



Modelling your own business

The qualitative study on the adhesion of brazilian cold porcelain artisan to the individual microentrepreneur (MEI) to overcome informality.

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Submitted to the National College of Ireland, August 2020

Abstract

This study aims to understand how the individual micro-entrepreneur craftsman in cold porcelain faces the challenges of entrepreneurship amidst the economic scene of instability and insecurity in Brazil. The importance of the purpose of this study is to analyse how well the individual microentrepreneur (MEI) understands what the MEI program has to offer and how the Brazilian government has encouraged informal entrepreneurs to become formal entrepreneurs. We assume that the artisanal microentrepreneurs are unaware the program, are unaware of the advantages and benefits available to them. This research is carried out to identify what informal entrepreneurs do not know about the program and how the government and institutions that develop the MEI program can review and adjust their methods to help these entrepreneurs to formalize your company. The research was done using the qualitative data analysis methodology. The data were collected through a semi-structured in-depth research and analysed by the criteria of grounded theory.

Keywords: MEI, Entrepreneurship, informality, artisan, cold porcelain.

Paper Type: Masters Submission.

Submission of Thesis and Dissertation

National College of Ireland

Research Students Declaration Form

(Thesis/Author Declaration Form)

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Degree for which thesis is submitted: MSc in Entrepreneurship

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Acknowledgements

I thank above all to God that with his mercies brought me here.

To my parents Ozeas and Lucia all the gratitude in the world for offering me, in addition to a lot of love: education, culture and the constant practice of learning. To my partner Eduardo Voltolini, who gave me all the support and encouragement I needed to win this stage of my journey. Love!

In a very affectionate way, I thank my friend Mariana Myra who, during the entire master's degree, took me where I could not go.

Special thanks to National College of Ireland and to all who are part of this great group that offered me this great experience.

Thank you all

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1. INTRODUCTION

Brazil has one of the fastest-growing major economies in the world, and according to the [Global Entrepreneurship Monitor \(GEM\)](#), the rate of potential entrepreneurs within the nation sits at 38% of working-age citizens. This is, of course, an impressive number that displays the creation of new businesses and skilled individuals in Brazil since 2002, ([GEM, 2019](#)).

Artisans, also identified as manual workers, are among these masses of entrepreneurs and according to [Favilla, Barreto and Rezende \(2016\)](#) have an advantage in the entrepreneurial market as due to globalization and influences from other nations, artisans are able to relate their products to their own cultures which may seem intriguing to the consumer.

However, the Brazilian economy has not shown good results in recent years, and the nation's GDP has suffered as a result of a severe recession between 2014 and 2016, as pointed out by the Brazilian Institute of Geography and Statistics (IBGE). Following the unfortunate period, the recovery has been slow and unhurried, and as in any other society, enough problems are arising as a result of poor economic performance, ([IBGE, 2020a](#)).

The International Monetary Fund (IMF) at the end of 2019 presented an updated list of global GDP rankings of the participating countries and Brazil was listed as one of the 10 largest economic powers in the world. In contrast, in terms of GDP per capita, the country was ranked 80th, thus exemplifying a nation of inequalities that concentrates wealth in small areas of the population, burdening the middle class and leaving the poor at the complete mercy of the state, ([IMF, 2019](#); [Belmonte, 2017](#)).

The unemployment rate is a consequence of the unequal division of the country's wealth. Between the recession of 2014 - 2016 and the last IBGE surveys, we observed a constant and significant increase in the unemployment rate reaching its peak in 2017. Since then, year by year, there has been a significant recovery of the labour supply although the resumption of formal jobs did not increase in the

same proportion. This shows the increase in informal work across the country, (IBGE, 2020b; Barbosa, 2019).

The informal labour market has presented itself in recent years as an immediate solution to the urgent question of unemployment. This generates a real threat to social order adding to the already existing social problems. This is also a result of the reduction of the collection capacity, constituting a large public deficit - underutilizing the vast amount of skilled individuals and making work precarious for thousands of Brazilians, (Ibrahin, 2004).

The occupancy rate has shown a significant increase in the last quarter of 2019, although the increase in the rate of employed individuals was motivated by the growth of the number of informal workers. These workers do not have any labour or social security benefits, (G1, 2019; IBGE, 2020c).

Informal work is undertaken by 4 out of 10 employed people, as pointed out by the Global Employment Trends (2014) and this has established a paradigm shift in the economic structure, where personal / family income no longer comes exclusively from the formal wage market, but also from informal, autonomous or self-employed occupations, (Seraine, 2009).

Although there is a huge collection of existing entrepreneurs and potential entrepreneurs ready to develop their businesses in the country, they face the reality of increasing unemployment, the slowdown of the economy, the high tax rates and the great bureaucracy that affects all organizational levels. Amidst this tumultuous scenario, in 2008 the Brazilian federal government established a federal support program for individual micro-entrepreneurs (MEI) to support and encourage microentrepreneurs and defend workers from job insecurity, (Brazil, 2008).

After analysing the entire conjuncture of social data referring to the dynamics of work and business creation, examining the economic difficulties that the country has been through, political decisions have been made to overcome these difficulties. In addition, an analysis of the collected data was conducted, and projections were drawn up by organizations specializing in entrepreneurship, employment and economics. This made it possible to reach the guiding question of

this research: *Are the artisans of cold porcelain modelling joining the MEI as an alternative to take their business out of informality in Brazil?*

Along with the guiding question, some other issues of great relevance emerged to provide a better understanding of the object of study, which allowed the researcher to assess and understand the reasons for the artisans' attitudes regarding the formalization of their business:

1. Do artisans understand the MEI as a tool against informality?
2. Are artisans really concerned with the informality of their business?
3. Do artisans know about social security benefits, tax incentives and low tax charges of the MEI?
4. Are artisans really exercising this activity as a source of primary income?
5. Do artisans really have an entrepreneurial mind and are they concerned with the development of their business?

The importance of the proposal in this study is to analyse how well the individual microentrepreneur (MEI) understands what the MEI program has to offer, and how the Brazilian government has encouraged informal entrepreneurs to become formal entrepreneurs. As many entrepreneurs are oblivious to the program, they are unaware of the advantages and benefits available to them. This research is conducted to identify what the informal entrepreneurs don't know about the program, and how the government and institutions that develop the MEI program can review and adjust their methods to help these informal entrepreneurs formalize their enterprise.

Based on a qualitative method of data collection through semi-structured interviews and supported by an inductive approach to research, the study followed the methodology of epistemological interpretivism. The interviews were conducted with 12 individuals, male and female, aged between 20 and 37. At least one representative was from each of the 5 different regions of Brazil and had businesses in the area of personalized sculptures in cold porcelain for at least 2 years.

Consistent and valuable material was collected through this methodology for the formation of this study. This allowed the researcher to clearly comprehend

and align the research with the theoretical framework of the opinions and thoughts of the research participants.

Thematic coding was the technique used to analyse and interpret the collected data and thus obtain reliable and valid results. Following this, the conclusions were documented.

The findings presented at the end of the interpretation of the thematic codifications will greatly contribute to the bodies responsible for the dissemination and application of the MEI register. This is because they will present reasons why, eventually, the artisans do not adhere to this tool, a tool which may be extremely valuable for the development of their businesses.

2. LITERATURE REVIEW

2.1 INFORMAL WORK

2.1.0 LABORAL AND ECONOMIC INFORMALITY: CONCEPTS IN CONSTANT EVOLUTION

Initially, the American economist Lewis (1954) established a concept in which the informal sector would be formed by the surplus of workers and entrepreneurs operating on the margins of the market in developing countries, which would at some point be absorbed by the market as the economy grew. During the Employment Mission in Kenya, the International Labour Office identified that the informal economy was in full development, for both personal and family subsistence and for profitable enterprises, none of which had been absorbed by the growth of the market. As a result of this, they continued to coexist and both cases remained unrecognized formally and legally, without regulation or any kind of governmental protection, (ILO, 1972).

In the 1990s, informality made a leap from being categorized as the informal sector to the informal economy, given its persistence in the market and the economy, especially in developing countries. With this new categorization developed by the ILO (2002), it was possible to observe and identify the causes and consequences of the informality, as well as the disparities between the formal and informal regulatory scenario, (Costa, 2010).

In the area of economics, changes to the concept of informality have arisen several times in its theoretical field. These conceptual changes to the definition of informal work have always happened concurrently with the structural changes of economies, markets and society, and were always adopted for economic analysis in its time. A strict definition for the informal economy cannot encompass all its conceptualization and definition since it is constantly shaped by the organic social-economic movements of the time in which we live, (Kon, 2012; ILO, 2012).

To conclude the walkthrough of the concept of informality, a classification was presented that best reflects the phenomenon to the present day and guides not

only Brazil, but all countries participating in the organization: “all economic activities carried out by workers or by economic units that - in legislation or in practice - are not or are insufficiently covered by the formal mechanisms of social security and labour legislation ”, (ILO, 2002).

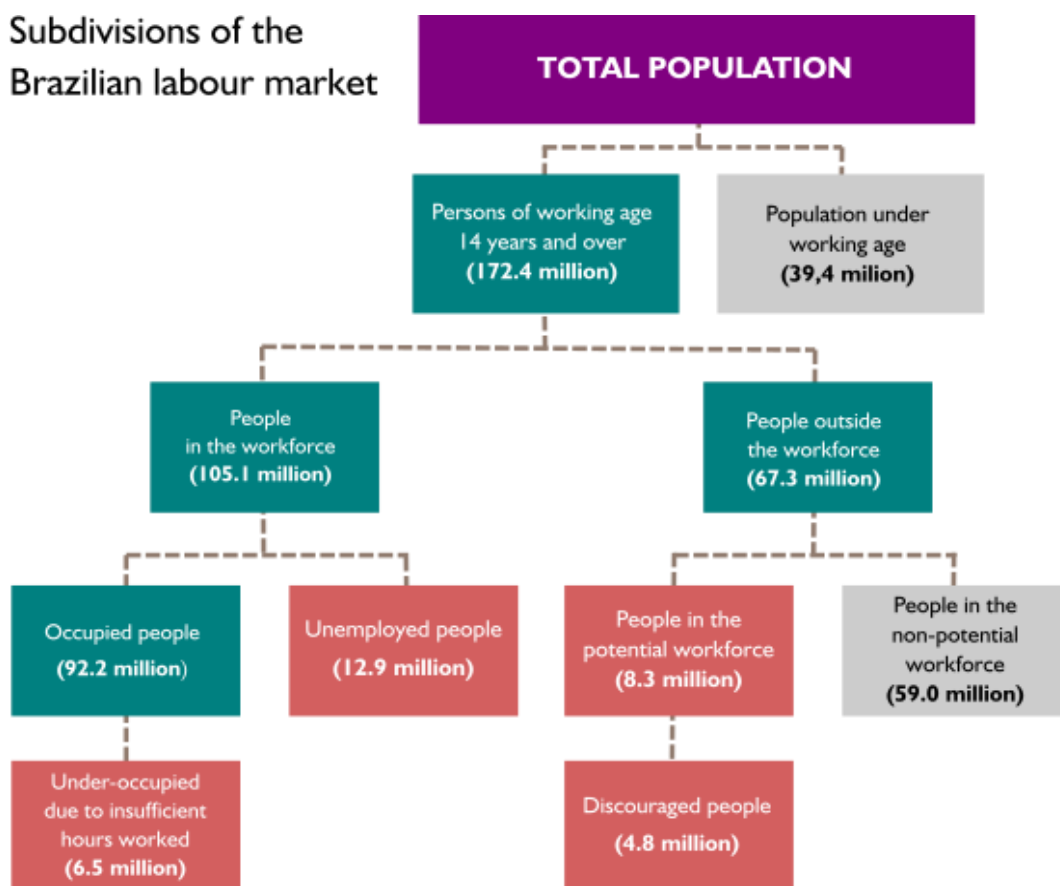
Accepting the official term “informal economy”, it was possible to study the understanding and classification of people and enterprises in this category by incorporating the different aspects of informality.

2.1.1 INFORMAL ECONOMY IN BRAZIL

Brazil is a country of almost 212 million inhabitants, and 50% of its population actually belonging to the labour force - 106 million Brazilians. Of this figure, 11.9% are unemployed and among the employed, 7.1% are under-employed and they are not working at their maximum production capacity due to the lack of employment options. However, in this chapter, the most important figure for this topic is the number of informal workers who represent 41.1% of employed Brazilians, (IBGE, 2020c).

In the graph of the subdivisions of the Brazilian labour market, shown on the next page, it is possible to observe the precise numbers of the universe of the Brazilian workforce. This includes the compound rate of underutilization of the workforce and the compound rate of underutilization that is composed of unemployed and under-occupied individuals due to insufficient hours worked, as well as workers with a potential workforce.

Subdivisions of the Brazilian labour market



■ Total underutilization of the compound labor force

Source: IBGE, 2020c

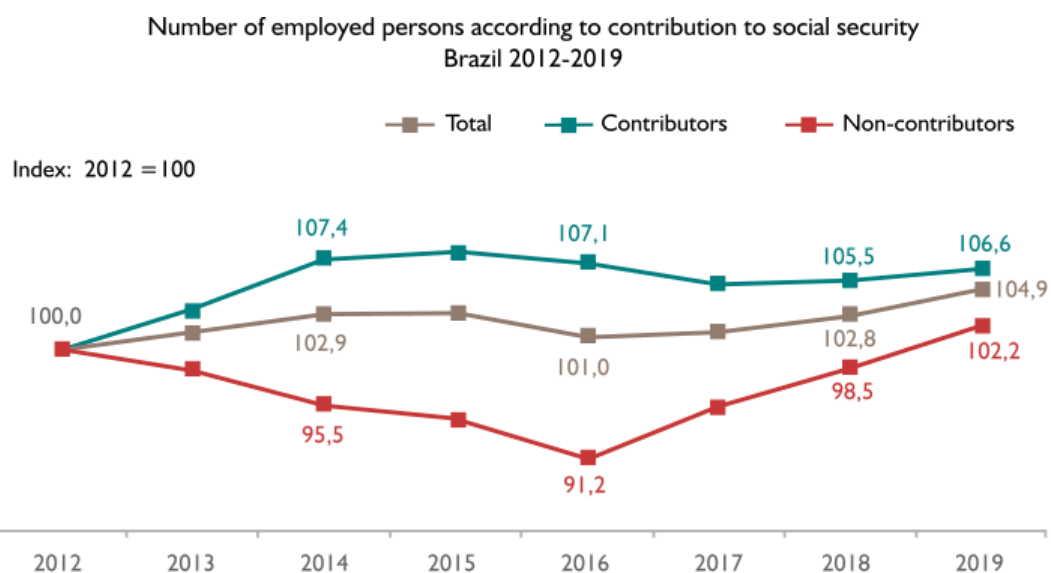
Among the significant increases in occupancy rates at the end of 2019, formal employment is still the category with the lowest growth rates. In the last quarter of the year, surveys pointed to a 3.3% increase in self-employment and unregistered employment increased by 2.9%. These two categories typically accommodate informal occupations, (IPEA, 2020).

IPEA (2020) and IBGE (2020b) revealed that between the years of 2014 and 2018 the percentage of people who migrated from unemployment to formal work fell from 15.4% to 8.7% and the share of workers who were in informal economies that migrated to formal jobs fell from 17% to 13.1%. What we clearly observe with these numbers is the general increase in unemployment and the occasional increase in people working informally. For 2019 there was a slight increase in both categories but the increase in both cases was less than 1%, thus characterizing the

continuity of the pattern of the largest number of people being part of the informal economy.

Informal work implies leaving the worker unprotected from his or her social security rights and guarantees and the earning of minimum remuneration is common. These are the key characteristics of informality; on the other hand, the imposition of the state of excessive regulations, taxes and social obligations push employers to establish informal relations with their employees due to the inability to register employees within the severity of the law, collecting taxes and paying for the entire work process, (Kon, 2012).

In the chart below we see a good example of how informal workers fail to contribute to social security.



Source: SEAD, 2019

According to the Institute of Applied Economic Research (IPEA) and the General Register of Employed and Unemployed (CAGED), the presence of informal workers is noted in all countries including countries wealthier than Brazil, but in fact, informality is directly linked to lower levels of personal or family income. When the salary is overly low, the labour charges consume a very large portion of the salary and this ends up invigorating many employers and employees to prefer alternative arrangements. Despite the high social and tax burdens,

misinformation is a major factor in the search for informality. Often the worker is unaware of the rights they lose when transferring to informal work. Another important factor for giving up formal work and opting for informal work is the bureaucracy and complexity of Brazilian laws that make it difficult to collect taxes and contributions, thus making micro-entrepreneurs themselves opt for informality to simplify day-to-day business (IPEA, 2020; CAGED, 2019,).

Other aspects considered by Belmonte (2017) of informality within the country is the inhibition of free initiative, as that allows the circulation of capital generating jobs. The aftermath of the recent recession period between 2014 and 2016 is still visible to this day, and the country has not yet fully recovered. In addition to this, the effects of misguided public spending and enterprise inhibition stimulate the creation of informal work.

Ibrahin (2004) and ILO (2012) point out the lack of labour rights as another possibility of informal work in Brazil. They emphasize that the lack of rights favour employers at the expense of workers, and because of tax reductions, the state is left with the reduced collection. The suggested flexibility requires the participation of the three parties involved: government, employee, and employer. Regarding the process of making labour relations more flexible, it is necessary to know that “some regulations that govern the registration of companies and the granting of licenses must be rationalized, simplified and made cost-effective to encourage formalization”, (ILO, 2012).

The lack of the flexibility of labour rights may be seen as one of the reasons for the rate of informal enterprises in Brazil, as adversely confronted by Keynes (2003) and Kalechi (1939). They state that the high unemployment rate, which can lead to the search for informal work is not only the result of a possible high cost of hiring labour but also the general insufficiency of effective demand from the national economy to generate satisfactory results that affect all sectors of society.

An example of the lack of satisfactory results aforementioned is the decrease in the collection of social security. The function of this is to guarantee income for workers who contribute to it or to workers who lose the ability to work due to illness, disability, old age, and death. This social security would also cover

involuntary or temporary unemployment such as cases of pregnancy and imprisonment. Informal workers mostly do not contribute to social security, as shown in the graph on the next page, (Leite, Ness Jr and Klotzle, 2010; Ulysea, 2005).

2.2 ENTREPRENEURSHIP

Entrepreneurship according to Dornelas (2016) is the art of capitalizing on an identified opportunity and taking the calculated risks on it; an entrepreneur may always be determined to add value to products and services through efficient resource management. According to Baggio and Baggio (2014), entrepreneurship is not a cause of change, but an explorer of the opportunities provided by the changes, which can come from different areas such as technology, social norms, and consumer preferences, (Drucker, 1987).

Innovation and creativity are characteristics inherent to all entrepreneurs needed to produce better results in their products or services. These two qualities would not be enough to generate all the necessary results for the success of your enterprise, although the strategy must always be linked to these two characteristics. Efficient methods are created with a capacity to penetrate new niches and create new markets, breaking productive patterns and giving rise to new products, (Vieira and Ramos, 2013; Corrêa, 2010; Natsume, 2004).

All of these concepts are valid, but for the purpose of this research, we will study a little deeper than this as from an academic point of view the concept of entrepreneurship is quite broad and different to the point of view of a researcher. There are many variables to consider and analyse in order to even reach a consensus on the concept of entrepreneurship, thus the divergence among academics remains quite large on the subject.

Since entrepreneurship is a multidisciplinary concept, there are many possible variables to consider when evaluating it. According to Brás (2010)

entrepreneurship is a multidisciplinary concept encompassing many variables and their possible sub-variants, that need to be measured and evaluated, such as competitiveness, informal economy, socio-cultural variables and other economic and financial variables. Each of these variables can be seen as a mini domain, and just as in a recipe, the same ingredients (variables) mixed in different proportions can generate several different dishes.

2.2.1 ENTREPRENEURSHIP AND ITS DETERMINANT VARIABLES

Several authors have raised different assumptions about what determines, stimulates, or triggers the entrepreneurial movement in their countries and specific economic sectors or regions, and studies on the impact that the entrepreneurial movement has on their economy have been carried out. It is evident that there are several ways of stimulating any specific economic sector, (Stel, Thurik, and Carree, 2005).

Entrepreneurial activity, being strongly determined or influenced by the level of economic development of a country is one of the variables that determine entrepreneurial movement, according to Carree *et al.*, (2007), corroborated by Wennekers *et al.*, (2008).

Gross domestic product (GDP) per capita is another determinant variable for entrepreneurial activities in a given country, where according to Stel *et al.* (2005) the lower this ratio of GDP per capita, the greater the entrepreneurial activity in the country.

Previously, in opposition to the ideas of Stel *et al.* (2005), the influence of GDP per capita by Wennekers and Thurik (1999) was presented, which stated that there was an increase or decrease in entrepreneurial activity, but what they described as this specific factor in question was the entrepreneurial movement itself and not its cause.

To explain the two situations previously addressed, Reynolds *et al.* (2001) affirm that the entrepreneurship of opportunity is sublimated by the

entrepreneurship of necessity when the economically active population of a country cannot count on the state or companies to supply their job needs and wages.

According to [Grilo and Thurik \(2005\)](#), especially at the initial stages of studies on entrepreneurship, economic variables were the chief reports used to explain the phenomenon of entrepreneurship. Given the different factors of entrepreneurship, the economic route did not have sufficient information on the subject. Consequently, [Freytag and Thurik \(2007\)](#) started to consider the cultural variable in order to reach the full phenomenon of entrepreneurship.

2.2.2 ENTREPRENEURSHIP BY OPPORTUNITY OR NEED

In spite of the many variants of the concept of entrepreneurship, some consensus exists, for example, that entrepreneurship manifests itself unceasingly through creativity and innovation in search of business opportunities. Nevertheless, there is a clear difference between entrepreneurship by opportunity and entrepreneurship by necessity. It is important to understand their different natures, as also highlighted by [Bjørnskov and Foss \(2008\)](#).

Entrepreneurship can basically be viewed from two different angles, the first being entrepreneurship by opportunity and the second being entrepreneurship by necessity. Opportunities and ideas are what drives the entrepreneurial spirit, and the creation of a business will give the entrepreneur a sense of control and authority, as well as the realization of the vital need to maintain themselves and their families. Entrepreneurship by opportunity involves the application of an innovative and creative idea applied to an opportunity coming from any sector of society, transforming this idea into a business, ([Valdez, Doktor, Singer and Dana, 2011](#)).

The motivation for entrepreneurship can come from two distinct forces, a force that pushes and a force that pulls. [Storey \(2014\)](#) described opportunity entrepreneurship as a force that pulls itself towards a good business opportunity,

and described entrepreneurship of need as a force that pushes itself into an environment because of the absence of choices to be made.

It is interesting to note that the same motivation has different qualities, as shown by the approach of Uhlaner and Thurik, where both forces of attraction are motivated by the desire for greater material benefits and occupational status. However, these motives can also be related to the level of dissatisfaction. Entrepreneurship by opportunity may be seen as a personal choice (pulled/opportunity) whereas entrepreneurship by need may be seen as a social imposition (pushed/necessity), (Kautonen and Palmroos, 2009; Uhlaner and Thurik, 2007; Bhola *et al.*, 2006).

2.2.3 ENTREPRENEURSHIP BY OPPORTUNITY

There are great opportunities for business growth, which can lead an entrepreneur to hold a good position in the job market, and the opportunity for professional independence or increased income is part of their motivations (Bona, 2019).

A niche market may be perceived as a potential business opportunity, and the possibility of independence, increased personal income and freedom to execute your own ideas are motivational factors for the opportunity entrepreneurs. These factors can also advantageously influence an entrepreneur's decisions, as one of the basic human psychological needs is the desire to have control over your own actions (GEM, 2019; Kautonen and Palmroos, 2009).

2.2.4 ENTREPRENEURSHIP BY NEED

Entrepreneurship by necessity is one in which the entrepreneur develops his business based on the socio-economic need in which he finds himself. This need is usually due to the fact that the individual does not get a formal job after a certain period of unemployment or because he is unable to reintegrate into employment

after a long period away from the job market, despite being a qualified professional. In addition to finding a solution to the problem of lack of income, they often find themselves facing beneficial situations such as developing new skills and talents while increasing self-esteem as they start to develop a professional career, (Bona, 2019; Cunha, 2007).

The feeling of needing to undertake a business exists because all other work options either do not exist anymore or are unsatisfactory. Engaging in entrepreneurship ends up being the only option available for most Brazilians to break free from the adversities of poverty and exclusion, (GEM, 2019; Kautonen and Palmroos, 2009).

Vale *et al.* (2014) stated that the motivation for entrepreneurship has a large number of qualitative and quantitative characteristics, these characteristics extrapolate the discussion based only on the bias for opportunity or the bias for necessity. With regard to research, it is clear that there is no unanimity regarding one type of motivation or another. Entrepreneurs need to start a business activity, so they will be more attentive to the market to understand what the best opportunity is to develop their business.

In contrast to some GEM premises, Vale *et al.* (2014) conclude that the premises of opportunity and necessity are not strong and substantial enough to explain entrepreneurial motivations and that these are explained by multiple factors. Instead of a distinction between one thing or the other, what exists is a convergence between need and opportunity.

2.2.5 ENTREPRENEURSHIP IN BRAZIL

Brazil is a country full of entrepreneurs, and this is confirmed by the Global Entrepreneurship Monitor (GEM), which in its annual report in partnership with the Brazilian Institute of Geography and Statistics (IBGE) stated that 38.7% of Brazilians between the ages of 18 and 64 years - out of 138.1 million people in the workforce - were involved in some kind of entrepreneurial activity, creating or

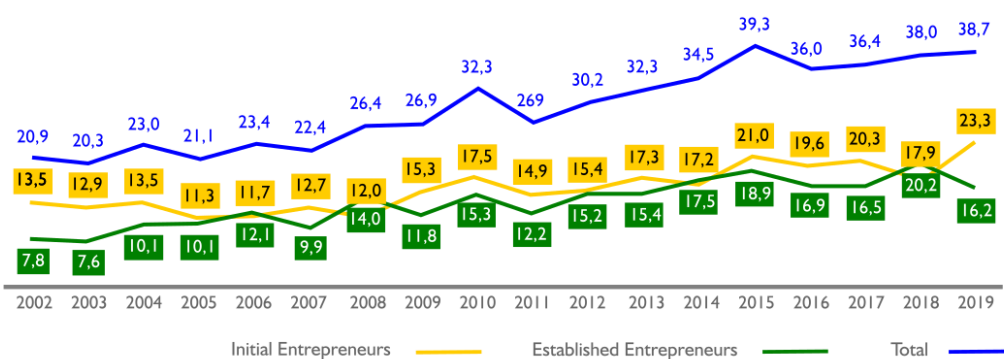
consolidating or making efforts to maintain an already established enterprise, (GEM, 2019; IBGE, 2019b).

According to a survey by GEM and IBGE, 80% of entrepreneurs, both initial and established, and their families have obtained an occupation and average an income between 1 and 3 minimum wages per month from the businesses they developed. This means that Brazilian entrepreneurship in this way has fulfilled its social function, especially because in addition to income for the entrepreneur and their family, 6.5 million new jobs were also created in the last year, (GEM, 2019; IBGE, 2019b).

The CHART 1 shows very interesting information - despite showing a steady growth rate over the years, the rate entrepreneurial activity reached a high point in the year 2015 at the height of the economic crisis of 2014 - 2016. Following a slight drop, the rate of total entrepreneurial activity continued to rise, with a 0.7% rise between 2018 and 2019. This second peak in 2019 interestingly arose exactly when a state of economic instability, low GDP and high unemployment plagued the nation, (GEM, 2019).

CHART 1

Entrepreneurship rates¹ (in%) according to stage of venture initial, established and total - Brazil - 2002:2019



Source: GEM Brasil 2019

¹ Percentage of the population aged 18 to 64 years

Methodologically, GEM, in its latest research, presented an innovation by broadening the spectrum of analysis on entrepreneurial motivation, previously conditioned by the dichotomy of need and opportunity (TABLE 1). Now the interviewees nod negatively or positively at just 1 of the 4 statements presented to them. This new approach made it possible to identify new motivators for entrepreneurial action.

TABLE 1 Percentual of the initial entrepreneurs ⁽¹⁾ the motivations to start a new business - Brazil 2019

Motivation	Percentual
To earn a living because jobs are scarce	88,4
To make a difference in the world	51,4
To build great wealth or very high income	36,9
To continue a family tradition	26,6

Source: GEM Brasil 2019

(1) Iniciais Initial entrepreneurs who answered each question armatively. The issues are not exclusive, that is, the entrepreneur may have responded armatively to more than one.

The scarcity of employment is still the main reason for taking an entrepreneurial initiative for almost 90% of those who were starting a business, which supports the understanding of entrepreneurship of necessity. However, just over 50% of the interviewees positively affirmed the statement “make a difference in the world”, an inherent characteristic of entrepreneurship by opportunity (GEM, 2019). What we observe here is that this change in methodology made it possible to observe that the range of motivation for entrepreneurship is much larger than what is stated in the studies conducted by Vale *et al.* (2014) who claim that they are not exclusive but that there is a convergence between the types of entrepreneurship.

In contrast to the previous data, 30% of the entrepreneurs stated that one of their motivations was the ambition to “build great wealth and obtain a very high income”. Ultimately, 25% of the entrepreneurs involved in new businesses stated that their motivation was to “continue a family tradition” thus revealing that family behaviour directly or indirectly influences an entrepreneur’s aspirations, showing how significant the future may be, (GEM, 2019; IPEA, 2019).

With the change in methodology for analysing the motivation to start a new business and in order to make it possible to compare the results of 2019 with those of 2018, a survey was created. As seen in the data collected in TABLE 2, of those who answered affirmatively to just one of the four presented questions, we see that the answer “earn a living because jobs are scarce” holds the highest percentage, further exemplifying the reasons for undertaking a business out of necessity.

TABLE 2 Main motivation¹ to start a new business - Brazil 2019

Motivation	Percentual
To earn a living because jobs are scarce	26,2
To make a difference in the world	1,6
To build great wealth or very high income	1,0
To continue a family tradition	0,4
More than one motivation	70,8
Total	100,0

Source: GEM Brasil 2019

¹ Reduction of the percentages to table 1.2 considering the condition of the entrepreneur to have answered affirmatively only for that question.

Therefore, it was understood that in 2019 the only motivation for starting a new business for 26.2% of entrepreneurs was to “earn a living because jobs are scarce”, maintaining the relationship of entrepreneurship out of necessity similarly to previous years, (GEM, 2019).

The data and all the readings obtained so far have presented us with explicit evidence of the worrying rates of informality, unemployment, and instability of the economy. This also leads us to understand that even with multiple motivations and reasons for entrepreneurial action, the unsecured labour and economic difficulties of Brazil still account for the strong desire to pursue life as an entrepreneur within the nation.

2.3 MICRO INDIVIDUAL ENTREPRENEUR (MEI)

In order to facilitate the formalization of some economic activities, the Brazilian government established the Program for the Micro Individual Entrepreneur (MEI) in 2008 through the Complementary Act 128/2008. Since then, every Brazilian citizen who wants to obtain a National Register of Legal Entities (CNPJ) for opening or formalizing an individual micro-enterprise are simply issued invoices without the requirement of an accountant and cash book. This also helps to avoid various bureaucratic processes in addition to simplifying the collection and cheaper payments of taxes, ([Portal do Empreendedor, 2020](#); [Brazil, 2008](#)).

In Brazil, companies are categorized into micro, small, medium, or large companies, and following the installation of the MEI, the smallest project cell on the market emerged - the individual company. Therefore, it must obey some classification criteria, one of the most important being the rule that states an individual enterprise cannot exceed 81 thousand BRL per year and must have a single employee if necessary, according to Complementary Act 123/2006, No.18 , Section A, ([Brazil, 2006](#)).

The Individual Micro Entrepreneur Law was created in conjunction with the intentions of the International Labour Office (ILO) to provide the worker with necessary, fair and dignified support to make the transition to formality through special guidance. This also helps the informal economy to gradually migrate to the channels protection and support for workers without diminishing or impairing the dynamic potential already existing in the business, ([Brazil, 2008](#); [ILO, 2012](#)).

In order to especially benefit unemployed workers who became entrepreneurs of small businesses (service, industry or commerce) stimulated by the need to have personal/family income, the Complementary Act 128/2008 was formulated with the idea of maintaining synergy and coherence among the objectives of promoting employment, social protection and defending rights. This implementation was essential and that is why it brought great innovation in terms of how to facilitate the transition from informality to formality using policies and good practices to highlight these paths, ([Tondolo, 2018](#); [ILO, 2012](#)).

2.3.1 ADVANTAGES OF THE MEI PROGRAM

The MEI program offers entrepreneurs social security and support to develop their businesses with a great economic incentive. The following is a list according to the [Portal do Empreendedor \(2020\)](#) containing all the advantages offered to the entrepreneur by the program:

- Have a CNPJ and business license without costs and without bureaucracy.
- You can sell to the government by participating in tenders.
- You will have access to banking products and services such as credits and financing with special or reduced interest.
- You can issue an invoice.
- You will have access to the technical support offered by the Brazilian Micro and Small Business Support Service (SEBRAE).
- Fixed amounts at low cost for taxes: INSS, ISS and CMS.
- You will be entitled to social security benefits: retirement by age, retirement by disability, sickness benefit, maternity salary, and death pension (for the family).

2.3.2 REDUCED TAXATION AND BUREAUCRACY

As it is essentially a program with a great economic stimulus to entrepreneurship, the MEI mitigates many taxes, bureaucratic and tax rates and in some cases even cancels them. The greatest benefits are certainly the reduction and simplification of taxes, as part of the incentives, which can be seen as a series of bureaucratic obstacles such as the hiring of accountants and the elimination of the mandatory issuing of invoices, given that the MEI is exempt from all federal taxes:

- Contribution on Net Income (CSLL)
- Tax on Industrialized Products (IPI)
- Contribution to Social Security Financing (COFINS)
- Social Integration Program (PIS)
- Income Tax (IR)

However, as new entrants to the formal world, they begin to commit themselves to some tax and social security contributions, but in a deeply simplified way, to reduce bureaucracy and reduce their monetary value to allow the MEI to pay them. These taxes include:

- National Social Insurance Institute (INSS)
- Service Tax (ISS)
- Tax on Circulation of Products and Provision of Services (ICMS)

The three contributions mentioned above have their fixed amount and are paid monthly through a billing document called the Simple Collection Document (DAS) where the rates of each contribution are drastically reduced for the MEI, as shown in the TABLE 3 below:

TABLE 3

TRIBUTE	GENERAL RATE	MEI RATE
INSS	11%*	50,9 – 55,9 BRL
ISS	5%**	per month regardless of how many invoices are issued
ICMS	9%***	

* monthly discount based on individual's salary

** amount charged on each invoice issued

*** average value on each invoice issued, may vary according to the Brazilian state where the invoice is issued

Source: (Portal do Empreendedor, 2020)

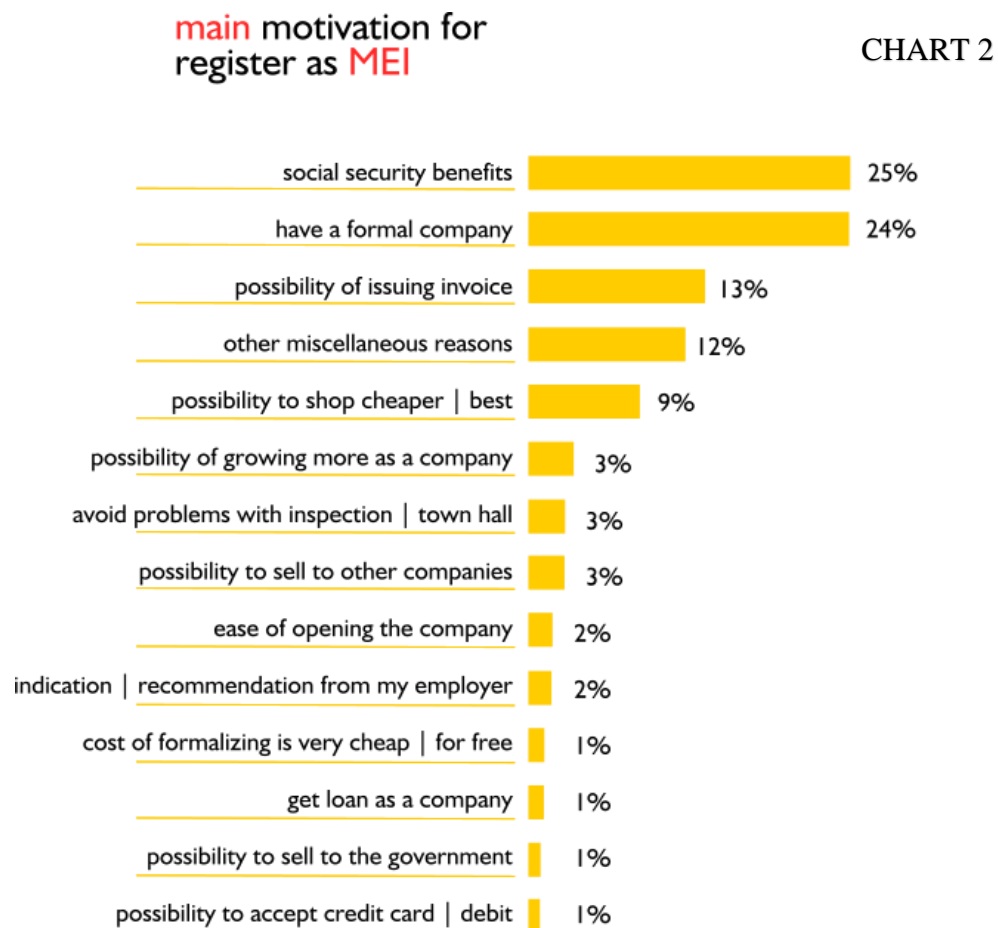
All the bureaucracies of opening and closing a company were replaced by a simplified registration and cancellation system through a webpage called Portal do Empreendedor - Entrepreneur Portal.

2.3.3 MEI TRANSITION TO FORMALITY

Since 2002 when the International Labour Office (ILO) reached a consensus based on the Decent Work Agenda on the most suitable ways to combat holistic informality through the International Labour Conference. The four pillars to support decent work were established: Employment, Rights, Social Dialogue and Social

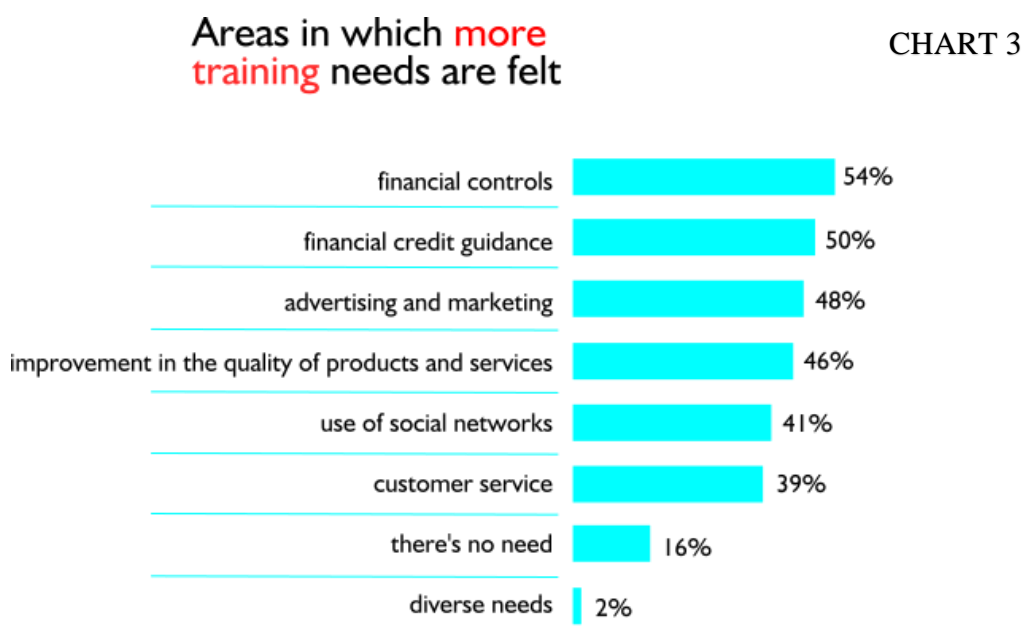
Protection. These four pillars are intended to ensure a good relationship between the employer and employees, avoiding ambiguities that weaken and diminish the protection of work-related relationships. This system was applied to all work relationships and situations regardless of whether the employment status is informal or not, (ILO, 2012).

Corseuil, Neri and Ulysea (2014) observed that regarding the decision to formalize themselves through the MEI program, the desire to contribute to social security was decisively weighed, as confirmed by the research of the Brazilian Service of Support to Micro and Small Enterprises (SEBRAE), expressed in the table below. The investigation carried out by Corseuil *et al.* (2014) and Oliveira (2013) brings evidence that the policies of the MEI program may be used in an erroneous way, distorting its original objective and motivating them to establish service provision. This reversal and misuse of the program according to ILO (2012) is the result of a generation of unworthy and unreliable employment.



In the CHART 2 of the survey released by SEBRAE (2019) another important point to consider is that only 1% of the entrepreneurs showed an interest in obtaining a loan as a company, which for Schumpeter () is the cornerstone for the entrepreneur to develop their business processes. Madi and Gonçalves (2019) and Pamplona (2002) verify that small and medium-sized companies and individual companies gain advantages and possibilities to become really competitive and survive the market by securing loans. Micro-entrepreneurs and small companies commonly use personal savings within their businesses, such as for paying company bills or for upgrading their store, so securing a loan would be a good way to avoid losing personal funds.

MEIs face each other with two distinct aspects: one of an objective nature such as high competitiveness, commercialization of products/services, credit management and acquisition, while the other is of a subjective nature, where the challenges consist of managing internal conflicts, the lack of technical knowledge, low education, etc., as evidenced by [Martins and Costa \(2014\)](#) and [Wissmann \(2017\)](#).



Source: SEBRAE, 2019.

All these characteristics are evident through SEBRAE (2019), TABLE 4 where MEIs express where they feel they most need technical training to improve their ventures.

2.3.4 GENERAL PROFILE OF MEI

Individuals who decide to join the MEI program do not have matching profiles - no two individuals are the same. [Wissmann \(2017\)](#) established a survey and outlined the main characteristics of this social group. Such characteristics include not having any technical knowledge of the area in which they are undertaking, working as formal employees, creating enterprises by necessity, not having any knowledge of business management, not usually seeking help, developing business activities in their homes, having only high school degrees and presenting innovations in their services or products.

Some of the data collected by [Wissmann \(2017\)](#) went through significant changes as shown by the research carried out by [SEBRAE \(2019\)](#). The level of increase in MEI enrolment with higher education rose to 31% from 17%. The number of business activities at home has been gradually falling (52% in 2015, 44% in 2017 and 40% in 2019), meaning a gradual increase in professionalization. However, other aspects remain unchanged, such as the lack of technical knowledge about business management.

According to [McClelland, D. C. \(1972\)](#) the personal need to do something in the best possible way is not necessarily linked to prestige or social recognition, but to the feeling of personal fulfilment, for the author this feeling is one of the great motivators of entrepreneurs.

2.3.5 RESEARCH GAP - COLD PORCELAIN ARTISANS

During the research process, although vast material on entrepreneurship, unemployment, informal entrepreneurship and MEI was found, there was a lack of

evident information in academic and government materials specifically related to the demographics of cold porcelain artisans in Brazil. The data in general are presented by generic categorizations of performance (commerce, industry and service).

2.3.6 RESEARCH GAP – COLD PORCELAIN

Cold porcelain or “biscuit” as it is known in Brazil is a modelling clay made from corn starch, vinyl pigment (PVA glue), vegetable oil and natural preservatives such as vinegar or lemon. Cold porcelain is already widely produced on a commercial scale and in Brazil and there are several brands on the market. .

Equally to the specific data about artisans in cold porcelain, it was not possible to find any study, scientific article or any other reference on the history or the origin of this modelling clay.

What is known is what can be observed in society through artisans, the works they perform and the market they move. Companies that produce cold porcelain are formalized, but most of their customers are informal microentrepreneurs

3. RESEARCH OBJECTIVES AND METHODOLOGY

3.1 RESEARCH OBJECTIVE

The systematization of processes undertaken by researchers to enrich their knowledge and to discover new things is called *research*. This systematization generates credibility and makes it clear that the research was structured in a logical approach and not only in the researcher's beliefs about the researched object. Discovering things about the research object includes describing its characteristics within a method established by science, explaining its ways, understanding its interactions, criticizing its behaviours and analysing its reactions (Saunders, Lewis and Thornhill, 2009; Ghauri and Gronhaug, 2010). Thus, this study uses scientific methodology as a basis for its development.

The objective of this study is to understand the behaviours of the MEI artisan in cold porcelain who already has their enterprise established with respect to the understanding of the MEI Program and to discuss the desire to formalize their business. For program managers, it is relevant to comprehend how informal entrepreneurs perceive the program, and from the point of view of the entrepreneurs, it is important to know that there are ways in which they can guarantee dignity, security and development for themselves and their businesses, (GEM; 2019; ILO, 2012; Brazil, 2008).

Within this context, secondary data obtained from the literature review greatly helped in defining the research problem. During the research process, although vast material was found on entrepreneurship, unemployment, informal entrepreneurship and the MEI, there was a lack of evident information in academic and governmental materials specifically related to the demographics of cold porcelain artisans in Brazil. The data, in general, is presented by generic categorizations of performance (commerce, industry and service).

1. Assess whether artisans know the MEI program as a tool to make it possible against informality;

2. Assess how much artisans are aware of social security benefits, tax incentives and low tax charges for those enrolled in the MEI program, and how important it is for them to leave informality;
3. Assess whether artisans are actually undertaking this activity as a source of primary income or are using it only as a compliment and income;
4. Understand whether artisans really have an entrepreneurial mindset and whether there is a desire to develop their business, or whether entrepreneurship by necessity is what has motivated them in their endeavours;
5. Contribute to the bodies responsible for the development and expansion of the MEI program to better understand microentrepreneurs, whether formal or informal.

3.2 THEORETICAL FOUNDATION

Methodology in scientific research is composed of a set of intellectual and technical procedures with which the researcher reaches his objectives. The worldview that the researcher has from all philosophical and pragmatic assumptions to form the basis of the new knowledge built by the researcher will be evidenced and will be shown by the methodology that the researcher will adopt in his investigation, (Saunders *et al.*, 2009; Collis and Hussey, 2003).

3.2.1 PHILOSOPHY

About the investigation Saunders *et al.* (2009) declare that the choices characterize the investigation much better than the statement of the research paradigms and philosophies. The ability to reflect and decide in the whole process on a structural research model thinking about different alternatives in relation to:

- strategies,
- approaches,
- philosophies,

- collection methods,
- techniques for collection procedures and
- data analysis.

All these aspects are choices that the researchers must successively submit to in order to characterize a good investigation.

The set of beliefs that relate to the nature of the subject being investigated is considered the first layer of the research onion and is often studied in the context of ontology, epistemology, and axiology. The careful exploration of one of these philosophical currents will directly influence the data collection, and consequently, its analysis.

According to [Saunders *et al.* \(2009\)](#) and [Batista *et al.* \(2017\)](#) in scientific research, there are four distinct philosophical currents - positivism, realism, interpretivism and pragmatism. Both philosophical currents are distinguished from each other in their own particularities and perspectives - ontology, epistemology, and axiology.

Ontologically, the researcher, according to the best perspective to answer the question of his research, will choose the pragmatic current that best suits him, because reality is objective and independent of social factors according to positivism and realism. If analysed from an interpretive perspective, reality will be subjective, that is, a social construction that can be changed at any time, ([O’Gorman and MacIntosh, 2015](#); [Saunders *et al.*, 2009](#)).

Epistemologically, positivism and realism postulate that reliable data can only originate from phenomena that can be observed, with the difference that in positivism the data is generalized and casual. As for realism, the existing data can only be explained within a context. Interpretivism has its data originated from subjectivity, social factors are motivated by the realities existing in subjective meanings and social phenomena are focused on the details of situations. Observable phenomena and subjective meanings are considered by the epistemological current

as acceptable knowledge providers according to the research question, (O’Gorman and MacIntosh, 2015; Saunders et al., 2009).

Axiologically, values have a unique role within scientific research, and we observe that in positivism the values inherent to the researcher should not be part of the research, regardless of the data. The objective posture must be maintained to qualify the positivist conduct since positivism makes use of all the researcher's values. This means the investigation is loaded with its values, its views, its experiences and cultures, all of which will have an impact on the investigation. In the interpretative current, the investigator is part of what is being investigated - the investigation has a value attached to the investigator. And finally, allowing the researcher to adopt objective and subjective points of view, we have the current of pragmatism with its wide possibility of interpreting the results precisely because it allows the analysis by the two points of view mentioned, (O’Gorman and MacIntosh, 2015; Saunders et al., 2009).

This study is based on interpretivism, because it is based on a subjective reading of reality, allowing to understand the decisions of microentrepreneurs on whether or not to formalize their enterprises through the MEI program. The use of an interpretive perspective is recommended to understand behaviours through the qualitative analysis of the data collected from in-depth semi-structured interviews.

3.2.2 APPROACHES

According to O’Gorman and MacIntosh (2015) and Saunders et al. (2009) scientific investigations are made from two different approaches - deductive and inductive. It is these two approaches at this stage of the research that characterize the second layer of the research onion and give the researcher the possibility of carrying out research of any kind.

In the deductive approach, theories and hypotheses are formulated by the researcher and based on them, the research strategies are established, testing and validating the hypotheses raised, thus arriving at the generalization hypotheses. The deductive approach is the most widely used and is the one that dominates the field

of natural sciences. This approach is often used when there is not much research available on the researched subject.

In the inductive, data collection is carried out at a volume sufficient enough to formulate a theory that results from the analysis of the collected data. This means the formulation of the theory or the establishment of the rule arises from what was observed in the phenomenon that occurred. That is why the field of social sciences is the one that predominantly uses the inductive approach.

O’Gorman and MacIntosh (2015) show that the interest in research can hold a 'why it happens' or in 'what happens' approach. If the greatest interest is to understand why a phenomenon happens, then the inductive approach to research is the one that best suits you.

We conclude that, in general, quantitative research is approached deductively, while qualitative research is approached inductively.

3.2.3 STRATEGY

For this layer of research Saunders *et al.* (2009) identifies three specific purposes for the strategy: exploratory, descriptive, and explanatory. Exploratory research explores an unknown field and finds out what is happening by asking questions and assessing the situation from a new perspective. Descriptive investigation, as its name suggests, serves to profile people, events or situations in details that describe them and identify them with assertiveness. The explanatory or explanatory seeks to establish causal relationships between variables.

Once it is known whether the research aims to explore, describe or explain a particular research object, a scientific investigation strategy is adopted, which can be: the experiment, the inquiry, the case study, the action-research, the grounded theory, ethnography and archival research, (Boni and Quaresma, 2005).

1. The experiment is usually used in explanatory and exploratory investigations and is used in studies where causal links are involved and needed to be analysed.
2. The survey allows for a large data collection in an economical way - this strategy becomes very popular and is normally used in exploratory and descriptive investigations.
3. The case study used in explanatory and exploratory investigations offers a rich understanding of the context of an investigation and of the staged processes.
4. Action research combines data collection and facilitating change.
5. The grounded theory allows the creation of a theory from the explanation of behaviour and the investigation of prediction is quite useful as a strategy in this case.
6. The ethnography is the description and explanation of the social universe which the subjects of the investigation experience, in the way that they themselves describe and explain it.
7. The archival investigation is when documents and administrative records are the strategies used as the main source of data to allow questions about the past and about the changes over time, (O’Gorman and MacIntosh, 2015; Jankowicz, 2005).

3.3 DATA COLLECTION AND ANALYSIS

When we discuss the methods for collecting and analysing data from scientific research O’Gorman and MacIntosh (2015) and Jankowicz (2005), we are presented with three possibilities - the first being the mono-method, the second being the multiple methods and the third being the mixed methods.

The mono-method is when only one technique of data collection and analysis is used; in the multiple methods, the option is made by using more than one technique for the collection and analysis of data of the same type of technique; and finally, the mixed method uses different techniques in the same method.

Specifically referring to data analysis, we have two specific methodologies: the quantitative method of an objective order and the qualitative method of a subjective order. The quantitative methodology is based on the interpretation of standard numerical data, examining the relationship between variables based on diagrams and statistical calculations. The qualitative analysis methodology, on the other hand, is based on data that is expressed through words, which demand classification in categories because they are not standardized. The definition of concepts that enable data analysis is the great challenge of qualitative analysis, (Saunders *et al.*, 2009).

According to Saunders *et al.* (2009) sampling techniques in scientific research are divided into two groups - probabilistic and non-probabilistic. The probabilistic technique, being chosen statistically and at random, is considered as the possibility of excluding any alternative from the sample. The second type of sampling is characterized as non-probabilistic because they are based on subjective judgments, so they are considered judgmental. It is cited by Saunders *et al.* (2009) and Jankowicz (2005) that semi-structured interviews and questionnaires are procedures for collecting and analysing primary data - and for data analysis, the two possible forms presented by the authors are qualitative analysis and quantitative analysis.

The collection of data observed from people's behaviour follows an observation procedure that can be participant and structured and involves systematic observation, recording, analysis, description and interpretation of the observed behaviour. Regarding the procedures mentioned Saunders *et al.* (2009) describe them as:

1. *Participant observation* is qualitative and seeks to discover the meanings that people attribute to their actions.
2. *Structured observation* is quantitative and is related to the frequency with which something occurs.
3. *The semi-structured interview* varies from interviewee to interviewee, but it is guided by a list of questions and topics that the researcher has to raise with the interviewee, used in qualitative investigations.

4. *The questionnaire* is all data collection techniques in which people are asked to answer the same set of questions, predetermined and in sequence, which includes the structured interview.

For this study, the mono-qualitative research method was chosen, and the data collection was done through in-depth interviews, as it was identified according to [O'Gorman and MacIntosh \(2015\)](#) and [Jankowicz \(2005\)](#), which:

1. There would be a large number of questions to be asked.
2. Each question would carry a lot of content to be developed.
3. The order of the questions could vary or be suppressed according to the interviewee.

A semi-structured and in-depth interview was the most appropriate due to items 2 and 3 in the aforementioned list, and although the multiple method allows for a much more comprehensive exploration of the topics related to the object of study, it was not shown to be adequate due to the short time available for carrying out the study.

In this study, in-depth interviews, through qualitative research, allowed participants to talk about the topics freely. These interviews are very useful for obtaining information in great detail about the thoughts, opinions and feelings of the interviewees. The in-depth interview also allows the interviewer to ask more detailed questions, giving the interviewer a deeper understanding of the interviewee. The more the interviewee talks about the subject, the more feelings, behaviours, attitudes and motivations related to him will emerge, as he will feel more and more at ease, ([Minayo and Guerriero, 2014](#); [Hair et al., 2010](#); [Boni and Quaresma, 2005](#)).

A set of semi-structured questions was developed so that the in-depth interview could be applied to the participants selected from the target audience of this study. All questions followed the style of “Why”, “What” and “How” to assertively express the opinions, personal thoughts and perceptions of the

participants. This also allowed the researcher to clearly understand what attracts or inhibits the accession of artisans in cold porcelain to the MEI program.

According to [Saunders *et al.*, \(2009\)](#), [Hair *et al.* \(2010\)](#) and [Boni and Quaresma \(2005\)](#) a set of semi-structured survey questions can aim to verify if the interviewee fits the profile of the target audience of search. All 10 participants met the criteria for participation in the study, thus ensuring the validity of the interviewee's participation in the research. The criteria were:

1. Be an artisan in cold porcelain.
2. Have at least part of or all of your family or personal income from cold porcelain crafts.
3. Be an informal entrepreneur or enrolled in the MEI.
4. Is living in Brazil.

Before the interview questions commenced, participants were asked to give a short account of how they started their activities as an artisan in cold porcelain and what this activity represents for them. The interviewees were placed in a position of importance while being the object of study and freely explained a little about the history of their own life. This created a friendly and reliable atmosphere for faithfully capturing the thoughts and opinions that contributed to the research, ([Batista, Matos and Nascimento, 2017](#)).

3.4 TIME HORIZON

The time horizon in scientific research, according to [Saunders *et al.* \(2009\)](#) can be presented both in the longitudinal and in the transversal direction, which will define the direction of the time horizon in the question of the investigation.

The perceived and studied change over a period of time is the characterization of longitudinal studies over a longer period of time, whereas the

phenomena observed at a specific time are the characterization of cross-sectional studies that end up being restricted to a shorter period of time.

The nature of this study is transversal, as it is limited in time by the conclusion of the dissertation, which is a limited structure.

3.5 PROCEDURES

3.5.1 DATA COLLECTION

For this study, a qualitative research method was used, with the application of an in-depth interview with open semi-structured questions. Related topics were designed to allow participants to freely present their thoughts and opinions so that the main objective of the study could be achieved.

Respondents were invited to participate in the survey through Instagram, a social network application. They were invited at random from the suggestion automatically presented by the hashtag '#biscuit' followed by the researcher on the social network site. As the suggestions of artisans marked by the hashtag '#biscuit' appeared in the Instagram feed, the researcher sent an invitation via Direct Message (DM) with succinct and pertinent information to the research.

If the invitation was accepted, the conversations started to be formed from the WhatsApp messaging application where the complete research topics were presented together with the data recording permissions and consent to participate in the research.

The interviews took place simultaneously with the invitations throughout the month of June and the first two weeks of July 2020, via WhatsApp audio messages in real-time. The interviewer sent the question and the interviewee promptly returned the answer. It is important to say that the possible low interactivity, poor and restricted communication, followed by little spontaneity and

few social cues suggested by [Mann and Stewart \(2000\)](#) when using electronic media for conducting interviews were not observed.

On the contrary, it was possible to establish and build a considerably pleasant and relaxed relationship between the interviewer and the interviewee during the online interview, as [Sweet \(2001\)](#) maintains, possibly because virtual interactions are already totally within the context of everyday life.

According to the literature review obtained for this study, the following topics were addressed in the questions prepared for the interview:

1. Informal work.
2. Personal and family income.
3. Company management.
4. Job satisfaction.
5. Formalization of companies.
6. Formal work.
7. Retirement.
8. Academic training.
9. Entrepreneurship plans.

The interview was applied to two volunteer artisans as training by the researcher and verification of the adequacy of the questions.

3.5.2 DATA ANALYSIS

The analysis of qualitative data is a great complex challenge as the data is not numerical, is not standardized and is composed of a large volume of words with different meanings.

In order to start organizing each opinion based on each sentence expressed by the interviewees, each interview was recorded and transcribed to Office Word files, identified by date in a single file.

Based on the rules and the inductive process of this study and following the rigorous approach to the data analysis, Grounded Theory was chosen to correctly meet the research practices, bringing the credibility that the study needs.

The initial codification defined by [Chamaz \(2006\)](#) involves all of the data being collected and then being reduced to conceptual units, also receiving labels. Words, numbers, sentences, and even short paragraphs represent these conceptual units and allow the researcher to manage and focus their research project more efficiently.

The next stage is based on focused coding, where [Chamaz \(2006\)](#) suggests re-analysing the initial data and comparing the units with the established codes to test which one would be used to categorize the larger data unit.

Grounded Theory also branches into an axial coding when referring to the reorganization process, looking for a relationship between the initial coding and the selective coding - categories and subcategories created during the conduct of the research that are related to each other, ([Souza, 2019](#); [Chamaz, 2006](#); [Corbin, 1998](#)).

The trust established between the interpretations of the researchers and the participants to build the social context of the research is more likely in Grounded Theory, defined by [Charmaz \(2006\)](#) because it is more flexible and is based on the constructivist model of theory construction, according to [Leite \(2015\)](#) and [Saunders, Lewis and Thornhill \(2009\)](#). In other methods, the interpretation processes are more rigid and prescriptive.

4. FINDINGS, ANALYSIS AND DISCUSSION

Following the script described in the methodology chapter, all data collected from the interviews were analysed in order to verify commonalities between the responses given by the participants to build up the report for this study.

The themes that prove to be similar will be compared to the literature that supports this study and to the direct testimonies of the participants to clarify and give a better understanding of the findings.

4.1 RESEARCH PROBLEM 1

Assess whether artisans in cold porcelain know the MEI program as a tool to facilitate their migration to formality.

“I don't know it at all. I've heard about the MEI program in the group of artisans in which I participate. Most are registered on it. I already thought about signing up, but so far, I don't know how I can do that. Understood? I still haven't tried to find out where and how I fit into this program”.

Northern Artisan 1

“I am still informal. I intend to get out of informality very soon ... I still haven't been able to go to the public agency to open my MEI”.

Midwestern Artisan 1

“I still don't know the MEI program! I've heard of it, but I haven't been researching it yet. I haven't done any formalization yet”.

Northern Artisan 2

“I know ... however, as I always had to pay a monthly fee, I ended up hesitating to do it ... so I prefer not to register yet”.

Southern Artisan 2

“Yes, we know MEI. We have already been registered in the MEI program. However, today we stopped paying the contribution of the MEI program and we are now totally informal again”.

Northeastern Artisan 2

According to [SEBRAE \(2019\)](#), [GEM \(2019\)](#) and [CAGED \(2019\)](#) surveys, the North, Northeast, and Midwest regions of Brazil are less economically developed than the South and Southeast regions. Research carried out by the authors shows that in regions where human development indices (HDI) are lower, there is a greater number of informal enterprises and also a greater number of those enrolled in the MEI program. The respondents in these regions claim to be unfamiliar with the program and its benefits, so perhaps that explains why they all have craft-related businesses, to generate extra income rather than using their enterprise as their main source of income.

Respondents who have their main income in the craft business positively confirmed that they knew about and were enrolled in the MEI program, as we see in the reports below.

“Yes, I am currently enrolled in the MEI program. I signed up at the end of last year (2019)”.

Northeastern Artisan 1

“Since January 2020, I have been enrolled in the MEI program, therefore making all the tax and social security contributions applicable to this formalization process”.

Southeastern Artisan 2

“I know the MEI program and I am registered on it. I know the MEI program and I am enrolled in it, especially to have the guarantees that a formal company has”.

Southeastern Artisan 1

“I quit my job at the city hall and signed up for MEI and started working exclusively with cold porcelain”.

Southern Artisan 1

4.2 RESEARCH PROBLEM 2

Assess whether artisans are aware of social security benefits, tax incentives and low tax charges for those enrolled in the MEI program and whether they consider it important to leave informality. Interview themes emerged: *Disinformation, lack of specific knowledge, specific interest.*

Although all respondents had their businesses established for at least 2 years, not all were enrolled in the MEI program. The total or partial lack of information about the program is evident from the responses observed in the statements above. Even though he was enrolled in the program and entitled to everything the program offers, many sought him out for a specific interest only, such as the social security contribution for retirement purposes. Social security rights are among the most cited reasons for seeking formalization through enrolment in the MEI program, (SEBRAE, 2019; GEM, 2019).

“I don't know it at all”.

Northern Artisan 1

“Not really. I hardly know any of them”.

Southern Artisan 2

“I don't know much yet. I am aware that the MEI program exists, but I do not yet know all the advantages”.

Midwestern Artisan 1

“I don't know much. I didn't know that I could register online, for example”.

Northern Artisan 2

“Not totally”.

Northeastern Artisan 2

In line with the literature, we verified that a small portion of the interviewees affirmed that social security was their biggest reason for seeking the MEI program. According to Santos *et al.* (2012), it is the social security that guarantees the microentrepreneur the security he needs to continue with his business and overcome informality.

"Do not know. I know that it is negligent to contribute without knowing exactly everything the program offers ... but I am making all the contributions ... applicable social security ... to the program".

Southeastern Artisan 2

"Yes, I know all the advantages and I tried to join the program especially because of social security".

Southeastern Artisan 2

"I was already aware of the MEI program. I saw the social security contribution as something very important, that's why I registered as a MEI".

Northeastern Artisan 1

4.3 RESEARCH PROBLEM 3

Assess whether artisans are actually undertaking this activity as a source of primary income or are using it only as an income supplement.
Interview themes emerged: *Family support, reinvestment, extra income.*

The main reason for undertaking a business according to SEBRAE (2019) was the need for a source of income; according to Junior (2012) income is the most important thing to consider as an entrepreneur, and without it, a business cannot survive. The alignment of the respondents' answers with the literature is presented in *Research Problem 3*.

In this first group of interviewees, it was observed in the analysis of their speech that, although their business is self-sustaining, they have no financial responsibility for their families. This information belongs to the same artisans who stated that the income from cold porcelain crafts is just extra income.

“My income from cold porcelain crafts represents around 20 to 25%, for me it is an extra income”.

Northern Artisan 1

“I say that 100% of my income is literally personal, because in fact I am not the one who supports my family. I have no commitment to any house account”.

Midwestern Artisan 1

“My husband supports the house. What I can do with cold porcelain crafts is to support myself, pay my personal bills and reinvest in my business”.

Northern Artisan 2

“I still get help from my mother, but my monetization from crafts has grown a lot, especially since I started working exclusively with cold porcelain crafts”.

Northeastern Artisan 1

“I can say that nowadays what I get from cold porcelain crafts is bigger than the sum of what I got from my last 2 jobs together”.

Southeastern Artisan 2

The second group of interviewees use cold porcelain crafts as their main source of family income, where both the enterprise and the family depend on the good performance of the business. In some cases we see the whole family involved in the company, in all these cases the entrepreneurs are enrolled in the MEI program, with their formalized companies.

In these cases, the main family income comes from cold porcelain handicrafts and companies have been formalized through MEI program registration. This evidently correlates with the literature: the involvement of family members in business and the level of education, (SEBRAE, 2019 ; Madi and Golçalves, 2019; Brito, 2016).

“Today 70% of our family income comes from crafts and 30% comes from the wages of my formal job”.

Northeastern Artisan 2

“80% of my total income comes from my work with cold porcelain”.

Southern Artisan 1

“I don't have another profession for now, so everything I earn to support myself comes from cold porcelain crafts: 100% of my income”.

Southern Artisan 2

“Today my income is 100% from handicrafts in cold porcelain. Even my husband left his job to work in my business”.

Southeastern Artisan 1

4.4 RESEARCH PROBLEM 4

Investigate if the artisans really have an entrepreneurial mindset and if they have the desire to develop their business by improving their structure.

Interview themes emerged: *artistic improvement, work organization, professional projection, business expansion, self-learning and professional achievement.*

Next, we identified data from the interviews that confirm the literature review, according to [Wissmann \(2017\)](#), on the skills necessary to manage a business under the aspects of :

- planning of activities
- business organization
- knowledge of management areas
- the understanding of the macroenvironment/microenvironment where the business is inserted.

Jointly, all respondents have a natural gift for modelling, and all said they were naturally gifted at what they do, never having attended art schools or professional courses. At some point, they all used the help of tutorial videos from other artisans on the online video-sharing platform YouTube.

Pushed at some point in their lives by the need to acquire income, the entrepreneurs decided to start a business that offered them the income they needed at that time in life. The interviewees said that they chose cold porcelain crafts

because they imagined this type of artisan work would lead them to good job opportunities with something that they really saw a good market for, characterizing the opportunity to undertake, (Storey, 2014; Vale *et al.*, (2014).

For the cold porcelain artisans interviewed, working daily doing what they love is a dream come true. Personal satisfaction for developing something they always dreamed of working with and with which they have a natural ability for was also identified in the interview. This is an important point as happiness and comfortability within the workplace gives motivation to the entrepreneur to keep moving forward, (Krawulski, Coutinho and Soares, 2007).

“I usually spend the money I earn on cold porcelain crafts on something I want to improve my work, to qualify better. I often use this money to buy a new course, to continue learning. I am always investing in my own business ”.

Northern Artisan 1

“All of my studies related to crafts are studies that I try to pursue myself. I train with other materials like plasticine, other types of pasta. I have done everything so far on a self-taught basis. One of my goals is to have a great YouTube channel focused on biscuits, my channel currently has almost 100 thousand subscribers. So my focus is to continue teaching sculpture classes and travel around Brazil to teach classes ”.

Southern Artisan 2

“I never took any type of course, because I always had an easy time modelling in cold porcelain. When I don't know how to do something, I look on the internet, on YouTube. It is filled with a lot of content. One of my concerns for the future is my investments in the studio. I've always been the type to improvise, I decided to become a professional, I'm investing in packaging, materials and tools. My ambition, my plan for the future of my business is to have my production space outside the home ”.

Midwestern Artisan 1

“We bought an online course, then some more to improve some techniques. Nowadays we are the ones who offer courses both in-person and online. Our plan now, especially after the coronavirus pandemic, is to work with a focus on the objective of working exclusively with crafts, increasing the space where we work and working with other types of material besides cold porcelain”.

Northeastern Artisan 2

“I took some modelling courses in cold porcelain, they were usually in workshops. When we learn techniques from other artists in workshops, we add to what we already know. Today I even offer my own online workshop to build some characters ”.

Southeastern Artisan 2

The areas in which micro entrepreneurs find it more difficult to acquire or improve skills according to SEBRAE (2019) are expressed by only a small number

of entrepreneurs. Although they are ambitious when describing their dreams of business expansion (reports above), their concerns are mostly associated with the process of artisanal and artistic production itself. Surprisingly, it was not mentioned that the increase in craft production could also increase the rate of shipping, managing sales, purchasing raw materials, etc.

“I had no prior knowledge. I learned by practising every day. Today I worked 4 hours a day from Monday to Friday, I work within my own home and under my own management as in a company. I have time to start, to finish, to rest ”.

Southern Artisan 1

“I never took any kind of class or specialization in biscuit modelling. Most of my work was done from experience, I watched modelling videos on YouTube. Something I started looking for my business information on the SEBRAE website, which gives a lot of support to entrepreneurs: how to use e-commerce, how to use payment applications. I am improving my relationship with the Post Office to choose the best shipping methods. The administrative part is the one that I have the most difficulty with, so I have been looking for knowledge through the SEBRAE website ”.

Northeaster Artisan 1

The expansion of the artisan enterprise in cold porcelain was certainly identified in the interviews, but not in the literature. Most of the interviewees report that they started their ventures as producers of handicrafts, and as they eventually earned the technical and artistic qualifications, started offering courses for initiation and improvement of modelling techniques for other artisans. This shows they diversified the range of products and customers.

“We bought an online course, then some more to improve some techniques. Nowadays we are the ones who offer courses both in person and online. Our plan now, especially after the corona virus pandemic, is to work with a focus on the objective of working exclusively with crafts, increasing the space where we work and working with other types of material besides cold porcelain”.

Northeaster Artisan 2

“I took some modelling courses in cold porcelain, they were usually in workshops. When we learn techniques from other artists in workshops, we add to what we already know. Today I even offer my own online workshop to build some characters ”.

Southeaster Artisan 2

Still using business expansion data, it was explicit that among cold porcelain artisans, business to business (B2B) has been an untapped niche in the market. Artisans have appropriated this opportunity by expanding their business, in contrast to the data formed from by [SEBRAE \(2019\)](#) where almost 70% of

microentrepreneurs do not conduct B2B business. However, among the interviewees, this seems to not only be a common practice, but also one of the artisans' goals for their business.

4.5 RESEARCH OBJECTIVE 5

Contribute with the bodies responsible for the development and expansion of the MEI program to better understand microentrepreneurs, whether formal or informal. Interview themes emerged: misinformation, lack of knowledge, professional support, protection.

Once again, we are faced with misinformation about the total benefits and the lack of knowledge about the program. None of the interviewees had *never* heard of the MEI program, however, some are totally unaware of its content. Even those who are enrolled do not fully know all the benefits and are at serious risk of not being benefited when they would most need help from the program.

It is possible to observe that although enrolled in the program, these entrepreneurs only recognize a few points that are of particular interest to them, such as contribution and social security benefits. And by not knowing the program in its entirety, they end up not using the benefits that are guaranteed to them.

The case of *Northeastern Artisan 2* reveals that he did not bother to renew registration status in the MEI program because of the struggle to pay monthly fees. Cases of severe illness within the family were never expected, and now the previous lack of payments to the MEI prevents the entrepreneur from receiving a “sickness benefit”, one which he was once entitled to (Brazil, 2008).

“My wife was enrolled in the MEI program, but we were irregular with payments. We had decided, my wife and I, that when we reached a certain monthly income, we would settle payments again. However, about 1 year ago our baby was diagnosed with leukaemia, so we stopped all artistic work altogether. We are dependent only on the wages of my formal job. We focus all of our attention on your treatment”.

Northeastern Artisan 2

Other cases such as *Southern Artisan 2* demonstrate a lack of general knowledge, only half-knowing about a single benefit. For individual microentrepreneurs, one of the great advantages is the reduced and unified payment of taxes on their production when issuing the product invoice. The invoices, when the issue is necessary, have no additional cost, ([Portal do Empreendedor, 2020; Brazil, 2008](#)).

Due to the lack of adequate information and knowledge about the benefits of the MEI program, he believes that he will have undesirable financial expenses when he eventually formalizes.

“I hardly know any of the benefits of the MEI program. I know I can issue an invoice. I thought about formalizing myself when I lost a big deal because I couldn't issue an invoice. However, as I always had to pay a monthly fee, I ended up hesitating to do it because I practically never issue an invoice. So, I prefer not to do that yet”.

Southern Artisan 2

We see that there are few respondents who are concerned about the future and social security and according to [Corseuil et al. \(2014\)](#), [SEBRAE \(2019\)](#) and [GEM \(2019\)](#) this is one of the motivators for enrolling in the MEI program. For those interviewed who are aware of the benefits of the program, the social security factor can be quite significant for them, such as the right to retirement and sickness and maternity benefits

“I know that it is my negligence to contribute without knowing exactly all that it offers me. Since January 2020 I have been enrolled in the MEI, therefore making all social security tax contributions applicable to this formalization process”.

Southeaster Artisan 2

For others, any knowledge about the program, its benefits and how it can help people develop their business is still totally unknown.

“I still don't know where I fit into the MEI program”.

Northern Artisan 1

“I know the MEI program, I even received a booklet about the program from SEBRAE, but I confess that I haven't read it yet”.

Midwestern Artisan 1

“I've heard of the MEI program, but I haven't tried to find out how it really works. I intended to have more information before the coronavirus pandemic began. Only this disease started, and I didn't go. But as soon as I can, I will try to know how it works and what I can do”.

Northern craftsman 2

For other interviewees, the benefits are acknowledged, and they are taking advantage of everything the program offers for the full development of their business, especially through institutions such as SEBRAE that help micro, small and medium-sized companies ([Portal do Empreendedor, 2020, Brazil, 2008](#)).

“I am trying to know and better understand certain techniques that I had never practised because I have never undertaken it before. I'm learning how to deal with marketing, with customers, with sales, about things I had never dealt with, because before I had only lived an academic life. I started taking cold porcelain seriously when I saw myself as an artist. That's why I had to create MEI”.

Northeastern Artisan 1

5. CONCLUSION AND RECOMMENDATIONS

Aspiring to explore the understanding that the individual microentrepreneur has about the MEI program, this research was developed considering several aspects that can guide the microentrepreneur in his way of managing his own business.

The attempt was to verify that the cold porcelain craftsman has full knowledge of what is related to developing an enterprise that often originates not from the perception of an opportunity, but from the need that presents itself: unemployment, low remuneration, and social insecurities.

Although it has great economic potential, Brazil does not offer the majority of the population the chance to have a stable economic life. The lack of formal jobs leads many Brazilians to try some kind of business. Driven by necessity, cold porcelain artisans start their ventures quite simply in their own homes. In this way they increase the statistics of the informal economy in the country. However, artisans took the opportunity to develop a job in which they feel professional fulfilment.

Regarding the specific objective of this study, it was found that the MEI program is notorious in the country, all artisans in cold porcelain have at least heard about it, however more than half of them have no idea what it is about. refers exactly.

A few artisans know the MEI program in more detail, but not enough to convince themselves that it can be a powerful tool to get them out of informality. They are unaware of the real objective of the MEI program, which is to guarantee them dignity of work and the possibility of enhancing the efficiency of their business through tax incentives, reducing bureaucracy and business support through SEBRAE.

It became evident that even the artisans enrolled in the MEI program do not have complete knowledge about what they have as benefits or advantages through

the program. Artisans sometimes fail to claim any benefit or lose the right to a certain benefit for breaching rules, such as non-payment of monthly fees.

The individual microentrepreneur needs to be informed about the MEI program or to be informed about the program. There is a communication gap between the program and its final audience. The study failed to verify whether this communication failure is the responsibility of either party or both.

On the other hand, the entrepreneurial spirit in cold porcelain artisans is consistently noted, whether by the concept of entrepreneurship as art, quality of innovation or taking advantage of opportunities. The artisans were ambivalent for the ability to produce their art, develop new products and diversify their clientele.

It is recommended that studies be originated to better identify the demographics of the porcelain artisan, since it was not possible to find in the literature numbers that identify them or a description that classifies them.

It is also important to carry out studies and surveys to identify where the communication gap is, which means that many of the artisans do not really know the MEI program. Establishing this clear communication with the MEI program and cold porcelain craftsmen is important for them to take advantage of all the benefits and guarantees that the program offers to model their business in the exact shape of success.

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