



# MICRO ENTREPRENEURS IN MEXICO:

## Profiling Motivations and Preferences

PHOTO: FREDERIK TROVATTEN

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# 1

## INTRODUCTION

The Mastercard Center for Inclusive Growth (MCIG) defines Strivers as “owners of established micro and small enterprises whose ability and ambition to grow are thwarted by gaps in connectivity to the networks that comprise the entrepreneurial ecosystem. They are distinguished from the vast majority of survivalist microenterprises by growth intention and potential, but they are not yet resilient and sustainable businesses, nor thriving as small growing businesses (SGBs).”

According to MCIG estimates, there are 30 to 40 million Strivers in the developing world, each with 2 to 10 employees, ambition and potential for growth, and capital requirements ranging from \$2,500 to \$20,000. Strivers business potential is unmet as a result of limited connectivity to key networks that increase business competitiveness. However, the MCIG hypothesizes that when their potential is fully realized, Strivers contribute to “inclusive growth” by creating employment and economic opportunities in their communities.

The MCIG’s Strivers Project seeks to identify Strivers, interventions that support Strivers, and understand the impact of Strivers success on local economies and beyond. To accomplish this, MCIG partnered with the Haas Institute for Business and Social Impact (HIBSI) and Fundes Latinoamerica.

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This report presents original research and data analysis from a survey of micro entrepreneurs in Mexico. In the beginning of 2018, over 1,300 individual micro entrepreneurs were surveyed across Salamanca, Guadalajara (subsequently referred to as the neighborhood of Alameda), and Mexico City.<sup>1</sup> Specifically, the survey explored micro entrepreneurs' mechanisms for financing, how they deploy technology, and the trainings they are interested in. The findings from this report provide initial insight on the preferences of micro enterprise owners, a potential classification framework for identifying Strivers, and an agenda to guide future research on Strivers.

The main findings from the sample are summarized below:

- Among micro entrepreneurs in Mexico, there is a preference for informal loans. Interestingly, this is the case among micro entrepreneurs across all levels of education. We find that 75 percent of survey respondents do not consider the formal financial system a safety net in times of economic need. In fact, almost two thirds of micro entrepreneurs would prefer to either draw from their savings or borrow money from a friend or relative, rather than take out a loan from a formal financial institution.
- The survey results indicate that the majority of micro entrepreneurs in Mexico have a preference for individual loans over collective loans. Collective loans are used by formal financial institutions (i.e. MFIs, banks, etc.) to increase accountability and repayment rates among micro entrepreneurs. The divergence between the preference for individual loans among micro entrepreneurs and the collective accountability tactics utilized by formal financial institutions may partially explain why micro entrepreneurs are partial to informal loans.

- Over three fourths of the micro entrepreneurs in the sample own a cell phone, however, only 14 percent use their cell phone for business transactions. This suggests that technology—cell phones in particular—is underutilized among micro enterprise owners. Targeted programming encouraging business-related cell phone usage could result in efficiency gains and unleash potential for micro entrepreneurs in Mexico.
- Based on our classification framework, we find that Strivers compose over 60 percent of the sample of micro entrepreneurs in Mexico. Strivers tend to be the main source of financial support for their household, have more than 30 clients per week, prefer informal loans during business downturns (specifically, through drawing from their personal savings), prefer individual loans over collective loans (because of the higher amount they can receive and the individual responsibility to repay the loan), and are likely to own a cell phone.

While these initial findings provide important insight on micro entrepreneurs and Strivers in Mexico, they are just a start and warrant further research. A number of questions remain that require follow-up surveys, qualitative interviews, and focus groups to answer. First, what is driving the strong preference for informal loans among micro entrepreneurs across all levels of education? We speculate that it is related to low trust in the government and the formal financial system. Second, while we were able to identify Strivers among our survey respondents, we suspect that we could further subdivide Strivers based on their motivation to start a micro enterprise; specifically, those motivated by economic necessity versus those motivated by preference or choice. We expect that the forces that drive an individual to start a micro enterprise influence their use of the formal financial system, technology deployment, the success of

<sup>1</sup> Surveys were administered by partner organizations Fundes and Fondeso in Salamanca-Guanajuato, La Alameda, part of Guadalajara -Jalisco, and Mexico City - State of Mexico.



training programs, and medium- to long-term business growth. Finally, for Strivers in the informal economy, what kind of support systems do they require to engage in the formal economy? Could technology (i.e. mobile devices, credit card processors, etc.) serve as a connector to the formal economy at the point of sale?

This report was subject to various constraints, which demanded flexibility and required deviation from the original research agenda. The initial project scope hinged on analysis of data collected through Mastercard's government partner National Institute of Entrepreneurship (INADEM) and included in-depth qualitative interviews and focus groups among micro entrepreneurs in Mexico. However, in September 2017 — as we were finalizing our research agenda — a devastating earthquake struck Mexico City. As a result, INADEM's priorities shifted from supporting micro entrepreneurs with training to recovery, survival, and rebuilding efforts. Understandably, INADEM dropped the project. We repositioned our work with Mastercard and Fundes Latinoamerica and shifted efforts to another project in progress that involved a lower profile group that did not truly meet the definition of Strivers. This project shifted our geographic focus to Salamanca, Alameda and Mexico City.

While this original research provides valuable insight on the preferences and characteristics of micro entrepreneurs in Salamanca, Alameda and Mexico City, we cannot extrapolate our findings to broader groups of micro entrepreneurs in Mexico or Latin America. The sample population was not randomized. Rather, the teams in Mexico that collected the survey data used a combination of administrative records and snowball sampling. Because we do not have access to documents describing the methodological sampling process, we must be cautious of bias in interpreting our results. However, it is still possible to use the information presented in this report in an inductive way; particularly, it is useful to identify the nature of the groups being studied and to understand Strivers in detailed contexts and circumstances.

Throughout the study period, definitions were not clearly and consistently defined by institutional partners. For example, “Striver” is a new concept and we drew from a working definition from MCIG. We are always open to improving or modifying definitions. Additionally, the survey questions and their format were changed frequently with short notice and without prior approval. Insufficient descriptive variables made it challenging to characterize and compare our sample to micro entrepreneurs in Mexico and Latin America as a whole.

Despite these constraints, this report contains useful, new information on micro entrepreneurs and Strivers in Mexico. The rest of the report is organized as follows: Section 2 describes the profile of micro entrepreneurs in Mexico. Section 3 describes and presents the results from our segmentation process and Striver classification. Section 4 concludes with recommendations for future research and policy. The Appendix includes the survey administered, the complete database, and the tables discussed in the report.



## 2

## PROFILE OF MICRO ENTREPRENEURS SURVEYED

The purpose of this section is twofold. First, we identify general characteristics of the micro entrepreneurs surveyed. This allows us to divide our sample into smaller segments based on demographic characteristics and economic behavior. Second, the breakdown of characteristics in our sample makes comparison to other samples, as well as broader groups of micro entrepreneurs in Mexico and Latin American possible. In this sense, the detailed characterization of our sample should help to identify similarities and differences to existing and future investigations of micro entrepreneurs in the region.

We have divided the sample into four subgroups based on (1) demographics, (2) economic conditions, (3) predisposition to deploying technology in business, and (4) personal attitudes toward business.

### 1.1 Demographics

Women compose the majority of the sample; only 1 of every 10 individuals surveyed is male.<sup>2</sup> The majority of the sample is within their prime working age: 49 percent of individuals surveyed are between 37 and 52, while 31 percent of individuals are between 20 and 36. The remaining 16 percent are older than 53 and 3 percent are younger than 20 years old. When comparing age intervals within the three geographic regions, Mexico City has a slightly higher proportion of older workers (61 or older), while in Salamanca, the majority of respondents are between 37

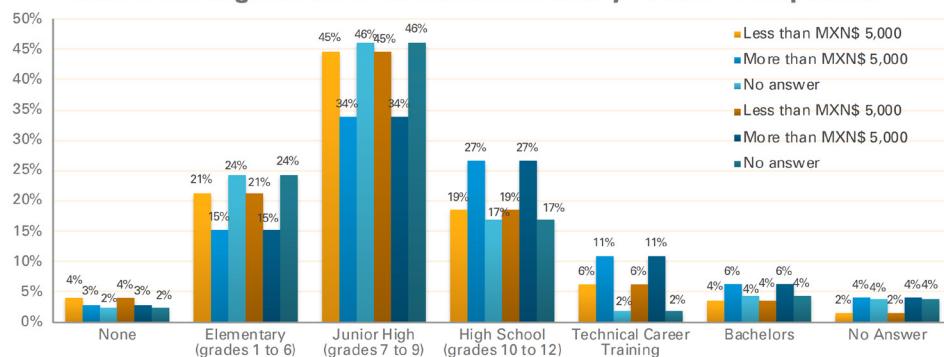
<sup>2</sup>The Literature Review finds that Micro, Small, and Medium Enterprise (MSME) ownership is approximately even between men and women in Mexico (Literature Review page 11).



and 52 years old. In Alameda, the structure of the population is similar to the aggregated sample. In general, the respondents are female, middle-age adults.<sup>3</sup>

Turning to educational attainment of survey respondents, 41 percent have a Junior High level, 21 percent a high school degree and 20 percent an Elementary degree.<sup>4</sup> There is a positive relationship between educational attainment and amount of sales: micro entrepreneurs with a bachelor's degree or technical degree are more likely to reach monthly of sales over MXN\$ 5,000, whereas micro entrepreneurs with a high school degree are more likely to have monthly sales less than MXN\$ 5,000.

**What is the highest level of education that you have completed?**



## 1.2 Economic Conditions

The vast majority of individuals in the sample are primarily employed in the administration of their own small business (75%). The most frequently

reported business types are 'Sales by catalog' (21%), 'Sales without catalog' (16%), 'Food business' (15%), 'Grocery' (11%), and 'Mobile food business' (10%). Remaining business categories compose less than 10 percent of the sample each.<sup>5</sup>

The distribution of business income is as follows: 31 percent of business owners in the sample report monthly income over MXN\$ 5,000, 37 percent report income between MXN\$ 5,000 and MXN\$ 3,000, and 16 percent report income between MXN\$ 3,000 and MXN\$ 1,000.<sup>6</sup> The rest of the sample did not answer this question. The majority of respondents consider themselves head of the family (61%), and 67 percent report that one additional person contributes to family income.<sup>7</sup> In terms of business operations, 45 percent of the sample population report that they serve 10 to 30 clients per week, 32 percent serve between 31 and 50 clients per week, and 19 percent serve more than 50 clients per week. There is a clear relationship between clients per week and amount of sales: businesses with 10 to 30 clients per week tend to have monthly sales less than MXN\$ 5,000, while businesses with more than 50 clients per week tend to have monthly sales over MXN\$ 5,000. Thus, client quantity and frequency appear to be imperative to business operations and success.

An initial insight can be drawn from respondent actions when faced with insufficient monthly income. 36 percent would draw from their savings, 31 percent would borrow money from a friend or relative, 19 percent would take out a loan from a bank or financial institution, and 10 percent would sell a valuable object in exchange for cash. In Salamanca, financial support from a friend or relative is more common (40% versus 26% average in Mexico City and Alameda).<sup>8</sup> The use of personal savings

<sup>3</sup> For more information on the barriers that female micro entrepreneurs face, see the Literature Review section titled, "Gender-based Barriers in Microenterprises" (Literature Review page 19).

<sup>4</sup> According to the Literature Review, most Micro, Small, and Medium Sized business owners have a high school diploma (Literature Review page 11).

<sup>5</sup> The job composition of survey respondents reflects the overall job market in Mexico; the majority of people are employed in sales, agriculture, or industry/construction (Literature Review page 4). The majority of microenterprise owners are in services or commerce (Literature Review page 11).

<sup>6</sup> According to the Mexican Ministry of the Economy, a microenterprise is defined as a businesses with 10 or fewer employees with annual earnings of up to 4 million pesos or \$214,000 U.S. Dollars (Literature Review page 11).

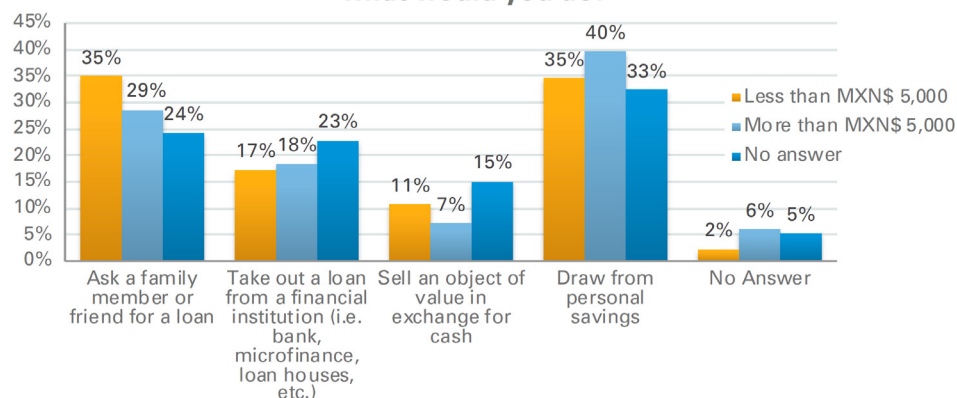
<sup>7</sup> The head of the family is defined as the person who contributes the most to family income, makes important decisions, and is recognized as head by the rest of the family.

<sup>8</sup> In Mexico, Microfinance Institutions compose 19 percent of the formal credit market (Literature Review page 12).

appears to be more important in Mexico City and Alameda.<sup>9</sup> We observe that over 75 percent of the respondents do not consider the formal financial system a safety net in times of economic crisis.<sup>10</sup> <sup>11</sup>

Informal financial networks are often the default when an individual is faced with an economic crisis. However, 19 percent of respondents would take out a loan from a formal financial institution in times of economic need. We followed up on this by inquiring about preferences for the type of loan provided by formal financial institutions. We asked: “why would you choose an individual loan over a collective loan?” 37 percent answered that they prefer individual loans because they are solely responsible for repaying the loan, 20 percent said that it is because the loans are flexible to their business dynamics, 17 percent said it is because there are no group requirements for credit eligibility, and 10 percent said it is because they anticipate receiving a larger sum of money through an individual loan.<sup>12</sup>

**If you have insufficient money to cover your monthly expenses, what would you do?**



<sup>9</sup> The section “Informality and Competition” provides information on the strength of the informal economy in Mexico (Literature Review pages 14-19). Specifically, information on formal credit and microfinance options in Mexico (Literature Review page 12). FinTech is an emerging form of credit for micro enterprise owners in Mexico (Literature Review page 13), and general information on credit in Mexico (Literature Review pages 11-14).

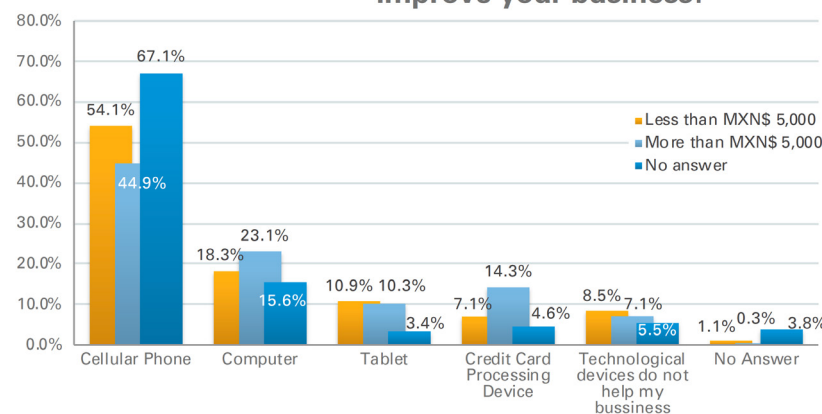
<sup>10</sup> Credit accessibility is a barrier to growth for micro enterprises. Micro enterprises may not be provided credit on the basis of repayment capacity, lack of collateral or cosigners, or limited income (Literature Review page 11).

<sup>11</sup> The majority of resources that survey respondents draw from in times of economic need (i.e. savings, borrowing money, pawning an item) are consistent with preference for cash transactions. The Literature Review section, “Cash Economy,” elaborates on cash transactions in Mexico. 90 percent of consumer transactions are performed in cash despite the availability of non-cash alternatives. Only 44 percent of adults have bank accounts in Mexico (Literature Review page 7).

### 1.3 Technology in the Business <sup>13</sup>

An important element of this study is the relationship between micro entrepreneurs and the technology deployed in their business. Micro entrepreneurs were asked about which technologies improve their commercial conditions (usually understood as an increment on sales). Approximately 50 percent answered “cellular phone,” 20 percent responded with “computer,” 10 percent with “tablet,” and 10 percent with “device to accept credit cards.” Upon further analysis, we find that businesses with a higher number of sales are more likely to answer “devices to accept credit cards” (14%). The following graph visually depicts this information, including a disaggregation by amount of sales.

**Which of the following technologies helps or might help improve your business?**



<sup>10</sup> Credit accessibility is a barrier to growth for micro enterprises. Micro enterprises may not be provided credit on the basis of repayment capacity, lack of collateral or cosigners, or limited income (Literature Review page 11).

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<sup>12</sup> Collective loans are used by formal financial institutions (i.e. MFIs, banks, etc.) to increase accountability and repayment rates among micro entrepreneurs. While the literature cited in the Literature Review posits that credit availability is a barrier to micro enterprise growth (Literature Review page 11), lack of demand among micro entrepreneurs for the types of formal credit available may also be a contributing factor.

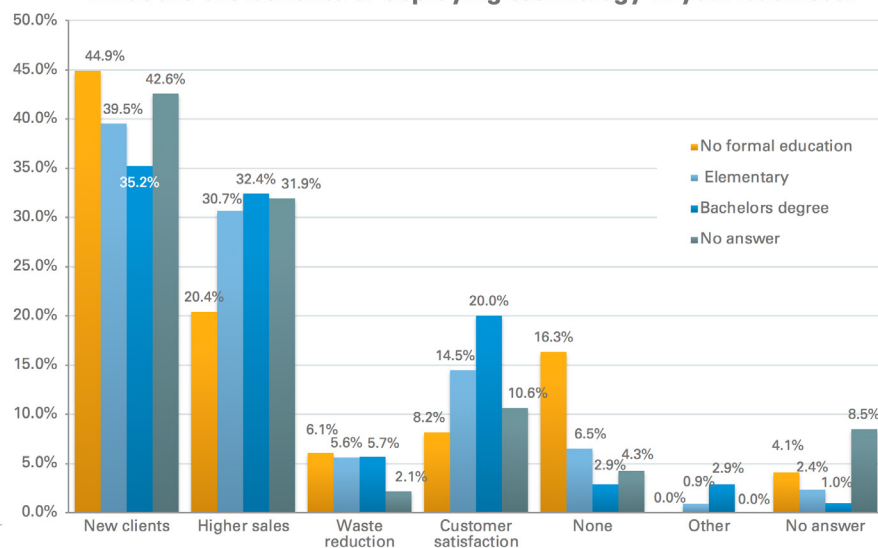
<sup>13</sup> For additional context, see Literature Review sections “Internet/Smartphone Adoption and the Digital Divide” and “Low Trust in the Digital Economy” (Literature Review pages 7-10).



Additionally, there exist a small (but significant) proportion of entrepreneurs who are resistant to technology: around 8 percent of respondents do not believe that technology helps their business at all. Not surprisingly, technology resistance is higher in business with lower sales (9% for businesses with less than MXN\$ 5,000 in sales per month).

When asked how technology helps business, 40 percent answered that the benefit is reflected in “new clients,” 31 percent with “higher sales,” 15 percent with “satisfied customers,” and 6 percent with “less garbage/waste.” The perception that technology helps attract new clients is more frequent among micro entrepreneurs with less education (45% with no formal education level versus 35% with a bachelor degree). The perception that technology improves customer satisfaction is more frequent among micro entrepreneurs with greater educational attainment (8% with no formal education versus 20% with a bachelor degree). From this, it is possible to draw another significant insight: educated entrepreneurs in the sample value technology beyond the mere increase in number of transactions, rather they view technology as a mechanism to improve longer-term relationships with their customers.<sup>14</sup>

**What are the benefits of deploying technology in your business?**



Cellular phone access is common in the sample population: 78 percent of individuals own a cellular phone.<sup>15</sup> Predictably, in businesses with higher sales, the proportion of cell phone owners is higher (84%) and in businesses with lower sales, the proportion of cell phone owners is lower (74%). Level of education is clearly associated with access to a cellular device: 60 percent of micro entrepreneurs with no formal education have a cell phone, while virtually all of the micro entrepreneurs with a bachelors or higher have a cellular phone.

Among those in the sample who own a cellular phone, 75 percent also have access to Internet and 45 percent have a monthly plan with a telephone provider. 28 percent of individuals in the sample own a cell phone, but only have access to Internet when a free Wi-Fi connection is available. Once again, level of education is associated with access to stable Internet connection: 73 percent of individuals with a bachelor's degree have a contract with a telephone provider, while only 28 percent of individuals with no formal education have a contract with a telephone provider. However, only 14 percent of micro entrepreneurs with cellular phones use their phone for transactions related to their business. This suggests that the cellular device is underutilized in business transactions, especially among micro entrepreneurs with less than a bachelor's degree.

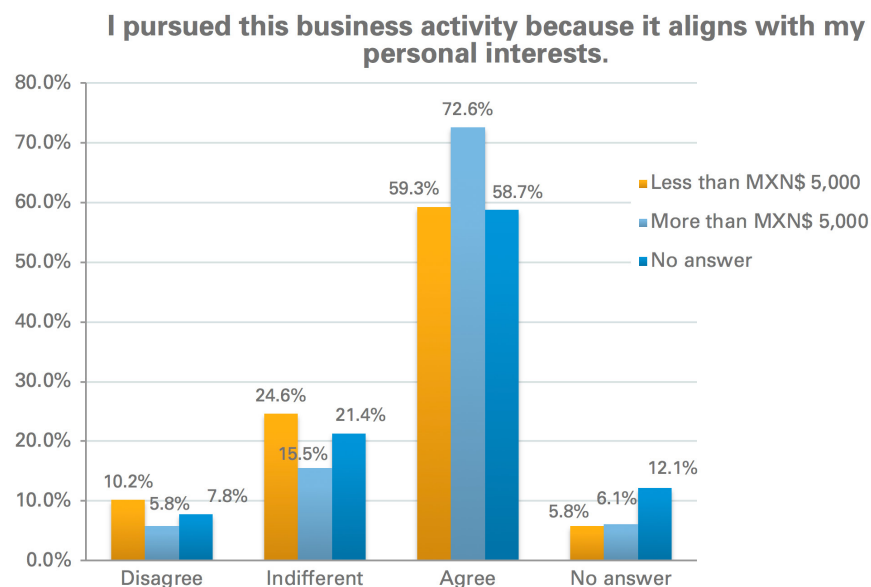
#### 1.4 Personal Attitudes Toward Business

This section explores the choices made by micro entrepreneurs, which is key to understanding their business vision. The first question is about micro entrepreneurs' perceived control of future business performance. Survey respondents were asked if they agree with the following statement: “I control the destiny of my business.” 75 percent of the sample agreed. Among entrepreneurs with business sales higher than MXN\$

<sup>14</sup> The Literature Review cites studies that find that micro entrepreneurs believe they do not need computers or Internet to conduct business (Literature Review page 8). This may be related to low trust in the digital economy (Literature Review pages 9-10).

<sup>15</sup> The use of smartphones and Internet is rapidly increasing in Mexico (Literature Review pages 7-9).

5,000 per month, the proportion is higher. Second, we asked to what extent they agreed with the following statement: “I pursued this business activity because it aligns with my personal interests; I feel that is my vocation.” Within the sample, 65 percent agreed, 20 percent were indifferent, and 9 percent disagreed.<sup>16</sup> Once again, businesses with higher monthly sales were approximately 10 percentage points more likely to agree with the statement than those with lower monthly sales.



<sup>16</sup> This question is an attempt to differentiate between “forced” and “unforced” entrepreneurs (Literature Review page 19).

The third statement asks if the business would be in better shape with increased access to funding and technical support. 70 percent agreed, 15 percent were indifferent, and 8 percent disagreed. As the amount of monthly sales increase, the support for this statement also rises by approximately 13 percentage points. Interestingly, support for this statement does not appear to be associated with the micro entrepreneurs’ level of education.

Finally, micro entrepreneurs were asked what type of capacity building they require most. The highest proportion answered “business administration” (24%), followed by “cost estimations” (20%), “sales and marketing” (18%), “personal development” (16%), and “customer service” (14%). “Business administration” was a common answer among more educated micro entrepreneurs, while “cost estimation” was more popular among less educated micro entrepreneurs.<sup>17</sup>

From this initial analysis of benchmark characteristics, we know the sample population of micro entrepreneurs prefer informal financial support networks (when in need of urgent financial support), have particular reasons to prefer individual loans, and a positive predisposition to technology (particularly among the more educated). In the next section, these characteristics will be evaluated further.

<sup>17</sup> The Literature Review cites research that shows that traditional business strengthening programs geared toward micro enterprises often do not result in significant overall growth because of the presence of “forced entrepreneurs.” These entrepreneurs are waiting to be gainfully employed and are hindered by high unemployment and/or limited economic opportunity, so they are driven to entrepreneurial pursuits out of economic necessity (Literature Review page 17).





# 3

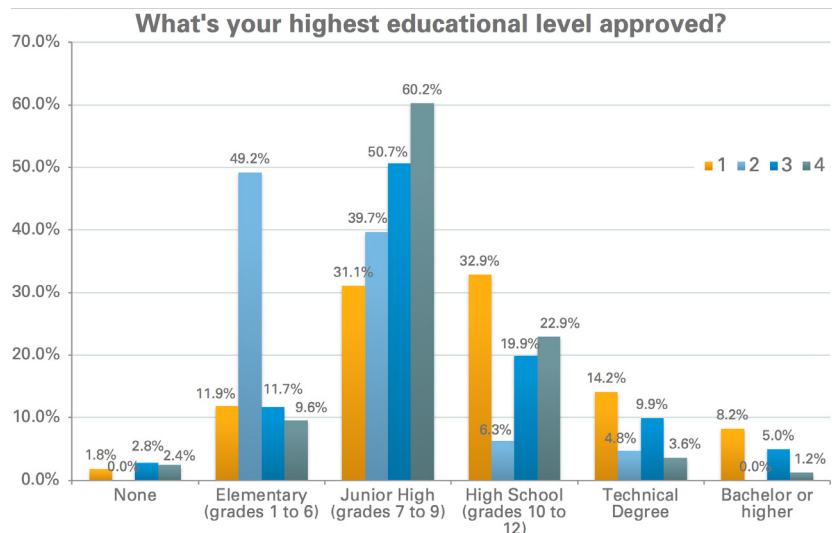
## SEGMENTATION AND STRIVER CLASSIFICATION

In this section, we proceed to identify the variables that are salient when we segment the sample of micro entrepreneurs. To achieve this, we apply two segmentation strategies. First, we use cluster analysis. Second, we classify micro entrepreneurs as Strivers based on a series of survey questions and analyze the salient variables in function of the rest of the variables.

### 3.1 Cluster Analysis

In cluster analysis, observations are grouped according to similarities among them. An algorithm identifies and clusters the micro entrepreneurs who have similar survey responses. To accomplish this, distance between responses and observations is estimated, which subsequently generates clusters with dense areas of data space. Our cluster analysis on the sample population resulted in the creation of four groups. Within each of the four groups, we went on to explore the survey responses. We next present the relevant findings with the intention of highlighting the differences between the groups and the implications of those differences.

First, the cluster analysis points to level of education as a key variable of segmentation. In graph 74, there is variability at most levels of educational attainment, including high school, technical career training, and bachelor's degree. Thus, education is an important variable for identifying differences among the micro entrepreneurs.



A second variable with differences across clusters is size of the loan received from microfinance institutions in the year preceding the survey.<sup>18</sup> This suggests that micro entrepreneurs are differentiated from one another based on the amount of money they borrow, which is often related to the size of the business. A third variable of interest is the number of clients per week, particularly among businesses with less than 30 and more than 50 clients per week. The fourth relevant variable is average weekly income of the business. All of the variables above are related to economic characteristics of the enterprise, and many are related to the size of the business.

Additionally, the cluster analysis found two key variables related to micro entrepreneurs' preferences: (1) preference for individual loans and, (2) predisposition to deploying technological devices.

### 3.2 Classification

The second method to segment the sample is through predefined criteria for classification. To identify "Strivers" and "Non-Strivers" we start with the hypothesis that Strivers are people who control their destiny and consider themselves capable of achieving significant objectives on their own. To find these characteristics, we explore variables in the questionnaire that fit this profile:

1) Who is the head of the family?

*If the respondent answers she is the head of the family, then we categorize her as a "Striver." If the respondent answers that she is not the head of the family, then we categorize her as "Non-striver."*

2) For the following statements, please select the number that describes how you feel. One represents "Disagree," two represents "Indifferent," and three represents "Agree".

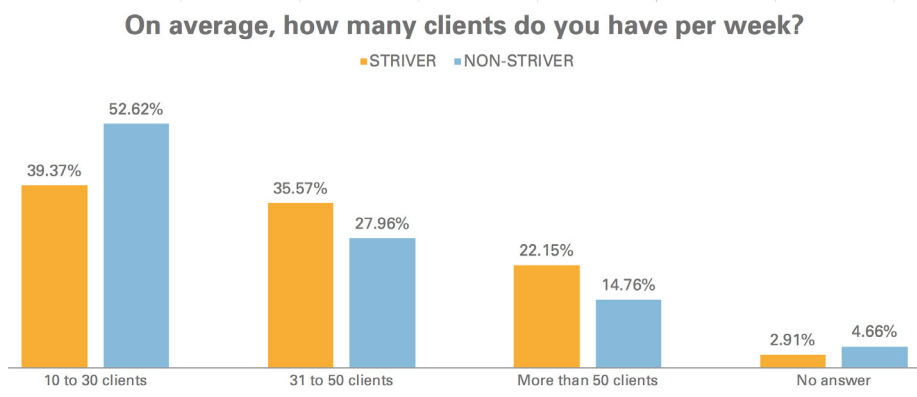
- "I control the destiny of my business."  
"Striver" if select 3, "Non-striver" if select 1 or 2.
- "I decided to pursue this business activity because it suits my personality and passions."  
"Striver" if select 3, "Non-striver" if select 1 or 2.
- "My business would be better off if I had a larger network of friends or acquaintances to advise and support me."  
"Non-Striver" if select 3, "Striver" if select 1 or 2.
- "My business would be better off if I had more financing and technical support."  
"Striver" if select 3, "Non-Striver" if select 1 or 2.
- "Even if the opportunity arose to have a formal job, I would continue my current work. I prefer economic independence and being my own boss."  
"Striver" if select 3, "Non-striver" if select 1 or 2.

Through these statements, we classified Strivers and Non-strivers and subsequently, evaluated all of the survey responses to identify significant differences between the two groups. We identified 790 Strivers and 515 Non-strivers. The complete set of tables showing the dissimilarities between the two groups is in the Appendix. Of the 20 variables with differences between Strivers and Non-strivers, we present six variables that provide insight relevant to this study.

<sup>18</sup> The exact question is "What is the total amount that your business received in loans from microfinance institutions in the last year?"



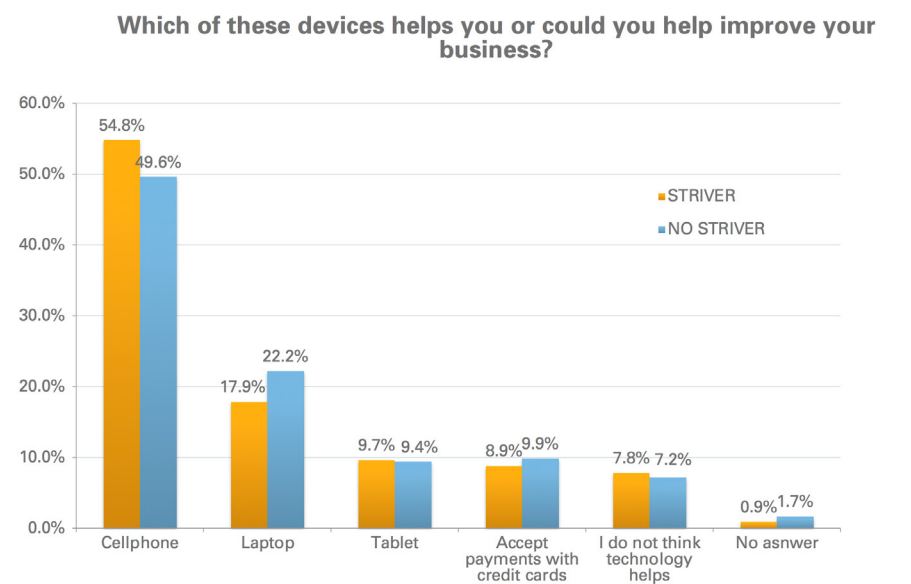
Strivers are more likely to be the household's main source of income. 24 percent of Strivers are the sole provider of economic support for the family, while only 5 percent of Non-strivers provide the majority of economic support for the family. Next, we find that Strivers are more likely to have a higher number of clients per week, relative to Non-strivers. Non-strivers represent a larger share of micro enterprises with 10 to 30 clients per week, but Strivers dominate in micro enterprises with over 30 clients per week.



Faced with a business downturn, Strivers and Non-strivers pursue financial support differently. Strivers prefer to use personal savings or pawn items for cash; in other words, Strivers prefer informal means to solve financial problems. Non-strivers prefer loans from family and friends and the formal financial system. This provides evidence of the informal safety net available to Strivers.

We went on to ask the survey respondents why individual loans are preferred over collective loans. Strivers are attracted to this type of loan due to the individual responsibility to repay the personal loans and the higher amount that is usually received. Non-strivers are attracted to individual loans because of greater flexibility in applying for the loan. It is worth noting that the difference between Strivers and Non-strivers is in a step of the process of the loan: for Strivers, it is the process of repayment that is attractive, whereas for Non-strivers, it is the process of application that is attractive.

Finally, we explore the differences in use of technology between Strivers and Non-strivers. Strivers prefer cellular phones, while Non-strivers prefer computers. When asked how technology augments business, Strivers most frequently answered (1) customer satisfaction and, (2) less [paper] waste.





# 4

## CONCLUSION

After in-depth analysis of the demographic and economic characteristics and preferences of our sample, we applied two strategies to further explore particularities of the micro entrepreneurs in our sample. Based on our cluster analysis and Striver classification, we found that there are eight relevant factors that should be considered when designing commercial, policy, and social strategies for similar groups of micro entrepreneurs. We classify these variables in two groups:

### Personal Characteristics of Micro Entrepreneurs:

- Level of education (according to Cluster Analysis)
- Type of preference for individual loans (according to Cluster Analysis and Classification)
- Predisposition to technology (according to Cluster Analysis and Classification)
- Predisposition to informal financial relations (according to Classification)
- Type of contribution to family income (according to Classification)

### Characteristics of the Micro Enterprise:

- Size of loan obtained from financial institutions (according to Cluster Analysis)
- Number of clients (according to Cluster and Classification)
- Average weekly income (according to Cluster Analysis)

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It is not surprising that micro entrepreneurs can be stratified by level of education, contribution to family income, and variables associated with business size (i.e. loan size, number of clients, average weekly income, etc.). However, this exploratory data analysis has also brought to light some more unexpected variables for stratification, including: preference for informal financial networks and individual loans, and predisposition to technology. In other words, informality, individuality, and technology characterize the sample of micro entrepreneurs.

These findings suggest that to better serve micro entrepreneurs, formal financial institutions must understand why informal financial networks are so highly valued among micro entrepreneurs. Furthermore, formal financial institutions must explore how micro entrepreneur habits and lifestyle contribute to preferences for individual loans and the use of technological devices in business.

While this report has developed an initial framework to identify Strivers and their particular needs, we recommend administering additional surveys and using qualitative tools, including interviews and focus groups, to better understand the arguments and rationales that micro entrepreneurs—and Strivers in particular—use to justify their economic choices, behavior and preferences.