil began in the 1980s, to give more specific attention to small businesses and contribute to the country's economic development. The corresponding legislation, over time, created a new legal figure, that of the Individual Micro entrepreneur (MEI). In 2020, with the emergence of the new Covid-19 disease, many companies had to reduce their activities or even completely paralyze them, another part of these companies had an additional demand compared to the daily history of operation. This research aims to verify how Brazilian microentrepreneurs survived or not the Covid-19 pandemic period. To reach the objective of this work, bibliographical research was carried out, and to collect the information necessary for the analysis, exploratory research was used, of a qualitative nature, on statistical data from statistical research carried out by various agencies. The MEIs stood out as entrepreneurs with an undeniable growth of 20.1% in the period of the pandemic, participation in the composition of the economically active population in Brazil aged 21 to 60 years, and acting, mainly, in the activities of clothing and beauty and personal hygiene.



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INTRODUCTION

Brazil has exhibited a distinct political landscape in the last 20 years, where the emphasis has shifted from pegging the value of the Brazilian real to the US dollar and privatizing public services and state-owned companies, with an emphasis on combating income inequalities and at the same time struggling with scandals of corruption [1].

Owning their own business is the dream of 31% of Brazilians interviewed by the 2018 Global Entrepreneurship Monitor (GEM) survey [1]. The 2014-2017 recession period did not reverse this trend as there were few options for individuals to become (or remain) employed. This is reflected in the high proportion of need-driven entrepreneurship.

The public policy to support small businesses in Brazil began in the 1980s, to give more specific attention to small businesses and contribute to the country's economic development. The corresponding legislation, over time, created a new legal figure, that of the Individual Micro entrepreneur (MEI) [2].

Thus, the political and economic climate in Brazil has resulted in a high level of entrepreneurial activity, including sustainable activities, supported by high rates of business ownership. At the same time, Brazil scores low in terms of growth and innovation expectations, suggesting that entrepreneurs contribute to the economy based on their high levels of collective participation rather than any impact on the average individual level [1].

The family-style we were used to with the father being the provider and the mother responsible for the education of the children is changing. It is common to see that in some families, both work and are the financial providers of the home, as the father's labor effort alone is not enough to support the home.

In other households, only husbands work formal jobs with wages and benefits, but wives look for a way to help support the household, whether through informal tasks, handcrafted or homemade products, etc. These “homemade” initiatives demonstrate the entrepreneurial spirit that exists in families and that can transform a simple task into a big undertaking.

But in 2020, with the emergence of the new Covid-19 disease, many companies had to reduce their activities or even completely paralyze them, another part of these companies had an additional demand compared to the daily history of operation.

This scenario affected the entire country for several months and compromised several companies, some of them reaching closure, and others, for survival, changed their business models to adapt to this unexpected situation. All this stretched this research that aims to verify how Brazilian micro-entrepreneurs survived or not the Covid-19 pandemic period.

Literature review

Entrepreneurship

Entrepreneurship is a milestone on the path to economic progress and makes an enormous contribution to the quality and future hopes of industry, economy, or even a country. Entrepreneurship is just as important in Small and Medium-sized Enterprises (SMEs) and local markets as it is in large companies, and national and international markets, and it is an as fundamental consideration for public companies as it is for private organizations. Entrepreneurship helps to stimulate competition in the current environment that leads to the effects of globalization [3].

Shane and Venkataraman [4] define entrepreneurship as the "academic examination of how, by whom and with what effects, opportunities to create future products and services are discovered, evaluated and explored" Entrepreneurship activity, in general terms, positively impacts growth economy because it is necessary to have a group of people willing to take the risk, using their resources to generate new companies and businesses. This is the best way to achieve sustainable economic growth [5].

1- The definition considers the behavior of economic agents. For this reason, entrepreneurship does not mean an occupation, but an activity that considers the different circumstances and aspects of a person.

2- Entrepreneurs must consider uncertainties and obstacles inherent in the process of creating companies.

3- They must have information or ideas about efficient production processes as well as new organizational forms. This does not mean that entrepreneurs must have attended special academic courses on management. They must have the idea and can ask for information or expert advice to execute the idea.

4- Entrepreneurs can also be found in large companies. In this case, they are called “intra-entrepreneurs” or “corporate entrepreneurs” [6].

The entrepreneurship factor also includes people looking for information or ideas about efficient production processes, as well as new organizational forms. Taking these ideas into account, different types of ventures can be considered [5].

According to Hisrich & Peters [7], entrepreneurship is characterized by an ability to identify opportunities and create something innovative under conditions of uncertainty, taking on the risks involved. Persistence and vision of the future involve the process of being an entrepreneur that results in a new way of doing a job – a new product, service, or activity – or the creation of a new venture.

Individual Micro entrepreneur (MEI)

According to Fernandes et al. [8], the micro-entrepreneur is a new legal instrument that emerged with the advent of article 18-A of Complementary Law nº 128/2008, which started to regulate article nº 966 of Law nº 10.406/2002 (Civil Code), using a new parameter of tax contribution, configured by the System of Collection of Fixed and Monthly Taxes covered by the Simples Nacional.

It can be understood that the constitution of the MEI corresponds to a public policy to encourage the formalization of small businesses and aimed at those who do not have the conditions to generate income to bear the high charges and taxes arising from business activity [2].

Based on the evolution of this legislation, it can be understood that the Brazilian government has paid attention to micro-entrepreneurs to ensure their migration from the informal to formalization and a series of benefits to promote economic development. Therefore, it is important to understand the benefits provided in this legislation as an incentive to face the challenge of becoming an MEI, as a formal micro-enterprise [2].

The Brazilian government intends to pass this legislation to free millions of Brazilians from informality, even if the self-employed are formalized, thus promoting business inclusion [9].

According to SEBRAE [10], the advantages of being an MEI are:

- waiver of license and license for its activities.
- May sell to the government.
- Will have access to banking products and services such as credit.
- Low monthly cost of taxes (INSS, ISS, and ICMS) in fixed amounts.
- You will be able to issue an invoice.
- Social security rights and benefits: Retirement by age; Disability retirement, Sickness allowance, Maternity pay, Death pension (for family).

Research Methodology

To achieve the objective of this work, bibliographical research was carried out, and to collect the information necessary for the analysis, exploratory research was used, of a qualitative nature, on statistical data from statistical surveys of various agencies with the RECEITA FEDERAL, GEM, SEBRAE, between others.

For Gil [11], exploratory research aims to provide greater familiarity with the problem, to make it more explicit.

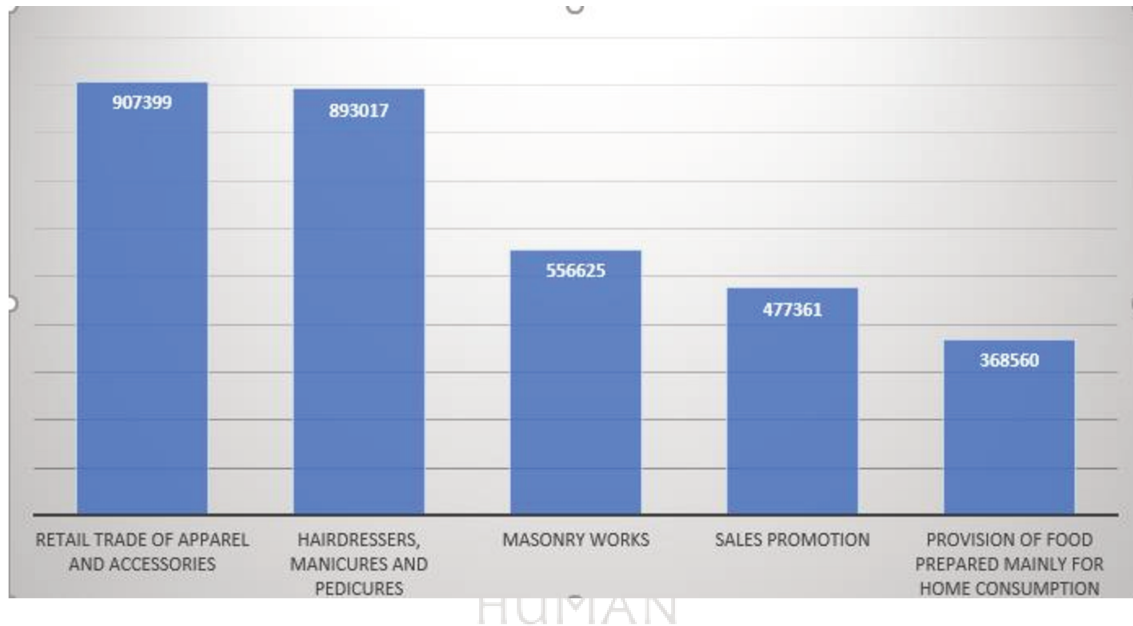
Zikmund [12] considers that exploratory studies are conducted to clarify ambiguous problems, research is needed to better understand the dimensions of the problems.

The qualitative approach presents a reality that cannot be quantified or measured and involves subjective items from the research reality. It is possible to work with data without specific statistical treatment, seeking to understand reality [13].

Analysis of Results

To form an overview of individual microentrepreneurs in Brazil, we used data from the Receita Federal website on MEIs [14].

The first data analyzed were the economic activities with the highest number of micro-entrepreneurs in the country, Graph 01 shows the five main areas.

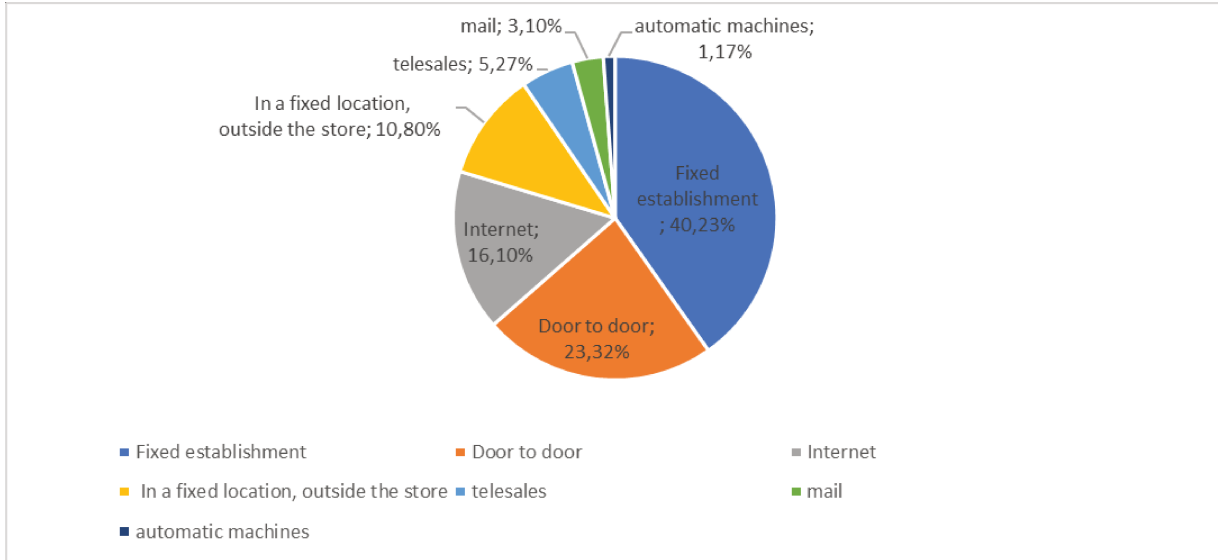


Graph 01 - Main economic activities

Source: Receita Federal [14]

The largest economic activity is the retail trade of apparel articles with 907,399 subscribers, followed by the Hairdressers, manicures, and pedicures activity with 893,017. These activities are commonly found in almost all city districts, with sales in the poorest regions. clothing items are made door-to-door by “sacoleiras”, and beauty services are in the owners' homes.

The second data researched was the forms of action, how MEIs serve customers, presented in Graph 02.

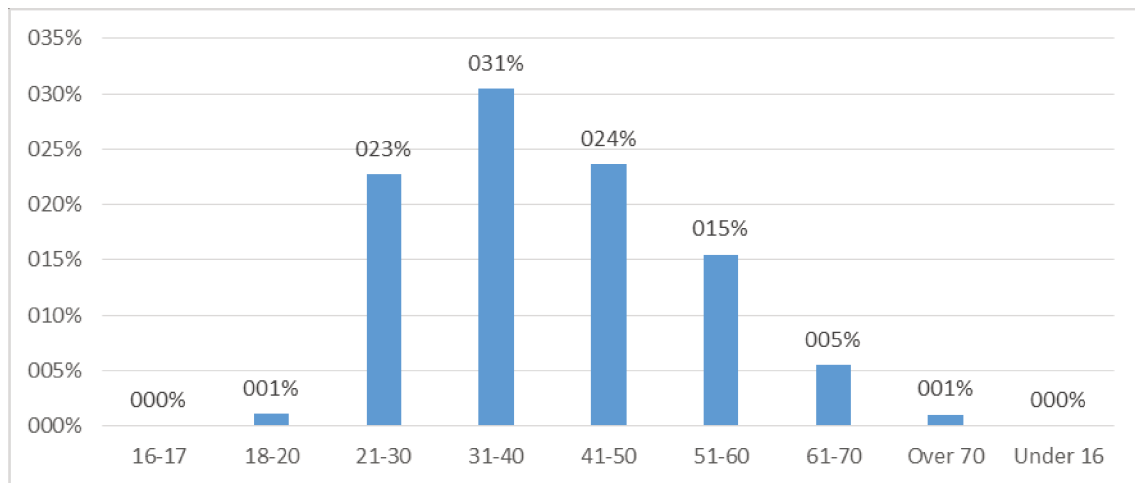


Graph 02 - Forms of Action

Source: Receita Federal [14]

Only 40% of MEIs have fixed service establishments, which is the form that appears in the first place, in second place comes door-to-door with 23.32%, which is a traditional system of sales in the low-income population.

Graph 03 shows the percentage of micro-entrepreneurs by age group.

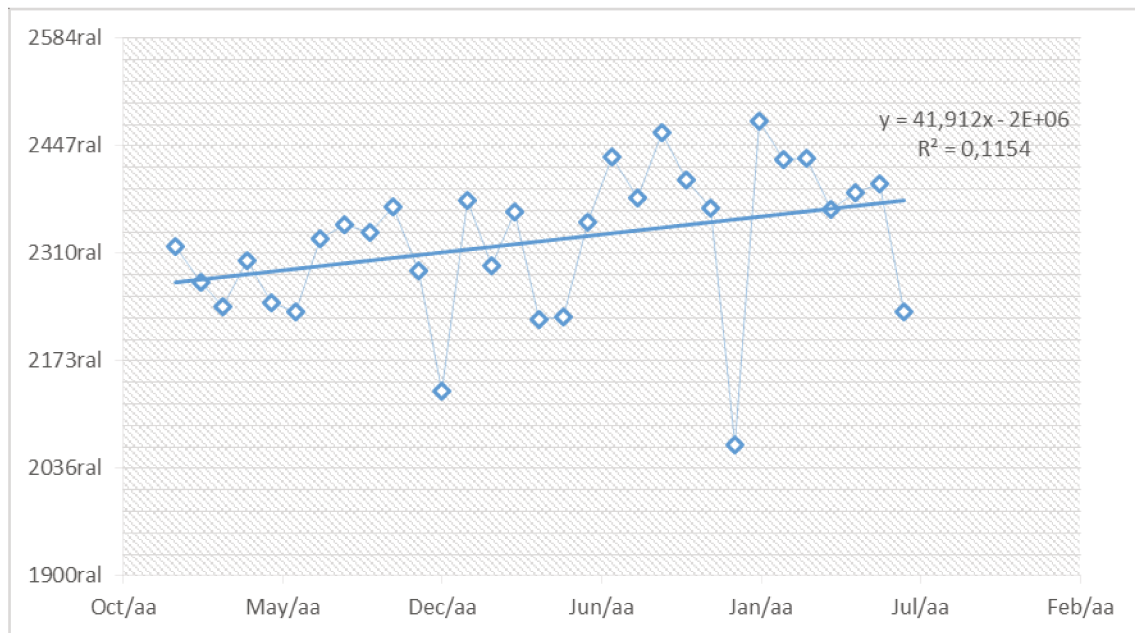


Graph 03 - Micro-entrepreneurs by age group

Source: Receita Federal [14]

In the world of work, the growth of MEIs in the composition of the economically active population in Brazil is undeniable. The largest number of MEIs are in the 31-40 age group with 30.50%, in second place the 41-50 age group with 23.67% and closely followed by the 21 to 30 age group with 22.75%.

To answer the research question and verify how Brazilian microentrepreneurs survived or weakened with the Covid-19 pandemic, the number of MEI records from January 2019 to July 2021 was verified, as shown in Graph 04.



Graph 04 - Evolution of MEI records from January 2019 to July 2021

Source: Receita Federal [14]

The data pointed to an increase in MEI records in the pandemic period, in April and May 2020, the initial months of the social isolation period, there were decreases in MEI records, but in the following months, most MEIs registered were larger than the trend line.

Table 01 shows the total number of MEIs registered in Brazil month by month, there is a growth of 21.8% in registrations between Dec/2018 and Dec/2019, a period outside the pandemic. During the initial 12 months of the pandemic in Mar/2020 and Mar/2021, there was a 20.1% growth in MEI records, slightly below the growth of the previous year of the pandemic, which

demonstrates that MEIs had a chance to keep working in this period and new opportunities were created due to this scenario.

Table 01 - Total registered MEIs

Month	Total MEIs
jan/19	7.892.821
fev/19	8.029.241
mar/19	8.154.678
abr/19	8.301.074
mai/19	8.428.241
jun/19	8.551.177
jul/19	8.708.136
ago/19	8.871.564
set/19	9.031.164
out/19	9.202.873
nov/19	9.344.777
dez/19	9.430.438
jan/20	9.605.168
fev/20	9.749.416
mar/20	9.918.983
abr/20	10.038.514
mai/20	10.158.857
jun/20	10.323.426
jul/20	10.518.285
ago/20	10.694.175
set/20	10.900.457
out/20	11.084.592
nov/20	11.255.656
dez/20	11.316.853
jan/21	11.528.506

fev/21	11.722.017
mar/21	11.916.041
abr/21	12.086.258
mai/21	12.264.211
jun/21	12.446.675
jul/21	12.569.603

Source: Receita Federal [14]

CONCLUSIONS

This article demonstrated, through exploratory research, in statistical data from statistical surveys of the Federal Revenue, that MEIs stood out as entrepreneurs with the undeniable growth of 20.1% during the pandemic period, participation in the composition of the economically active population in Brazil in the age group from 21 to 60 years old and acting mainly in clothing and beauty and personal care activities, proving that these ventures can start informally, at home and turn into profitable businesses.

In part, the survival of MEIs can be justified because of the very social isolation that forced stores and companies to close and created opportunities for MEIs, for example with people at home, the door-to-doorway of acting is the ideal method to achieve customers, as 23% of MEIs use this form of service.

With the strong participation of MEIs in motivating entrepreneurship for survival, it is worth emphasizing the importance of encouraging public policies that reflect on businesses with these characteristics.

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