

Sole Micro Entrepreneurs: Perceptions about the Formalization of Small Business in Brazil

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Abstract: The purpose of this research is to investigate the main reasons that motivated entrepreneurs to join the program of Brazilian Government that created special conditions for the known as informal worker to become a legal Sole Micro Entrepreneur and verify if they are satisfied with results obtained. This can help other Entrepreneurs to evaluate if it is interesting for them to join to the program, to researchers propose improvements, to the Brazilian Government improves the program and other countries know this good initiative to reduce the informal economy. This research conducted a telephone-based survey with 607 Sole Micro Entrepreneur. The preference of Sole Micro Entrepreneurs of Mato Grosso to formalize according to the application of conjoint analysis was “to have a formal company” and the main benefits that they expected to join to the program are “to fee waiver for the record” and “the possibility of growth as an entrepreneur. They got satisfied with the “Increased credibility of the company” but they got disappointed with the possibility of “getting credit”. We identified that older entrepreneur that asked smaller values of credit have more probability to have their credit ask approved.

Key words: Brazilian government, legal sole micro entrepreneur, telephone-based survey, conjoint analysis, growth

INTRODUCTION

The informal economy or underground economy in Brazil is an important issue due to the size of this sector, according to the Instituto Brasileiro de Etica Concorrencial (Brazilian Institute for Ethics in Competition ETCO) (2014) which totaled R\$ 834 billion (US\$ 274 billion) in 2014, equivalent to 16.2% of the Gross Domestic Product (GDP). The concept of informal economy has become consolidated and its definitions involve economic activity without proper registration. Smith considers informal economy to be the production of goods and services whether legal or illegal, that escapes detection in or is intentionally excluded from the official estimates of GDP. Schneider and Enste (2000) used a similar definition for the underground economy and included in this concept all economic activities that contribute to the officially calculated gross national product but are currently unregistered.

Faced with the reality of informality in Brazil, the Federal Government instituted the Complementary Law No. 128 from December 19, 2008, creating special conditions for the so-called informal worker to become a legal Sole Micro Entrepreneur which became effective on July 1, 2009. According to this law, any entrepreneur who

has earned gross revenues in the preceding calendar year of up to R\$ 60,000 (US\$ 19,672) and is opting for National Simple tax system is considered to be a Sole Micro Entrepreneur. Among the advantages of this law is the registration on the National Business Register System for a trade number (CNPJ) which facilitates the opening of a bank account, loan requests and invoice issuance. In addition, the Sole Micro Entrepreneur can be structured in the category of National Simple and shall be exempt from federal taxes (Income Tax, PIS, Cofins, IPI and CSLL). Therefore, the Sole Micro Entrepreneur shall only pay the fixed monthly amount of R\$ 34.10 (US\$ 11.18) (trade or industry), R\$ 38.90 (US\$ 12.75) (services-related) or R\$ 39.90 (US\$ 13.08) (trade and services) which will be allocated to Social Security and to ICMS or to ISS. These amounts will be annually updated in accordance with the minimum wage. Through this contribution the Sole Micro Entrepreneur shall enjoy social security benefits such as maternity leave, sick leave and retirement, among others. According to official data of the Secretariat of the Federal Revenue of Brazil, the country has already formalized more than 4.8 million Sole Micro Entrepreneurs. Thus, in terms of the number of registrations, the program was successful; however, this is only the first step and does not guarantee that all program objectives will be achieved.

It is important to verify whether adherence to the Sole Micro Entrepreneur program generated benefits to the entrepreneurs and to ascertain their perceptions of the program.

The purpose of this research is to investigate the main reasons that motivated entrepreneurs to join the program and to verify whether they are satisfied with the results obtained. This will help other entrepreneurs to evaluate the benefits for them to join the program it will help researchers to propose improvements for the Brazilian Government to refine the program and it will let other countries know about this good initiative to reduce the informal economy.

We found that the first motivating factor of Sole Micro Entrepreneurs to formalize was “to have a formal company”. It is important for them to ‘exist’ as a company. This goal was achieved since they are satisfied with the benefit of the ‘increased credibility of the company’. On the other hand, the mere fact that they ‘exist’ did not facilitate them to obtain credit which was another one of the motivations for formalizing.

Literature review: Economic development is explained by Schumpeter (1934) as a “spontaneous and discontinuous change in the channels of flow, disturbance of equilibrium which forever alters and displaces the equilibrium state previously existing”. The creation of a new business in the market, according to Schumpeter, generates the innovation that can be considered as the inclusion of a new well such as the innovative quality of a service, a new production method or the opening of a new product/market. And if there is innovation, a new business entry in the market increases competition which may cause companies already on the market to react with innovations or mergers, allowing, in some way, these companies to remain in the market.

Early studies of entrepreneurship have been conducted by economists in an attempt to discover the main reason for the actions of these agents in economic development (Filon, 1999). In relation to economic development theory, this study meets the objectives proposed in the Complementary Law No. 128. The dualism of opportunity versus necessity is mentioned by Williams and Nadin (2010) as the central explanation for the motivations of informal entrepreneurs. This dualism is also categorized in the GEM report.

Entrepreneurship by chance is one in which the entrepreneur realizes a business opportunity to undertake and improve their quality of life which the GEM describes an enterprise more beneficial to a country's economy. Necessity entrepreneurship is defined in the GEM report as “those who start a business because they do not have

good options for work and start a business is their opportunity generate income for themselves and their family”. However, necessity entrepreneurship ventures can turn into opportunities, according to the GEM report. Based on the difference between opportunity entrepreneurship versus necessity entrepreneurship, an analogy can be made with the insertion of individual entrepreneurs in the Law of Sole Micro Entrepreneur, being a strong alternative transformation in Brazil's economy.

Law of the sole micro entrepreneur: The complementary Law No. 128 from December 19, 2008 created special conditions for the so-called informal worker to become a legal Sole Micro Entrepreneur which became effective on July 1, 2009. Under the Civil Code, art. 966 of Law no. 10.406, of January 10, 2002, the definition is a “businessman who plays professionally organized economic activity for the production or circulation of goods or services.” Furthermore, the main features of the Solo Entrepreneur are that it has earned gross revenues in the preceding calendar year of up to R \$ 60,000.00 (US\$ 19,672) and is opting for Single National.

The formalization is regulated in the official mechanisms of the government and the company's existence as a legal entity and the law of the Solo Entrepreneur, allow the formalization to be achieved faster and with a special process. Thus, to provide opportunities for a social inclusion society, the federal government launched the PEI, seeking to reach workers who are exposed to the capitalist market or the consequences of it: unemployment, informality, competitiveness, professional skills etc.

The OIT report mentions that policies and programs should focus on the integration of formal economic units and workers who are marginalized in the economic and social system to fight against vulnerability and exclusion. Therefore, it is believed that the Solo Entrepreneur Program as a public policy provides economic and social development, taking the degree of vulnerability from those that are there.

MATERIALS AND METHODS

This research conducted a telephone-based survey grounded in the work of Burke and Muller (2001), Sudman (1966) and Tyebjee (1979). The population of this research is concentrated in all the municipalities of the state of Mato Grosso. This state is divided into 12 regions, each one with their own characteristics. Two municipalities were chosen randomly from each region. The data for the Sole Micro Entrepreneurs including their mobile phone

numbers, were passed on to the researchers from the Brazilian Service of Support for Micro and Small Enterprises (SEBRAE-MT) in November 2011. The 24 different municipalities were chosen randomly from a total of 20,965 Sole Micro Entrepreneurs. We chose to work with a probabilistic sample and the sample set for this study was 607 Sole Micro Entrepreneurs.

A pre-test questionnaire was conducted with 10 (ten) Sole Micro Entrepreneurs randomly selected from the database sent by SEBRAE-MT by four PhD researchers with experience in preparing a questionnaire or with recognized knowledge in the subject of this research. After the pre-test, the questionnaire became more consistent, applicable, reliable and valid after the contributions were received and the pretest concluded. The next step was to conduct the interviews which took place in April 2012 and ended in May 2012. Daily events were reported. In total, 2,977 calls were made and 607 interviews were carried out. Conducting the 607 interviews took 122 h and each interview lasted on average 12 m 08 s.

To better identify the most important reasons that led to the formalization of Sole Micro Entrepreneurs, fifteen combinations of questions were created, divided into five types of questionnaires (A, B, C, D and E) in which respondents were questioned about their preference between two reasons which may have led them to formalize. To analyze these responses, we used conjoint analysis which, according to is a multivariate technique used specifically to understand how respondents develop preferences for products or services.

To verify the satisfaction of the Sole Micro Entrepreneurs with the benefits disclosed by the Federal Government we applied descriptive statements for each question. To try to understand the causes of our findings we have run logistic regressions to identify which variables have influenced the answers.

RESULTS AND DISCUSSION

The preference of Sole Micro Entrepreneurs from Mato Grosso to formalize, according to the application of conjoint analysis, was “to have a formal company” as shown in the results presented in Table 1.

The first two benefits can be achieved simply through adhesion to the program; however, the pension coverage benefits will be earned only in the future and the access to the credit depends on the banks. We asked the Sole Micro Entrepreneurs if they had received credit after the formalization and only 11% of them answered positively. Another 2% were still waiting for the approval of their request.

Table 1: Rating the preference of sole micro entrepreneurs about the benefits of the formalization

Rating	Benefit	Comparison
1 st	To have a formal company	Won all comparisons
2 nd	Working on your own	Lost only for 1st place
3 rd	Pension coverage	Won 3 comparisons
4 th	Easy access to credit	Won 2 comparisons
5 th	Possibility of issuing invoice	Won only the last placed
6 th	Possibility of selling to the government	Lost all comparisons

Table 2: Access to credit

Access	Frequency	Percentage
I did not try to get credit	446	73
I asked for credit, but this was rejected	87	14
I asked for credit and this was approved	65	11
I asked for credit and am still awaiting the answer	9	2
Total	607	100

Research data

Table 3: Frequency of range of value of credit requested

Range of value	---Asked---	--Approved--
Up to R\$ 3,000.00	35	21
Between R\$ 3,000.01 and R\$ 5,000.00	38	23
Between R\$ 5,001.00 and R\$ 10,000.00	40	25
More than R\$ 10,000.01	48	30
Total	161	100

The greatest surprise in this aspect is that only 27% of the Sole Micro Entrepreneurs tried to gain credit and most of these (54%) had their request rejected. Credit is an important way to achieve firm growth; however, 73% of the Sole Micro Entrepreneurs did not even try to obtain it. These results are presented in Table 2.

The respondents who did not even try to obtain credit said this was because there are too many exigencies, as guarantor and some years as a client of the bank as a firm. Among those who tried to obtain credit, most of them asked for >R\$ 5,000 (US\$ 1,640), as shown in Table 3. However, most of the approved credit was in the range of <R\$ 3,000 (US\$ 984). Formalization is an important step in the progress of the Sole Micro Entrepreneurs but it is not enough to attain all of the possible benefits. The Sole Micro Entrepreneurs also have to work to create conditions for growth.

Maybe the low education levels of the Sole Micro Entrepreneurs makes it more difficult for them create the necessary conditions to improve their businesses. It was found that only 9% of entrepreneurs possessed a degree and 50% had not finished middle school. The percentage of Sole Micro Entrepreneurs who have succeeded in obtaining credit is 23% higher among the group of graduates compared to the rest. However, it is not possible to assert that this is only a consequence of the greater capacity of these entrepreneurs. Possibly the level of education is one of the criteria examined by the bank as a prerequisite for assessing lending potential, in which case the ungraduated entrepreneurs would be at a disadvantage.

Model Summary							
Step 1		-2 Log Likelihood		Cox & Snell R Square		Nagelkerke R Square	
		190.96		.10		.14	
Classification Table							
Observed		Predicted		Percentage Correct			
		VAR001		0	1		
Step 1	VAR 001	0		67	20		77.01
		1		33	32		49.23
Overall Percentage							65.13
Variables in the Equation							
Step 1		B	S.E.	Wald	df	Sig.	Exp (B)
	VAR 002	.45	.38	1.38	1	.240	1.57
	VAR 003	-.59	.45	1.70	1	.192	.56
	VAR 004	-.06	.18	.11	1	.742	.94
	VAR 005	.46	.53	.75	1	.388	1.59
	VAR 006	-.10	.23	.19	1	.660	.91
	VAR 007	.466	.19	5.92	1	.015	1.58
	VAR 008	.02	.12	.02	1	.883	1.02
	VAR 009	.09	.36	.06	1	.806	1.09
	VAR 010	-.40	.16	6.01	1	.014	.67
	Constant	-.28	1.41	.04	1	.841	.75

Fig. 1: Logistic regression model

We have run a logistic regression with data of the 152 answers that they have asked credit and have had an answer. As explanatory variables, we have used:

- Var002-The business has a local
- Var003-The Sole Micro Entrepreneur used to have a bank account before the formalization
- Var004-Years of experience in the business
- Var005-Have employees
- Var006-If the Sole Micro Entrepreneur feels confident to be formalized
- Var007-The age of the Sole Micro Entrepreneur
- Var008-The level of education of the Sole Micro Entrepreneur
- Var009-If the Sole Micro Entrepreneur had technical support from SEBRAE
- Var010-Value of the credit asked

The model has not a high predict power: the likelihood values was high and it was able to explain around 10% (Cox-Snell R^2) to 14% (Nagelkerke R^2) the decision of the bank of give or not the credit. Only 2 variables are significant: Var007-The age of the Sole Micro Entrepreneur (positive coefficient) and Var010-Value of the credit asked (negative coefficient). It seems that banks have great confidence in the older Entrepreneurs. The negative coefficient of the variable Value of the credit asked confirm our perception that the small values of credit asked have more chance of be accepted. The model is presented in Fig. 1.

In this study, respondents were also asked about their motivation to formalize, considering the benefits presented. They were asked to evaluate each benefit with

a grade of 1 (low) to 7 (high) if that benefit was the motivation for their formalization. As shown in Table 4, all benefits motivated the Sole Micro Entrepreneurs. The most popular benefits were “to waive the fee for the record” with a mean of 6.14, followed by “the possibility of growth as an entrepreneur” with an average of 6.11 and thirdly, “pension coverage” with an average of 5.80. The Sole Micro Entrepreneurs were motivated by the possibility of growth as an entrepreneur but they were not interested in selling to the government or in purchase and sales together. Only 21(3.5%) of the respondents have sold to the government and the benefit of buying or selling together has been still less used. Only 4 (0.7%) Sole Micro Entrepreneurs have sold together and 7 (1.2%) Sole Micro Entrepreneurs have bought together. There was a lack of awareness of one benefit. 455 (75%) respondents did not know that they could buy or sell together. This demonstrates the lack of capability of the Sole Micro Entrepreneurs to start a business.

The SEBRAE has a program to qualify the Sole Micro Entrepreneurs; however, most of them do not take advantage of this opportunity. Although most of them consider SEBRAE technical support in the organization of business a motivation to formalization, only 53% of them said that they had actually received such help from SEBRAE after formalization. The Sole Micro Entrepreneurs who had received help from SEBRAE were satisfied with the qualification promoted by SEBRAE and would like to have more opportunities to enhance their capacity to act as entrepreneurs.

The results of this qualification are reflected in the growth of the business. The businesses of 56% of the Sole Micro Entrepreneurs who had received support from

Table 4: Motivation for the sole micro entrepreneurs to formalize

Factors	0 (%)	1 (%)	2 (%)	3 (%)	4 (%)	5 (%)	6 (%)	7 (%)	Mean
To waive the fee for the record	0.00	2.14	1.65	2.30	4.28	12.53	16.80	60.30	6.14
The possibility of growth as an entrepreneur	0.83	2.47	1.32	2.47	3.78	13.01	14.50	61.62	6.11
Pension coverage	0.99	2.47	1.48	2.80	5.77	21.75	18.78	45.96	5.80
Legal Security	0.83	3.62	2.80	4.45	6.75	15	16.80	49.75	5.73
Reducing the tax burden	0.99	4.44	3.30	5.11	6.59	15.49	14.83	49.25	5.63
SEBRAE technical support in the organization of business	3.13	5.93	2.64	4.12	4.45	10.87	14.33	54.53	5.63
Hiring one employee at a lower cost	1.65	4.61	2.96	3.79	6.92	23.56	17.63	38.88	5.45
Free Services	2.64	8.73	3.13	4.94	6.26	14.33	13.35	46.62	5.32
Access to banking	4.45	9.88	4.78	6.10	7.74	19.44	14.66	32.95	4.84
Easier to sell to the government	6.43	10.54	8.56	10.2	7.41	17.96	8.90	29.99	4.41
Purchase and sale together	7.91	11.86	9.23	8.07	8.90	20.26	11.03	22.74	4.16

Table 5: Number

Number of employees	Frequency	Percentage
01 employee	68	91
02 employees	3	4
03 employees	3	4
04 employees	1	1
Total	75	100

SEBRAE had grown while only 46% of businesses which had not received support from SEBRAE had grown. The government should encourage all entrepreneurs to seek better qualifications through programs offered by SEBRAE. The number of training programs offered to the Sole Micro Entrepreneurs should also be extended.

The Sole Micro Entrepreneurs who are satisfied with their best qualifications are also interested in continuing to improve themselves. Another benefit of the formalization is the opportunity to hire one employee at a lower cost and, as shown in Table 4, 56.51% (17.63+38.88%) of the respondents said that this was a high motivation. However, only 12% of the Sole Micro Entrepreneurs had actually hired an employee.

A new employee demonstrates that the business is growing or is being prepared for growth; however, most individual entrepreneurs formalized by this government program continued to work alone. Thus, the formalization alone was not enough to increase the job opportunities. The numbers of employees hired by the Sole Micro Entrepreneurs are presented in Table 5.

The satisfaction of Sole Micro Entrepreneurs after formalization was also verified. The results are shown in Table 6. The benefit which rated highest was "increased credibility of the company" while "getting credit" and the "possibility of selling to the government" did not rate highly. These results are consistent with the motivation to formalize and benefits arising from the formalization, as seen in the previous study. Two other well benefits which scored highly are social security benefits and low costs

with taxes. To have access to social security benefits, the Brazilian worker usually pays 20% of his wage while the Sole Micro Entrepreneur pays only 5%.

Before membership of the Sole Micro Entrepreneurs Program, only 7% of the respondents were formalized through another registration form. Therefore, 93% of respondents were not covered by social security benefits and the other 7% used to pay much more for the same benefits.

Thus, it is not a surprise that the Sole Micro Entrepreneurs are satisfied with social security benefits. On the other hand, it is unusual to find people who consider that the costs with taxes are low. We asked them what opinion they had of the costs of formalization and 61% of the respondents answered that they considered them appropriate and 34% said that the costs were low. Only 5% of the Sole Micro Entrepreneurs considered the costs of formalization excessive.

The costs of formalization are only the monthly payment of fixed taxes of R\$ 34.10 (US\$ 11.18) (trade or industry), R\$ 38.90 (US\$ 12.75) (services-related) or R\$ 39.90 (US\$ 13.08) (trade and services). If a Sole Micro Entrepreneur earns the minimum wage of R\$ 788.00 (US\$ 258.36), the taxes are only 4.7% of total revenue. If a Sole Micro Entrepreneur earns the maximum allowed by the program (R\$ 5,000 (US\$ 1,639.34) per month), the taxes are only 0.68%. Considering that the taxes in Brazil are around 35% of the GDP, it was expected that the Sole Micro Entrepreneurs would consider the costs of formalization low.

We have asked if the Sole Micro Entrepreneur was satisfied with the benefits after formalization and 84% of respondents have answered satisfied or very satisfied. We run a logistic regression with the valuation of the benefits after formalization as explanatory variables:

Table 6: Evaluation of sole micro entrepreneurs about the benefits post-formalization

Benefits	Much worse (1) (%)	Worse (2) (%)	Not changed (3) (%)	Better (4) (%)	Much better (5) (%)	Mean
Increased credibility of the company	0.00	0.33	20.26	64.09	15.32	3.94
Less bureaucracy	0.83	4.29	30.97	58.81	5.10	3.87
Ease of negotiation with suppliers	0.17	0.49	28.05	57.76	13.53	3.83
Social security benefits	0.33	1.65	30.81	58.81	8.40	3.73
Low cost taxes	0.66	4.61	28.01	57.17	9.55	3.70
Issue of invoice	0.33	1.15	38.39	48.27	11.86	3.70
Increase in revenue	0.00	0.49	37.40	54.70	7.41	3.69
Number of clients	0.00	0.82	38.22	53.71	7.25	3.67
Fiscal security	0.17	1.15	19.11	70.18	9.39	3.84
Possibility of hiring one employee	0.33	1.81	39.70	52.56	5.60	3.61
Purchase products at reduced costs	0.00	0.98	51.90	41.68	5.44	3.51
Getting credit	0.82	5.44	56.18	34.10	3.46	3.33
Possibility of selling to the government	0.49	1.15	72.98	23.40	1.98	3.25

Model Summary							
Step 1		-2 Log Likelihood		Cox & Snell R Square		Nagelkerke R Square	
		434.74		.17		.28	
Classification Table							
Observed			Predicted				
			VAR001			Percentage Correct	
Step 1	VAR 001	0	22		79		21.78
		1	17		488		96.63
	Overall Percentage						84.16
Variables in the Equation							
Step 1		B	S.E.	Wald	df	Sig.	Exp (B)
	VAR.002	.15	.23	.45	1	.502	1.16
	VAR.003	.31	.20	2.54	1	.111	1.37
	VAR.004	.28	.23	1.48	1	.224	1.32
	VAR.005	.81	.20	15.94	1	.000	2.25
	VAR.006	.07	.20	.14	1	.705	1.08
	VAR.007	.23	.21	1.17	1	.279	1.25
	VAR.008	.25	.28	.81	1	.369	1.29
	VAR.009	.12	.27	.21	1	.644	1.13
	VAR.010	.40	.24	2.75	1	.097	1.49
	VAR.011	-.02	.23	.01	1	.925	.98
	VAR.012	.33	.26	1.64	1	.200	1.39
	VAR.013	.65	.22	9.12	1	.003	1.91
	VAR.014	.33	.31	1.17	1	.280	1.40
	Constant	-12.07	1.64	54.21	1	.000	.00

Fig. 2: Logistic regression model

- Var002: Increased credibility of the company
- Var003: Less bureaucracy
- Var004: Ease of negotiation with suppliers
- Var005: Social security benefits
- Var006: Low cost taxes
- Var007: Issue of invoice
- Var008: Increase in revenue
- Var009: Number of clients
- Var010: Fiscal security
- Var011: Possibility of hiring one employee
- Var012: Purchase products at reduced costs
- Var013: Getting credit
- Var014: Possibility of selling to the government

The model has not a high predict power: the likelihood values was high and it was able to explain around 17% (Cox-Snell R^2) to 28% (Nagelkerke R^2) the satisfaction with the benefits of be formalized. Only 2 variables are significant: Var005-Social security benefits (positive

coefficient) and Var013-Getting credit (positive coefficient). This model is interesting to understand why some Sole Micro Entrepreneurs are not satisfied. The variable with that most Sole Micro Entrepreneurs are satisfied probably is not significant because they do not explain why the respondent wasn't satisfied.

For 30.81% of the respondents, the social security benefits has not changed. Maybe most of these 30.81% expected to get more Social security benefits after formalization, thus, this frustration help them to be not satisfied with the formalization. The other variable was getting credit. Only 33.5% answered that this benefit improved after formalization, this was an important point to some of respondents be not satisfied with the formalization. The model is presented in Fig. 2.

CONCLUSION

The Sole Micro Entrepreneurs Program had a clear purpose of removing the informal status of millions of

Brazilians and to provide them with social security benefits. These are important goals because without a formal work status and social security benefits, no one can fully exercise their citizenship. This desire to legally exist is reflected in the large majority of responses. The deciding factor in Sole Micro Entrepreneurs' decision to formalize, according to this survey, was "to have a formal company". In other words, they would like to 'exist' as a company. This goal was achieved, since they are satisfied with the benefit of the 'increased credibility of the company'.

The government was right to create a program that allows the Micro Entrepreneur to formalize with low costs and little bureaucracy; especially in Brazil, a country which demands an excessive amount of bureaucracy to start and maintain a business and charges high taxes to firms and people. However, simply to formalize is not enough. The Sole Micro Entrepreneurs do not want to pretend that they have a business. Another important benefit that motivates the sole micro entrepreneurs was "the possibility of growth as an entrepreneur".

This is not only responsibility of the government; the success of the business also depends on the ability of the Sole Micro Entrepreneurs to seize opportunities and create the necessary conditions for growth. However, without expertise, they could not turn the opportunity into reality. Most of them said that they had an increase in revenue and in their number of clients after the formalization; however, almost 50% of them had not. Of course, the formalization alone cannot improve the business. It is important that the Sole Micro Entrepreneurs have the competence and motivation to work to improve their businesses. In this research it was found that most of the Sole Micro Entrepreneurs were not prepared to develop fully as Sole Micro Entrepreneurs.

The lack of capacity of the Sole Micro Entrepreneurs can be observed through their ignorance of some important benefits like the purchases and sales together and the possibility of selling to the government.

We believe that the SEBRAE has an important role in this function to better prepare the new Sole Micro Entrepreneur. The ease of obtaining credit was one of the motivations for formalizing which did not show the expected result. Formalization alone was not enough for banks to release loans to entrepreneurs but perhaps, with a greater history of formalization and better prepared Sole Micro Entrepreneurs with growing businesses, greater access to credit will materialize.

Based on what was observed, we conclude that entrepreneurs formed through the Sole Micro Entrepreneurs Program are mainly entrepreneurs by necessity; few of them are entrepreneurs by opportunity.

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