



INDIVIDUAL MICRO ENTREPRENEUR: WHY FORMALIZE?

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ABSTRACT

Based on the study of Complementary Law No. 128/2008 and taking into account the importance of small companies in the country, many of them working in the informal sector, this work was developed with the aim of identifying the reasons for the formalization of individual micro entrepreneurs (MEI's) in Ilha Grande-PI. The approach used in this work was quantitative and qualitative. In addition, the research was operationalized through the application of a questionnaire in order to meet the objectives of this work. The survey included 184 respondents. The results show that the majority of respondents are between 31 and 36 years old, work in the trade sector and earn about 2 minimum wages. It was found that being unemployed, working on their own and perceiving an opportunity in the market are the reasons most mentioned by MEI's when they opted for formalization. With regard to informal entrepreneurs, the fear of losing some benefit was revealed as the main reason for local entrepreneurs to remain informal. Respondents also revealed that they know and have had some type of contact with the entrepreneur's room, either to find out about the benefits of formalization, or to seek support from it.

Key words: Formalization. Informality. Entrepreneur Room

1. INTRODUCTION

In view of the current situation, the Individual Microentrepreneur (MEI) can be considered an opportunity for the recovery of the country's economy, boosting those who work autonomously and informally, so that they can get out of this situation, without bureaucratization and free of charge. To legalize this new type of entrepreneur, the Federal Government created Complementary Law 128, of 12/19/2008, which gives all the legal guidelines for the function. The MEI is a self-employed person who legalizes himself as a small business owner, earning a maximum of R \$ 60,000.00 per year (BRASIL, 2011).

Among the advantages offered by this law, is the right to register with the National Register of Legal Entities (CNPJ), which facilitates the opening of a bank account, the request for loans and the issuance of invoices. With a small contribution, adjusted annually according

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to the minimum wage correction, the Individual Microentrepreneur has access to benefits such as maternity, sickness and retirement benefits.

In order to encourage people to formalize, the Entrepreneur Room was created through a partnership with the Support Service for Micro and Small Enterprises (SEBRAE). The Entrepreneur's Room, in addition to facilitating the process of reducing bureaucracy in the service process, also aims to be a reference for the entrepreneurial citizen, being a support and guidance tool for them, thus providing opportunities for partnerships with public authorities and thus creating a favorable environment for the development of small businesses in the municipality.

According to Lima et al. (2014), it is relevant to highlight that the individual microentrepreneur (MEI) has been growing throughout Brazil and that it is characterized as an important factor for the development of the country, in the sense of migrating informal entrepreneurs for formalization. According to the Entrepreneur's Portal (2016a), in 2016 2,990,115 MEI's were formalized in Brazil, almost 82% more entrepreneurs compared to 2013.

For Lima et al. (2014), the individual microentrepreneur is of paramount importance for national growth, and especially for regional growth, since it enables the increase in tax collections, triggering the social economic development in its active region. In Ilha Grande - PI, the local economy is driven by the income generated from fishing, commerce and public office (IBGE, 2013).

However, in the city of Ilha Grande - PI, it has been observed that there is still a low level of formalization (77 MEI's in 2016) of local enterprises. Compared to other cities in the state with the same number of inhabitants or less, it is the 15th city in number of MEI's. In number of formalized, for example, it formalized less MEI's in 2016 than smaller cities such as Santa Rosa do Piauí (96), Juazeiro do Piauí (108) and Brasileira (114) (PORTAL DO EMPREENDEDOR, 2016b).

Given this context, the need arose to observe what are the difficulties faced by local entrepreneurs to choose to remain informal and / or formalize themselves. The question that we intend to answer with this study is: what are the main reasons that lead to formalization and informalization in Ilha Grande - PI? This work has as general objective: to identify the reasons for the formalization of individual microentrepreneurs in Ilha Grande - PI, and as specific objectives: to verify the importance of the Entrepreneur Room for entrepreneurs in Ilha Grande - PI; verify what are the reasons for non-formalized entrepreneurs to remain informal in Ilha Grande - PI; check associations related to MEI, participation in unions and use of services provided by the entrepreneur's room

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This work contributes with relevant information about the lack of information regarding the formalization of the MEI in the municipality in question, and also sought to advance the existing literature on the MEI in Brazil. From a practical point of view, this study aimed to resolve and / or alleviate some doubts of public agents about the reason for the low number of MEI's in Ilha Grande - PI and also serve as support for SEBRAE regarding the development of actions aimed at municipalities that present or approach the reality pointed out in this study.

This article is structured in five parts. In addition to this introduction, the theoretical foundation, the methodology applied in the study, analysis and discussion of the data and, finally, the final considerations will be presented.

2 THEORETICAL FRAMEWORK

Entrepreneurship is considered a silent revolution that happened for a long time in anonymity, but that gained strength and prominence in the twenties when it was considered as responsible for dynamizing the economy of the countries. As entrepreneurship gained notoriety for the development of several regions, it also becomes the subject of scientific research that seeks to study its relationship with management, innovation, education and entrepreneurial action. With the proliferation of studies on this theme, entrepreneurship has gained the quality of pertinent in forums, congresses and in specific journals (eg *Entrepreneurship Theory and Practice* and *Small Business Economics*) (HARRIS et al., 2009; MARTES, 2010; FIGUEIREDO, 2010; BAE et al., 2014).

Parallel to this expansion movement as a field of study, Brazil entered the list of countries that most undertake and develop actions that encourage and make the event of entrepreneurship possible (GEM, 2017a). Currently, these actions are carried out and / or disseminated mainly by Sebrae, an agent that has been acting as a driver of entrepreneurship in the country.

2.1 Entrepreneurship in Brazil

In Brazil, entrepreneurship rose in the 1990s, mainly due to the opening of the economy. Thus, with the entry of investments and imported products, prices were controlled, thus adjusting the economy. However, the low prices of foreign competition have forced Brazilian companies to reinvent themselves. Thus, the control of the economy and the return of investments, the creation of new companies and enterprises had a huge growth at that time, especially since 2000, in which only in that year around one million new jobs emerged (MTE, 2000) . According to a study by the research program Global Entrepreneurship Monitor (GEM) in 2016, Brazil appeared ahead of all other countries participating in the survey, since it had the

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highest rate of business creation among the economically active population, with around 19.6%, ahead of countries like the United States, for example (GEM, 2017a).

In 2015, four out of ten Brazilians were involved in creating or maintaining a business. It is estimated that 52 million Brazilians between the ages of 18 and 64 were in the condition of an early or established entrepreneur. Regarding the desire of Brazilians, having their own business was their third biggest dream, after having their own home and traveling around the country. The number of people who dreamed of becoming their own boss was around 31%, practically double the number of people who wanted to make a career in a company (16%) (GEM, 2016b).

However, Brazil still struggles to be recognized as a country where people undertake because they perceive an opportunity and not because they have the need or see themselves only with that option. The first type of entrepreneurship (by opportunity) are those that they undertake when they identify a gap in the market, thus creating a company to fill it, thus causing the opportunity. The second are those who create a formal / informal business to survive (LOPES, 2012; LIMA et al., 2014; SULZBAC et al., 2012).

In 2007, Brazil had approximately 23 million enterprises out of necessity and, even after efforts to reverse this situation by institutions such as Sebrae, these enterprises remain expressive, about 26 million in 2016. These situations that entrepreneurship is undergoing generate concern when addressing it also looks at the number of informal activities. Recent data indicate that of 48 million existing enterprises in the country, 40 million do not have a CNPJ (GEM, 2017a).

Reynolds et al. (2003) note that there are some peculiarities that permeate entrepreneurship and make an important observation about it. For them, these variables directly affect the level of entrepreneurship in countries and are relatively different between rich and less rich countries (eg Brazil). In richer countries, there is a greater influence of some factors, such as: historical growth rates, education and immigration. On the other hand, in the less wealthy countries the dimension of the informal economy stands out because of the economic fluctuations in which these countries are subject. It was in this scenario that Brazil found itself that the government created, based on complementary law n°. 128/2008, an artifice that encouraged the formalization of enterprises that moved the country's informal economy:

2.2 Individual Microentrepreneur

In 1997, Brazil had a considerable level of informality. According to a survey conducted by the Informal Urban Economy (ECINF), for each legalized company there were about two informal companies. Thus, Complementary Law 123/2006 was instituted due to the fact that

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many Brazilians work informally on their own, without any type of registration, thus having no access to various benefits, such as Social Security, maternity assistance, sickness benefit, retirement, among others. others (IBGE, 1999).

The figure of the Individual Microentrepreneur first appeared on the Brazilian market in 2008 through Complementary Law 128/2008 by modifying parts of the General Law on Micro and Small Enterprises (Complementary Law 123/2006) that established the National Microenterprise and Company Statute Small (General Law of Micro and Small Enterprises). The Tax Portal (2016) and the Entrepreneur Portal (2016c) define as Individual Microentrepreneur (MEI) the individual who has annual gross revenue of R \$ 60,000.00 (sixty thousand reais), whether working on his own account and legalized as a small business owner with the registration in the National Register of Legal Entities (CNPJ), does not have participation in another company as holder or with society. The MEI may also have a contracted employee who receives a minimum wage or the category floor (BRASIL, 2012;

2.2.1 Advantages and disadvantages of formalization

There are many advantages of formalization, because, in addition to being a simplified and free process, if the entrepreneur acts legally, has a CNPJ (national register of legal entities) that will provide advantages in relation to the credit line, loans from banks and the implantation of a credit card machine in his establishment.

SEBRAE (2013), Macedo (2009) and Figueiredo (2010) highlight some benefits for the formalization of the MEI, such as:

- Social Security coverage for the Entrepreneur and his family;
- Exemption from formal tax and accounting bookkeeping;
- With the CNPJ, you can issue notes and sell to other companies and the government;
- The issuance of invoices will only be mandatory in sales and provision of services to other companies;
- You can prove legal income and finance purchases with easy access to banking services;
- Accounting is not mandatory;
- Accounting offices are required by law to provide the MEI support service, as well as its formalization, completely free of charge, at least in the first year;
- MEI does not pay the first license fee;
- Reduction of tax rates, such as ICMS and ISS, related to the trade and service fee;
- Social security benefit, as the MEI will be paying its contribution to the INSS tax, which will entitle you, after certain months of contribution, to maternity wages and

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other social security benefits such as sickness allowance, prison wages, pension death and retirement by age;

- Tax regularization, which is nothing more than a guarantee to avoid fines or losses of goods due to lack of documentation;
- Operational simplicity and low process costs;
- Simplified registration system that can be done via the internet.

The disadvantages are small compared to the series of benefits already mentioned. They are limited, exclusively, to the possibility of only one employee with a formal contract in the establishment and not being able to retire for length of service. The obligations are summarized in paying the monthly payment slip for the fees and keeping all invoices related to purchases, to fill out the annual report, which must be submitted in January of each year to file the income tax return. It is important to emphasize that, in a way, the individual microentrepreneur limits his growth in order to have the benefits of formalization. In addition, to continue as a MEI, the entrepreneur cannot exceed the gross annual revenue of R \$ 72 thousand (60 thousand plus the 20% allowed by law), cannot count on any branch and neither have partners (FERNANDES et al., 2012; BRASIL, 2008).

Thus, the literature seen in this section allows us to raise the first hypothesis:

H1: There is an association between people getting to know MEI and recommending it to others.

2.2.2 Informality and impediments to formalization

Informality can be defined as economic units started on their own and without any regulation or benefit (bank credit) generated by the activities inherent to that project (eg years of the project's life, financial transactions in banks). These small informal businesses operate a black economy and have as main characteristics: functioning outside the legislation, they are not taxed and have a low scale of productivity (TIRYAKI, 2008; SILVA, 2010).

In emerging countries, informal businesses become the main responsible for the dynamics caused in the economy. These informal ventures are manifested in a variety of ways, such as: independent service providers, self-employed sellers, small producers and neighborhood traders.

Some authors note that these informal ventures, even the largest and / or most recent ones in the market, end up remaining or choosing informality due to the strong tax burden on a company, tax interventions and the demands of unions in that sector (MATTOS; OGURA, 2009; SCHNEIDER, 2008; WARTH, 2008; PRONI, 2013; DA SILVA, 2017). In the study by Schneider (2008), for example, the main factors that contribute to the increase in informality

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were the increase in taxes (39%), unwillingness to pay taxes (25%) and the intensity of government regulation.

In addition, with regard to the candidate for MEI, there are some obstacles that can motivate the permanence in informality. The obstacles in relation to the formalization process revolve around the lack of information about this process and also some prohibitions: being a federal civil servant, retired due to disability, managing partner of a company, being receiving some social benefit or unemployment insurance, unionized fisheries and agriculture. These restrictions are limiting factors and, if found, in some cases (eg receiving unemployment insurance and union membership) the candidate for MEI should be aware that he will lose it (PORTAL DO EMPREENDEDOR, 2016c; LOPES, 2012).

Another impossibility for the formalization of the individual microentrepreneur is that some activities have not yet been included among the activities allowed by the MEI. For example, until 2014, the professions of animal caretaker and pool keeper were not yet on the list of activities allowed by the Special Secretariat of Micro and Small Business - SEMPE (BRASIL, 2014).

Finally, the second hypothesis of this work is raised:

H2: There is an associative relationship between the type of company (Formal and Informal) and being associated with unions (eg fisheries union).

2.3 Entrepreneur Room

The Entrepreneur Room is a mechanism for municipal public development that aims to foster microentrepreneurs, has a local development agent who is the representative of the government responsible for participating in the planning of the municipality's development policies, in order to enable improvements in the local business environment. The entrepreneur's room has the function of: developing actions to promote entrepreneurship, opening and leaving companies, training, reducing bureaucracy, issuing negative certificates, business monitoring, promoting socioeconomic development (SALA DO EMPREENDEDOR, 2016).

The Entrepreneur Room in Ilha Grande - PI, for example, was opened in 2014 and currently serves MEI's and small business owners in the city. On site, microentrepreneurs, informal entrepreneurs and businessmen have access to information, monitoring of their businesses, regularization of formalization, among other services. Service is provided by a Development Agent (technician appointed by the city). This agent passes on information regarding the opening and closing of companies to public bidding and purchasing notices, among other matters. The room also has computer infrastructure that facilitates formalization in the category of individual microentrepreneurs (SEBRAE, 2014).

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Thus, the last hypothesis to be tested in this work will be:

H3: There is an association between entrepreneurs knowing the entrepreneur's room and the use of the services provided by it.

3 METHODOLOGY

Barros and Lehfeld (2003) affirm that scientific research is the exploration, the inquiry and the systematic and intensive procedure that aim to discover, explain and understand the facts that are inserted or that make up a certain reality. While Gil (2002) characterizes the research as a rational procedure whose objective is to find answers to the analyzed problem, composed primarily with the formulation of the problem and ending in the discussion of the results.

With regard to the procedure used in this study, a survey was applied with closed and open questions in the municipality of Ilha Grande - PI. Bearing in mind that the research was carried out with entrepreneurs who are formalized and those who work informally, 184 questionnaires were applied for convenience and accessibility.

As for the method used, this research is classified as exploratory and descriptive, which according to Diehl (2004), seeks to see the relationship between the variables studied, understanding through the sample the population studied in the field. The author goes further by stating that the choice of method is made by the nature of the problem, as well as the level of depth.

Regarding the approach, the study is of a quantitative and qualitative nature. Fonseca (2002) reports that reality can only be understood based on the analysis of raw data, collected with the help of standardized and neutral tools. Which means, according to Gil (2002), that the results obtained are organized in tables thus allowing statistical hypotheses. It is qualitative because it includes questions with alternatives that allow the respondent to inform what the "other" option would be.

As for nature, the research is characterized as applied. According to Barros and Lehfeld (2000), applied research has as its main strength the need to produce knowledge to apply its results, with the ultimate goal of contributing to practical purposes, thus seeking immediate solutions or not to specific problems.

The survey of the data happened with the support of the Entrepreneur Room of Ilha Grande - PI that provided information about the microentrepreneurs and other information about their performance.

Data collection was made operational by handing over the instrument to which it could be completed by the research participant. It is worth noting that the questionnaires applied

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covered 74 formalized and 110 informal enterprises in the city of Ilha Grande - PI. After collection, data were tabulated and analyzed by means of frequency counting and by the Chi-Square test (BUSSAB; MORETTIN, 2006). The contingency tables were of the 2x2 type, which respected the assumption of 5 or more observations in each cell (HAIR et al., 2009). The purpose of the test was to test the hypotheses launched in this study. It is noteworthy that the procedures used in the analysis were performed in the Statistical Package of Social Science - SPSS (version 21).

3.1 Characterization of the Research Environment

The municipality of Ilha Grande do Piauí is located in the North Region of Piauí, being limited to the north by the Atlantic Ocean, to the west by the municipality of Parnaíba and to the east by Araioses, the latter being in Maranhão. It has a population of approximately 8,914 inhabitants, including rural and urban residents (IBGE, 2010).

With a GDP per capita of R \$ 3,594.85 (IBGE, 2008), the city's income comes from almost all of its fishing, with around 2,400 members in the local fishermen's colony, in addition to around 700 fishermen linked to the Syndicate. Ilha Grande has a Human Development Index (HDI) of 0.561 (UNDP, 2000), which gives the municipality the position 161 in relation to the 221 municipalities in the state of Piauí.

As it is a small and undeveloped municipality, the developments follow the city's tonic; most of them are shops, greengrocers and bars. This makes formalization more difficult, causing the city a large number of informal businesses and micro-enterprises.

4 ANALYSIS AND DISCUSSION OF RESULTS

The survey comprised formal and informal entrepreneurs in the municipality of Ilha Grande - PI, totaling a sample of 184 questionnaires. The sample was characterized by quantitative questions, such as type of company, age of the interviewed entrepreneurs, time of formalization of the enterprise, sector of the company, average billing and questions that sought to prove the objective proposed by this work.

As for the sample analyzed, it is clear that 59.8% are informal entrepreneurs and 40.2% correspond to formal entrepreneurs (MEI). With regard to age, it can be seen that the age group of 31 to 36 years old (21.3% of respondents) was the one with the highest number of entrepreneurs. Regarding the time of their own business, 22.8% said they were formalized for one to three years (1 to 3 years), and 15.8% admitted that their own business is between four and seven years old (4 to 7 years) .

As a result, 81% of the sample in both categories analyzed stated they belong to the trade segment. With regard to billing, it was observed that 59% of respondents bill between two

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to three minimum wages, with 36.5% being in the formal category and 23% being informal. This result is corroborated by Figueiredo (2010) and Lima et al. (2014), when checking the development of companies and their finances when they choose the MEI category.

TAB. 1 presents the data that characterize the studied sample.

Table 1 - Sample Characterization

VARIABLES	ALTERNATIVES	FREQUENCY		PERCENTAGE
		Formal (MEI)	Informal	
Age Range	18 to 24 Years	2 (1.1%)	3 (1.6%)	2.7%
	25 to 30 Years	13 (7.1%)	11 (5.9%)	13.0%
	31 to 36 Years	22 (12%)	17 (9.3%)	21.3%
	37 to 42 Years	19 (10.2%)	15 (8.3%)	18.5%
	43 to 49 Years	9 (4.9%)	19 (10.3%)	15.2%
	50 to 56 Years	5 (2.7%)	16 (8.7%)	11.4%
	Over 70 Years	4 (2.8%)	29 (15.1%)	17.9%
Company Sector	Trade	54 (29.3%)	95 (51.7%)	81.0%
	services	20 (10.9%)	15 (8.1%)	19%
	Industry	0 (0%)	0 (0%)	0%
Enterprise Formalization Time	none	0 (0%)	110 (59.8%)	59.8%
	1 to 3 years	42 (22.8%)	0 (0%)	22.8%
	4 to 7 years	29 (15.8%)	0 (0%)	15.8%
	8 to 11 years	1 (0.5%)	0 (0%)	0.5%
	Over 12 years	2 (1.1%)	0 (0%)	1.1%
Billing Average	1 minimum wage	4 (2.8%)	68 (36.3%)	39.1%
	2 minimum wages	41 (22.3%)	39 (21.2%)	43.5%
	3 minimum wages	26 (14.1%)	3 (1.7%)	15.8%
	Above three minimum wages.	3 (1.6%)	0 (0%)	1.6%

Source: Elaborated by the authors (2017).

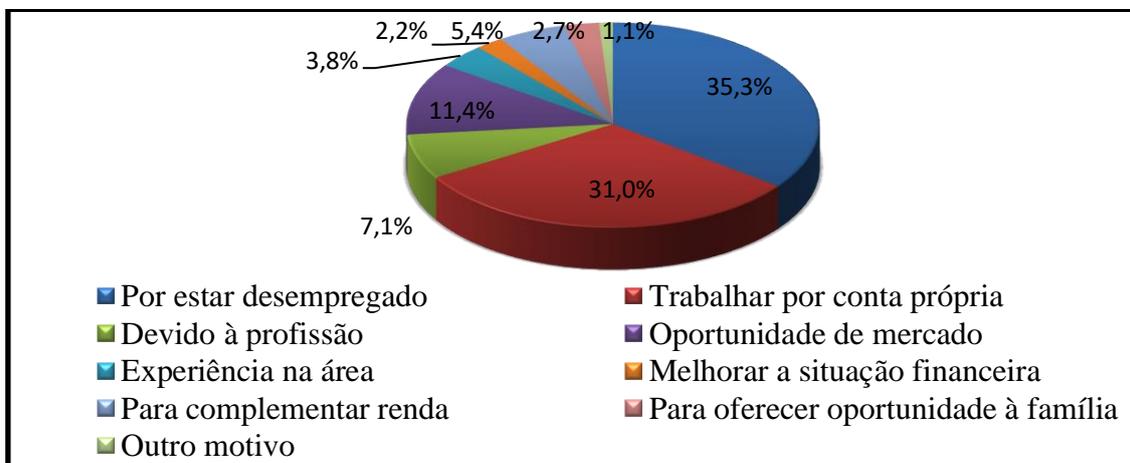
With regard to reasons that led to setting up the business itself (Graph 1), it is observed that the alternative “for being unemployed” appears with 35.3% of the answers, thus attesting to the data pointed out by the Brazilian Institute of Geography and Statistics (IBGE, 2010) and GEM (2016b). According to them, economic crises and recessions have made people set up a business with the objective of obtaining income, thus generating entrepreneurship by necessity. This finding is also consistent with the proposition of Reynolds et al. (2003) and Proni (2013)

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that in emerging countries entrepreneurship by necessity still prevails and that there is a need to combat occupational precariousness as a way of reversing this situation.

However, the second most prominent answer contrasts by showing that 26% of the people interviewed said that the reason for setting up their business was to be able to work on their own. Thus reinforcing the data presented by the GEM survey (2016b), in which 34% of the Brazilian population dreamed of being their own boss. Although their participation is behind entrepreneurs by necessity, this data shows that entrepreneurs by opportunity also have their representativeness in the study. The percentages of people who observed a market opportunity (11%) and those who want to supplement their income (5.4%) are other points to be highlighted.

Graphic 1- Main reasons for setting up the business



Source: Elaborated by the authors (2017).

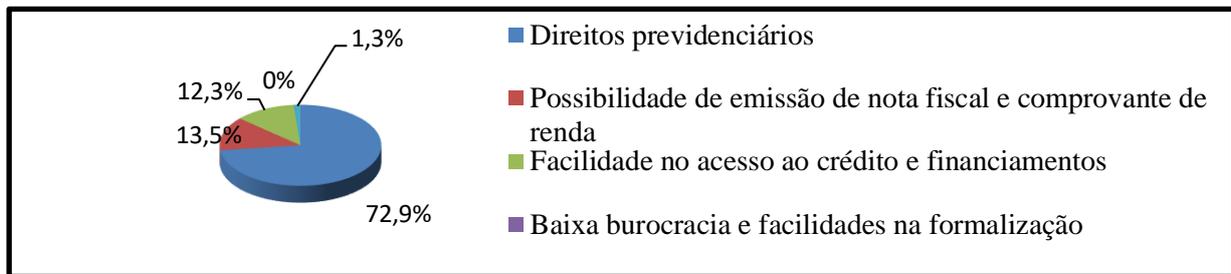
Regarding the facilities and benefits corresponding to membership in the category of individual microentrepreneurs, 154 respondents (92.2%) of the interviewees would recommend informal entrepreneurs to formalize as MEI, as they received assistance in the most varied ways, among them, information about the benefits of formalization. The chi-square test between the variables "people who know what it means to be MEI" and "MEI recommendation" was significant ($X^2 = 98.72$; sig. <0.001). Thus, the hypothesis (H1) that there is an associative relationship between the mentioned variables is accepted.

In Graph 2, respondents who formalized as MEI pointed out the benefits that attest to the importance of the factors that lead people to formalization and that also converges to the factors revealed by Sebrae (2013), Macedo (2009) and Figueiredo (2010). It is observed that the most attractive factor was in relation to social security rights. This advantage was the most attractive for 72.9% of the entrepreneurs who came to formalize. As many entrepreneurs had an informal business, they did not pay the INSS and, therefore, were not entitled to retirement or other benefits that the MEI category has. Another benefit that also motivated the

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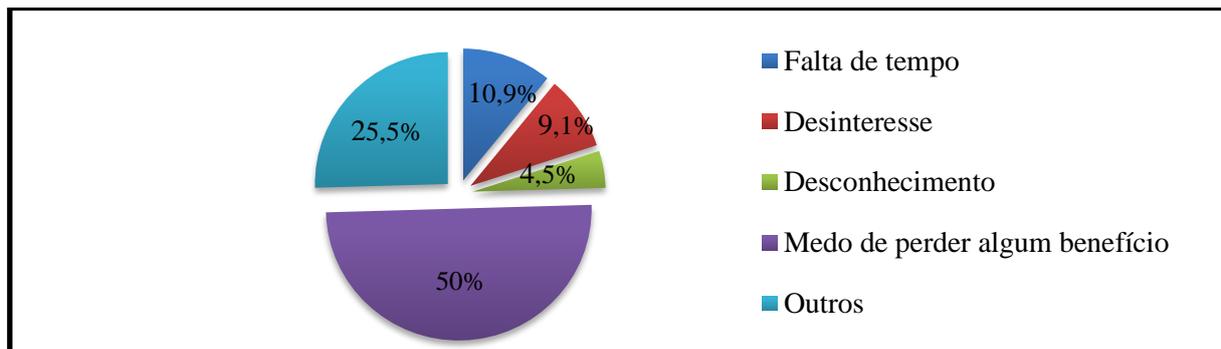
formalization was the possibility of growing the business itself (25.8%). Of these, 13.5% cited the possibility of issuing invoices and proof of income, while 12.3% indicated easy access to credit and financing. Soon, it is clear that they see these facilities as devices that can leverage their business. In addition, 66 (89.2%) respondents pointed out that the project improved after formalization as MEI.

Graph 2 - Main benefits that motivated the formalization



Source: Elaborated by the authors (2017).

Graph 3 - Reasons for not formalizing



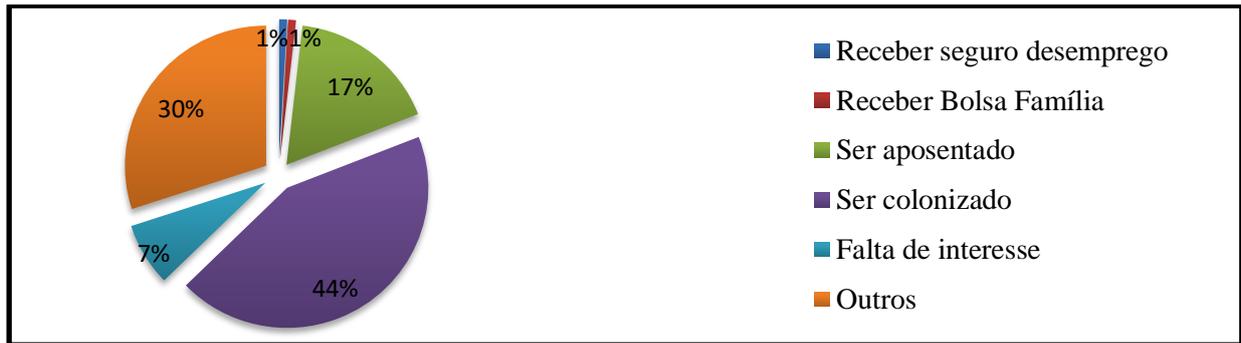
Source: Prepared by the authors (2017).

Graph 3 presents the reasons why many entrepreneurs remain informal. According to 50% of non-formalized entrepreneurs, the biggest reason for not being a regularized MEI is the fear of losing some benefit already received by the business owner. In addition, 10.9% responded that they did not have time to formalize, despite the ease, speed and unbureaucracy of the MEI. Disinterest is represented by 9.1% of respondents.

The findings shown in Graph 3 allow us to suppose that the loss of common benefits in the region (eg fishing aid), appears as an obstacle to the formalization of local entrepreneurs. In addition, of the 25.5% who indicated other reasons for not formalizing, the main one is that the owners of their own businesses are already retired (71.4%). Thus, it can be seen that the results presented here are consistent with the findings shown in Graph 2, in which the main advantage of joining the MEI is the ease of retirement. Finally, it is noted that the entrepreneur loses interest in formalization when he has already achieved his retirement.

Graph 4 - Obstacles to formalization

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Source: Elaborated by the authors (2017).

The representatives of the informal category pointed out the obstacles encountered (Graph 4) for them not to regularize. The main reason cited as an obstacle to formalization was that respondents were colonized (fisheries union), with 44% of responses. The chi-square test was found to be significant ($X^2 = 41.27$; $p < 0.001$) for the variables “type of company” and “association in unions”. Thus, there is an association (H2) between participating in the fisheries union or not and the type of company (formalized / MEI and non-formalized).

Because it is a coastal city where fishing is the major source of income for the population, most owners of some business in the city follow the trend of others and are part of the Fishermen's Colony of Ilha Grande - PI. So, for fear of losing this benefit, they think it is better to remain informal.

It is observed that a significant portion of retirees have their own business in the city, represented by 17% of respondents. This finding also points to retirement as an obstacle to formalization, which attests to the findings indicated in Graph 3. The lack of interest (7%), even for no apparent reason, reveals that some respondents (informal entrepreneurs) do not want to formalize for not have an interest in being regularized. Consequently, 30% of those who answered that they had other reasons as obstacles, among which the most outstanding is the entrepreneur being linked to other unions (21.3%), being a public employee (12.1%) and already working with a portfolio signed (6.1%).

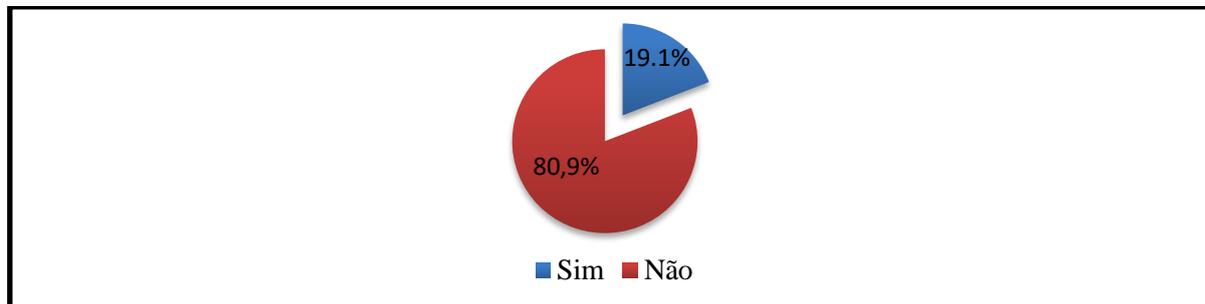
Another factor that explains the lack of interest in formalizing is due to the fact that the majority (90%) of the entrepreneurs report that they have not been harmed because they are informal. This lack of interest may be due to the lack of supervision of local enterprises and, at the same time, presents a different and complementary reality to that pointed out by Schneider (2008) and Mattos and Ogura (2009). Of the informal enterprises, 64.5% stated that they have been in this situation for more than four years.

Da Silva (2017) notes that people who work in small coastal towns (eg Matinhos, Pontal do Paraná and Guaratuba) formalize themselves as a way to avoid sanctions from inspection

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agents, but this period as formalized is temporary and only happens in seasons of intensification of inspections.

Graph 5 - Informal work versus formal work



Source: Elaborated by the authors (2017).

Among informal entrepreneurs (Graph 5), 89 (80.9%) answered that they would not exchange informal work for some formal job. An important data verified in this research shows that many informal entrepreneurs have informal work as their only source of income (67.3%). Of these, 25.5% indicated that they do not have financial security and 74.5% do not pay any pension plan, which can cause problems when they are older.

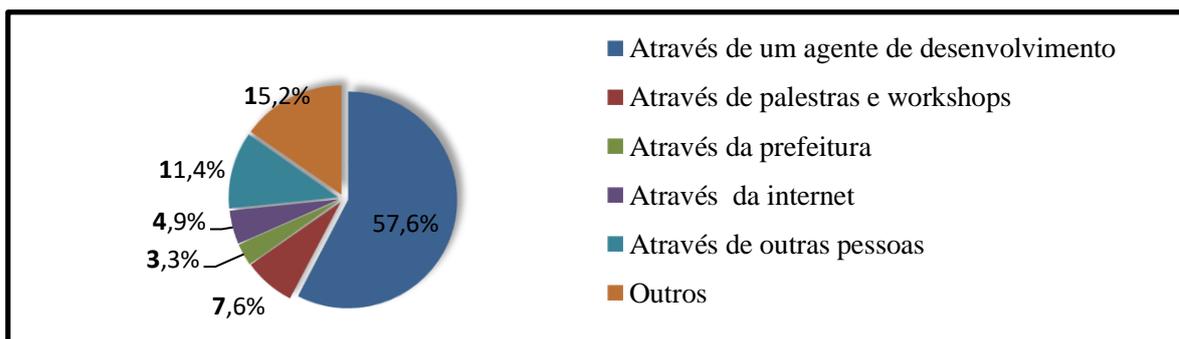
Small coastal cities are affected by strong seasonality due to the gap created during long periods of low (SULZBAC et al., 2012). According to them, these gaps cause entrepreneurs to experience periods of financial instability and, therefore, they continue to be associated with the fisheries union and undertake as informal.

Regarding the importance of the entrepreneur's room for local entrepreneurs, it was observed that even though most respondents were not formalized (110, compared to 74 formalized), access to the Entrepreneur's Room did not follow the same proportion. Of the total respondents, 156 people (84.8%) recognize the importance of the room for the development of entrepreneurship and follow their actions in Ilha Grande. On the other hand, 13% (24) represent the informal category that admitted they did not know it yet.

Graph 6 shows how the survey respondents learned about the Entrepreneur's Room. The data shown in the graph corroborate the importance that the Entrepreneur's Room has in the municipality by revealing that more than half of the people (57.6%) answered that they learned about the Entrepreneur's Room through its development agent. In addition, the findings suggest that the agents and employees of the Entrepreneur's Room have contributed to the awareness of local entrepreneurs regarding their regularization and that this approach to the entrepreneur's room may also have implied an increase in formalized enterprises in the municipality.

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Graph 6 - How did you get to know the Entrepreneur Room

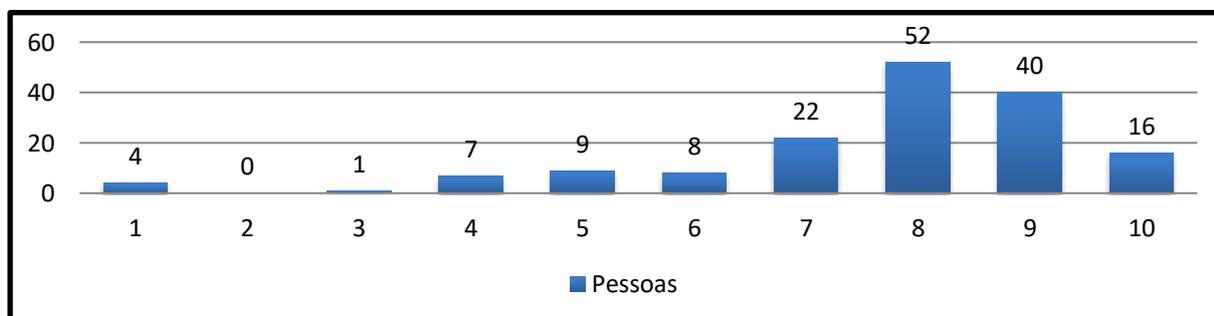


Source: Prepared by the authors (2017).

When asked how the respondents would have formalized, it was found that 36 (48.6%) entrepreneurs had been formalized through the entrepreneur's office. Another important fact is related to the number of people who, in some way, received assistance from the entrepreneur's room, since, of the total of 184 interviewees (100%), at least 138 (75%) admitted that they received assistance from the agency. Of these, 22 (15.2%) received some type of assistance, 81 (58.7%) received information about the MEI and 36 (58.7%) were formalized in the entrepreneur's room. The chi-square test ($X^2 = 18.83$) was significant ($p < 0.001$) among people "knowing the room or not" and having "received help from it". Like this,

Subsequently, respondents were asked to give a score (from 1 to 10) for the importance of the Entrepreneur's Room, shown in Graph 7. Of a total of 159 respondents, 108 gave scores considered excellent (8, 9 or 10) for the Entrepreneur Room. This result reaffirms the entrepreneurs' recognition of the importance of the room. Da Silva (2017) agrees in this sense by pointing out that the entrepreneur's room acts as an important strategic tool for municipalities by providing support to entrepreneurs, fostering local development and working to reduce informality.

Graph 7- Note for the importance of the entrepreneur's room



Source: Prepared by the authors (2017).

5 FINAL CONSIDERATIONS

This study sought to identify the reasons for the formalization of individual micro entrepreneurs in Ilha Grande - PI. In addition, the work also aimed to achieve the following

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specific objectives: to verify the importance of the Entrepreneur's Room for entrepreneurs in Ilha Grande - PI; verify what are the reasons for non-formalized entrepreneurs to remain informal in Ilha Grande - PI. To meet the research objectives, 184 local entrepreneurs were investigated. Finally, it should be noted that the three hypotheses proposed in this work have been confirmed.

The most prominent reasons for entrepreneurs to fall into the category of individual microentrepreneurs (MEI) were to seek opportunities for growth in commerce and for the regularization of business. On the other hand, entrepreneurs who find themselves in the informal sector prefer to stay that way, due to the fear of losing some benefit by being unionized. Such a finding, even seminal and in need of more work to further explore this association, reveals that this phenomenon may be one of the reasons for the low adherence to MEI in small coastal cities.

The study reaffirmed, according to what was pointed out in the literature, that the advantages referring to the MEI happen due to the facilities and benefits resulting from the formalization. Among the benefits found, social security rights and facilities obtained with formalization can be mentioned (eg Ease of obtaining credit and issuing invoices). The knowledge of these advantages has made people recommend MEI to others, sometimes as a way to start a formalized business, sometimes for those who want to leave informality. In addition, it was also found that entrepreneurs (formal and informal) recognize the importance of the performance of the entrepreneur's room in the formalization process and the support given to entrepreneurs in the municipality. Among the causes that motivated entrepreneurs to remain informal, two stood out:

As limitations of this study, the limited number of formalized local entrepreneurs is pointed out. It is suggested that future studies check whether the receipt of government benefits is related to the informality of local enterprises, especially in small and coastal cities.

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