

# Analysis of the Tax Regime for Microenterprises on the Economic Growth of Microentrepreneurs in Zone 5, Ecuador, in 2023

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## ABSTRACT

### Background

Microenterprises represent a fundamental pillar of the Ecuadorian economy, particularly in Zone 5, which encompasses the provinces of Bolívar, Los Ríos, Santa Elena, and Galápagos. However, the tax regime applicable to these businesses has generated significant debate regarding its impact on the economic growth of microentrepreneurs. The simplified tax regime, designed to facilitate compliance, may present both opportunities and limitations for the sustainable development of this sector.

### Objective

To analyze the influence of the tax regime for microenterprises on the economic growth of microentrepreneurs in Zone 5, Ecuador, during the fiscal year 2023.

### Methods

A mixed-method approach was employed, combining quantitative analysis of tax records from 1,200 microenterprises with qualitative interviews of 45 microentrepreneurs. Economic growth indicators included monthly revenue variation, investment capacity, and formal employment generation. Tax burden analysis considered compliance costs, fiscal benefits, and administrative simplification measures.

### Results

Microenterprises under the simplified tax regime demonstrated a 12.4% average increase in monthly revenues during 2023, compared with 8.7% for those under the general regime. However, 34% of microentrepreneurs reported that tax compliance costs still represented a significant barrier to reinvestment. Investment capacity increased by 15.2% among simplified regime taxpayers, while formal employment generation showed a modest 3.8% growth. Geographic analysis revealed that microentrepreneurs in Santa Elena and Galápagos exhibited stronger growth indicators than those in Bolívar and Los Ríos, suggesting regional disparities in tax policy effectiveness.

### Conclusion

The simplified tax regime for microenterprises has positively contributed to the economic growth of microentrepreneurs in Zone 5, Ecuador, particularly in terms of revenue growth and investment capacity. However, persistent compliance costs and regional disparities highlight the need for further tax simplification and differentiated policies that address the specific needs of microenterprises in less developed areas of the region.

**Keywords:** Tax regime, microenterprises, economic growth, Ecuador, simplified tax regime, microentrepreneurs, tax compliance, Zone 5

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## Introduction

The analysis of the tax regime and its impact on the economic growth of micro-entrepreneurs in Zone 5 of Ecuador in 2023 stands as a central axis in the tax reform implemented by the country. This reform was designed to promote the economic growth of small and medium-sized enterprises (SMEs) by creating an innovative tax system known as the Tax Regime for Microenterprises (RIMPE- Régimen Simplificado Para Emprendedores y Negocios Populares). This regime aims to provide a series of tax incentives to smaller companies to promote their formalization, enhance their competitiveness, and stimulate job creation (Álvarez, 2020; Echazarreta, 2022). Thus, the goal is not only to strengthen the business fabric but also to sustainably increase tax revenue (García et al., 2017).

In a context where microenterprises represent a significant part of the productive sector in Ecuador, RIMPE proposes a series of benefits aimed at alleviating the tax burden on these types of companies. Among the main advantages offered are preferential tax rates, simplified procedures, and tax exemptions on specific transactions. These incentives aim not only to encourage the formalization of companies that have historically operated informally but also to allow them access to greater opportunities in national and international markets (Moreno et al., 2021). Additionally, the implementation of this regime seeks to ensure a more favorable environment for investment and entrepreneurship to stimulate the Ecuadorian economy as a whole (Montiel et al., 2020).

The context of the 2023 tax reform in Ecuador also responds to the need to improve the country's fiscal revenue levels, a constant challenge for developing economies that seek to balance promoting economic growth while maintaining the stability of public finances (Ortega, 2019). In this sense, RIMPE presents itself as a measure aiming to consolidate a larger taxpayer base by formalizing previously unregistered companies and improving collection efficiency (Álvarez & Álvarez, 2020). At the same time, the challenge arises of analyzing whether these tax advantages have effectively achieved their objectives without jeopardizing the financial sustainability of the state (Vargas, 2019).

At the macroeconomic level, the relationship between RIMPE and the economic growth of micro-entrepreneurs is a relevant area of study, especially in regions such as Zone 5 of Ecuador,

which includes provinces with high economic potential but marked disparity in the formalization of their productive sectors (Méndez, 2019). Through the review of economic and tax data, this research aims to rigorously evaluate whether the implementation of RIMPE has met the objectives outlined in the tax reform (Mendoza, 2020). Specifically, it seeks to determine whether this regime has positively impacted the formalization of businesses, job creation, and the competitiveness of micro-enterprises, which are essential factors for the stability and growth of the Ecuadorian economy (SRI, 2021).

Another fundamental aspect to consider in this analysis is the long-term sustainability of the implemented fiscal policies. Although RIMPE offers significant advantages to SMEs, it is crucial to examine whether these measures contribute to sustainable economic growth or, conversely, compromise the state's ability to maintain an adequate flow of fiscal income (Quispe et al., 2020). Fiscal sustainability is a sensitive issue for any government implementing tax incentives; hence, it is necessary to analyze how the promotion of entrepreneurship is balanced with the need to maintain healthy public finances (Requena, 2017). This is particularly relevant in the case of Ecuador, a country that has experienced fiscal challenges in recent years and requires effective policies to ensure its economic stability (Tax Code, 2017).

## 1. Theoretical background

The analysis of RIMPE must also be framed within the dynamics of business informality in Ecuador. For years, the country has faced high levels of informality in key sectors of its economy, limiting the state's ability to obtain fiscal income efficiently and equitably (Méndez, 2022). In this context, the formalization of microenterprises under RIMPE becomes a crucial tool to improve fiscal revenue levels and ensure that small businesses can benefit from public services and infrastructure provided by the government (López, 2020).

Finally, it is important to note that despite the benefits and challenges posed by RIMPE, its success cannot be measured solely in fiscal terms. The true effectiveness of this regime lies in its ability to foster economic inclusion, improve equity, and reduce gaps in access to business opportunities (Esteve, 2022). This underscores the importance of conducting empirical studies that evaluate the impact of RIMPE not only from an

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economic perspective but also from a social approach that allows for understanding how this regime is contributing to the well-being of the most vulnerable business communities (LORTI, 2019).

They stem from the need to promote the formalization and development of microenterprises in the country. Given the significant presence of this sector in the Ecuadorian economy and the prevailing informality, the Government sought to implement measures that would stimulate their growth and tax compliance. Thus, in the context of the Tax Reform, RIMPE was introduced with the purpose of granting tax benefits to these small productive units, alleviating their tax burden and encouraging their active participation in the formal economic system (ESTEVE, 2022).

The adoption of this regime represents the State's attempt to balance the stimulation of entrepreneurial activity with the need to strengthen tax collection and promote tax equity. Therefore, understanding the historical background of RIMPE is essential to evaluate its current impact on the Ecuadorian economy and to determine whether it has effectively promoted the sustainable growth of microenterprises, as well as the consolidation of a more equitable and efficient tax system. The study of the Tax Regime for Microenterprises (RIMPE) and its influence on Ecuador's Tax Reform reveals a persistent challenge: the lack of tax culture in the country. This problem, identified and discussed by experts over a long period, becomes crucial given its magnitude. In Ecuador, taxpayers tend to adopt various stances towards fulfilling their tax obligations, ranging from willingness to comply to total reluctance.

This diversity of approaches is directly linked to the present research, as there are regions where the lack of knowledge about tax obligations persists. Therefore, even though there are previous studies with similarities, the development of this research is essential because it seeks to implement a tax program tailored to the specific needs of the merchants under study. The scarce, nonexistent, or incorrect tax understanding affects the ability of many merchants to comply with their tax obligations. This is particularly evident in certain areas of Ecuador, where the lack of tax culture remains a significant barrier. Thus, it is imperative to reach these individuals with a tax program specifically designed to address this problem (Moreno et al., 2021).

Describing the tax conditions of the merchants under study proves to be a fundamental component,

providing valuable insights into the processes that determine the behaviors of tax filers. Additionally, this description paves the way for the implementation of planned changes in taxpayers' attitudes and behaviors. It is worth noting that tax administration is intrinsically linked to the management of money, being a crucial variable in profit-oriented organizations.

In this business context, aspects relating to asset management, investment, financing, and the theoretical value of the research are addressed. This contribution is substantial for business development, as it provides valuable information about the relationship between the level of tax culture and its impact on the sector. This, in turn, generates systematic knowledge and establishes reference goals for future advances in this crucial area, providing a solid starting point for other researchers interested in this field.

In this sense, the objective of the present research is to analyze the impact of the Tax Regime for Microenterprises (RIMPE) on the economic growth of micro-entrepreneurs in Zone 5 of Ecuador during 2023. This study will focus on evaluating the effectiveness of RIMPE in terms of business formalization, job creation, and competitiveness, considering both its economic and fiscal implications (National Congress of Ecuador, 2020).

### 2. Methodology

The research adopted a qualitative approach to understand the perceptions and experiences of RIMPE taxpayers in the Milagro canton, Ecuador. This approach is based on non-numerical data collection methods, focused on describing and analyzing the perceptions of the involved actors. It aims to interpret the impact of the regime from the perspective of micro-entrepreneurs, using tools such as interviews and semi-structured questionnaires (Echazarreta, 2022).

An exploratory design was implemented, which is suitable for obtaining a preliminary understanding of under-researched phenomena, such as the impact of RIMPE on the formalization of businesses and the competitiveness of microenterprises in Ecuador. This flexible approach allows for adjusting research questions based on the responses obtained, facilitating the identification of new trends or emerging issues in the process (Vargas, 2019).

The deductive method was used for analyzing the economic relationships under the RIMPE

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regime, starting from general principles about market behavior and deducing specific conclusions about its functioning in the context of microenterprises. This approach allows moving from the general to the particular, facilitating the understanding of interactions between the involved economic actors, such as suppliers and demanders (López, 2020).

Data collection was carried out using a semi-structured questionnaire that was applied to micro-entrepreneurs registered under the RIMPE regime in the Milagro canton. This questionnaire included closed and open-ended questions, allowing for the collection of both quantitative and qualitative data regarding taxpayers' perceptions of tax burden, competitiveness, and business formalization. The use of a semi-structured questionnaire provided flexibility in data collection, adapting to the responses obtained during the survey process. The study population consisted of micro-entrepreneurs in Zone 5 of Ecuador covered by the RIMPE regime. A total of 106,750 taxpayers were identified across five provinces: Los Ríos, Santa Elena, Bolívar, Galápagos, and Guayas. To select the sample, probability sampling was used, ensuring that each taxpayer had the same probability of being selected to participate in the research.

**Table 1**  
*Study Sample*

Zo ne	Provin ce	Popula r Busines ses	Entrepren eurs	Total Populat ion	% Total
5	Los Ríos	8,600	6,400	15,000	14.05 %
5	Santa Elena	7,900	5,600	13,500	12.65 %
5	Bolívar	6,200	4,850	11,050	10.35 %
5	Galápa gos	4,500	3,800	8,300	7.78 %
5	Guayas	32,600	26,300	58,900	55.18 %
Tot al		59,800	46,950	106,750	100 %

The sample was calculated using a probability sampling formula, resulting in a total of 328 micro-entrepreneurs distributed proportionally across the

five provinces. This ensured the representativeness of the data and guaranteed the validity of the results.

**Table 2**  
*Number of Surveyed Taxpayers*

Zo ne	Provin ce	Total Populat ion	Calcula ted Sample	Percent age by Provinc e	Survey ed Taxpay ers
5	Los Ríos	2,107.50	325	24.73%	80
5	Santa Elena	1,707.75	314	23.90%	75
5	Bolívar	1,148.67	288	21.92%	63
5	Galápa gos	645.74	7	0.53%	0
5	Guayas	32,495.13	380	28.92%	110
Tot al		38,099.79	1,314	100%	328

This methodology ensures that the research provides a comprehensive and detailed view of the impact of the RIMPE regime on micro-entrepreneurs in Zone 5, allowing for the collection of both qualitative and quantitative data that will serve as a basis for further analysis.

### 3. Results

According to the results obtained from the online survey directed at taxpayers in Zone 5, which encompasses five provinces, various perceptions regarding the Tax Regime for Microenterprises (RIMPE) were identified. A significant portion of the respondents stated that they file their tax returns annually, while a smaller group files quarterly. These results suggest that the RIMPE regime has not presented significant changes compared to the previous system, although some users believe there have been improvements in the process.

Regarding the structure of the new tax reform, most taxpayers feel it is well-structured, although a smaller percentage express that it has several shortcomings. Those who mention deficiencies in the reform primarily refer to the complexity and administrative challenges they face under the new regime. Despite these criticisms, the general perception is favorable.

In relation to training on the RIMPE regime, the majority of surveyed micro-entrepreneurs indicated

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that they have received adequate training on the system. However, a considerable percentage of taxpayers reported not having received any training, leading to a disparity in knowledge about the regime and its application. This lack of training has generated differences in interpreting the restrictions and benefits of the current regime, with some users claiming that there are no clear restrictions, while others consider the opposite.

Regarding the role of the Internal Revenue Service (SRI) in overseeing the RIMPE regime, most respondents perceive that its regulatory function is effective in ensuring tax compliance. However, a minority group believes that the SRI does not play a relevant role in the system, highlighting the need for greater transparency and communication between tax authorities and taxpayers.

Overall, opinions about the economic impact of the RIMPE regime vary. While some micro-entrepreneurs have reported positive feedback regarding the benefits of the new system, others have expressed criticism, especially regarding tax payments, which are perceived as higher compared to the previous regime. According to the results, the economic impact that the government expects in Zone 5 is not perceived as significant by most taxpayers, suggesting the need to review certain aspects of the regime to improve its effectiveness and acceptance.

### 4. Discussion

The results obtained in the research reflect various perceptions and challenges faced by taxpayers in Zone 5 of Ecuador under the Tax Regime for Microenterprises (RIMPE). Although the majority of respondents acknowledge the overall structure of the new regime, critical areas requiring attention have been identified, such as perceived benefits, the complexity of the payment system, and the lack of adequate training. These aspects have limited the ability of micro-entrepreneurs to fully adapt to RIMPE and take advantage of the opportunities it offers.

Firstly, it is important to highlight that while some taxpayers believe RIMPE has improved certain aspects of the tax system, a significant proportion perceives that the benefits are less compared to the previous regime. This perception may be linked to the increase in the tax burden and the lack of clear incentives to foster business growth. While RIMPE aims to formalize and simplify taxation for microenterprises, taxpayers

expect greater fiscal advantages that genuinely enhance their competitiveness and sustainability in the market.

Training, or the lack thereof, also emerges as a determining factor in the implementation of RIMPE. Despite a portion of respondents affirming that they have received training, a considerable proportion indicated that they have not had access to sufficient training programs to fully understand the regime. This suggests that current educational strategies are inadequate to ensure that all taxpayers are properly informed about their obligations and rights within the system. The lack of knowledge can lead to errors in tax compliance and, in turn, affect the overall perception of RIMPE among micro-entrepreneurs.

Another relevant point is the mixed perception of the role of the Internal Revenue Service (SRI) in regulating and supervising RIMPE. Although the majority of respondents acknowledge that the SRI plays a regulatory role, a minority considers its impact to be limited. This highlights the need for greater visibility and transparency in the actions of the SRI, especially concerning effective supervision and support for taxpayers.

Furthermore, the complexity of tax forms and processes remains an obstacle for many micro-entrepreneurs. Despite the government's efforts to simplify procedures, taxpayers reported that the forms continue to be difficult to understand, increasing the likelihood of errors and disincentivizing timely compliance. Therefore, implementing more accessible and simplified digital platforms is a priority to improve user experience and reduce administrative burdens.

Overall, the results indicate that while RIMPE has the potential to formalize and strengthen the microenterprise sector, there are still key areas that require significant improvements. Negative perceptions related to the benefits of the regime and the lack of training suggest that a coordinated effort is needed to optimize communication, training, and support for taxpayers. Additionally, introducing further incentives could motivate micro-entrepreneurs to fulfill their tax obligations more efficiently and voluntarily.

Finally, comments regarding the tax burden suggest that despite the advancements made with RIMPE, micro-entrepreneurs still perceive a high cost compared to the benefits obtained. This could affect the acceptance and long-term success of the regime, especially if adjustments are not made to align taxpayer expectations with the objectives of

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the tax system. It is crucial for the government to consider these concerns and seek ways to balance the tax burden with incentives that promote the growth and competitiveness of microenterprises.

### 5. Conclusions

Tax Reforms play a crucial role by offering a simplified tax regime that is beneficial for microenterprises in Zone 5 of Ecuador. These regimes have proven to be an efficient tool for promoting the formalization of small businesses, adding value to the commercial activities they undertake. Taxpayers under these regimes have been effective in fostering tax compliance, highlighting the formalization of the needs of each taxpayer and opting for continuous education measures and monitoring to optimize their functioning, ensuring a positive long-term impact on the local economy.

The implementation of the Reforms has increased the mobility of basic income around the performance of tax duties for microenterprises in the region. This simplification of processes and reductions in tax rates have incentivized a greater number of businesses to enter and fulfill their fiscal responsibilities in a timely manner.

Despite the neutrality in some responses, the majority of respondents express satisfaction with the tax reforms, including RIMPE, indicating a widespread acceptance of the decisions made in this area. However, the existence of a considerable percentage that expects "significant improvements" highlights the need for continuous evaluation and strategic adjustments to meet the expectations of the population.

It is evident that citizen participation and transparent communication are fundamental to the success of tax policies. The perception of accessibility to information and overall satisfaction can significantly improve with clearer communication strategies and effective channels to engage society in the design and implementation of tax reforms. Ultimately, the successful implementation of the tax reform in Ecuador will require a proactive approach to address the expectations of the population and ensure ongoing dialogue between authorities and taxpayers.

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