



TEXAS A&M INTERNATIONAL UNIVERSITY
A Member of The Texas A&M University System

Department of Accounting, Economics & Finance

September 23, 2006

Dr. Michael Patrick
Director, Texas Center
Texas A&M International University
Laredo, TX 78041

Dear Dr. Patrick,

In order to fulfill the requirements of the 2005-2006 Texas Center Fellows Research Grant, I have enclosed the paper "The Use of Exchange Rates in the U.S. - Mexico Border" for your consideration. Thank you for your help and economic support.

Sincerely,

A handwritten signature in black ink, appearing to read "Jorge Brusa".

Jorge Brusa
Assistant Professor

Texas Center Research Fellows Grant Program 2005-2006

The Use of Exchange Rates in the U.S. – Mexico Border

By Jorge Brusa

Objective of the project

The goal of this investigation is to examine the use of exchange rates by business and individuals at the Mexican-US border. In particular, this study investigates the percentage of exchange rate accepted by business and individuals in their daily transactions, the procedure used to determine the conversion rate, the time spend on exchanging or disposing, the percentages of sales and purchasing in foreign currency and the numbers of persons in charge of the foreign exchange activities.

Importance of the study

The results of this investigation could be of interest to practitioners and academics. Practitioners could be interested in knowing the practical aspects of the use of foreign exchanges, while member of the Academia could use the results of this investigation to compare the use of foreign exchange at the Mexico-US border with previous results observed at the Canada-US border.

Data

A survey was used to collect the data. The survey was translated to Spanish and the new survey was used to collect data at the Mexican border.

The survey was distributed during June and July 2006 and the data was examined during August 2006. The total number of observations was 300 firms.

Results

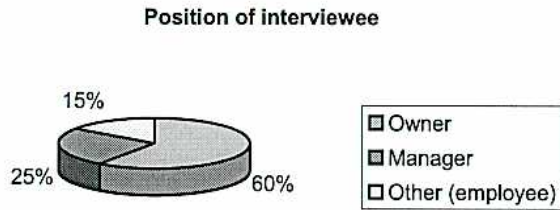
The results of this investigation indicate that the majority of the firms in the sample are small business. The average number of employees per firm is 4 (maximum 21, minimum 0). All the interviewed companies have cross-border operations. The average distance from a company to the nearest U.S. – Mexican crossing border is 2.26 miles (maximum distance 6.5 miles and minimum distance 0.1 miles).

The majority of firms have been accepting U.S. dollars for a long period of time. The average amount of time is 8 years with a maximum of 30 years and a minimum of 1 year. The 58% of the firms in the sample follow the exchange rate set by banks and exchange houses. Practically, all the managers (99 %) in the sample think that accepting dollars enhance their sales. None of them charge a premium when accepting foreign currencies and there is no limit on the purchase if the customer pays with U.S. dollars. Also a large group of managers (79 %) report that they did not have problems with counterfeit currency.

The majority of managers (95 %) report their income to governmental authorities and 84 % of them enroll their employees in social security.

U.S. Dollar Survey

Position of Interviewee

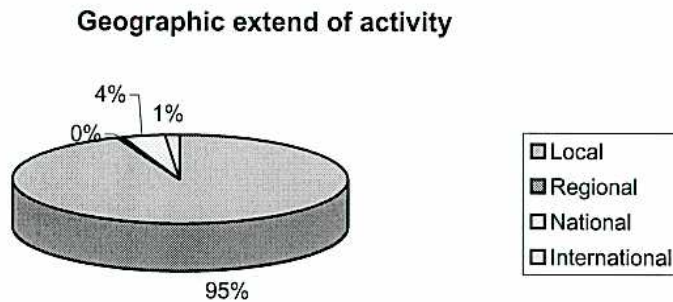


Number of employees

The average number of employees is 4 per company.
The highest number of employees is 21 and the lowest is 0.

The average number of years a business has been in the local community is 8 years.
The largest number of years an interviewed business has been in the local community is 30 years.
The lowest number of years an interviewed business has been in the local community is 2 years.

Geographic extend of the company



Out of the 18 respondents whose company is not local, 8 have their company's headquarters located in Monterrey, N.L.; 5 in Ciudad de Mexico; 2 in Nvo. Ldo. Tamps.; 1 in Culiacan, Sin. And 2 in Reynosa, Tamps.

All the interviewed companies do have cross-border operations.

The average distance from a company location to the nearest US-Mexico border crossing is 2,26 miles. The maximum distance is 6,5 miles and the minimum distance is 0,1 mile.

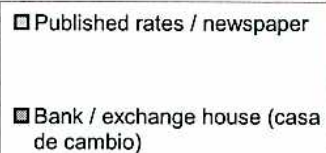
The average number of opening hours per day is 10 with a maximum of 24 and a minimum of 5.

The average number of opening days per week is 6 with a maximum of 10 and a minimum of 3.

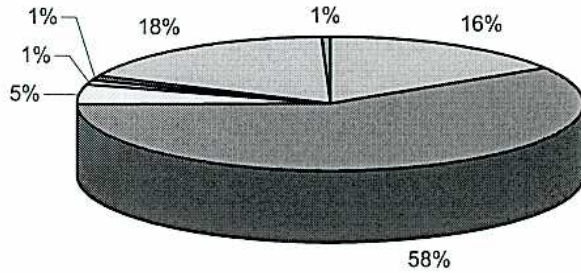
All the respondents accept US Dollars in payment for goods or services.

QY2: Conversion rate setting

Conversion rate setting

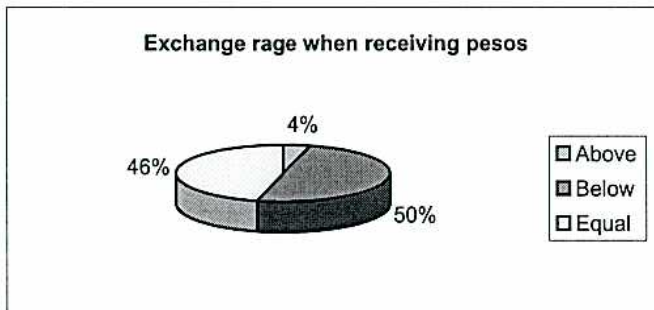


Conversion rate setting



- Published rates / newspaper
- Bank / exchange house (casa de cambio)
- Dictated by corporate headquarters
- Fixed
- Other (specify)
- Published rates / newspaper and Bank / exchange house
- Bank / exchange house and Dictated by corporate headquarters

QY3: The exchange rate that companies use in their business compared to the rate that the business receives when they exchange Pesos.



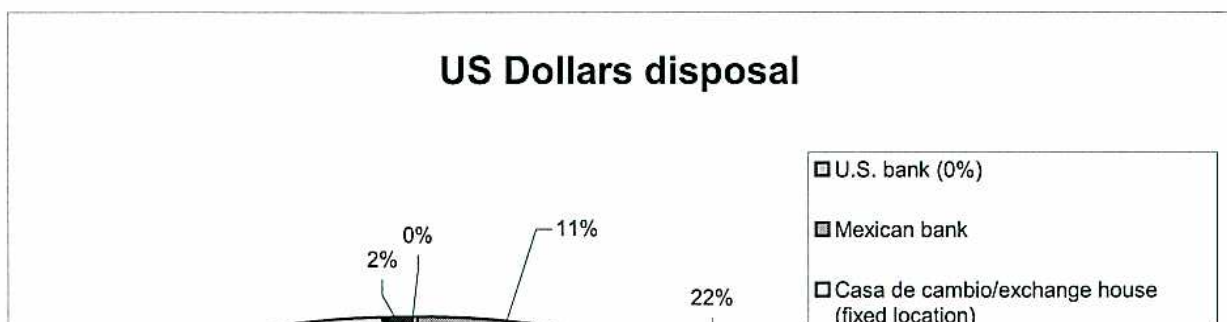
QY4: Time since business has been accepting U.S. Dollars

The average time since a company has been accepting US Dollars is 8 years. The maximum is 30 years and the minimum 1 year.

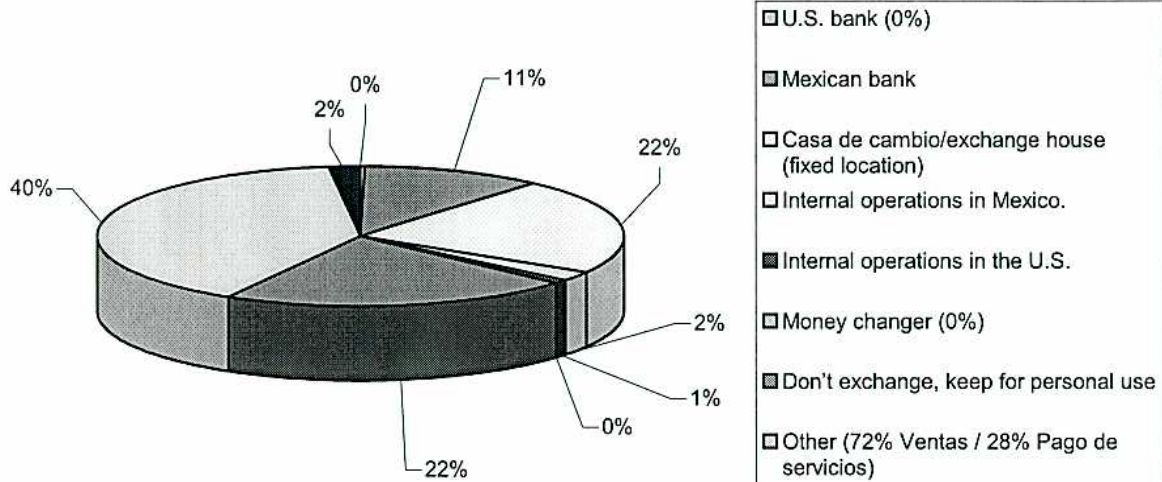
QY5: Time spent in a week to exchange or dispose U.S. Dollars

The average time used to exchange US Dollars in a week is 1 hour. Some companies take 6 hours while others thake less than 1.

QY6: U.S. Dollars disposal

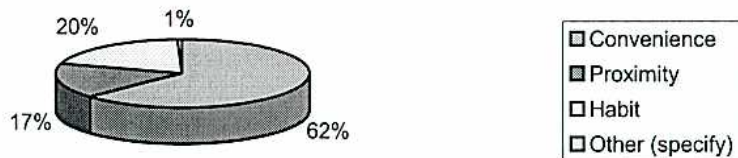


US Dollars disposal



QY7: Method determination for U.S. Dollar disposal

Method determination



QY8: The average time in a week a firm spends on preparing to accept U.S. Dollars is 3/4 of hours.

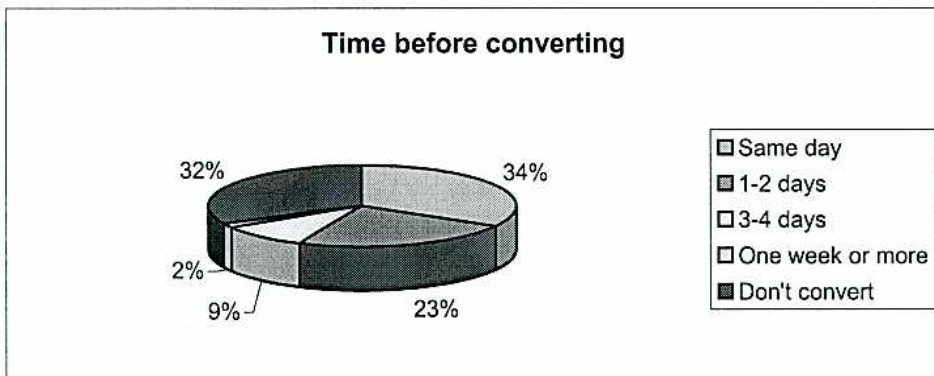
QY9: The average percentage of sales in U.S. Dollars is 24%

QY10: 99% of the respondents think that accepting U.S. Dollars enhance sales.

QY11: None of the interviewed companies charge a premium when accepting U.S. Dollars.

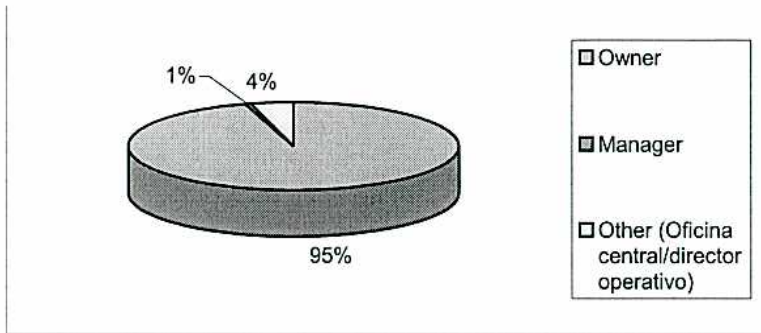
QY12: For all the interviewed companies, there is no limit on the purchase if using U.S. Dollars.

QY13: When does the conversion to Pesos take place?



QY14: Person in charge of making the decision to accept U.S. Dollars.





QY15 Do you report any of your earned income from this business to any governmental authority?

95% answered YES 5% answered NO

QY16 Through the business, are you enrolled in social security coverage?

48% answered YES 52% answered NO

QY17 Does the business enroll its employees in social security?

84% answered YES 16% answered NO

QY18 a. Have you had a problem with accepting counterfeit US dollars in the past?

21% answered YES 79% answered NO

b. If YES, what percentage of accepted dollars have turned out to be counterfeit?

The average percentage is 3%

c. What actions (responses) have you taken to avoid accepting counterfeit US dollars?

U.S. Dollar Survey

Pre-Interview:

Business Name _____
Location (city) _____ State _____

Survey Date _____
Firm Category _____
Today's Exchange Rate _____

Position of Interviewee: Owner (1) ___ Manager (2) ___ Other (3) (specify) _____

Number of employees _____

How long has your business been in the local community _____ (years)

What type of good or services do you sell? _____

Is your firm a Local (1) ___ Regional (2) ___ National (3) ___ International (4) ___ company?

If Regional, National, or International, where is your firm's headquarters? _____ (city, country)

Does your firm have cross-border operations? Yes (1) ___ No (0) ___

What is the distance from your business location to the nearest US-Mexico border crossing? _____ (in miles)

How many hours a day are you open? _____

How many days a week are you open? _____

Q1: Do you accept U.S. Dollars in payment for goods and services: ___ Yes (1) ___ No (0)

IF YES

QY1: What is your conversion rate today _____

QY2: How do you set your conversion rate (circle response)

- a. published rates / newspaper
- b. bank / exchange house (*casa de cambio*)
- c. dictated by corporate headquarters
- d. fixed
- e. other (specify) _____

QY3: The exchange rate that you use in your business is ___ above (1), ___ below (2), or ___ equal (3) to the rate that the business receives when you exchange your Pesos?

QY4: How long has your business been accepting U.S. Dollars? _____ (years)

QY5: How much time in a week does your business spend on exchanging or disposing U.S. Dollars _____ (hours)

QY6: How do you dispose of your U.S. Dollars (circle response)

- a. U.S. bank
- b. Mexican bank
- c. *casa de cambio*/exchange house (fixed location)
- d. internal operations in Mexico.
- e. internal operations in the U.S.
- f. money changer (itinerant)
- g. don't exchange, keep for personal use
- h. other (specify) _____

QY7: How was this method of disposal for the U.S. Dollar decided? (circle response)

- a. convenience
- b. proximity
- c. habit
- d. other (specify) _____

QY8: How much time in a week does your firm spend on preparing to accept U.S. Dollars _____ (hours)

QY9: What percentage of sales is in U.S. Dollars? _____%

QY10: Does accepting U.S. Dollars enhance sales? ___ Yes (1) ___ No (0)

QY11: a. Do you charge a premium (e.g., fee or above market rate) when accepting U.S. Dollars? ___ Yes (1) ___ No (0)

b. If YES: How much _____ (%)

QY12: a. Is there a limit on the purchase if using U.S. Dollars? ___ Yes (1) ___ No (0)

b. If YES: How much _____ (%)

QY13: When does the conversion to Pesos take place (circle response)

- a. same day
- b. 1-2 days
- c. 3-4 days
- d. one week or more
- e. don't convert

QY14: Who in your company makes the decision to accept U.S. Dollars? (circle response)

- a. owner ___
- b. manager ___
- c. other (specify) _____

What are your average sales per week? _____ (in Pesos)

QY15 Do you report any of your earned income from this business to any governmental authority? Yes(1) ___ No(2) ___

QY16 Through the business, are you enrolled in social security coverage? Yes(1) ___ No(2) ___

QY17 Does the business enroll its employees in social security? Yes(1) ___ No(2) ___

QY18 a. Have you had a problem with accepting counterfeit US dollars in the past? Yes(1) ___ No(2) ___

b. If YES, what percentage of accepted dollars have turned out to be counterfeit? ___%

c. What actions (responses) have you taken to avoid accepting counterfeit US dollars?

IF NO

QN1: a. Has your business ever considered accepting U.S. Dollars? ___ Yes(1) ___ No(0)

b. If YES, what are your reasons for not doing so? (circle response)

- a) haven't done it before (lack of experience)
- b) too risky
- c) no customer demand for this service
- d) other (specify) _____

QN3: Is accepting U.S. Dollars too complicated of a process? ___ Yes (1) ___ No (0)

QN4: Is there a company policy that says not to accept U.S. Dollars? ___ Yes (1) ___ No (0)

QN5: Is accepting U.S. Dollars inconvenient? ___ Yes (1) ___ No (0)

QN6: Do you think accepting U.S. Dollars would increase sales? ___ Yes (1) ___ No (0)

QN7: Do you think you would lose money by accepting U.S. Dollars? ___ Yes (1) ___ No (0)

QN8: If yes, why would you lose money? (circle response)

- a) costs too much money to exchange currencies
- b) unpredictability of exchange rates
- c) the U.S. Dollar doesn't buy much
- d) other (specify) _____

QN9: Who in your company makes the decision to reject U.S. Dollars? (circle response)

- a. owner ___
- b. manager ___
- c. other (specify) _____

What are your average sales per week? _____ (in Pesos)

QN10: Do you report any of your earned income from this business to any governmental authority? Yes(1) ___ No(2) ___

QN11: Through the business, are you enrolled in social security coverage? Yes(1) ___ No(2) ___

QN12: Does the business enroll its employees in social security? Yes(1) ___ No(2) ___

QN13: a. Have you had a problem with accepting counterfeit US dollars in the past? Yes(1) ___ No(2) ___

b. If YES, what percentage of accepted dollars have turned out to be counterfeit? ___%

c. What actions (responses) have you taken to avoid accepting counterfeit US dollars?

Pre-Entrevista:

Nombre del Negocio _____
 Lugar (Ciudad) _____ Estado _____

Fecha de Entrevista _____
 Categoría del Negocio _____
 Taza de Conversión Actual _____

Posición del Entrevistado: Dueño (1) ___ Gerente (2) ___ Otro (3) (especifique) _____

Número de trabajadores _____

Cuántos años tiene su negocio de operar en la comunidad local _____ (años)

¿Qué tipo de productos o servicios ofrece su negocio? _____

¿Es su negocio Local (1) ___ Regional (2) ___ Nacional (3) ___ Internacional (4) ___

Si es Regional, Nacional, o Internacional, ¿donde se localiza su oficina principal? _____ (ciudad, país)

¿Hace su negocio operaciones con el otro lado de la frontera? Si (1) ___ No (0) ___

¿Cuál es la distancia desde su negocio hasta el cruce con la frontera de EU-México más cercano? _____ (en millas)

¿Cuántas horas al día están abiertos? _____

¿Cuántos días a la semana están abiertos? _____

Q1: Aceptan el **Dólar Americano** como forma de pago para productos y servicios: ___ Si (1) ___ No (0)

Si la respuesta es SI

QY1: ¿Cuál es la tasa de conversión hoy? _____

QY2: ¿Cómo establece su tasa de conversión (circule la respuesta)

- a. tasas publicadas/ diarios
- b. bancos/ casas de cambio
- c. dictada por la oficina principal
- d. fijas
- e. otra (especifique) _____

QY3: La tasa de cambio que utiliza en su negocio es ___ mayor (1), ___ menor (2), o ___ igual (3) que la tasa de cambio que recibe cuando cambia el **Dólar Americano**?

QY4: ¿Cuántos años tiene su negocio de aceptar el **Dólar Americano**? _____ (años)

QY5: ¿Cuánto tiempo a la semana le toma a su negocio cambiar o disponer del **Dólar Americano** _____ (horas)

QY6: ¿Cómo dispone del **dólar Americano** (circule la respuesta)

- a. Banco Estadounidense
- b. Banco Mexicano
- c. casa de cambio (lugar fijo)
- d. operaciones internas en México.
- e. operaciones internas en los E.U.
- f. cambiador de monedas (itinerant)
- g. no se cambian, para uso personal
- h. otro (especifique) _____

QY7: ¿Cómo fue seleccionado este método de disponer del **dólar Americano**? (circule la respuesta)

- a. conveniencia
- b. proximidad
- c. hábito
- d. otro (especifique) _____

QY8: ¿Cuánto tiempo a la semana le toma a su negocio para prepararse a recibir el **dólar Americano** _____ (horas)

QY9: ¿Qué porcentaje de sus ventas es en **dólar Americano**? _____ %

QY10: ¿Cuándo acepta el **dólar Americano** sus ventas mejoran? ___ Si (1) ___ No (0)

QY11: a. Cobran una prima (cuota o tasa elevada) cuando acepta el **dólar Americano**? ___ Si (1) ___ No (0)

b. Si: Cuánto _____ (%)

QY12: a. Hay algún límite en la compra cuando acepta el **dólar Americano**? ___ Si (1) ___ No (0)

b. Si: Cuánto _____ (%)

QY13: ¿Cuándo se da la conversión a Pesos (circule la respuesta)

- a. el mismo día
- b. 1-2 días
- c. 3-4 días
- d. una semana o más
- e. no se convierte

QY14: ¿Quién en su negocio toma la decisión de aceptar el **dólar Americano**? (circule la respuesta)

a. dueño ___ b. gerente ___ c. otro (especifique) _____

¿Cuál es su promedio de ventas por semana? _____ (en Pesos)

QY15: ¿Reporta usted parte de sus ingresos a alguna autoridad gubernamental? Si(1) ___ No(2) ___

QY16: ¿A través del negocio, tiene usted cobertura de seguro social? Si(1) ___ No(2) ___

QY17: ¿Ofrece el negocio seguro social para sus empleados? Si(1) ___ No(2) ___

QY18: a. ¿Ha tenido algún problema con dólares Americanos falsificados en el pasado? Si(1) ___ No(2) ___

b. Si la respuesta es Si, ¿qué porcentaje de los dólares aceptados resultaron falsos? ___ %

c. ¿Qué acciones ha tomado para prevenir que se acepte dinero falsificado?

Si la respuesta es NO

QN1: Ha considerado su negocio en aceptar el dolar Americano? ___Si(1) ___No(0)

QN2: SI, cuales son sus razones? (circule la respuesta)

- a) no se ha hecho anteriormente (falta de experiencia)
- b) muy riesgoso
- c) no hay demanda para este servicio
- d) otro (especifique) _____

QN3: Aceptar el **dolar Americano** es un proceso muy complicado? ___Si (1) ___No (0)

QN4: Tiene alguna norma en su negocio que le prohíbe aceptar el **dolar Americano**? ___Si (1) ___No (0)

QN5: Es inconveniente aceptar el dolar Americano? ___Si (1) ___No (0)

QN6: Cree usted que sus ventas aumentarían si acepta el **dolar Americano**? ___Si (1) ___No (0)

QN7: Cree usted que podría perder dinero si acepta el **dolar Americano**? ___Si (1) ___No (0)

QN8: Si, por que perdería dinero? (circule la respuesta)

- a) cuesta mucho cambiar la moneda
- b) las tasas de conversión son impredecibles
- c) el dolar Americano no tiene mucho valor
- d) otro (especifique) _____

QN9: Quien en su negocio toma la decisión de no aceptar el **dolar Americano**? (circule su respuesta)

- a. dueño ___
- b. gerente ___
- c. otro (especifique) _____

Cual es su promedio de ventas por semana? _____ (en Pesos)

QY10: Reporta usted parte de sus ingresos a alguna autoridad gubernamental? Si(1) ___ No(2) ___

QY11: A través del negocio, tiene usted cobertura de seguro social? Si(1) ___ No(2) ___

QY12: Ofrece el negocio seguro social para sus empleados? Si(1) ___ No(2) ___

QY13: a. Ha tenido algun problema con dolares Americanos falsificados en el pasado? Si(1) ___ No(2) ___

d. Si la respuesta es Si, que porcentaje de los dolares aceptados resultaron falsos? ___%

e. Que acciones ha tomado para prevenir que se acepte dinero falsificado?
