

**UNIVERSIDAD ESAN**



**Financial strategies for a small company in  
Latin America to face a pandemic: A SME  
case in Peru**

**In collaboration with:**



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Master in Management

**Thesis presented in partial satisfaction of the requirements to obtain the  
degree of *Magíster en Administración* by:**

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**Master Program at ESAN: MBA**

**Lima, February 10<sup>th</sup>, 2023**

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This thesis

**Financial strategies for a small company in Latin America to face a pandemic:  
A SME case in Peru**

Have been approved.



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2023

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Furthermore, I appreciate the support of my parents, the resilience of my sister and the affection of my girlfriend, who encouraged me to complete this document.

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- Management and strategic planning of the company.
- Analyze the market for the portfolio of products to be marketed.
- Negotiate the purchase and manage the import of products.
- Manage the sales, promotion and distribution system.

#### **DISEC S.R.L.**

Telecommunication systems installation medium size company. executing projects related to electronics, electricity and telecommunications.

##### **Organizational consultant**

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- Definition of improvement, optimization, reorganization and consulting projects.
- Project management plan development.
- Execution of planned activities.
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##### **Operations Coordinator**

**2010-2011**

- Project portfolio planning and control.
- Scheduling of project activities.
- Management of the supply of resources for projects.

- Coordination with customers for the acceptance of deliverables.
- Projects closure, obtaining of contract ending acceptance, analysis and comparison of projects results.

### **Superdeporte S.A.C.**

Sports goods trading and retail company, official sponsor in Peru of several sport brands, as Nike, Under Armour, New Balance, Asics, Marathon.

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**2014 – 2017**

- Worked in process and quality division
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## EXECUTIVE SUMMARY

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### Summary:

So far the year 2020, the main issue that no one in the globalized world has been able to avoid has been the Coronavirus pandemic, which has brought serious implications in the usual life activities for the vast majority of people in the world and is causing one of the biggest recessions in recent history.

Due to the origin and the knowledge of the author about Latin American reality, this study will focus on one of the main engines of the Latin American economy, which is both a little fragile but also with many opportunities ahead, the Small and Medium Enterprises (SME).

Taking the mentioned into account, this document will intend to provide the best financial strategies that a SME company in a developed country in Latin America should take to face a health crisis as Coronavirus is.

In this document is carried out at first, a literature investigation about the economic impact produced by a pandemic and the financial strategies recommended by numerous authors in order to summarize the main economic consequences of a pandemic and the principal financial strategies to face them.

Subsequently, using methodological tools, such as questionnaires and direct observation, are tested the efficiency of this financial strategies in a Small and Medium

enterprise (SME) in Peru, to then expand the results by applying the tool in a reduced version to other SMEs in different sectors in Latin America.

Although the study showed interesting results for these particular cases, these are insufficient to provide a general rule for a large number of companies; however it offers a useful tool for finance managing in SME and could be used as a starting point for future research related to this topic.

To conclude and in order to provide specific results, a small company in a Latin American country, Peru, will be taken as example to apply the methodology of this research.

## **CHAPTER I. Literature Review and Research Question Presentation**

### **1.1. Pandemic impact in Economy**

#### *1.1.1. Historical pandemic cases*

The first approach of this study will focus on define the meaning and economic implications of pandemic in recent human history, to focus on the subsequent point on the economic implications of the new Coronavirus that is currently in expansion around the world.

According to the World Health Organization (2010) a Pandemic is defined as a global outbreak of a disease. (World Health Organization, 2010: 1) Throughout history there has been an unrecorded number of this health crisis, as Nicolas LePan (2020) explained in his article for the World Economic Forum:

Disease and illnesses have plagued humanity since the earliest days, our mortal flaw. However, it was not until the marked shift to agrarian communities that the scale and spread of these diseases increased dramatically.

Widespread trade created new opportunities for human and animal interactions that sped up such epidemics. Malaria, tuberculosis, leprosy, influenza, smallpox, and others first appeared during these early years.

The more civilized humans became – with larger cities, more exotic trade routes, and increased contact with different populations of people, animals, and ecosystems – the more likely pandemics would occur (Le Pan, 2020: 1).

An interesting list of historical pandemics could be find in Nicolas LePan (2020) article and it is showed below, in which the number of victims in each case can be observed, taking account the smaller population of those times the impact of these numbers is further magnified.

**Table I.1. Some of the major pandemics that have occurred over time**

Name	Time period	Type / Pre-human host	Death toll
Antonine Plague	165-180	Believed to be either smallpox or measles	5M
Japanese smallpox epidemic	735-737	Variola major virus	1M
Plague of Justinian	541-542	Yersinia pestis bacteria / Rats, fleas	30-50M
Black Death	1347-1351	Yersinia pestis bacteria / Rats, fleas	200M
New World Smallpox Outbreak	1520 – onwards	Variola major virus	56M
Great Plague of London	1665	Yersinia pestis bacteria / Rats, fleas	100,000
Italian plague	1629-1631	Yersinia pestis bacteria / Rats, fleas	1M
Cholera Pandemics 1-6	1817-1923	V. cholerae bacteria	1M+
Third Plague	1885	Yersinia pestis bacteria / Rats, fleas	12M (China and India)
Yellow Fever	Late 1800s	Virus / Mosquitoes	100,000-150,000 (U.S.)
Russian Flu	1889-1890	Believed to be H2N2 (avian origin)	1M
Spanish Flu	1918-1919	H1N1 virus / Pigs	40-50M
Asian Flu	1957-1958	H2N2 virus	1.1M
Hong Kong Flu	1968-1970	H3N2 virus	1M
HIV/AIDS	1981-present	Virus / Chimpanzees	25-35M
Swine Flu	2009-2010	H1N1 virus / Pigs	200,000
SARS	2002-2003	Coronavirus / Bats, Civets	770
Ebola	2014-2016	Ebolavirus / Wild animals	11,000
MERS	2015-Present	Coronavirus / Bats, camels	850
COVID-19	2019-Present	Coronavirus – Unknown (possibly pangolins)	4,700 (as of Mar 12, 2020)

Note: Many of the death toll numbers listed above are best estimates based on available research. Some, such as the Plague of Justinian, are subject to debate based on new evidence.

Source: LePan, N. (2020), A visual history of pandemics, Retrieved from <https://www.weforum.org/agenda/2020/03/a-visual-history-of-pandemics>

To conclude this quick view of what a pandemic is and follow to analyze the economic impact of them, lets internalize the thought conclusion of Òscar Jordà, Sanjay R. Singh and Alan M. Taylor (2020) in their working paper for the Federal Bank of San Francisco, where he summarize affirming that after a pandemic event usually followed by sustained periods, sometimes decades, of low return to assets, a decrease in real wages, depressed investment opportunities, all this probably caused by excess capital per unit of surviving labor and/or a heightened desires to save (Jordà, 2020: 18).

From this point, will be analyzed papers of different authors about the economic impact of historical pandemics, the first are the already mentioned Òscar Jordà, Sanjay R. Singh and Alan M. Taylor (2020) in their column titled The longer-run economic consequences of pandemics, mentioned that a secular stagnation in a current low interest rate environment could be an issue for at least next two decades after a pandemic according to historical trends, in that line, they predict that for this Covid-19 pandemic, central banks in developed economies will maintain a low interest rate as an stimulus to benefit debt and assure fiscal income (Jordà, 2020: 19).

The next paper to be analyzed is an article written by the Berkley Economic Review Staff (2020), called “A Brief Economic History of Pandemics”, starting to see the impact in disadvantages population, taking as example how the 1918 Influenza had a higher death rate in Native Americans, these remark how pandemics affect disproportionately to poorer populations, and even when the pandemic ends and the poorer survivors were able to bargain higher wages due to the shrunk of the labor force, these benefits usually occurred for a short period due to subsequent inflation and increasing of wages measurements to restore the economy (Berkley Economic Review Staff, 2020: 1).

In the Thomas A. Garrett (2007) paper “Economic Effects of the 1918 Influenza Pandemic, Implications for a Modern-day Pandemic”, a detailed study of one of the most relevant health crisis of the last century could be seen, to show the reader the depth of this article, will be showed below some news from The Arkansas Gazette (Little Rock) and The Commercial Appeal (Memphis) of that time in USA, extracted from this article, to visualize the economic impact of the pandemic:

“Little Rock, Ark “How Influenza Affects Business.” The Arkansas Gazette, Oct. 19, 1918, page 4.

- Merchants in Little Rock say their business has declined 40 percent. Others estimate the decrease at 70 percent.
- The retail grocery business has been reduced by one-third.
- One department store, which has a business of \$15,000 daily (\$200,265 in 2006 dollars), is not doing more than half that.
- Bed rest is emphasized in the treatment of influenza. As a result, there has been an increase in demand for beds, mattresses and springs.
- Little Rock businesses are losing \$10,000 a day on average (\$133,500 in 2006 dollars). This is actual loss, not a decrease in business that may be covered by an increase in sales when the quarantine order is over. Certain items cannot be sold later.
- The only business in Little Rock in which there has been an increase in activity is the drug store.

Memphis, Tenn. “Influenza Crippling Memphis Industries.” The Commercial Appeal, Oct. 5, 1918, page 7.

- Physicians report they are kept too busy combating the disease to report the number of their patients and have little time to devote to other matters.
- Industrial plants are running under a great handicap. Many of them were already short of help because of the draft.
- Out of a total of about 400 men used in the transportation department of the Memphis Street Railway, 124 men were incapacitated yesterday. This curtailed service.
- The Cumberland Telephone Co. reported more than a hundred operators absent from their posts. The telephone company asked that unnecessary calls be eliminated.

“Tennessee Mines May Shut Down.” The Commercial Appeal, Oct. 18, 1918, page 12.

- Fifty percent decrease in production reported by coal mine operators.
- Mines throughout east Tennessee and southern Kentucky are on the verge of closing down owing to the epidemic that is raging through the mining camps.
- Coalfield, Tenn., with a population of 500, has “only 2 percent of well people” (Garrett, 2007:19).

According to these articles, the economic impact could be seen clearly, coinciding in most cases with the economic phenomenon called recession, to clarify this term let's take a look to Dale Smith (2020) in his article for CNET, called “The coronavirus recession is real: What that means for 2020 and how to prepare”, here recession is classified as a growing economic crisis that affects especially common individuals makes government leaders and bank CEOs restless (Smith, 2020: 1).

The overviewed citations provide a scope of the economic impacts of a pandemic, concluding that each pandemic in history had different levels of impacts, however it can

be said that all, or most of them, caused a recession. With this conclusion we can pass to the next point, and analyze the current coronavirus pandemic, displaying as a prelude the Alan Rappeport and Jeanna Smialek (2020) quotes about current situation:

The International Monetary Fund issued a stark warning on Tuesday about the coronavirus's economic toll, saying that the world is facing its worst downturn since the Great Depression as shuttered factories, quarantines and national lockdowns cause economic output to collapse (Rappeport, 2020: 1).

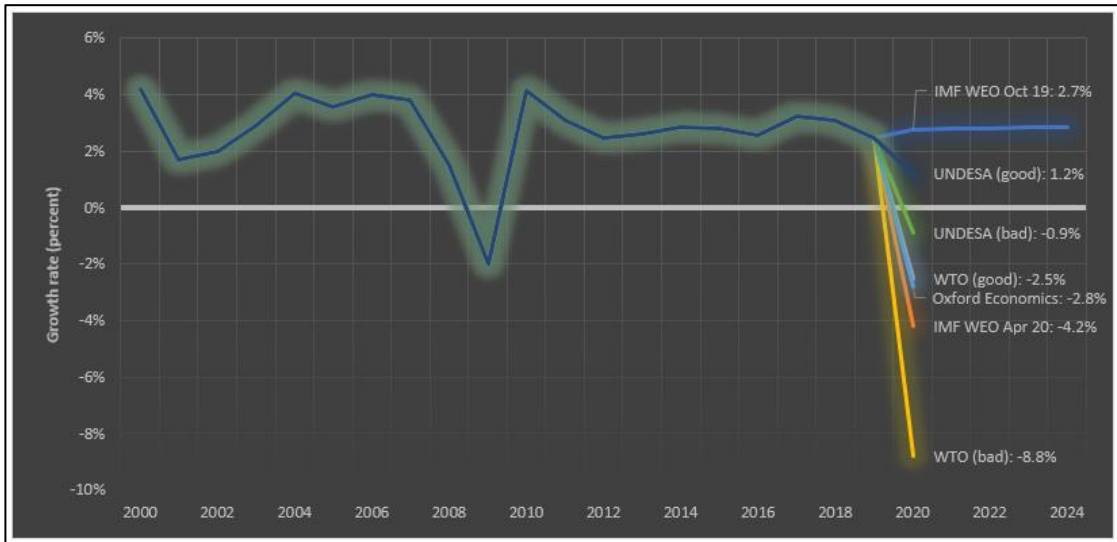
### ***1.1.2. Current Coronavirus pandemic impact***

The Coronavirus pandemic has become the principal topic so far this year, being abundant information about it, covering diverse fields of study, including health, culture, technology, however this study will focus on economic impact, especially for small companies in developing countries, beginning with the following quotations and graphic of the research brief produced by Nicola Cantore (lead), Frank Hartwich, Alejandro Lavopa, Keno Haverkamp, Andrea Laplane, and Niki Rodousakis for the United Nations Industrial Development Organization:

Global GDP growth: the projections for 2020 range between -8.8 per cent (WTO) and 1 per cent (UNDESA, optimistic scenario)" "Among these projections, the International Monetary Fund's (IMF) is the main reference point for assessing the economic impact of COVID-19. Accordingly, global growth will shrink by -4.2 per cent, a difference of 7 percentage points compared to the projections published before the outbreak of the crisis (IMF 2020) (Cantore, 2020: 1).



**Figure I.1. World growth outlook: latest projections by different organizations**

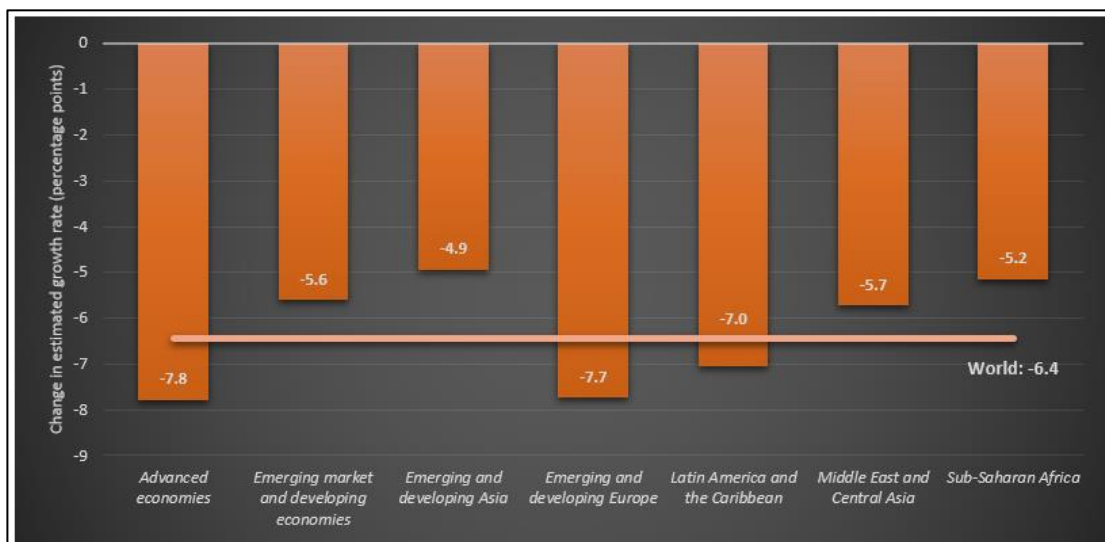


Note: The projections are based on market exchange rates and were carried out on the following dates: IMF = 14 April; Oxford Economics = 14 April; UNDESA = 1 April; WTO = 9 April. UNDESA and WTO distinguish between two possible scenarios on the pandemic's severity. The projections carried out by the IMF World Economic Outlook (WEO) 2019 (blue line) are used as the baseline for comparison.

Source: Cantore, N., Hartwich, F., Lavopa, A., Haverkamp, K., Laplane, A. and Rodousakis, N. (2020), Coronavirus: the economic impact – 26 May 2020, Retrieved from <https://www.unido.org/stories/coronavirus-economic-impact-26-may-2020>

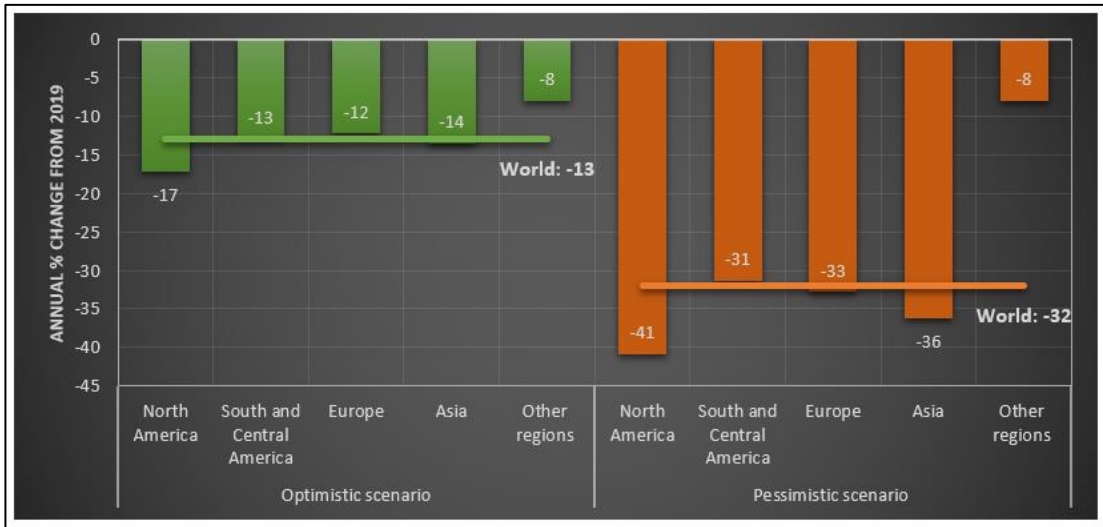
Also, in this article can be seen projections for the separated regions of the world, which will help us to have a clearer vision for the Latin American region, which we will focus on later.

**Figure I.2. Regional differences of GDP growth rates projected for 2020 in the IMF's WEO Oct 2019 and Apr 2020**



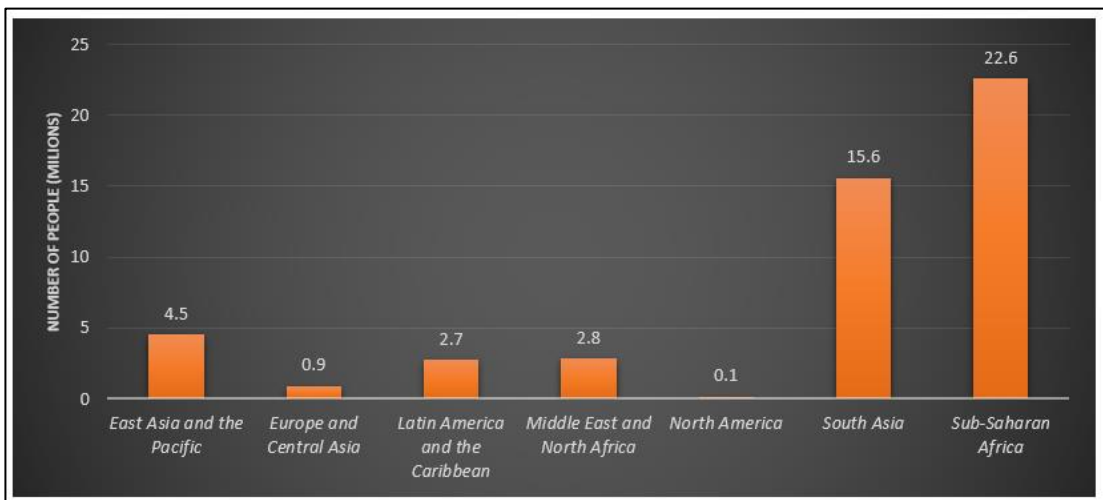
Source: Cantore, N., Hartwich, F., Lavopa, A., Haverkamp, K., Laplane, A. and Rodousakis, N. (2020), Coronavirus: the economic impact – 26 May 2020, Retrieved from <https://www.unido.org/stories/coronavirus-economic-impact-26-may-2020>

**Figure I.3. Projected annual change in the volume of global trade, by region**



Source: Cantore, N., Hartwich, F., Lavopa, A., Haverkamp, K., Laplane, A. and Rodousakis, N. (2020), Coronavirus: the economic impact – 26 May 2020, Retrieved from <https://www.unido.org/stories/coronavirus-economic-impact-26-may-2020>

**Figure I.4. Projected increase in the number of people below the US\$ 1.90 PPP poverty line as a result of COVID-19, by region**



Source: Cantore, N., Hartwich, F., Lavopa, A., Haverkamp, K., Laplane, A. and Rodousakis, N. (2020), Coronavirus: the economic impact – 26 May 2020, Retrieved from <https://www.unido.org/stories/coronavirus-economic-impact-26-may-2020>

**Table I.2. Average change in Index of Industrial production (IIP) across world regions**

	United States	Central and South America	Europe	Asia	Russian Federation
<b>Number of countries</b>	1	6	31	9	1
<b>March 2020 vs December 2019</b>	-6.4	-7.2	-5.0	-3.1	-0.26
<b>March 2020 vs March 2019</b>	-6.4	-6.6	-6.0	0.87	2.89

Source: Cantore, N., Hartwich, F., Lavopa, A., Haverkamp, K., Laplane, A. and Rodousakis, N. (2020), Coronavirus: the economic impact – 26 May 2020, Retrieved from <https://www.unido.org/stories/coronavirus-economic-impact-26-may-2020>

Not all types of business are getting affected in the same way, as we saw in the first point, some business expect an exceptional growing during this situation as corroborated by the heading of a paragraph in the paper elaborated by Nicola Cantore (lead), Frank Hartwich, Alejandro Lavopa, Keno Haverkamp, Andrea Laplane, and Niki Rodousakis (2020), that says: “Leather, wearing apparel and motor vehicles are the losers, pharma and food are the winners” (Cantore, 2020: 1).

In the “Coronavirus: Business & Economy” article of the Business insider also is mentioned the impact in the economy and how diverse it affect depending to the type of business, for example is mentioned that the stock market became very volatile, the global supply chains became disrupted, the unemployment subsides reach unprecedented numbers, these variations affects specially small businesses that usually don’t have enough cash reserves to subsist to month-long interruption due to the lockdowns, also stopping new startups entering the market, it also refers to one of the most biggest impacted industries, as is hospitality and travel due to travel cancellations, restaurant and bar closures, and low consumer confidence, in other hand manufacturing and construction although they have not suffered a big initial impact in the long term it will be affected by the fall in demand, at the end it recommend to companies to evaluate their strengths and essential of their services and products and focus on it to obtain a positive response from the community (Business insider, 2020: 1).

To reaffirm the impact of this pandemic, especially for developing countries, Peter S. Goodman (2020) mentioned in the New York Times that the consequences are already severe for these countries because of the capital fleeing, a plunge in commodity prices and specially the decreasing supply demand of raw materials and components due to the China slowdown (Goodman, 2020: 1).

On the other hand, some predictions of future scenarios could be found in Alicia Bárcena, Mario Cimoli, Raúl García-Buchaca and Ricardo Pérez (2020) report for the Economic Commission for Latin America and the Caribbean (ECLAC), along with their conclusions:

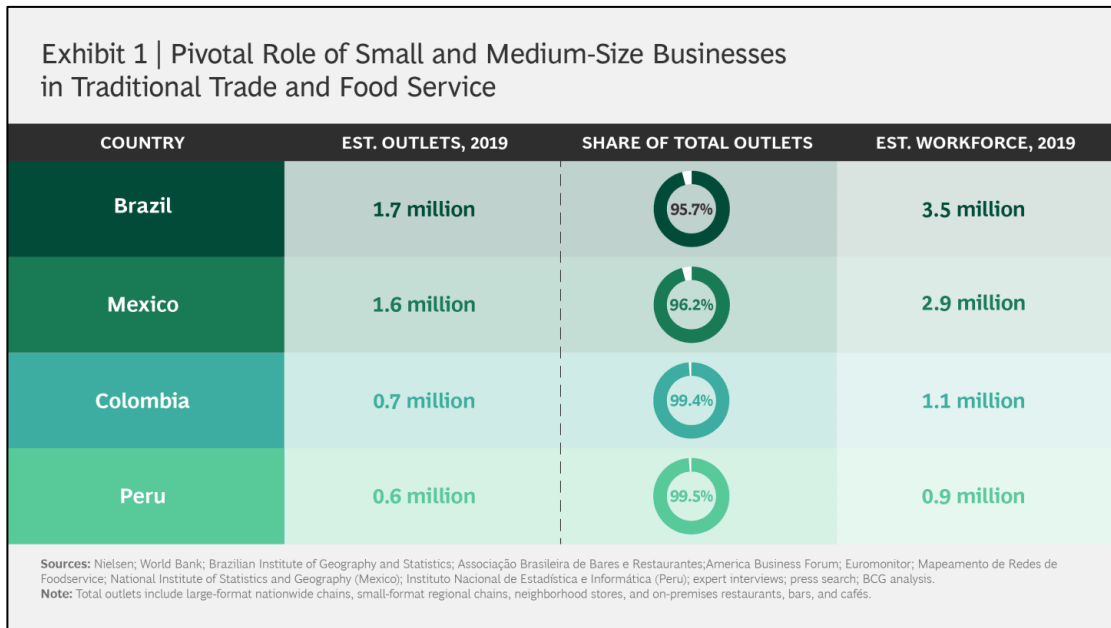
The crisis will have major medium-term effects on the reorganization of production and international trade in terms of location and technology. At least three possible scenarios are still open: the continuation of globalization, but on the basis of new models of governance that are more receptive to multilateralism and the correction of inequalities between countries; solutions of exclusively national scope; or the strengthening of regionalization.

- For the great majority of Latin America and Caribbean countries, purely national solutions will not be viable owing to economies of scale, technology and learning.

- A new globalization with inclusive and sustainable governance may be the best solution, but in order to participate actively in this new configuration, Latin America and the Caribbean must achieve productive, trade and social integration. To this end, our countries must coordinate on macroeconomic and production matters in order to negotiate the conditions for the new normality. During the current crisis and also for the medium-term, financing for a new pattern of development with equality and environmental sustainability is of the essence (Bárcena, 2020: 35).

Luke Pototschnik , Joel Muniz , Daniel Azevedo , Nicol Zhou , Melissa Alvarez , and Laura Zoradi Shaw (2020) analyze the impact of Coronavirus in small business in Latin America, showing that more than 50% of 200 worldwide surveyed companies, forecasted a negative impact on revenues and earnings in 2020, showing also that nearly 80% of south America costumers plan to spend less this year, due to this it predicts that this would have long-term consequences as it could be seen in their following charts to graphic the situation (Pototschnik, 2020: 1):

**Table I.3. Pivotal Role of Small and Medium-Size Businesses in Traditional Trade and Food Service**



Source: Pototschnik, L., Muniz, J., Azevedo, D., Zhou, N., Alvarez, M., and Shaw, L. Z. (2020), COVID-19 Threatens to Shutter Latin America’s Small Businesses, Boston Consulting Group, Retrieved from <https://www.bcg.com/publications/2020/covid-19-impacts-small-businesses-latin-america.aspx>

**Table I.4. COVID-19’s Potential Impact on Traditional-Trade and On-Premise Food Service in Brazil, Mexico, Colombia and Peru**



Source: Pototschnik, L., Muniz, J., Azevedo, D., Zhou, N., Alvarez, M., and Shaw, L. Z. (2020), COVID-19 Threatens to Shutter Latin America’s Small Businesses, Boston Consulting Group, Retrieved from <https://www.bcg.com/publications/2020/covid-19-impacts-small-businesses-latin-america.aspx>

In the particular case of Peru, the Economía Verde - Coalición Perú association (2020) analyze the impact of this pandemic in for SME in Peru estimating that GDP would fall 3.7% this year due to the effect of COVID-19, impacting especially micro and small companies because of the noticeably drop of the demand for their products due to the state of emergency and compulsory isolation established by the government (Economía Verde, 2020: 1).

## **1.2. Situation of small companies in developing countries in Latin America**

### ***1.2.1. Scope of Latin America region***

To begin let's define the area to be analyzed, Latin America, according to EduRedis (2020): "Latin America refers to the regions of America where Latin languages are spoken, specifically Spanish, French and Portuguese." (EduRedis, 2020:1) However it also includes similar manners, thoughts and hobbies that can include or exclude some countries, but that discussion is not the objective to deep in this study; therefore, we will stay with the first definition.

In this point the main objective is to dimension the magnitude of the Latin America region in the world, to do that, are going to be used two popular and common indicators as they are surface and population.

In 2019 according to the United Nations, the Latin America & the Caribbean region have a population of 648.12 million people, corresponding to the 8.24% of global population, and its can be sub-classified in four areas: The Latin Caribbean with 33.33 million people, Mexico and Central America with 117.59 million people, Spanish South America with 214.48 million people and Brazil (Portuguese South America) with 211.05 million people.

Continuing with the surface analysis, the Latin America & the Caribbean region have a surface of 20.55 million square kilometers, corresponding to the 14.7% of global surface, composed of The Caribbean with 0.19 million km<sup>2</sup>, Mexico and Central America with 2.46 million km<sup>2</sup>, Spanish South America with 8.85 million km<sup>2</sup> and Brazil (Portuguese South America) with 8.52 million km<sup>2</sup>.

The governance of these areas is variable, it consist of 20 countries, corresponding to the 8.5 % of world countries, The Latin Caribbean consist of 3 countries, Mexico plus Central America consist of 7 countries, Spanish South America consist of 9 countries and Brazil by itself consist 1 country.

To resume the mentioned data, can be seen the following table:

**Table I.5. Surface, Population and Governance of Latin America Regions in 2019**

Latin America Regions	Surface (14.7% of World Surface)	Population (8.24% of World Population)	Governance (8.5 % of World Country or area)
Latin Caribbean	0.19 million km <sup>2</sup>	33.33 million people	3 countries
Central America	0.50 million km <sup>2</sup>	49.63 million people	6 countries
Mexico	1.96 million km <sup>2</sup>	127.58 million people	1 country
Spanish South America	8.85 million km <sup>2</sup>	214.48 million people	9 countries
Brazil (Portuguese South America)	8.52 million km <sup>2</sup>	211.05 million people	1 country
TOTAL	20.02 million km <sup>2</sup>	636.07 million people	20 countries

Note: Latin Caribbean only consider Cuba, Haiti and Dominican Republic

Source: Department of Economic and Social Affairs of the United Nations, Retrieved from <https://unstats.un.org/unsd/methodology/m49/#geo-regions>

### ***1.2.2. Financial characteristics of Latin America***

The next analysis of Latin America Region will be the Gross Domestic Product (GDP) and the GDP per capita, which according to the world bank (2018) will be the following:

**Table I.6. GDP and GDP Per capita of Latin America in 2018**

Latin America Regions	GDP (nominal) (millions of U\$\$) (6.1% of World GDP)	GDP (nominal) Per Capita (U\$\$)
Latin Caribbean	190,980	5,730
Central America	266,619	5,372
Mexico	1,223,809	9,593
Spanish South America	1,705,307	7,951
Brazil (Portuguese South America)	1,868,626	8,854
<b>TOTAL</b>	<b>5,255,41</b>	<b>8,262</b>

Source: The World Bank, Retrieved from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD?locations=ZJ>

To finish this look of Latin America finance situation, let’s see how they are classified according to their development level, whose classification is explained in next paragraphs:

Least developed countries. “Are low-income countries that face significant structural challenges to sustainable development” (Chen, 2019: 1).

Developing countries. Are countries with an underdeveloped industrial base, and a low Human Development Index (HDI) relative to other countries”

Newly industrialized countries. "Are countries whose level of economic development ranks it somewhere between developing and highly developed classifications. These countries have moved away from an agriculture-based economy and into a more industrialized, urban economy” (Majaski, 2019: 1).

Developed countries. “Are countries with a relatively high level of economic growth and security. Standard criteria for evaluating a country's level of development are income per capita or per capita gross domestic product, the level of industrialization, the general standard of living, and the amount of technological infrastructure.” (Majaski, 2019: 1).



**Table I.7. Developing classification of Latin American countries**

Latin America Regions	Least developed countries	Developing countries	Newly industrialized countries	Developed countries
Latin Caribbean	1	2		
Central America		6		
Mexico			1	
Spanish South America		9		
Brazil (Portuguese South America)			1	
TOTAL	1	17	2	-

Source: International Monetary Fund, Retrieved from <https://www.imf.org/en/Data>

### ***1.2.3. Small companies status in Latin America***

First, let's take a look of small and medium company relevance for Latin America as Economic Commission for Latin America and the Caribbean postulate:

“Despite the fact that micro, small and medium-sized companies (MSMEs) account for 99% of the industrial fabric and create the majority of jobs, their productivity is extremely low compared with that of large companies. To redress this situation, the region must develop production chains comprising different-sized companies —and especially MSMEs— in order to boost job creation and wages as a way to reduce the heterogeneity of its economies. Further internationalization of these companies, particularly in their exporting activities, contributes to improve productivity and the labour conditions of their workers.” (Economic Commission for Latin America and the Caribbean, 2020: 1).

In Monika Sobeková Majková, Ján Solík and Juraj Sipko (2014) Abstract referring to SME in their paper “The Analysis of Chosen Business Obstacles and Problems with the Financing of Young Entrepreneurs in Slovakia” refers to the importance of Small and medium enterprises (SME), calling them the backbone of every economy, mentioning that usually they create half of state added value and employ two thirds of all country employees, focusing on their problem to growth due to the difficult to obtain better bank loans (Majková , 2014: 1).

The definition of an SME varies from country to country and in Latin America is not the exception, as shown by Saavedra G., María L. and Hernández C., Yolanda (2008) in their article “Characterization and importance of SMEs in Latin America: A comparative study”:

**Table I.8. SME definition in Latin America countries in 2007**

Argentina Ventas (1)	Bolivia (Empleo) (2)	Brasil (Empleo) (3)	Chile (Ventas) (4)	Colombia (Empleo) (5)	Costa Rica (empleo)	El Salvador (empleo)	Guatemala (empleo) (6)	México (empleo) (7)	Panamá (ingresos brutos) (8)	Perú (empleo)	Uruguay (empleo) (9)	Venezuela (empleo) (10)
Hasta 374	Hasta 10	Hasta 19	Hasta 58	Hasta 10	Hasta 10	Hasta 10	Hasta 10	Hasta 10	Hasta 150	Hasta 9	Hasta 4	Hasta 10
Hasta 2,245	Hasta 20	Hasta 99	Hasta 600	Hasta 50	Hasta 30	Hasta 49	Hasta 25	Hasta 50	Hasta 1,000	Hasta 20	Hasta 19	Hasta 50
Hasta 17,964	Hasta 49	Hasta 199	Hasta 2,400	Hasta 200	Hasta 100	Hasta 100	Hasta 60	Hasta 250	Hasta 2,500	Hasta 100	Hasta 99	Hasta 100
+ de 17,964	+ de 49	+ de 199	+ de 2,400	+ de 200	+ de 100	+ de 100	+ de 60	+ de 250	+ de 2,500	+ de 100	+ de 99	+ de 100

Source: Saavedra G., María L. and Hernández C., Yolanda (2008), Characterization and importance of SMEs in Latin America: A comparative study, Retrieved from <https://www.redalyc.org/pdf/257/25711784011.pdf>

SMEs in Latin America play an important role of a social nature, both for their role as creators of employment and shock absorbers of the unemployment problem by being intensive in this factor, and for being an instrument of cohesion and social stability by providing employment opportunities to groups semi or poorly qualified (Saavedra, 2008:2).

Another quote from María Luisa Saavedra García and Elda Leticia León Vite (2014) from their article “Financing alternatives for Micro, Small and Medium Enterprise Latin-American” reinforces the importance of SMEs for the region and the lack of financial assistance programs from both public and private institutions as the main issue to have better results (Saavedra, 2008:3).

### 1.3. Financial strategies to face a recession

The strategies to face a downturn are diverse and depend on the particular situation of the company, the country and the particular characteristics of the downturn, and these could be from different nature, as innovative, technological and managerial, among other; however this study will focus on the financial strategies that could be taken.

According to the mentioned in numerous studies of analysis and consulting finance of SME in Latin America countries, comes off the first premise of a finance measurement, the hiring of a financial service, and even some online services could be found, as <https://www.micromentor.org/> for example.

From the report written by Mark Foggin, Nadia Zonis, Jonathan Bowles, Adam Forman, David Giles and Eva Bein (2014) bringing blueprints for the city governance to Turning a Small Businesses in New York City into a larger one, we can extract some ideas to success as a small business using the aid of the government, but also extract ideas that can be traduced in ways to strengthen the company by itself taking advantage of its size, as can be seen in the following summary text:

1. Develop New Initiatives to Help Existing Small Businesses Grow
  - Create a unit where counselors visit small businesses where they are
  - Recruit successful business owners to serve as mentors
  - Sponsor opportunities for peer-to-peer learning
  - Leverage the expertise of neighborhood-based technical assistance providers
  - Create a business growth innovation fund and hold a competition seeking new ideas for helping small firms grow
2. Help More Small Businesses Break into the Corporate Supply Chain
  - Encourage more corporations, especially those that provide a market for NYC's growing sectors to commit to supplier diversity programs
  - Make meaningful matches, not promises
  - Bridging the culture gap & aligning expectations
3. Help More Small Businesses, Target Governments Contracts as a Springboard to Growth
  - Consider a preference for small businesses, generally
  - Counsel small businesses about government contracting opportunities as soon as possible
  - Encourage more debriefs for failing bids
4. Help Small Businesses Incorporate Technology into their Business Operations
  - Develop neighborhood-based technology audits
  - Establish a neighborhood-based technology corps
5. Help Small Firms Change with the Times and Move Outside Their Comfort Zones
  - Launch new programs to help immigrant-run firms reach customers outside of their own ethnic communities
  - Establish new tools to help small businesses adapt and grow when their neighborhoods gentrify
6. Expand Open-Air Markets, Food Festivals and Other Supports for Food Entrepreneurs
  - Encourage more periodic markets
  - Matchmaking for space, technical assistance
  - Scholarships for food festivals
  - Develop the food sector workforce
  - Provide training for food entrepreneurs

7. Help Small Businesses Find A Niche

- Help aspiring entrepreneurs and early stage businesses differentiate themselves
- Support retail needs studies by BIDs and merchants associations

8. Develop Business Owners' Financial Savvy

- Help more small businesses with tax preparation
- Develop a local version of the MBA without Borders program
- Address the small business financing gap (Foggin, 2014: 10)

Continuing the research of financial strategies, AABRS, a London firm of corporate and personal insolvency practitioners, made a guide to managing small business finances; in their document they split it in five sections, each one designed as a crucial aspect for small business financial development, and can be taken as a financial strategy for a small business:

1. Managing and Tracking Small Business Cash flow
2. Small Business Accounting Basics
3. Financial Planning and Forecasting for Small Businesses
4. Managing Small Business Debt
5. Understanding your Small Business Finance Options (AABRS, 2020: 1)

The next document analyzed in this search is also from a London's author, Kit Malthouse, who proposed in his presentation called "SMEs in London's Economy" six things that the London authorities can do to improve the environment for SMEs, providing also for this study some lights that a small business can do by itself:

- Increasing the routes to finance by creating more competition in the banking sector.
- Improving cash flow by ensuring that small business are paid on time.
- Adopting a new approach to regulation and cut down the amount of red tape small firms has to plough through.
- Creating a simplified tax system for small businesses that find it complex and burdensome.
- Incentivizing small firms to take on staff and so help tackle high unemployment.
- Opening up export markets so that small businesses can really begin to grow the economy (Malthouse, 2020: 1).

According to Álvarez, Mariana and J. L. Abreu (2008) in their article "Finance strategies in small and medium size business" the best finance strategies for a SME that will help in their performance will be following, providing a clear answer of what this initial literature research is looking for:

- Choose the chief financial officer based on a series of proficiency tests of knowledge and performance for the position.
- Promote competitiveness in SMEs based on benchmarking and productivity.
- Establish periods of innovation by line or product, no longer than one year.
- Periodically carry out the evaluation of financing options and determine the Weighted Average Cost of Capital on a monthly basis.

To reduce financial risk, investments must be periodically diversified.

To carry out a monthly analysis of the financial ratios in order to measure the economy of the company.

In the same way, analyze the financial statements monthly (Álvarez, 2008: 1).

From the “Report on the economic impact of coronavirus disease (COVID-19) on Latin America” made by Economic Commission for Latin America and the Caribbean (ECLAC), which focus again in recommendations for governments, but unlike the previous citations, it introduces us to economic actions to face the recent coronavirus pandemic, which are summarized in their following text:

Main policy recommendations

- Supply an adequate fiscal stimulus to support health services and protect incomes and jobs. The uninterrupted supply of essential goods, in particular pharmaceuticals, medical equipment, food and energy, must be guaranteed, and universal access to testing and care must be ensured for all who need it. Although some countries have limited fiscal space, health spending is now a priority, especially in countries with weak and fragmented health-care systems.

- Strengthen social protection systems to support vulnerable populations: non-contributory programs, such as direct cash transfers to the most vulnerable; unemployment, underemployment and self-employment benefits; interest-free loans to small and medium sized enterprises to allow them to pay wages, and deferrals of loan, mortgage and rent payments. Measures such as suspension of payment of water, electricity and Internet bills for those on low incomes for the duration of the pandemic should be considered.

- In the current conditions, ECLAC calls for the implementation of an emergency basic income for an amount equal to one poverty line, for six months for the entire population living in poverty. The strategy over the medium and long terms should (ECLAC, 2020: 1)

From Joshua Wahyudi and Rizal Satar (2008) document can be extracted a large number of pure financial strategies to face a financial crisis, approaching us to the objective of the point of this literary investigation, as are mentioned in their paper “Managing effectively in a downturn, turning challenges into opportunities” are cited and summarized the following strategies:

1. Understand the true impact of the downturn on your business
2. Identify unprofitable products and customers
3. Cost reduction
4. Effective working capital management
5. Effective performance management and forecasting
6. An experienced and well-resourced finance team
7. Appropriate financing arrangements
8. Strategic M&A activity
9. Careful tax planning

10. Communicate with stakeholders
11. Manage key talent effectively (Wahyudi, 2008: 1).

As Arthur B. Kennickell, Myron L. Kwast and Jonathan Pogach (2015) explained in their paper “Small Businesses and Small Business Finance during the Financial Crisis and the Great Recession: New Evidence from the Survey of Consumer Finances” the main strategy to survive a crisis and great recession is to have a higher household network, demonstrating that in mostly models applied in their study, having a strong relationship finance is crucial (Kennickell, 2015:1).

Continuing with the U.S. SMALL BUSINESS ADMINISTRATION, which quoted the largest number of recommendations seen until now in this literature research, they mentioned 14 specific recommendations for small business owners and managers to follow during economic upheavals:

1. Watch your inventories carefully, but don't hold them down so tight that you'll lose sales.
2. Taking that point further, monitor your cash flow very diligently, and forecast it monthly to ensure that expenses and planned expenditures are in line with accounts receivable.
3. Separate the "nice to do" from the "have to do," and eliminate nonessential expenses.
4. Reduce or stretch out debt, and build up your capital reserves.
5. Get aggressive with collections.
6. In a related vein, look hard at capital spending.
7. Strengthen your banking relationships, which include letting lenders know the company's financial position.
8. Look for opportunities to reduce rented space.
9. Now is the time to be prudently aggressive in the marketplace.
10. Similarly, don't skimp on service and quality by being understaffed.
11. In strategizing how to build your customer base and induce current customers to raise revenues, the importance of good service cannot be overstressed -- especially as their buying power or willingness to spend is lessened during tough economic times.
12. Historically, many businesses reduce advertising and promotional expenditures rather than slash fixed costs during hard times.
13. Another mistake during recessionary times is to reduce training budgets.
14. Get employees involved in policy choices as well as tactics and implementation (U.S. SMALL BUSINESS ADMINISTRATION, 2020: 1)

By Marvin Dumont (2020) “5 Characteristics of Recession-Resistant Companies” article, he mentioned in financial area to apply cash flow reductions, the rest of his recommendations could be classifying as a managerial one; as in other quotations the titles of each paragraph are extracted, to display and summarize content of his article:

- 1) Provides critical repair services
- 2) Sells consumer essentials
- 3) Serves customers insulated from downturns
- 4) Provides mandated products or services
- 5) Sells proprietary or specialized products (Marvin, 2020: 1).

From David Rhodes and Daniel Stelter (2009) article, “Seize Advantage in a Downturn” are extracted, quoted and resumed the following steps that companies can take as a guide to survey successfully a downturn:

What Is Your Exposure?

Consider several scenarios.

Quantify the impact on your business.

Assess rivals’ vulnerabilities.

How Can You Reduce Your Exposure?

Protect the financial fundamentals.

The aim here is to ensure that your company has adequate cash flow and access to capital. Not only does a lack of liquidity create immediate problems but it also is critically important to your ability to make smart investments in the future of the business.

Protect the existing business.

After ensuring that the company is on a firm financial footing, turn to protecting the viability of the business. You must be prepared to act quickly and decisively to improve core operations.

Maximize your valuation relative to rivals.

Your company’s share price, like that of most firms, will take a beating during a downturn. While you may not be able to prevent it from dropping in absolute terms, you want it to remain strong compared with others in your industry.

How Can You Gain Long-Term Advantage?

Invest for the future.

Investments made today in areas such as product development and information or production technology will, in many cases, bear fruit only after the recession is past.

Pursue opportunistic and transformative M&A.

The recession will change several of the long-standing rules of the game in many industries. Exploit your competitors’ vulnerabilities to redefine your industry through consolidation.

Rethink your business models.

Downturns can be a time of wrenching transformation for companies and industries. The economics of the business may change because of increased competition, changing input costs, government intervention, or new trade policies.

Where Do You Take Action?

The process we have laid out should yield a list of promising initiatives—undoubtedly more of them than you’ll have the capacity to launch and manage all at once (Rhodes, 2009:1).

By Juan Carlos Thomas and Alice Waweru (2020) “COVID-19 threatens the developing world's small businesses. This is how to save them”, they provide a point of view from an actual perspective, amidst the development of the pandemic, although they are not entirely financial-oriented, their five-conclusion explanation are interesting enough to be quoted here:

1. Shift the focus from goals to business survival
2. Create a space for expressing emotions
3. Help deliver remote learning tools
4. Draw on digital as a networking tool
5. Act now (Thomas, 2020: 1).

By Xu Chenggang (2020) “COVID-19: a Financial Crisis and an Economic Recession” can be seen some recommendations, especially from government, a point of view from the country where pandemic originated:

A Reduction in the Reserve Requirement Ratio will have limited direct benefits for SMEs  
Focus on resolving fundamental issues  
Understanding the current situation  
Impact on supply chains is related to demand  
Impact of the epidemic may be mid-term, long-term, or even permanent  
Implement fiscal stimulus with caution  
Liquidity and human capital matters most for enterprises’ survival  
Solutions for a financial crisis differ from solutions for an economic recession (Chenggang, 2020: 1)

Also Peruvian newspapers as Gestion (2020) propose measures to survey the economic impact in it publication “Coronavirus in Peru: 5 actions that SME can apply to take care of their business”:

The Government announced that it will provide facilities to SME for the payment of Income Tax, in order to contain the negative effects on the economy of said sector in the country.

1. Internet sales:
2. Reprogram your debts:
3. Change your debt to local currency:
4. Short loans:
5. Have the necessary personnel (Gestión, 2020: 1)



#### **1.4. Research Question Presentation**

Having reviewed the economic problems and impacts that a pandemic entails, in addition to the importance of SMEs for emerging economies such as Latin American countries, motivated us to investigate what economic measures could help a small company to cope with the recession, under that query the question to guide this investigation is formulated: What financial strategies can a small company take in developing countries to face a recession caused by a health crisis?

## **CHAPTER II. Research Methodology**

### **2.1. Research Design (Epistemological positioning)**

In the first instance of this research, the technique proposed to carry out the study approached to the positivist epistemological methodology, due to the fact that it was sought to obtain tangible proves, such as a detailed financial analysis of different companies, of various sectors and from several Latin America countries during this recession months, that would demonstrate which of the main existing theoretical financial strategies will have better results and should be apply as general guidelines by most small companies in these developing countries to face a recession caused by a health crisis.

Although the goal of this first approach projected an ambitious result, it would have been difficult to reach a conclusive resolution due to the large amount of information would have been needed to obtain a decisive argument, and also as a current recession caused by Coronavirus health crisis is in progress, new data and information is generated every day, enabling the possibility of leaving out relevant information.

Considering the above and in order to reach a more accurate conclusion, the research of this study turned to focus in the results of the financial strategies taken by only one small telecommunication company in Peru, a developing country in Latin America, taking a new approach for the research as an epistemological interpretative, because it will seek to understand the particular behavior of an entity, which also has the advantage of being the author's work center, allowing him almost unlimited access to company information.

In this point, due the results of this study could be considered too specific and just interesting for a remote reality in Peru, it was decided to complement them by adding a cursory investigation of the performance of other small businesses in different Latin American countries during this pandemic, with the aim to suggest the financial “general guidelines” mentioned in the first paragraph but without being decisive.

To obtain the results mentioned above, the research will be driven according to the following stages:

1. Define the principal consequences of a recession caused by a health crisis for a small company in a Latin America
2. Define the main existing theoretical financial strategies postulated to face a recession.
3. Measure the impact of each recession consequence listed by an interview with the company.
4. Measure the impact of each theoretical financial strategy previously listed and used by the company by another interview.
5. Evaluate the financial performance of the company during the pandemic to corroborate the results of the previous interviews.
6. Process the data obtained from the interviews and financial analysis to obtain the first qualitative results for this Peruvian company.
7. Measure the impact of each recession consequence and each theoretical financial strategy previously listed by a questionnaire to other small Latin America companies.
8. Analyze official information of economic performance related to small companies, provided by the Latin America governments where the companies of this study are located.
9. Process the data obtained from the other companies and the economic performance, and compare the results with the ones obtained from the first studied company to obtain a wider and rough result of the best financial strategies.

## **2.2. Data collection (methodology and research field presentation)**

The first two stages of the research are based on the analysis of literature, to define relevant variables for its posterior use in the analysis of the company.

### ***2.2.1. Definition of principal recession consequences***

Gathering the main mentions about the financial problems that a pandemic entails, the main consequences derived from that recession were extracted and summarized from the literature research into the following ten consequences:

1. Decrease of growth forecast and expansion plans.
2. Cancellation or delay of investments, including recruitment.
3. Sales decrease.
4. Client loss.
5. Earnings decrease.
6. Delay in payment chain.
7. Loss of company share value.
8. Compelled to reduce staff.
9. Compelled to reduce production.
10. Compelled to close business or locations.

These consequences will be taken as a basis to define if they affect the company under study.

### ***2.2.2. Definition of main financial strategies***

The second step is to compile the main financial strategies to cope with the crisis according to the literature, leaving aside other measures, such as marketing or operational, focusing on finance. Were obtained 12 measures, which were grouped in two groups, the first one considers administrative measures related to financial management, and the second one consists of purely financial measures. The relation of strategies is showed below:

Managerial strategies related to finance

1. Hire an external financial service of consulting or audit to improve the financial performance.
2. Take advantage of government initiatives relatives to taxes and loans in order to benefit small companies.

3. Finance a prudently expansion to new markets, seizing opportunities generated by the current situation, diversify portfolio. Ensuring the profitability of business providing critical services, consumer essential, mandated products or exporting.
4. Reduce in due time the number of business or products with high probability of risk due to pandemic.
5. Finance the acquisition, fusion or partnership with other companies or stakeholders, in order to benchmark, decrease vulnerabilities, control rivals or maximize the company valuation.
6. Invest on enhance team quality, evaluate them, educate staff with the new digital and remote business requirements and take advantage by empowering them, involving in policy choices.

#### Finance strategies

7. Increase the frequency, dynamism and adaptability of finance planning, reevaluating budgets monthly and forecasting diverse scenarios, according to the performance of financial indicators and the conjuncture, to assist managerial decisions.
8. Make sure cash flow does not stop, manage collection, taxes, rent and mortgage to secure working capital reserves without resorting to hasty loans.
9. Restrict expenses and cost to what is fundamentally necessary, including the permanence of just necessary personnel.
10. Maintain a close relationship with banking and lenders in order to manage improved credit arrangements, opting for short loans an in local currency if your sales are in that currency.
11. Invest in attractive assets, which prices become attractive due the pandemic; if you have available capital, in the long run they are likely to regain their value.
12. Reduce the regular amount of inventories, and convert into cash if a large drop of sales is foreseen.

### ***2.2.3. Measure the impact of recession consequences on the main company***

An initial questionnaire was prepared to determine if the company belong to the desired study group, Small and Medium Enterprises (SMEs), to validate it will be used the legal classification for a SMEs used by the Peruvian government.

**Table II.1. Parameters to evaluate the suitability of the company for the study**

Principal activity of the company	
Number of workers	
Last annual gross income (US dollar)	

Source: Own elaboration

**Table II.2. Parameters to be consider a SME in Peru in 2020**

Parameters to be consider a SME in Peru in 2020	
Maximum number of workers	Maximum annual gross income (US dollar)
100	2'900,000.00

Source: SUNAT. (2020), Características Micro y Pequeña empresa, Retrieved from <http://www.sunat.gob.pe/orientacion/mypes/caracteristicas-microPequenaEmpresa.html>

Then the company will be classified, according to the activity or sector where it belongs to determine the level of impact that this pandemic cause, this classification of favored or harmed activities by the pandemic were made according to the literature.

**Table II.3. Classification of some activities according to their level of negative economic impact by the coronavirus pandemic**

Classification of some activities according to their level of negative economic impact by the coronavirus pandemic		
Benefited activities	Slightly-impacted activities	Harmed Activities
Pharmacy Health Online Services	Agriculture Education Manufacture Mining Livestock Telecommunications	Entertainment Construction Gastronomie Tourisme Transportation

Source: Own elaboration

Once the company has been categorized, a questionnaire will be carried out in a personal interview to determine if it has been affected by the predetermined consequences of the pandemic, seeking to expand on the response and obtain evidence if possible.

**Table II.4. Qualitative questionnaire chart to evaluate the economic impact of pandemic consequences**

Pandemic consequences	Have your company suffered it? (Yes/No)	Explain	Evidence
1. Decrease of growth forecast and expansion plans.			
2. Cancellation or delay of investments, including recruitment.			
3. Sales decrease.			
4. Client loss.			
5. Earnings decrease.			
6. Delay in payment chain.			
7. Loss of company share value.			
8. Compelled to reduce staff.			
9. Compelled to reduce production.			
10. Compelled to close business or locations.			

Source: Own elaboration

#### ***2.2.4. Measure the impact of financial strategies on the main company***

Then we proceeded to investigate through a questionnaire whether the company applied some of the recommended financial measures according to the literature and what results it obtained with each, in addition to delving into the response and looking for evidence. Finally, during the interview, an attempt would be made to relate the financial measure to the relief of any consequence of the pandemic in the previous table.



**Table II.5. Qualitative questionnaire chart to evaluate the economic impact of managerial strategies related to finance**

Managerial strategies related to finance	Have you applied this strategy?	Explain	Evidence	Which economic impact helped to overcome?
1. Hire an external financial service of consulting or audit to improve the financial performance.				
2. Take advantage of government initiatives relatives to taxes and loans in order to benefit small companies.				
3. Finance a prudently expansion to new markets, seizing opportunities generated by the current situation, diversify portfolio. Ensuring the profitability of business providing critical services, consumer essential, mandated products or exporting.				
4. Reduce in due time the number of business or products with high probability of risk due to pandemic.				
5. Finance the acquisition, fusion or partnership with other companies or stakeholders, in order to benchmark, decrease vulnerabilities, control rivals or maximize the company valuation.				
6. Invest on enhance team quality, evaluate them, educate staff with the new digital and remote business requirements and take advantage by empowering them, involving in policy choices.				

Source: Own elaboration

**Table II.6. Qualitative questionnaire chart to evaluate the economic impact of finance strategies**

Finance strategies	Have you applied this strategy?	Explain	Evidence	Which economic impact helped to overcome?
7. Increase the frequency, dynamism and adaptability of finance planning, reevaluating budgets monthly and forecasting diverse scenarios, according to the performance of financial indicators and the conjuncture, to assist managerial decisions.				
8. Make sure cash flow does not stop, manage collection, taxes, rent and mortgage to secure working capital reserves without resorting to hasty loans.				
9. Restrict expenses and cost to what is fundamentally necessary, including the permanence of just necessary personnel.				
10. Maintain a close relationship with banking and lenders in order to manage improved credit arrangements, opting for short loans in local currency if your sales are in that currency.				
11. Invest in attractive assets, which prices become attractive due the pandemic; if you have available capital, in the long run they are likely to regain their value.				
12. Reduce the regular amount of inventories, and convert into cash if a large drop of sales is foreseen.				

Source: Own elaboration

### ***2.2.5. Financial evaluation of the main company***

To corroborate the results obtained in the previous questionnaires, some financial indicators will be taken from the financial statements of the company for the months since the pandemic began, in March, and will be compared with the indicators of the

previous year; the chosen indicators are the following and will be presented in the following table:

- Sales, since it represents the activity that the company has had.
- Expenses, will allow knowing the operation and investments to carry out the work.
- Salaries, since one of the main effects of this pandemic was reflected in the loss of employment, this data will allow us to see how it affects the company.
- Closing cash flow at the end of period, it will reflect the solvency of the company especially after receiving the loans from the government
- Net Profit, this will show the efficiency of the company.

**Table II.7. Table for Financial evaluation**

Finance Indicators	2019 (Mar-Set)	2020 (Mar-Set)
Sales		
Expenses		
Salaries		
Closing Cash Flow		
Net Profit		

Source: Own elaboration

**2.2.6. Investigate other companies to complement the study**

Finally, with the aim of complementing the study, it would be proceed to analyze the performance of other companies during this time, to offer an additional look without being conclusive because is not reached the required sample quantity to make it representative of the universe.

The format of the questionnaire would be changed, since this would be completed only by a company representative, without participation of any interviewer to depth in each answer, therefore a quantitative methodology was chosen for this stage of the analysis.

**Table II.8. Quantitative questionnaire chart to evaluate the economic impact of pandemic consequences to complementary companies of the research**

Pandemic consequences	Have your company suffered it? (Overmuch, Slightly or No)	Pandemic consequences	Have your company suffered it? (Overmuch, Slightly or No)
1. Decrease of growth forecast and expansion plans.		6. Delay in payment chain.	
2. Cancellation or delay of investments, including recruitment.		7. Loss of company share value.	
3. Sales decrease.		8. Compelled to reduce staff.	
4. Client loss.		9. Compelled to reduce production.	
5. Earnings decrease.		10. Compelled to close business or locations.	

Source: Own elaboration

**Table II.9. Quantitative questionnaire chart to evaluate the economic impact of strategies taken by complementary companies of the research**

Managerial strategies related to finance	Have you applied this strategy?	Finance strategies	Have you applied this strategy?
1. Hire an external financial service of consulting or audit to improve the financial performance.		7. Increase the frequency, dynamism and adaptability of finance planning, reevaluating budgets monthly and forecasting diverse scenarios, according to the performance of financial indicators and the conjuncture, to assist managerial decisions.	
2. Take advantage of government initiatives relatives to taxes and loans in order to benefit small companies.		8. Make sure cash flow does not stop, manage collection, taxes, rent and mortgage to secure working capital reserves without resorting to hasty loans.	
3. Finance a prudently expansion to new markets, seizing opportunities generated by the current situation, diversify portfolio. Ensuring the profitability of business providing critical services, consumer essential, mandated products or exporting.		9. Restrict expenses and cost to what is fundamentally necessary, including the permanence of just necessary personnel.	
4. Reduce in due time the number of business or products with high probability of risk due to pandemic.		10. Maintain a close relationship with banking and lenders in order to manage improved credit arrangements, opting for short loans an in local currency if your sales are in that currency.	
5. Finance the acquisition, fusion or partnership with other companies or stakeholders, in order to benchmark, decrease vulnerabilities, control rivals or maximize the company valuation.		11. Invest in attractive assets, which prices become attractive due the pandemic; if you have available capital, in the long run they are likely to regain their value.	
6. Invest on enhance team quality, evaluate them, educate staff with the new digital and remote business requirements and take advantage by empowering them, involving in policy choices.		12. Reduce the regular amount of inventories, and convert into cash if a large drop of sales is foreseen.	

Source: Own elaboration

### ***2.2.7. Government data on economic performance***

To clarify whether the performance of the main company in the study has a correlation with the performance of the other companies studied and also is representative of the general business environment of the country, an analysis of some of the main economic indicators of the countries involved will be performed:

- Unemployment rate, one of the most consulted indicators on these dates due to the loss of jobs caused by the social distancing and quarantine measures taken by the different governments of the world.
- Gross Domestic product, the main and most used indicator on the productive activity of a country

The data of these economic indicators corresponding to the months of the health crisis will be compared with the data of the previous year for each of the countries involved in the following table:

**Table II.10. Table for analysis of economic performance of countries**

Period	Country Unemployment Rate	Country Gross Domestic Product
March		
April		
May		
Jun		
July		

Source: Own elaboration

### 2.3. Data measurement

#### *2.3.1. Analysis of the main company using qualitative research*

The results of the interview would be analyzed from a qualitative point of view, since it seeks to understand the implications of the financial strategies taken by the company by deepening each answer. It will seek to determine if there is a relationship between the strategies adopted and the solution to the problems caused by the pandemic.

Based on the interviewer assessment, the interviewer observations and the evidence gathered during the interview, it will be deducted which strategy is most effective to deal with the crisis.

#### *2.3.2. Analysis of the main company using financial indicators*

The financial indicators obtained from the financial statements of the months of the pandemic will be compared with the financial indicators of the previous year to corroborate the qualitative results from the interview using numerical information.

### ***2.3.3. Analysis of the other complementary companies using a quantitative research***

In the case of the other companies, these would produce numerical results, which will be compared with the results of the main company to reinforce or complement it, without being conclusive due to the small number of the sample.

### ***2.3.4. Analysis of the economic environment of Latin America***

The results of the economic indicators of the countries will be compared to the last year ones to visualize the variation most likely attributable to the pandemic. These results will show if the performance of the analyzed companies is related to the general economic performance of the country.

## CHAPTER III. Results and Analysis

### 3.1. Presentation of results

#### *3.1.1. Analysis of the Relationship matrix between the financial strategies and the resection consequences*

First, it was verified if the company fell within the classification of an SME, finding that the company falls within this group to the fair, very close to the limits, in addition to belonging to a group that was neither greatly harmed nor benefited from the be a telecommunications company, initial classification was done.

**Table III.1. Results of classification chart of the main company of the research**

Characteristic	Main Company	Peruvian Classification of SME
Principal activity of the company	Telecommunications	Any
Number of workers	95	Max 100
Estimated last annual gross income (US dollar)	2,060,000.00	Max 2,900,000

Source: SUNAT. (2020), Características Micro y Pequeña empresa, Retrieved from <http://www.sunat.gob.pe/orientacion/mypes/caracteristicas-microPequenaEmpresa.html>

The following data were obtained in interviews with the CEO of the company and analysis of evidence to corroborate what he mentioned.



**Table III.2. Qualitative results of the evaluation of the economic impact of pandemic consequences experienced by the main company of the research**

Pandemic consequences	Have your company suffered it?	Explain	Evidence
1. Decrease of growth forecast and expansion plans.	Yes	There were conversations with some relevant clients to participate in important projects for the company, but they were paralyzed. Also the company had acquired recently a land in the Lima center to build new headquarters; this project is suspended until further notice.	Two clients were planning to build new shopping malls. They had technical files and were preparing a tender to look for suppliers, but right now these plans were delayed.
2. Cancellation or delay of investments, including recruitment.	No	Some project were delayed, however the company expenses adapt to demand, so after two months of paralysis they resumed.	There were three big projects for the company at that time, which consists in the installation of electric and electronic infrastructure in tree shopping malls.
3. Sales decrease.	Yes	During two months the company was not working in its major activities, take that time to reorganize processes; however that mean it does not made new sales.	There were no sales in accounting during April and May 2020.
4. Client loss.	No	The company has few larger companies as its clients, so relationships and contract were maintained in good terms during this time.	
5. Earnings decrease.	No	There were expected to have largest amounts of loses, but faithfully the company receive a considerable loan from government in very favorable terms, allowing to compensate the lack of activity.	Even though sales in lockdown months decreased, is projected that annual earning will do not according to CEO estimations.
6. Delay in payment chain.	No	Fortunately, the company has enough liquidity to compensate the lockdown period and after that receives a loan from government that allow to not break the payment chain.	
7. Loss of company share value.	No	The company is a family business financed by private capital and is not listed on any stock exchange market.	99 percent of company shares are owned by one person.
8. Compelled to reduce staff.	No	The company uses a large number of temporary workers depending g of the number of projects in realization, and almost a half of wages are derivate from extra hours payment, this allow that when activity decrease, wages also decrease and there was no necessity of firing workers.	
9. Compelled to reduce production.	Yes	The company main activity is to carry out telecommunications projects or maintenance contracts, thus maintenance contracts continued taking place but there were new projects or get paralyzed.	There were no sales in accounting during April and May 2020.
10. Compelled to close business or locations.	No	The building has a main building as headquarters and a warehouse, they continued operating due the lockdown by fewer people or remote work.	

Source: Own elaboration

After deepening the consequences of the pandemic with the CEO, we proceeded with the evaluation of the financial measures taken by the company to deal with crises, using the following table:

**Table III.3. Qualitative results of the evaluation of the economic impact of managerial strategies related to finance taken by the main company of the research**

Managerial strategies related to finance	Have you applied this strategy?	Explain	Evidence	Which economic impact helped to overcome?
1. Hire an external financial service of consulting or audit to improve the financial performance.	No	This options was not event took in count		
2. Take advantage of government initiatives relatives to taxes and loans in order to benefit small companies.	Yes	This was a very timely lifesaver for the company, allows to continue working and planning more comfortable actions for the future	The Peruvian government provide a loan of 570,000.00 US dollars at an annual tax rate of 2% with a two years grace period to the company as part of its rescue program	Earnings decrease. Delay in payment chain. Compelled to reduce staff.
3. Finance a prudently expansion to new markets, seizing opportunities generated by the current situation, diversify portfolio. Ensuring the profitability of business providing critical services, consumer essential, mandated products or exporting.	No	This was considered at the beginning, but after the government loan, the management of the company decided to stay focused in the main known activity		
4. Reduce in due time the number of business or products with high probability of risk due to pandemic.	No	Luckily the products commercialized by the company are not considered in risky for coronavirus		
5. Finance the acquisition, fusion or partnership with other companies or stakeholders, in order to benchmark, decrease vulnerabilities, control rivals or maximize the company valuation.	No	This strategy is always an option for the company in order to increase its capacity, but there were not especial consideration related to this pandemic		
6. Invest on enhance team quality, evaluate them, educate staff with the new digital and remote business requirements and take advantage by empowering them, involving in policy choices.	No	Some resources were invested to do remote home work for a few workers, but there were not a real motivation to take this as a strategy of success		

Source: Own elaboration

**Table III.4. Qualitative results of the evaluation of the economic impact of finance strategies taken by the main company of the research**

Finance strategies	Have you applied this strategy?	Explain	Evidence	Which economic impact helped to overcome?
7. Increase the frequency, dynamism and adaptability of finance planning, reevaluating budgets monthly and forecasting diverse scenarios, according to the performance of financial indicators and the conjuncture, to assist managerial decisions.	Yes	Due to lockdown, the company used that time to reorganize and optimize process, one of them was the finance planning.	Usually in the company is made a budget at the begging of the year, which usually is abandoned and get out of date after few months, however due this situation, as it was re done in April, forecasting some scenarios, which get out dated after government loan.	Delay in payment chain. Compelled to reduce staff.
8. Make sure cash flow does not stop, manage collection, taxes, rent and mortgage to secure working capital reserves without resorting to hasty loans.	Yes	Due to lockdown, the company took time to order patiently it accounting	Usually accounting gave outdated information, at least three months late, impairing decision making, thanks to lock down timely information can be used	Delay in payment chain. Compelled to reduce staff.
9. Restrict expenses and cost to what is fundamentally necessary, including the permanence of just necessary personnel.	Yes	Due to lockdown, the company took time to evaluate it process efficiency, optimizing them, obtaining more value for their cost.	As an example of this, logistic processes were optimized, increasing its efficiency in 20% and implementing a new warehouse system.	Delay in payment chain. Compelled to reduce staff.
10. Maintain a close relationship with banking and lenders in order to manage improved credit arrangements, opting for short loans an in local currency if your sales are in that currency.	Yes	The company have a good credit reputation, and that was maintained in spite of pandemic, some loans were evaluated before the government loan	The good reputation of the company allow it to bought a land in the city center at the end of last year with an annual rate of 5%	
11. Invest in attractive assets, which prices become attractive due the pandemic; if you have available capital, in the long run they are likely to regain their value.	No	This option was not taking in account even the CEO seemed interested of these types of investment		
12. Reduce the regular amount of inventories, and convert into cash if a large drop of sales is foreseen.	No	Company does not handle large numbers of inventory, due to it generally acquires what is necessary to execute an approved and signed project		

Source: Own elaboration

### 3.1.2. Analysis of main company finance indicators

The study of the financial indicators of the main company had several drawbacks, due to the accounting since the beginning of the company has had shortcomings, such as mixing personal accounts of shareholders with those of the company or mixing them with those belonging to other companies of the same owners, sadly that is a very common practice in small Peruvian companies, therefore to obtain the following data it was necessary to work on a correction of the accounts to obtain results that are closer to reality:

**Table III.5. Finance indicator results of main company (numbers in thousands)**

Finance Indicators	March		April		May		June		July	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Sales	149	103	153	52	143	113	162	124	182	242
Expenses	141	102	122	98	110	122	127	122	132	148
Salaries	76	63	73	69	69	72	73	82	79	84
Closing Cash Flow	142	82	152	630	160	580	180	575	203	1170
Net Profit	4	1	13	-47	22	-7	23	1	32	63

Source: Own elaboration

In general terms, there are no large variations between the financial statements of the years analyzed, but some interesting conclusions can be drawn:

- Regarding sales despite some variations in the amounts, these are completely normal for this type of business, which is managed by projects and tenders, not being constant during all months.
- With regard to expenses, they are normally related to sales, since the main expenses are labor and materials for the projects, in this case similar to sales, a completely normal behavior are shown for this company.
- Salaries are one of the most important items since it is an installation services company, however, there are no large variations, except for the month of March, when strict confinement began, which probably influenced that month.
- In the cash flow, you can see the great impact that government loans had in the months of April and July 2020.
- Finally, the net results apparently have been affected, although in the month of July a recovery is seen

### 3.1.3. Complement the study with the results of other companies

In order to obtain data from the other companies, business owners to whom the author had some degree of closeness were asked, these tests were carried out on companies from three different countries (Mexico, Colombia and Peru) and different areas (Agriculture, Services, Commerce, Construction, Food and Professional Services) obtaining the next results:

**Table III.6 . Quantitative results of classification chart of complementary companies of the research**

Company classification according the Economic impact by coronavirus pandemic	Company dimension	
	SME	Larger than a SME
Benefited activities	1	
Slightly-impacted activities	6	1
Harmed Activities	2	

Source: Own elaboration

**Table III.7. Results of classification the level of economic impact according to the activity of complementary companies of the research**

List of activities according to their level of economic impact by the coronavirus pandemic		
Benefited activities	Slightly-impacted activities	Harmed Activities
1	6	2

Source: Own elaboration

**Table III.8. Quantitative results of the evaluation of the economic impact of pandemic consequences experienced by complementary companies of the research**

Pandemic consequences	Benefited activities			Slightly-impacted activities			Harmed Activities		
	Overmuch	Slightly	No	Overmuch	Slightly	No	Overmuch	Slightly	No
1. Decrease of growth forecast and expansion plans.			1	1	3	2	2		
2. Cancellation or delay of investments, including recruitment.			1	4	2		1	1	
3. Sales decrease.			1	3	2	1	2		
4. Client loss.			1	2	2	2	1		1
5. Earnings decrease.			1	3	2	1	2		
6. Delay in payment chain.			1		3	3		1	1
7. Loss of company share value.			1	2		4		1	1
8. Compelled to reduce staff.			1	1	4	1	2		
9. Compelled to reduce production.			1	1	3	2	2		
10. Compelled to close business or locations.			1	1	1	4		1	1

Source: Own elaboration

**Table III.9. Quantitative results of the evaluation of the economic impact of managerial strategies related to finance experienced by complementary companies of the research**

Managerial strategies related to finance	Benefited activities		Slightly-impacted activities		Harmed Activities	
	Yes	No	Yes	No	Yes	No
1. Hire an external financial service of consulting or audit to improve the financial performance.		1		6		2
2. Take advantage of government initiatives relatives to taxes and loans in order to benefit small companies.	1		6		1	1
3. Finance a prudently expansion to new markets, seizing opportunities generated by the current situation, diversify portfolio. Ensuring the profitability of business providing critical services, consumer essential, mandated products or exporting.		1	2	4	2	
4. Reduce in due time the number of business or products with high probability of risk due to pandemic.		1	3	3	2	
5. Finance the acquisition, fusion or partnership with other companies or stakeholders, in order to benchmark, decrease vulnerabilities, control rivals or maximize the company valuation.	1		1	5	1	1
6. Invest on enhance team quality, evaluate them, educate staff with the new digital and remote business requirements and take advantage by empowering them, involving in policy choices.	1		2	4		2

Source: Own elaboration

**Table III.10. Quantitative results of the evaluation of the economic impact of managerial strategies related to finance experienced by complementary companies of the research**

Finance strategies	Benefited activities		Slightly-impacted activities		Harmed Activities	
	Yes	No	Yes	No	Yes	No
7. Increase the frequency, dynamism and adaptability of finance planning, reevaluating budgets monthly and forecasting diverse scenarios, according to the performance of financial indicators and the conjuncture, to assist managerial decisions.		1	4	2		2
8. Make sure cash flow does not stop, manage collection, taxes, rent and mortgage to secure working capital reserves without resorting to hasty loans.	1		3	3		2
9. Restrict expenses and cost to what is fundamentally necessary, including the permanence of just necessary personnel.		1	5	1	2	
10. Maintain a close relationship with banking and lenders in order to manage improved credit arrangements, opting for short loans an in local currency if your sales are in that currency.	1		5	1	1	1
11. Invest in attractive assets, which prices become attractive due the pandemic; if you have available capital, in the long run they are likely to regain their value.	1		3	3	1	1
12. Reduce the regular amount of inventories, and convert into cash if a large drop of sales is foreseen.		1	2	4	1	1

Source: Own elaboration

#### ***3.1.4. Analysis of the economic situation of other countries***

Before analyzing the results of the unemployment rate and variation of the gross domestic product, it is relevant to mention that both, Peru and Colombia, applied severe quarantine measures, immobilizing commercial activities, while Mexico opted for a strategy of awareness instead of forced imposition, applying more flexible measurements to contain the virus spread.

**Table III.11. Results of the economic environment evaluation per country**

Period		Peru		Colombia		Mexico	
		Unemployment Rate (of total labor force)	Gross Domestic Product (trimestral variation)	Unemployment Rate (of total labor force)	Gross Domestic Product (trimestral variation)	Unemployment Rate (of total labor force)	Gross Domestic Product (trimestral variation)
March	2019	6.7 %	2.3 %	10.8 %	2.8 %	3.6 %	1.1 %
	2020	13.1 %	-3.4 %	12.6 %	1.1 %	3.5 %	-1.4 %
April	2019	6.3 %	-	10.3 %	-	3.5 %	-
	2020	16.3 %	-	19.8 %	-	4.7 %	-
May	2019	6.0 %	-	10.5 %	-	3.6 %	-
	2020	16.4 %	-	21.4 %	-	4.2 %	-
Jun	2019	5.8 %	1.2 %	9.4 %	3.1 %	3.5 %	-1.1 %
	2020	15.6 %	-30.2 %	19.8 %	-15.7 %	5.5 %	-17.1 %
July	2019	-	-	10.7 %	-	-	-
	2020	-	-	20.2 %	-	-	-

Source: Instituto Nacional de Estadística e Informática. (2020), PBI Trimestral, Retrieved from <https://www.inei.gob.pe/biblioteca-virtual/boletines/pbi-trimestral/1/>  
 Departamento Administrativo Nacional de Estadística. (2020), Producto Bruto Interno, Retrieved from <https://www.dane.gov.co/index.php/estadisticas-por-tema/cuentas-nacionales/cuentas-nacionales-trimestrales>  
 Instituto Nacional de Estadística y Geografía. (2020), Producto Bruto Interno, Retrieved from <https://www.inegi.org.mx/temas/pib/>

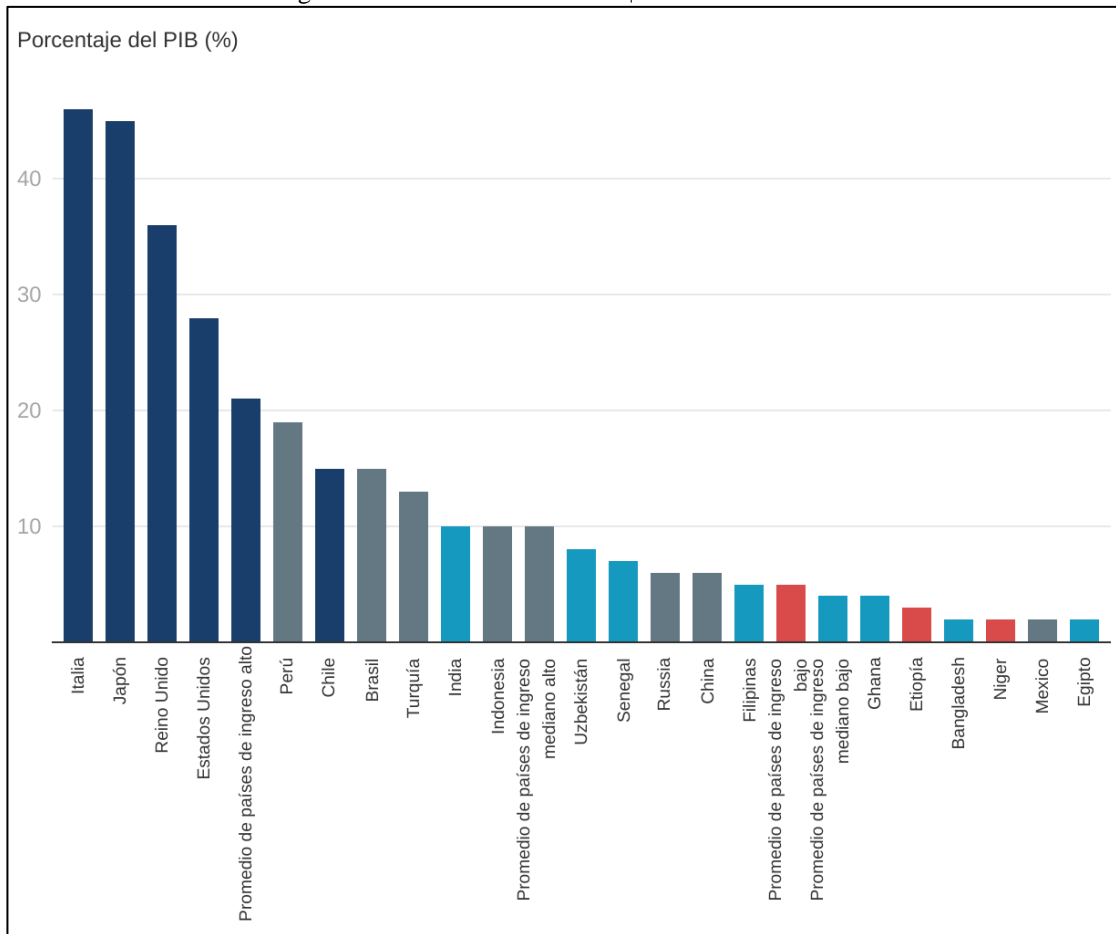
According to Unemployment rate data, it can be seen that both, Peru and Colombia had a substantial increase of it, meanwhile Mexico just a slightly variation.

In the other hand, The Gross Domestic Product showed an overwhelming decrease, especially in the case of Peru, that practically double the variation percentage in comparison to Colombia and Mexico.

In order to get a wider vision of the fiscal measures taken by different countries governments, in following figure, extracted from the World Bank data from 2020, can be seen that in the high income countries tended to spend more financial resources to face the pandemic, as a percentage of GDP, than the low income countries.



**Table III.12. Fiscal Response to COVID-19: Selected Countries, by Income Group**  
 Dark blue = High income | Gray= Middle high income |  
 Light blue = Middle low income | Red = Low income

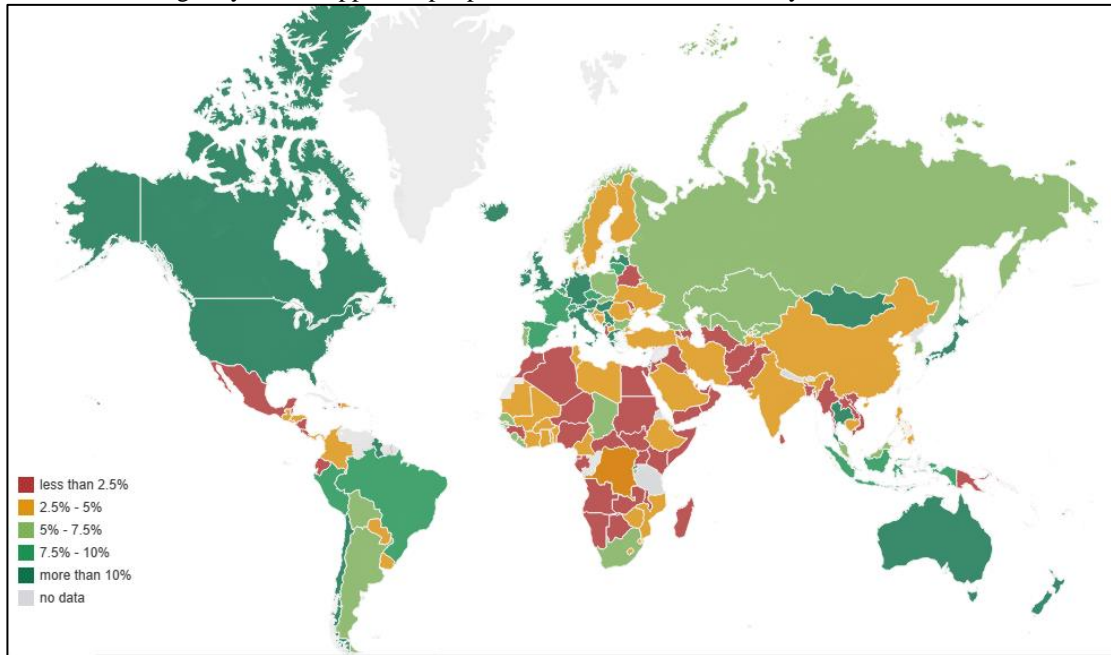


Source: World Bank. (2020), The economic impacts of the pandemic and new risks to the recovery, Retrieved from <https://www.bancomundial.org/es/publication/wdr2022/brief/chapter-1-introduction-the-economic-impacts-of-the-covid-19-crisis>

Nevertheless, there are some medium high-income countries that don't follow the tendency mentioned before, as the previous analyzed Mexico, which their spend of fiscal resources as a percentage of GDP is similar to the percentage by low-income countries, therefore analyzing the complete data graphed in the following figure, can be seen other cases similar to Mexico, as Ecuador, Morocco or Egypt, however the initial tendency mentioned in the previous paragraph prevails for most cases.

**Figure III.1. Additional Spending and Forgone Revenue in Response to the COVID-19 Pandemic (Percent of 2020 GDP)**

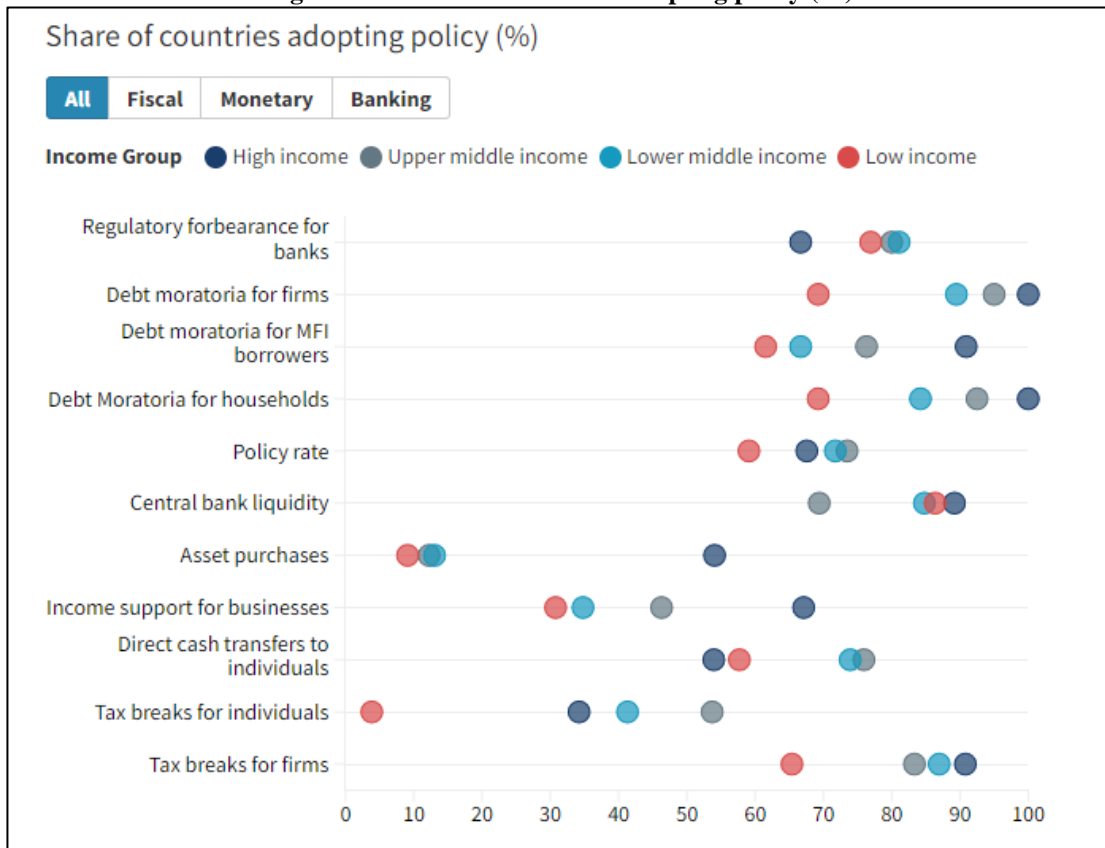
Budgetary fiscal support to people and firms has varied widely across countries.



Source: International Monetary Fund. (2021), Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic, Retrieved from <https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19>

Another aspect to be consider in the previous figure is that in 2020 the pandemic has been started from a year ago, so depending how each country has faced the previous, and initial year of the pandemic their measures will also vary. To explore which measures related to the economy were taken by different countries, can be visualized in the following figure, according to the same classification of countries used previously:

**Figure III.2. Share of countries adopting policy (%)**



Source: World Bank. (2020), The economic impacts of the pandemic and new risks to the recovery, Retrieved from <https://www.bancomundial.org/es/publication/wdr2022/brief/chapter-1-introduction-the-economic-impacts-of-the-covid-19-crisis>

According to the previous figure can be seen that a bigger percentage of high income countries applied more policies to face pandemic than the others, also some measures were almost exclusively taken by this countries, like the purchase of assets, or with less difference the application of tax breaks for individuals as this measure are also taken by middle income countries. In the case of the other measures, even the percentage of richest countries is higher, the poorest countries also applied that measures.

After taking a worldwide look of the facing pandemic measures, using the data of the United Nation Commission for Latin America, where the measures announced by the Latin American governments are listed according to the type of measure, can be seen in special attention the financial measures:

**Table III.13. Support measures for the business sector announced by national government**

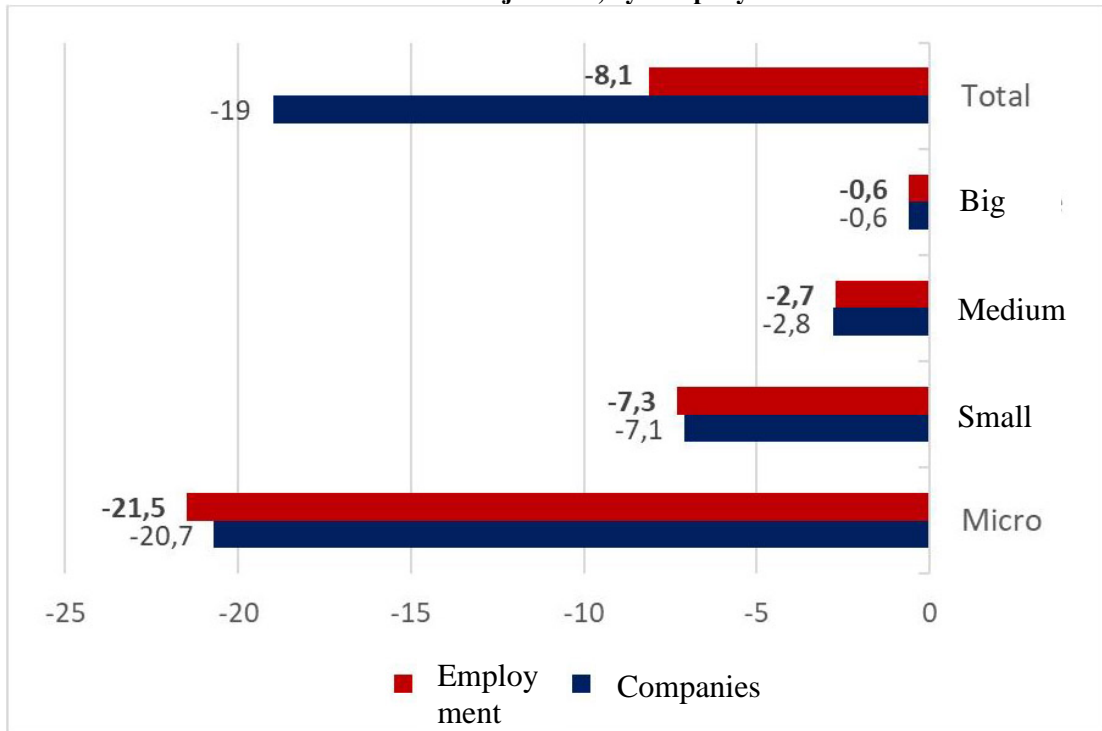
Country	Liquidity	Credit	Direct help	Production help	Employment	Exports	Total	Sectoral approach
<b>América del Sur</b>								
Argentina	11	9	9	2	4	2	37	7
Bolivia (Estado Plurinacional de)	5	3	...	...	...	...	8	...
Brasil	17	17	1	2	3	1	41	9
Chile	10	9	6	4	3	...	32	2
Colombia	7	11	2	4	3	...	27	13
Ecuador	4	3	1	...	1	1	10	3
Paraguay	4	5	1	1	4	...	15	3
Perú	3	4	5	2	2	1	17	8
Uruguay	4	5	2	...	2	...	13	2
Venezuela (República Bolivariana de)	1	2	3	1	1	...	8	2
<b>México</b>	1	3	5	...	...	...	9	4
<b>Centroamérica</b>								
Costa Rica	6	3	3	3	2	...	17	4
El Salvador	2	3	2	...	1	...	8	3
Guatemala	4	3	2	...	...	1	10	1
Honduras	4	8	4	...	1	...	17	8
Nicaragua	...	...	...	...	2	...	2	...
Panamá	6	3	4	...	3	...	16	2
<b>El Caribe</b>								
Bahamas	2	1	1	...	...	...	4	1
Barbados	...	4	1	...	1	...	6	3
Belice	...	2	...	...	1	...	3	2
Cuba	4	...	5	1	1	...	11	4
Granada	1	2	1	...	...	...	4	2
Haiti	4	...	1	...	...	...	5	...
Jamaica	1	...	2	1	...	...	4	2
República Dominicana	6	5	...	1	2	...	14	2
Santa Lucía	1	...	...	...	...	...	1	...
Trinidad y Tabago	2	7	2	1	...	...	12	4
<b>Total</b>	<b>110</b>	<b>112</b>	<b>63</b>	<b>23</b>	<b>37</b>	<b>6</b>	<b>351</b>	<b>91</b>

Source: Cepal. (2020), Informe especial COVID 19 N°4 Sectores y empresas frente al COVID-19: emergencia y reactivación, Retrieved from [https://repositorio.cepal.org/bitstream/handle/11362/45734/4/S2000438\\_es.pdf](https://repositorio.cepal.org/bitstream/handle/11362/45734/4/S2000438_es.pdf)

From the previous table can be seen that most countries in South America announced more measures in comparison to Caribe area and Central America, including Mexico, however in all cases the predilect measures tend to be financial, as managing and providing liquidity and credit.

At last, to finish the analysis of the economic environment, was made a comparison between the impact and measures taken by larger sized companies, in comparison to the SME companies that are the focus of this study.

**Figure III.3. Latin America and the Caribbean (27 countries): percentage of companies that could close and jobs lost, by company size**

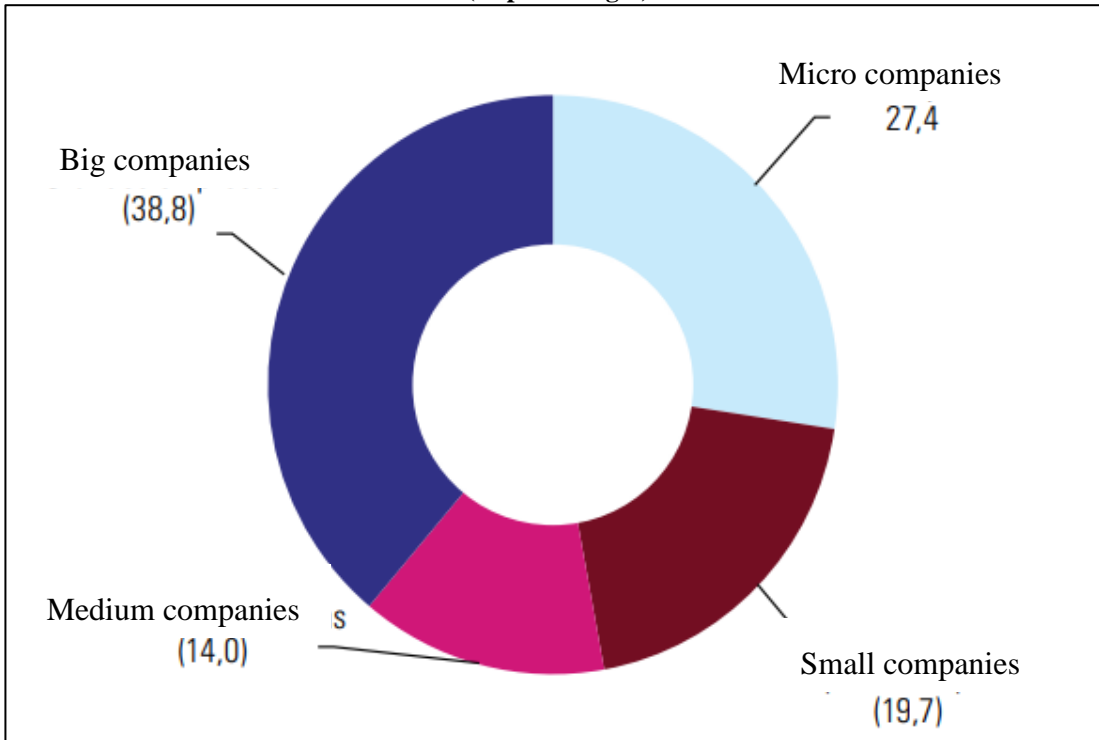


Source: Cepal. (2020), Mipymes y el COVID-19, Retrieved from <https://www.cepal.org/es/euromipyme/mipymes-covid-19>

According to this information the percentage of micro enterprises that be estimated that would close in Latin America will be 20,7 percent, against 0.6 percent of big companies that will be in the same situation, nevertheless an additional measure will be needed to contrast this number, in order to evaluate the magnitude of each closing to the economy.

The measure chosen to compare the impact of closure of each size of companies will be the participation into employment offering. As can be seen in the following figure, using data from 2016, the big companies provide 38.8 percent of employment, meanwhile the micro enterprises provide 27.4, using the previous percentage of companies affected, the employments in big companies will decrease 0.6 of 38.8, equal to 0.23 of total employees, meanwhile the employments in micro companies will decrease 21.5 of 27.4, equal to 5.891 of total employees, almost 25 times more, that implies that for each big companies employment lost, there will be 25 employment lost in micro companies.

**Figure III.4. Latin America (8 countries): participation in employment, by size, 2016  
(In percentages)**



Source: Cepal. (2020), Informe especial COVID 19 N°4 Sectores y empresas frente al COVID-19: emergencia y reactivación, Retrieved from [https://repositorio.cepal.org/bitstream/handle/11362/45734/4/S2000438\\_es.pdf](https://repositorio.cepal.org/bitstream/handle/11362/45734/4/S2000438_es.pdf)

That scenario was not only seen for Latin American micro companies, as for example in Spain according to Cinco Dias, a newspaper company, “the first 9 months of 2020 closed 21.5 percent of micro companies in Spain” (Sempere, 2021: 1).

Although these difference in the impact depending of the company size, some governments tend to support equal or more the big companies, arguing their activities are critical for security issues, as defense, advance technological or key industries, for others there could be just easier to support a few companies than many small ones, especially due the lack of infrastructure (Calderón, 2020: 1).

### 3.2. Analysis of results

The first finding was about the classification of the main company, starting with the size, it was very close to ceasing to be a small company because of the growing experienced in the last years, so it is in the superior limit of the universe chosen for this

study, due to this, it is probably not very representative for the companies close to the lower limit; also the activity sector of the company, telecommunications, is not in the risk group of companies more affected by the pandemic, due to this, it is probably not very representative for the companies in the higher group of risk.

Then, continuing with pandemic consequences study, it was seen that the company was not very affected by the effects of the pandemic, in addition to belonging to a sector not directly affected, the advantage was in large part due to its business model: with variable costs according to demand, enough fund holding to endure a few months of lockdown and having few clients with contracts and close relationships, this could be corroborated also with the few variation in the financial statements compared to the previous year.

Regarding the measures adopted, it can be seen that the company took advantage of the time of shutdown and closure to optimize its processes, organize its accounts and maintain good relations with financial entities, which allowed to made a plan with its own resources to cope the crisis, which did not materialize due to government intervention, by providing loans in very favorable conditions.

Due to the intervention of the government, it was observed that the pessimistic perspectives that were being considered changed, reestablishing confidence and growth plans, making this measure very effective for this company, providing a big liquid cash backup, that can be seen in the cash flow statements.

After conclude the previous affirmations using only the data of the main company it is corroborated the limited scope by only focusing in that one company, so here is where the complementary analysis of the other companies and the economic environment contribute to amplify that scope. The first comparison was the economic environments of the countries, as the other companies belong to distinct countries it was aimed to show that realities respect the pandemic are similar, which can be almost assert because all countries experienced a significant gross domestic product decreased, being the only significant difference the low increase of the Mexican unemployment rate in comparison with Peru and Colombia.

In other hand, the evaluation of the other companies corroborate by itself that the classification of different impact sector depending of the activity of each company could be true, as the companies in the harmed sectors suffered much more consequences of the pandemic than the company in the benefited sector.

The final adding to reinforce the accuracy of the results of the main company is by the comparison between it and the other six companies belonging to the same sector classification, activities slightly-impacted activities by pandemic, and this comparison could be seeing in the following tables:

**Table III.14. Comparison of Pandemic consequences suffered between the main company and other 6 companies in same impact sector**

Pandemic consequences	Main company suffered it?	6 companies in Slightly-impacted activities sector suffered it?		
		Overmuch	Slightly	No
1. Decrease of growth forecast and expansion plans.	Yes	1	3	2
2. Cancellation or delay of investments, including recruitment.	No	4	2	
3. Sales decrease.	Yes	3	2	1
4. Client loss.	No	2	2	2
5. Earnings decrease.	No	3	2	1
6. Delay in payment chain.	No		3	3
7. Loss of company share value.	No	2		4
8. Compelled to reduce staff.	No	1	4	1
9. Compelled to reduce production.	Yes	1	3	2
10. Compelled to close business or locations.	No	1	1	4

Source: Own elaboration



**Table III.15. Comparison of Managerial Strategies related to finance results between the main company and other 6 companies in same impact sector**

Managerial strategies related to finance	Main company applied this strategy?	6 companies in Slightly-impacted activities sector applied this strategy?	
		Yes	No
1. Hire an external financial service of consulting or audit to improve the financial performance.	No		6
2. Take advantage of government initiatives relatives to taxes and loans in order to benefit small companies.	Yes	6	
3. Finance a prudently expansion to new markets, seizing opportunities generated by the current situation, diversify portfolio. Ensuring the profitability of business providing critical services, consumer essential, mandated products or exporting.	No	2	4
4. Reduce in due time the number of business or products with high probability of risk due to pandemic.	No	3	3
5. Finance the acquisition, fusion or partnership with other companies or stakeholders, in order to benchmark, decrease vulnerabilities, control rivals or maximize the company valuation.	No	1	5
6. Invest on enhance team quality, evaluate them, educate staff with the new digital and remote business requirements and take advantage by empowering them, involving in policy choices.	No	2	4

Source: Own elaboration

**Table III.16. Comparison of financial strategies results between the main company and other 6 companies in same impact sector**

Finance strategies	Main company applied this strategy?	6 companies in Slightly-impacted activities sector applied this strategy?	
		Yes	No
7. Increase the frequency, dynamism and adaptability of finance planning, reevaluating budgets monthly and forecasting diverse scenarios, according to the performance of financial indicators and the conjuncture, to assist managerial decisions.	Yes	4	2
8. Make sure cash flow does not stop, manage collection, taxes, rent and mortgage to secure working capital reserves without resorting to hasty loans.	Yes	3	3
9. Restrict expenses and cost to what is fundamentally necessary, including the permanence of just necessary personnel.	Yes	5	1
10. Maintain a close relationship with banking and lenders in order to manage improved credit arrangements, opting for short loans an in local currency if your sales are in that currency.	Yes	5	1
11. Invest in attractive assets, which prices become attractive due the pandemic; if you have available capital, in the long run they are likely to regain their value.	No	3	3
12. Reduce the regular amount of inventories, and convert into cash if a large drop of sales is foreseen.	No	2	4

Source: Own elaboration

At last, after compare the results of the main company and the other six companies, and validate its similarities, it moves one step forward the representativeness of the strategies taken by the main company to be applied in other small companies in Latin America belonging to slightly-impacted activities sector during a pandemic recession, which will be:

- Take advantage of government initiatives relatives to taxes and loans in order to benefit small companies.
- Increase the frequency, dynamism and adaptability of finance planning, reevaluating budgets monthly and forecasting diverse scenarios, according to the performance of financial indicators and the conjuncture, to assist managerial decisions.

- Restrict expenses and cost to what is fundamentally necessary, including the permanence of just necessary personnel.
- Maintain a close relationship with banking and lenders in order to manage improved credit arrangements, opting for short loans an in local currency if your sales are in that currency.

## **CHAPTER IV. Theoretical and practical applications**

### **4.1. Theoretical application**

The main theoretical contribution of this study is to verify the effectiveness of the practices recommended by international organizations involved in the research and dissemination of financial material that serve as a guide for many people, as well as recommendations from independent authors who have made some publication of this topic. In this case, these practices are tested for a particular reality, Latin America, a developing region, with the shortcomings for the SME that this implies.

Taking the results of the company selected for this study, it is evident that the best measure for a small company results from government intervention, going against capitalist principles and liberalism and as it has satisfactorily happened before in past economic crisis.

It is also possible to suggest the need to professionalize this type of company, since apparently the daily requirements do not allow performing well at all, the good practices that would help to strengthen the company, which, when having extra time, began to be carried out.

But it was also observed as counterproductive when receiving a life preserver from the government, without greater requirements of professionalization, these good practices were left aside.

It can also be suggested when analysing the complementary study that there is a great diversity in the decisions of each company to face a crisis, the difference between a company within the group called beneficiary being only clearly more visible, due to the activity it performs, of which they are not.

### **4.2. Practical application**

From a practical point of view, it reinforces the theory that one of the best ways to cope with a crisis is through government support, considering these small businesses would be recommended to approach and demand support from their governments, due to it can become the best measure to face the crisis.

However, positive results could also be observed when the company applies measures that are in accordance with financial and administrative good practices, improving competitiveness, so it is recommended to take them into account and not abandon them if government aid is received.

Finally, the analysis chart can help the person in charge of financial management in a SME to outline the different strategies to use in a crisis or for an organization that seeks to measure the impact of the pandemic and actions taken by itself or a larger group.

## Conclusion

The first conclusion and answer to the research question about which financial measure is the most convenient to face a recession caused by a pandemic, is clearly consistent, the government aid or intervention through loans with many benefits for the company, as two years grace period, very low interest rate and whose amount represents more than a quarter of the company's annual sales.

In addition, despite the government help, it was seen an adopting of interesting measures which could increase the competitiveness of the company in the future, due they implied strengthening of processes, becoming more efficient, unfortunately these measures were postponed or waived after government assistance.

The previously mentioned also shows that difficult situations as a recession caused by a pandemic could be used to improve the competitiveness of the company as forces it to gain rapidly more abilities to cope with it.

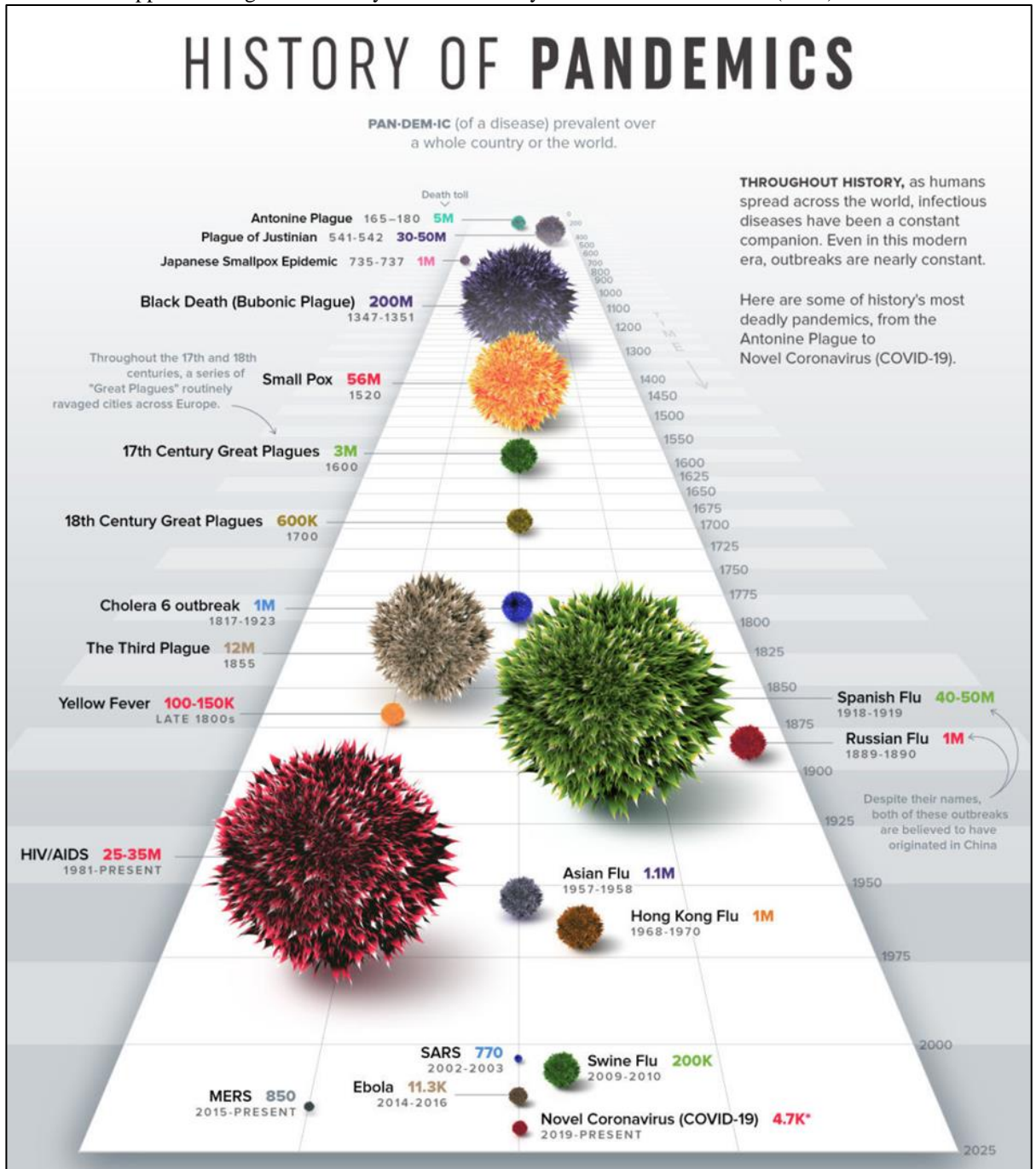
Another fact, although not entirely conclusive, is the similarity of strategies in the face of this recession taken by small companies belonging to sectors not severely affected and nor benefited by the crisis, in the three Latin American countries analyzed.

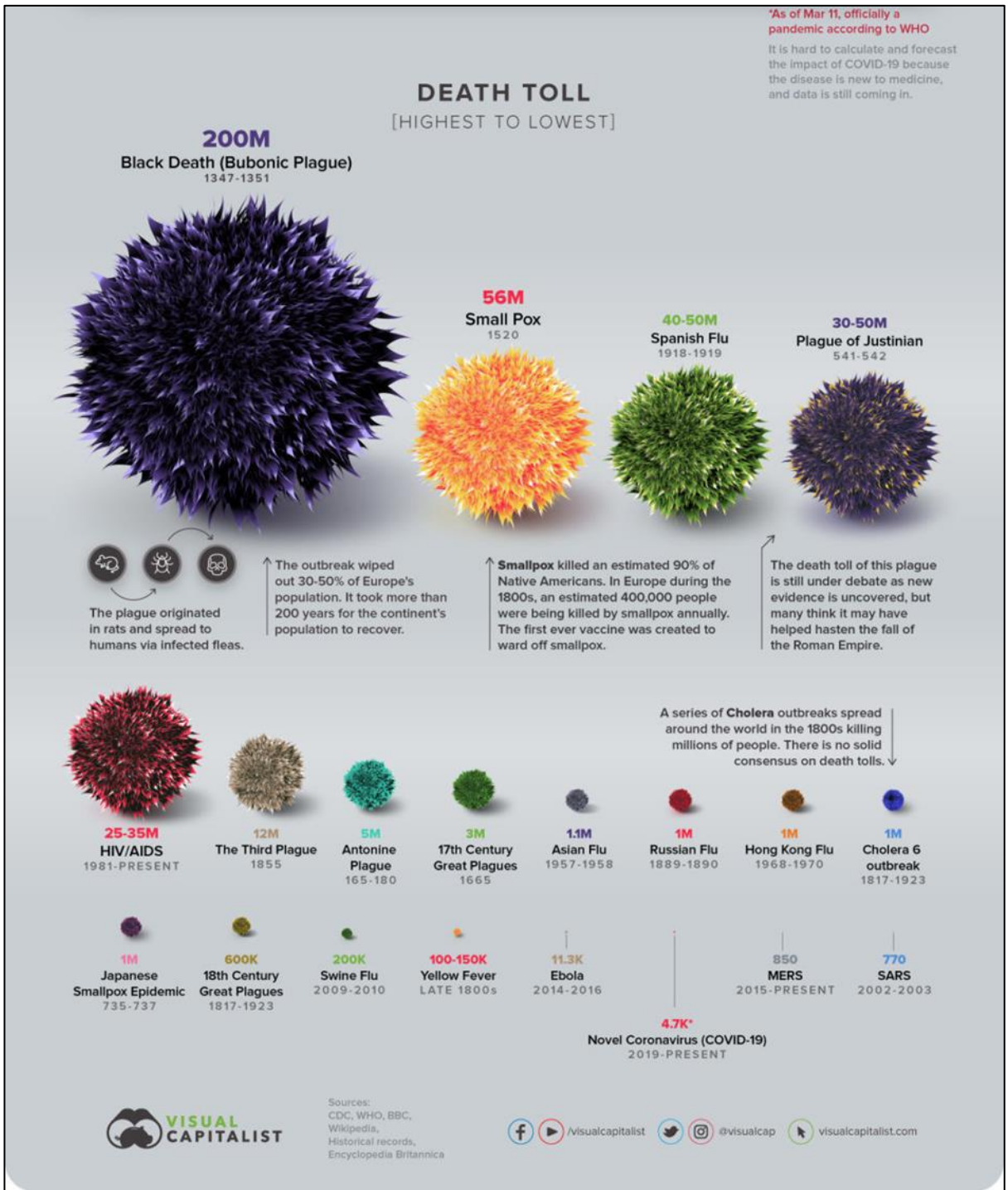
Prioritizing financial aid measures for large companies may not provide the best result for the protection of the economy, since small and micro-enterprises usually in Latin America represent a considerable percentage of economy and are in a worse position to face a situation like the pandemic due the lack of resources.

By last this research provides an interesting analysis tool of financial strategies, especially for people in charge of finance management, which are suggested to use it and improve it to obtain better results on a broader scale.

**Appendices**

Appendix1 Figure of History of Pandemics by World Economic Forum (2020)





Source: <https://www.weforum.org/agenda/2020/03/a-visual-history-of-pandemic>



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