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,

Jorge Brusa
Assistant Professor
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.
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; 2in Nvo. Ldo. Tamps.;1in 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
The exchange rate that companies use in their business compared to the rate that the business receives when they exchange Pesos.

QY3: 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 is 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 take less than 1.

QY6: U.S. Dollars disposal

US Dollars disposal

- U.S. bank (0%)
- Mexican bank
- Casa de cambio/exchange house (fixed location)
US Dollars disposal

- U.S. bank (0%)
- Mexican bank
- Casa de cambio/exchange house (fixed location)
- Internal operations in Mexico
- Internal operations in the U.S.
- Money changer (0%)
- Don't exchange, keep for personal use
- Other (72% Ventas / 28% Pago de servicios)
- No sable

QY7: Method determination for U.S. Dollar disposal

Method determination

- Convenience
- Proximity
- Habit
- Other (specify)

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 is 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?

Time before converting

- Same day
- 1-2 days
- 3-4 days
- One week or more
- Don't convert

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

Owner
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?
Pre-Interview:  
Survey Date ____________________________  
Business Name ____________________________  
Location (city) ____________________________ State ____________  
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 goods 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 the U.S.
   e. don't exchange, keep for personal use
   f. money changer (itinerant)
   g. 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 ____________________________________________
Fecha de Entrevista ____________________________
Lugar (Ciudad) _______________________________________________
Estado ________________________________________________
Tasa 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 _________ (anos)

Que 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? Sí (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 com forma de pago para productos y servicios: _______ Sí (1) _______ No (0)

Sí la respuesta es SÍ

QY1: Cuál es la tasa de conversión hoy __________________________

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

a. tasas publicadas/diarios
b. changed/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? _________ (anos)

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

QY6: Como 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 (itinerante)
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: Cuando acepta el Dólar Americano sus ventas mejoran? _______ Sí (1) _______ No (0)

QY11: a. Cobran una prima (cuota o tasa elevada) cuando acepta el Dólar Americano? ______ Sí (1) ______ No (0)
b. Si: Cuanto _______%

QY12: a. Hay algún límite en la compra cuando acepta el dólar Americano? ______ Sí (1) _______ No (0)
b. Si: Cuanto _______

QY13: Cuando 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: Quien 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? _______ Sí (1) _______ No (2)

QY16: A través del negocio, tiene usted cobertura de seguro social? _______ Sí (1) _______ No (2)

QY17: Ofrece el negocio seguro social para sus empleados? _______ Sí (1) _______ No (2)

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

b. Si la respuesta es Sí, que porcentaje de los dólares aceptados resultaron falsos? ______ %

c. Que 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: Sí, 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: Sí, por qué 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: Quién 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 algún problema con dólares Americanos falsificados en el pasado? ___ Si (1) ___ No (2) ___
   d. Si la respuesta es Si, que porcentaje de los dólares aceptados resultaron falsos? ___ %
   e. Que acciones ha tomado para prevenir que se acepte dinero falsificado?