


THE IMPORTANCE OF FINANCIAL EDUCATION FOR INDIVIDUAL MICROENTREPRENEURS

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ABSTRACT

This paper analyzes the financial challenges faced by MEIs and MSEs, highlighting the importance of financial education for their sustainability. Qualitative research reveals that the lack of knowledge in financial management contributes to the early closing of these businesses. Tools such as cash flow and strategic planning are essential but underused due to a lack of training. Financial education programs can enhance decision-making and resource allocation. It is concluded that public policies, private initiatives and educational efforts are fundamental to strengthen financial management and ensure the longevity of these enterprises.

Keywords: Individual microentrepreneurs. Micro and small companies. Financial Planning. Financial Education.

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INTRODUCTION

Financial education is very important for the success of the financial health of micro and small companies. In this bias, currently some micro and small companies close in the first 5 years due to lack of knowledge in financial management in the small businesses of individual microentrepreneurs who start their business without a solid knowledge base of financial management. SEBRAE (2020).

In addition, cash flow knowledge is very important to keep track of the inflows and outflows, revenues and expenses, and investments of the business.

Cash control is a record of every movement of your business, that is, information about receipts, such as payments, sales, expenses, pro-labore and even the machine fee. Everything must be informed. (MOLTER, 2022).

Working capital is also very important in business to generate innovation and entertainment in entrepreneurship. In this bias, financial management is the Lung of the Organization, where it makes the company breathe and have good financial health in micro and small companies. However, the entrepreneur needs to take risks for decision making, for what his business will leverage through ROE - (Return on Equity) and ROA - (Return on Assets) and check the company's balance sheet. (MEDEIROS et al., 2022).

Strategic planning is also very important in a company's business plan. In this sense, when it comes to finances, a certain care is required with the daily, monthly and annual budget. Which, through this financial budget, is that the expenses and gains of the company's equity are analyzed and verified, that through this equity the company can view its inflows and outflows and thus I was able to see the increase in its profits being analyzed and managed through a Financial spreadsheet. (CFC, 2022).

Furthermore, it also uses financial mathematics to be able to calculate and analyze simple interest and compound interest through bank investments, low-interest loans when necessary, and also have the fiscal support of an accountant, this is essential not to lose control of the Inputs and Outputs of the company's financial and budgetary management. (SAYED; SANTOS, 2022 apud MEDEIROS et al.2022).

Given this exposure, the guiding question of this research is: What is the financial education for individual micro entrepreneurs?

Given the above, the objective of this research is to analyze the importance of financial education for micro and small companies, as well as: Discuss financial education,

explain the tools for financial management and expose the strategic planning of financial and budgetary control in Financial Management.

The justification of this study brings a perspective of the problem, of the lack of good financial education in individual microentrepreneurs who need to know the competitive market. Santos (2022) discusses how effective financial management can lead to business innovation, especially for microentrepreneurs looking to grow in competitive markets. that for this he needs to understand finance, business and investments and knows that they cannot put all their eggs in one basket.

It is also worth mentioning how family financial management is discussed and stimulated among themselves, how it contributes to decision-making when fulfilling obligations and investing resources.

BIANCHI (2021) highlights the importance of financial education for microentrepreneurs, emphasizing the need to understand the market and diversify investments to ensure business sustainability. That is, they need to diversify their businesses through good investments and innovate through Financial Management.

METHODOLOGY

To achieve the proposed objectives, this study adopts a qualitative approach, based on a literature review. The research uses secondary data from academic articles, institutional reports, and studies published by specialized organizations, such as SEBRAE 2020, ANBIMA 2020, CFC, BBC 2023, and SPC BRASIL 2023, as well as scientific journals available on Google Scholar and other databases.

TYPE OF RESEARCH

The research is exploratory and descriptive.

Exploratory: Aims to identify the gaps and understand the difficulties faced by individual microentrepreneurs (MEIs) about financial management and financial education

Descriptive: Seeks to analyze the tools and best practices for efficient financial management, strategic planning, and resource control in micro and small enterprises (MSEs).

DATA SOURCES

Data was collected exclusively from secondary sources:

Scientific Articles:	(Santos, 2022, Bianchi, 2021; Martins, 2023).
Institutional reports and studies:	(SEBRAE, 2020; ANBIMA, 2020).
Legal and regulatory publications:	(ITG 1000 OF THE CFC, 2022).
Data and news from reliable portals:	(BBC Brasil, 2023); SPC BRAZIL (2023)

Source: Table prepared by the authors

DATA COLLECTION PROCEDURES

Data collection followed the steps described below:

- **Bibliographic Survey:** A systematic search was carried out in academic databases (Google Scholar, Scielo, CAPES), using keywords such as "financial education", "microenterprise management", "cash flow", "strategic planning" and "indebtedness".
- **Selection of relevant publications:** Priority was given to studies published in the last five years, as well as documents of historical relevance, such as the work of Hoji (2014).
- **Organization of information:** The publications were categorized by themes, such as "financial management tools", "financial education" and "indebtedness", to facilitate the analysis.

METHOD OF DATA ANALYSIS

The data collected were analyzed through a qualitative approach, focusing on:

- Content Analysis: Identification and interpretation of the main ideas and concepts presented in the bibliographic sources.
- Comparative Synthesis: Comparison of results between different authors and studies, such as those by Molter (2022) and Medeiros et. al. (2022), to identify points of convergence and divergence on financial education and its impact on business.
- Indirect Case Study: From general data, such as those from SEBRAE (2020), specific trends and challenges faced by MEIs and MSEs were examined.

LIMITATIONS OF THE RESEARCH

Research is limited by its reliance on secondary data, not performing primary information collection (such as interviews or questionnaires). Additionally, there is a time bias, as some sources may not reflect recent changes in the economic context.

The choice for a bibliographic and qualitative approach is justified by the relevance of the theme and the wide availability of studies on financial education and management in

micro and small companies. This method allows for a comprehensive understanding of the phenomenon, basing the discussion on theoretical and practical evidence.

THEORETICAL CONSIDERATIONS

FINANCIAL EDUCATION

Recent studies reveal an alarming mortality rate for small businesses. According to data from SEBRAE (2020), about 60% of small businesses close their doors before completing five years of existence in Brazil. Financial management, in turn, goes beyond resource planning, contemplating their control and management, to enable entrepreneurs to know the direction the company is taking.

In this sense, "the success or failure" of a company is determined by financial health, and for it to occur it is relevant to have reliable and legitimate information about its financial management. Therefore, in addition to planning, controlling and managing resources, financial management makes it possible to predict the success or failure of the company through business information, which is collected through accounting tools, as will be described below (COLPANI; NASCIMENTO, 2016 apud COSTA; DRUMOND, 2020).

Financial Management goes beyond monitoring finances, and the entrepreneur must manage them efficiently, that is, to control and guide the best way to conduct operational activities in the short and long term based on technical knowledge and analysis of the company's economic reality.

As SMEs grow, new obstacles arise, such as increased debts, obligations, decreased sales, increased market demand, etc. Financial management, in this context, must follow these events so as not to compromise the health of the business.

Bankruptcy, bankruptcy and closure of activities are consequences of inefficient financial management (HOJI, 2014 apud COSTA; DRUMOND, 2020).

Thus, financial management encompasses the preparation of budgets, the payment of financial commitments, the saving of resources, management of credit card expenses, directing expenses, applying resources in a certain department of the business, controlling the movement of cash, recording this movement to formulate the cash flow, ascertaining the working capital (BINDA; ANDRADE, 2021).

In this way, financial education enables the understanding of the financial concepts and risks inherent to the enterprise and, in addition, it is used as an impetus for the sustainable development of business, since it enables business activity safely and

predictably, as it ensures the adequate projection of financial metrics, such as cash flow, for example (MOLTER, 2022).

It is essential to point out that financial education is not limited to learning how to save, reduce expenses and accumulate capital, as it is a tool that provides planning and the consequent availability of resources for their strategic and coherent direction, so as not to compromise the business budget and not apply resources in areas or projects that are not the priority at the moment (MEDEIROS et al., 2022).

In this sense, this article aims to analyze the importance of financial education in the sustainability of small businesses. Through a literature review, the main challenges faced by entrepreneurs in the financial management of their businesses and the negative consequences of lack of knowledge in this area will be identified. In addition, well-founded strategies and recommendations will be followed to promote financial education and strengthen the sustainability of these ventures (SILVA & ARAUJO, 2021).

FINANCIAL BEHAVIOR

Staff financial budget

The Financial Budget of MEIs is based on Cash Flow, with basic mathematics information and control of inputs and outputs. Thus, according to this information, the entrepreneur can manage his personal and business finances through an Excel spreadsheet, he can maintain financial control of his income and expenses. And given all this, the MEI also cannot mix personal accounts and company accounts so that there is no lack of control in its working capital and does not bankrupt its own business. In other words, people's financial behavior is linked to their financial education (SAYED; SANTOS, 2022 apud MEDEIROS et al., 2022).

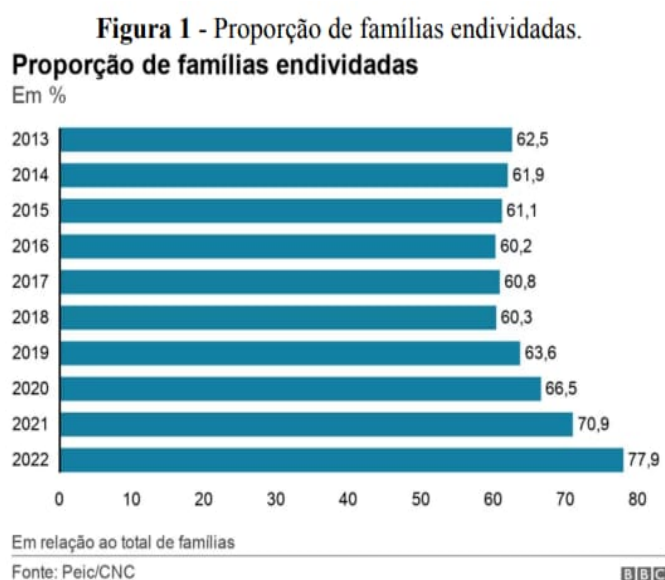
ITG 1000, for example, determines that the mandatory financial statements for SMEs are: (a) balance sheet; (b) statement of income for the year; (c) statement of changes in shareholders' equity; (d) statement of cash flows; and (e) explanatory notes, comprising the summary of significant accounting policies and other explanatory information. In other words, in addition to the indispensable nature of financial management for the control and planning of the company's assets, this practice is mandatory and regulated by law (CFC, 2022).

That said, it is pointed out that accounting encourages financial education, since it offers tools to practice it, such as accounting records and statements, which allow the

analysis of the company's financial reality. Therefore, accounting can contribute to financial education by guiding the direction of the use of financial resources (MOLTER, 2022).

INDEBTEDNESS

The BBC website (2023) presents the proportion of indebted households, as highlighted in Figure 1, based on the PEIC - Consumer Indebtedness and Default Survey, attributing the situation to two main factors: the increase in inflation, which is demonstrated by the increase in the Selic rate (from 2% to the current 13.75%), and the growing incentive to use credit.



Fonte: BBC, 2023.

Adequate capital management is the main driver for future security, and as evidenced, prior knowledge about financial management together with behavioral factors can influence the result of financial decision-making. The numbers shown in figure 1 can be a warning for Brazilian families, which together with the mismanagement of financial resources and the inappropriate use of credit due to excessive consumption, can lead to the levels of defaulters proportional to the increase in indebtedness.

ANBIMA (2020) showed that about 62% of the Brazilian population, during the year 2019 to 2020, were unable to save enough money to guarantee a financial reserve for any type of emergency. This finding supports the need to educate people financially, given the fact that it is through the knowledge prioritized by PE that the subject becomes able to

understand how to prioritize the choices of their budget during short and long-term decisions.

Interest

Financial Education encompasses concepts such as value, price and interest, applied daily and which are instructed both formally in institutions (schools, universities, etc.) and informally via social and family processes of daily life. The economic activities to which the population is exposed daily require knowledge, skills and economic skills to deal with the market in the best way. SEBRAE (2022)

In addition, Brazilians usually buy on impulse and take payroll loans at the risk of also taking loans from loan sharks, instead of saving at least 20% of the income value every month as an emergency reserve, they prefer the easy way out and end up snowballing their budget and thus paying high interest generating a snowball due to lack of financial education. SPC BRAZIL (2023)

Debt renegotiation

In the Brazilian context, in which 90% of SEBRAE (2022) of companies are small, and 36% of them are MSEs, knowledge in financial education is a differential for companies to survive, develop, and grow.

In this sense:

Micro and small entrepreneurs must operate according to their cash flow, considering that, for these entrepreneurs, credit is scarce and costly. For them, the financial budget, materialized by cash flow, is essential for the business to grow sustainably. Like micro and small entrepreneurs (businesses), sometimes they are even confused with the natural person of the entrepreneur. The financial education of the business navigates according to the financial education of the entrepreneur. For sustainability to be maintained, cash flow must be the navigation instrument of these entrepreneurial entrepreneurs. Thus, financial education should be a project that signals to micro and small entrepreneurs that the net return must exceed the opportunity cost (MOLTER, 2022).

Debt renegotiation has become more accessible with platforms such as Serasa Limpa Nome and Agreement Certo, which offer digital solutions to assist consumers in financial regularization. Serasa Limpa Nome allows free consultation of pending issues and direct negotiation with creditors, providing discounts that can reach 99% of the amount due, in addition to installment options. The Right Agreement, in partnership with Boa Vista, also allows you to renegotiate debts in a simple and fast way, ensuring personalized offers and

flexible payment terms. Both platforms play a key role in rehabilitating consumer credit, making the settlement process more accessible and transparent.

FINANCIAL MANAGEMENT AND EDUCATION IN THE FAMILY CONTEXT

As already reported, family financial management is not only a tool to control expenses and increase savings, but also an essential process to ensure long-term well-being and financial security. Families that practice organized financial management are better able to face economic crises, such as the COVID-19 pandemic, and are better prepared to deal with unforeseen financial events. The key to this success lies in proper financial planning, which involves controlling expenses, prioritizing essential expenses, and using credit consciously.

According to Santos (2023), financial education in the family context is one of the pillars for the development of healthy consumption and saving habits. When families have access to quality financial education, they develop skills to plan for the future, invest responsibly, and avoid excessive debt (SANTOS, 2023, p.45).

However, the reality of many Brazilian families is that the lack of formal financial education ends up generating a cycle of indebtedness and default. Often, families resort to credit without proper planning, which can lead to an accumulation of debts that are difficult to pay off.

Ribeiro (2021) reinforces that the absence of a financial culture in families causes financial decisions to be made impulsively, with the indiscriminate use of credit and the lack of reserve for emergencies (RIBEIRO, 2021, p. 67). This demonstrates the importance of financial education programs, both in schools and in community initiatives, to prepare families for the management of their resources.

Programs such as the National Strategy for Financial Education (ENEF), an initiative of the Brazilian government, have been essential to encourage this financial education. ENEF aims to promote access to financial knowledge broadly, reaching from young students to adults who are already in the job market. (ENEF, 2022, p. 13).

According to Lima and Souza (2023), the most economically vulnerable families are the ones who suffer the most from indebtedness, as they often use credit to cover basic expenses such as food, health, and housing.

The Central Bank of Brazil, in a 2023 report, highlighted that digital credit has facilitated access to financing, but also highlighted the need for broader financial education policies to avoid excessive household indebtedness. (CENTRAL BANK, 2023, p. 34).

From this perspective, financial management in the family context should not be limited to the simple fact of controlling expenses, but rather involve understanding the financial mechanisms available in the market, the responsible use of credit, the creation of emergency reserves and planning for the future where all these actions will be essential to micro entrepreneurs.

RESULTS AND DISCUSSION

FINANCIAL EDUCATION AS A STRATEGIC PILLAR

The analysis shows that financial education goes beyond teaching the fundamentals of saving or recording financial inflows and outflows. It plays a strategic role in empowering entrepreneurs to understand the market, diversify investments, and avoid excessive risk. As pointed out by Medeiros et al. (2022), the ability to strategically plan and predict short- and long-term results is essential to ensure the sustainability of the business.

However, it has been observed that many entrepreneurs still have difficulty separating personal and business finances, which harms cash flow and can lead to bankruptcy. CFC ITG 1000 (2022) reinforces the need for financial statements for MSEs as a way to promote transparency and financial control, but adherence to these practices is still limited.

IMPACTS OF INDEBTEDNESS AND INADEQUATE MANAGEMENT

Another point analyzed was the impact of indebtedness on the financial health of MSEs. According to the BBC (2023), high inflation and high interest rates are factors that hinder access to credit and contribute to the increase in delinquency. For many small entrepreneurs they are in default. For many small business owners, a lack of financial planning and excessive use of credit, often without proper evaluation, create a debt ripple effect.

In this context, initiatives such as the Right Agreement and Serasa emerge as important tools to relieve indebtedness, allowing negotiations and renegotiations aimed at recovering the credit capacity of entrepreneurs. However, these policies must be

accompanied by financial training and knowledge programs through financial management courses, books, articles and courses based on this area to avoid recurrence in the problem.

STRATEGIC PLANNING AND SUSTAINABILITY

The analysis reinforces the importance of strategic financial planning as a competitive differentiator. Tools such as cash flow and annual budgeting are highlighted as essential for financial control and informed decision-making. Studies such as those by Molter (2022) show that companies that use such practices are more likely to survive and grow sustainably.

On the other hand, the lack of efficient management can lead to financial imbalances, compromising working capital and limiting the ability to innovate and expand. This scenario is aggravated by the lack of knowledge about financial mathematics, such as calculating simple and compound interest, which makes it difficult to analyze the feasibility of investments.

The data analyzed highlight the urgent need for initiatives that promote financial education for individual microentrepreneurs (MEIs) and owners of MSEs. As suggested by Bianchi (2021), the diversification of investments and the mastery of financial tools are essential to face the challenges of a competitive market. Additionally, integrating financial education with accounting practices can provide a solid foundation for strategic decision-making, as reinforced by Medeiros et al. (2022).

Finally, it is observed that, while access to tools such as financial spreadsheets and management applications is increasingly widespread, their effectiveness depends on the willingness and ability of the entrepreneur to use them consistently. This reinforces the importance of training programs that combine technical and behavioral aspects, aiming to transform the financial mentality of Brazilian entrepreneurs.

CONCLUSIONS

This study sought to understand the main difficulties faced by individual microentrepreneurs (MEIs) and micro and small enterprises (MSEs) in financial management, highlighting the relevance of financial education as an essential tool for the success and sustainability of these businesses. Through a literature review, recommended practices, recurring challenges and effective strategies that can help these entrepreneurs in the planning and control of their resources were analyzed.

It is worth noting that working capital plays a very important role because it is a point of balance when thinking about expenses and sales. Many compare it to the fuel of a vehicle, without it it is difficult for a company to function.

Given the above, it reinforces the existing credit lines in the financial market of the National Program to Support Micro and Small Businesses to assist and strengthen the business, as well as the presence of other credit lines.

The results showed that the lack of knowledge in financial management is directly related to the high rate of bankruptcy among MEIs and MSEs, as pointed out by institutional and academic studies. Among the main challenges are the lack of strategic planning, the inadequate use of cash flow, and the difficulty in dealing with debt. In this context, financial education initiatives are indispensable to enable entrepreneurs to make more informed decisions and strategies.

It was also observed that, although there are several tools and methodologies available to improve financial management, their effectiveness depends on the training and awareness of managers. Reports such as those from SEBRAE (2020) and normative reports, such as ITG 1000 (CFC, 2022), offer valuable guidelines, but their application still faces barriers due to cultural resistance and the lack of accessible educational resources.

This work contributes to the understanding of how financial education can act as a catalyst for the development of MEIs and MSEs, especially in adverse economic scenarios. However, it is recognized that the research has limitations, mainly due to the absence of primary data.

Strengthening financial education programs, such as the National Strategy for Financial Education (ENEF), is essential to help families make more informed financial decisions and prepare them to face crises. Initiatives that promote access to financial knowledge from an early age, in schools and community initiatives, are essential to break the cycle of debt and build a stronger economic base.

Financial education is essential to carry out good management reinforces this work of the company. Much more than you think it is planning finances, financial education is a mixture of several actions that enables the entrepreneur to develop a solid, sustainable and healthy business, that is, it is to know how to cut expenses, invest, multiply and survive in the financial market.

Finally, the importance of public policies and private initiatives that promote training in financial management is emphasized, fostering a more favorable environment for the growth and sustainability of micro and small companies in Brazil.

Thus, it is recommended to carry out future studies that combine micro-entrepreneurial approaches, to deepen the understanding of the particularities of this public, in addition to detailing the public policies and private initiatives existing in the financial market.

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