Public policies and financing for Mexican SMEs in the face of the Covid19 pandemic

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ABSTRACT

Background and objectives: This article is focused on understanding the impact of public policies on Small and Medium Enterprises, especially in terms of financial support in the face of the crisis caused by the Covid19 pandemic. To this end, the hypothesis is presented that this support was not sufficient to restore the performance of these companies.

Methods: Cross-sectional descriptive statistics methods are used based on statistics, censuses, and official government surveys, as well as analysis of national public policies in the region.

Findings: The results converge with the theoretical approach on the endogenous limitations of Small and Medium Enterprises to access bank funding. Prior to the pandemic, there was a low level of access to such funding, which over time generated companies with deteriorated financial structures vulnerable to crises. The policies have not generated a more fluid relationship between companies and funding from formal financial institutions, generating a strong bond with suppliers.

Conclusion: The policies that were implemented were palliative, in the context of the crisis; however, the problem of the fragility of these companies persists, which requires directing policies to strengthen them considering their fundamental contribution to the country's business structure.

Keywords: Financing; Pandemic; Policies; Reinvestment; SMEs.

JEL: E32, G32, H32, L1

NUMBER OF REFERENCES	NUMBER OF FIGURES	NUMBER OF TABLES
22	8	2

PANORAMA ECONÓMICO

Políticas públicas y financiamiento a las PyMes mexicanas frente a la pandemia del Covid19

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RESUMEN

Objetivos: El trabajo está enfocado a conocer el accionar de las políticas públicas a las Pequeñas y Medianas Empresas, especialmente, los apoyos financieros para enfrentar la crisis ocasionada por la pandemia Covid19. Para ello, se expone la hipótesis que estos apoyos no fueron suficientes para reponer el desempeño de estas empresas.

Métodos: Se utilizan métodos de estadísticas descriptivas de corte transversal con base a estadísticas, censos y encuestas oficiales de gobierno, además del análisis de políticas públicas locales y a nivel de los países de la región.

Resultados: Los resultados muestran que convergen con el planteamiento teórico sobre las limitaciones endógenas de las Pequeñas y Medianas Empresas para acceder al financiamiento bancario, en este sentido, se encuentra una situación previa a la pandemia de bajo acceso al financiamiento que genera empresas con estructuras financieras deterioradas en el tiempo y con mayor exposición frente a las crisis. Las políticas no han generado una relación más fluida entre entras empresas y el financiamiento con instituciones financieras formales, generándose un fuerte lazo con proveedores.

Conclusión: Las políticas que se implantaron fueron paliativa, en el contexto de la crisis, sin embargo, el problema de la fragilidad de estas empresas persiste, lo cual requiere encaminar las políticas para fortalecerlas considerando su aporte fundamental en la estructura empresarial del país.

Palabras clave: Pandemia; PyMes; políticas; reinversión; financiamiento.

Clasificación JEL: E32, G32, H32, L1

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INTRODUCTION

The following investigation explores the problems of Mexican small and medium-sized enterprises (SMEs) within the context of the present pandemic generated by the Covid19 virus. The importance of these companies and the need for consistent policies that permit a sustained recovery are highlighted, in the view of complications generated by endogenic restrictions. It is also important to recognize that the study of the effects of the pandemic on SMEs represents a cyclical and changing process, as new variants of the virus appear that impact the realization of economic activities.

The hypothesis is that the financial limitations of the SMEs had caused a precarious situation for them the magnitude of the current crisis further accelerated and that, is now deteriorating rapidly due to the greater restriction of bank loans. The paper develops a theoretical framework that addresses the financial structure of SMEs as the core of their problems and then analyzes the context of the Mexican economy during the period of Covid19 pandemic without neglecting the business context. With the above background, the situation of SMEs is evaluated in light of the specialized survey that measures the impact of Covid19 on companies carried out by the National Institute of Statistics and Informatics (INEGI). Finally, the policies developed are analyzed to draw a conclusion.

A descriptive longitudinal data analysis is used based on the Survey on the Impact Generated by Covid19 in companies (ECOVID-IE) in its three rounds, the National Economic Surveys, and statistical information from the comparable economy of the World Bank. This research is justified by the importance of SMEs in the Mexican economy while presenting a novel examination that contributes to strengthening these economic units in the current pandemic scenario.

As a relevant fact, there has been an accelerated process of technological adaptation that has been essential to support the sales levels. However, the financial limitations of SMEs are still in force, representing a crack that weakens the entire Mexican business structure. It is important to check alternative options that address this problem by reallocating public spending assigned to these companies.

The article consists of four sections. First, a referential theoretical framework for SMEs is proposed. In the second part , SMEs are analyzed in the macroeconomic context of the pandemic. The third part focuses on measuring the effect of the pandemic on SMEs. Bank funding in the crisis period is evaluated, followed by a review, some policy proposals and conclusions generated from the investigation. The aims and objectives of this study are to understand the policy mechanisms that were deployed in the pandemic period, explore the problem of funding SMEs and their importance in crisis scenarios, as well as propose strategies to

improve the endogenous condition of these companies in the face of the crisis. This study has been carried out in the City of Puebla, Mexico, and in New York City in 2022-2023.

MATERIALS AND METHODS

The effect of the sanitary mandates on economic activity has severely impacted SMEs, particularly in terms of affecting their income levels and thus limiting their capacity to self-fund their current needs. This disharmony has jeopardized the development of their activities by interrupting them and in many cases leading to their indefinite closure. As follows from the supply analysis, the main supply chains have collapsed and with it, SMEs have had problems meeting the prerequisites of their orders leading to order cancellation. World Bank data indicate that the growth rate of Mexican imports and exports was -14.6% and -7.3% respectively in 2020, and -9.3% and -8.9% respectively worldwide. On the demand side, incomes were also affected by the shutdowns, causing consumption to be redirected toward goods related to primary essentials and medical services (Nawal and Ghadah, 2021).

The theoretical framework that tries to explain the problem of SMEs is diverse. This paper goes back to one of the first discussions of this issue. Steindl (1945a; 1945) show that companies differ in size according to their accumulation capacity; in this sense, a large company will have a faster accumulation rate than a small one. Based on the size of their capital, resulting from the accumulation and reinvestment of profits, companies will be able to access funding from their own or external sources.

Constraints that SMEs present can be summarized in their accumulation levels and the market structure. An oligopolistic market, such as the Mexican one, as will be demonstrated in the following section, shows many SMEs with a low production scope and several large companies with a majority share in the product. If under normal circumstances SMEs have serious accumulation problems, which determines their performance, the impact of a pandemic tends to aggravate their situation. Their limitations represent barriers to accessing funding because limited solvency levels increase their risk, generating lower preferences for lending on behalf of the banks. In this sense, firms size defines capital acummulation that allow them to fulfill their financial obligations (Treguear, 2020)[1]. It is important to remember that external funding is how SMEs can compensate for their lack of capital.

Therefore, SMEs have very weak internal characteristics in their accumulation, and this has increased the gap they have with formal funding, mainly with commercial banks due to the low depth of capital markets in Latin American economies. If we

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[1] The size of the firms is defined by the volume of accumulated capital, which allows it to have the necessary amplitude or financial capacity to meet its obligations.

merge this approach, the effects of Covid19 on Mexican SMEs will be resized, financial structures will be hit harder, and capital spending will have to continue being postponed due to current issues that demand the survival of these companies.

In economies with shallow capital markets, banking represents the largest and best funding alternative available to SMEs. In this way, commercial banks act under the logic of their lending preferences, or under the credit rationing approach. To do so, they set a profitability threshold where they can maximize their profits. In addition, moral hazard and information asymmetry are considered when granting a loan (Stiglitz and Weiss, 1981). The moral risk consists of determining whether the company correctly estimates its rate of return with which it applies for funding, which generates high costs for the banks because smaller companies do not have specific and historical information to confirm their estimates. The problem of asymmetric information is more acute in the case of SMEs because information is a scarce resource for these companies. Thus, SMEs will find themselves in credit-rationed companies.

The next constraint of SMEs has to do with market structures; oligopolies are characterized, according to Motta (2004), by a small group of financially consolidated companies that interact with companies that must multiply their efforts to obtain adequate funding. This organization is characterized by predatory behavior on behalf of the larger firms. In this scenario, the theory of "deep pocket predation", by Benoit (1984) is highlighted, which states that the financial structure of firms is a determining factor in obtaining loans and a categorical element in oligopolistic markets.

The current context requires a detailed analysis of the type of policy that will be the most effective, considering the problems these companies face. Policies can be approached from the perspective of improving supply and/or demand conditions, but the central problem of these companies, namely their structural lack of capital, should not be overlooked. From this perspective, one of the alternatives proposed is to encourage their accumulation capacity by promoting their reinvestment capacity through payments destined for taxes.

Under these characteristics, the vulnerability of SMEs increases in the face of any supply-demand shock that occurs. With a weakened financial structure, the contraction experienced in both demand and supply, as a result of the recent pandemic, Esquivel (2020), represented the main challenge that these companies have faced. The restructuring of the liabilities was imminent, as well as the eventual help in the funding of working capital to cover labour costs. However, it is still not reflected in an improvement of their financial position.

RESULTS AND DISCUSSION

Mexican SMEs in the Macroeconomic Context of the Pandemic

The effect of the pandemic on all economies is undeniable; however, as was the case in the last financial crisis in 2008, Mexico has shown a drop above the average for the region and the world. This is a sign that warns about the seriousness of the problem and the need to create mechanisms that allow for a quick recovery. The following figure shows a slight similarity in the cycles of the 1985-1995 and 2008-2020 crises, both of which lasted approximately 10 years and were preceded by contractions of lower magnitude. However, their origins and particularities are different (Fig. 1).
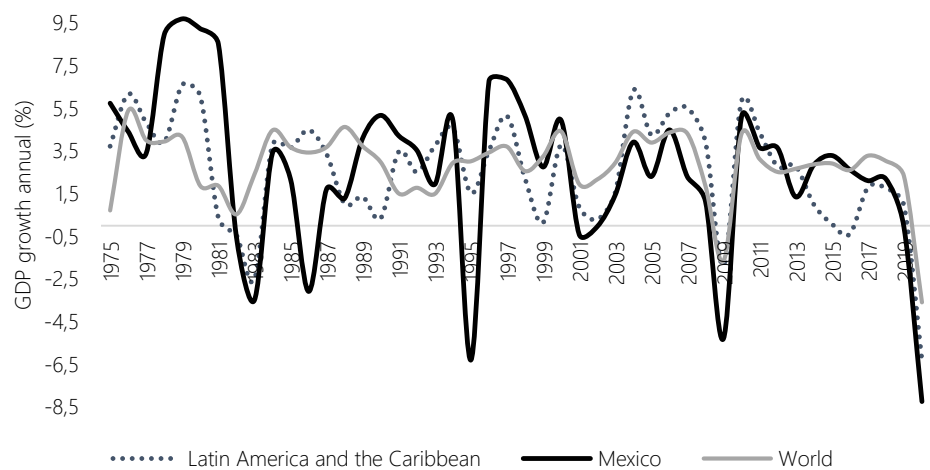
Fig. 1: Comparative GDP growth annual % (1975 – 2020)

Mexico declared a health emergency on Monday, March 30, 2020, highlighting the suspension of non-essential activities (Heredia and Dini 2021a). This situation implied negative consequences on employment, income, and ultimately economic activity Esquivel (2020). To deal with all these difficulties, the Government deployed a series of policies aimed at stimulating companies with support for production, funding, liquidity, and employment which will be reviewed in detail in sections 3 and 4.

According to the results of the last four Economic Censuses conducted by INEGI (2004 – 2028), SMEs represent an average of 96% of economic units compared to 4% of large corporations. While large corporations generate 74% of the production, SMEs show an important contribution to employment with 51% of it (Fig. 2). These characteristics confirm the presence of oligopolistic business structures, which is detailed in the following figure. It should be noted that an important component of large Mexican companies specializes in the external sector, where the textile, automotive and electronics industries stand out, as there is a close commercial relationship with the United States.
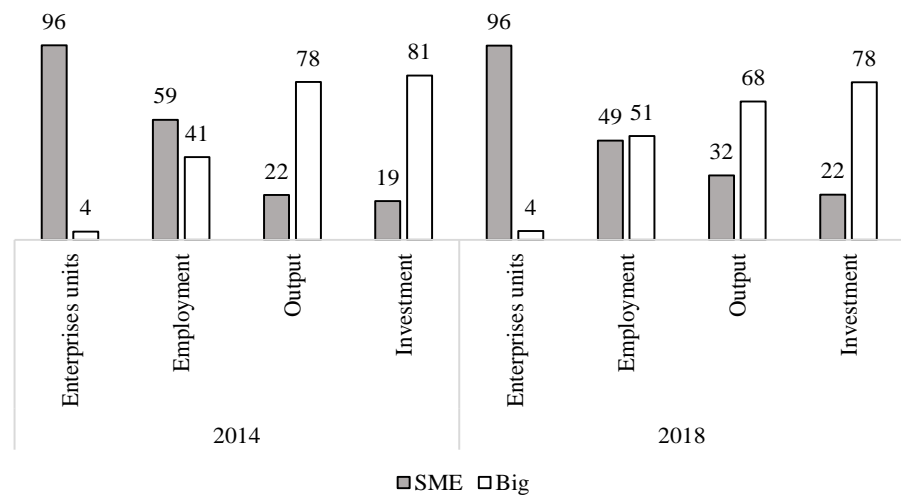
Fig. 2: Mexican business structure by major items (2014 – 2018)

Among the most important indicators in the business sector of the U.S. economy is the disruption of supply chains (supply shock), as well as the collapse in sales (demand shock), which reduces business expectations, and the main measure is the reduction in wages (Meyer *et al.,* 2020). In the case of Mexico, the impact has not been on wages, but on employment flows (Campos *et al.,* 2021). These changes are evidenced by greater demand for low-skilled jobs, which have had an impact on the drop in the average wage without any reduction in wages. In addition, considering that it is a crisis of global dominance and affects all economies, the impact on developing countries has been more devastating Moreno-Brid (2020).

It should be noted that the pandemic crisis allowed the identification of two large business sectors, those that gained by being related to goods or services that showed higher consumption and the losing sector that could not migrate quickly, due to the nature of business, to more favourable scenarios. In this sense, CEPAL (2020) has been able to make a classification according to the intensity of the impact of the pandemic in three levels: severe, significant, and moderate, as shown in the following figure (Fig. 3).

Severe	Tourism services; Traditional cultural industry; Commerce; Repairs of goods; Hotels and restaurants; Transport; Fashion; Automotive
Significant	Mining; Electricity, gas, and water; Construction and construction materials; Business services; Financial activities; Beverages; Furniture and wood; Chemicals; Electronics - Machinery and equipment.
Moderate	Agriculture and fishery; Food production for the domestic market; Medical supplies and equipment; Medications; Telecommunications; Packaging.

Fig. 3: Intensity of the effects of the crisis by sector of economic activity

Due to the particularities of the current situation, an ideal opportunity emerges for SMEs to initiate a sustained process of accumulation through the reinvestment of their profits. An interesting vision would be to review the application of fiscal instruments so that they operate as levers in the form of reinvestment to improve their financial structures. Therefore, with this process, tax collection would not be altered if these flows are through. The figure above is an important tool, which allows for prioritizing the sectors where these incentives could be implemented. The analysis of INEGI's macroeconomic statistics shows a domestic market with a lack of dynamism, investment levels that have remained at an average of 20% of GDP in the last two decades, and an outstanding export-dynamic that has managed to generate traction for the national industry, with which most SMEs have not been involved in a virtuous cycle. It should be remembered that Mexican GDP grew at an average rate of 2.11% between 2000 and 2019, in addition to having presented a negative rate before the pandemic of -0.05 for 2019.

The harmful effects caused by the Covid19 pandemic were overcome to the extent that two aspects were dealt with in parallel, i.e. the economic and the sanitary ones. The development of vaccines in record time made it possible to reduce the effects of disease spreading, allowing the most affected activities to be reactivated in small increments. An important example is restaurants, air transportation, and any face-to-face activities. In this way, various sectors have been progressively incorporated into a "new norma" aimed at the recovery of economic activity.

Policy analysis in the region, to stimulate SMEs in the Covid19 pandemic

Within the framework of analysis of public policies towards SMEs in Latin America, Heredia and Dini (2021), summarize the deployment of policies in the face of the Covid19 pandemic in four large groups: liquidity, employment, production support, and funding. It should be noted that this study is based on the case of nine Latin American countries, which are shown in Table 1. The study derives that the countries in the sample delved into policies that sought to improve liquidity and short-term funding for Business.

In general terms, the tax credit, and some reductions in the social charges of these companies were proposed, while the funding facilities focused on expanding credit at lower costs and strengthening the guarantee fund programmes. A common characteristic of the sample consists of decreeing the health emergency before the first quarter of 2020 and obtaining negative GDP growth by the end of said year. The average number of programmes executed by these economies was 18, with a maximum of 24 for Colombia and a minimum of 10 in the case of Mexico.

In certain countries, such as Brazil, Colombia, and Chile, funding programmes stand out due to the detail they have, where credit ranges and rates by company

size are mentioned. The type of policy with the least impetus was that aimed at production, through programmes to promote formalization to access support measures, virtual deployment of technical assistance services, use of digital platforms to support internal marketing, and support for the development of essential products and solutions for the pandemic.

A way, although not definitive, of analyzing these policies is given by contrasting their economic recovery. This is achieved by the difference between the growth rate of 2020 compared to 2021. Chile turns out to be the country in the sample that had the best recovery, where liquidity and employment policies were the most robust for SMEs. It is followed by Colombia and Costa Rica, with the former being the place for the largest number of funding programs, while Costa Rica managed a more balanced scheme.

Mexico's position, concerning recovery, is not so encouraging, since it is not well postioned, and this can be explained by its industrial expors patterns (Cuevas, 2022). Mexico promoted greater production programs, which allows SMEs to quickly adapt to technological changes, for example, in remote sales, such as the use of digital platforms to support internal marketing.

Table 1: SME policies in the context of the Covid19 pandemic and its effect on the economy (selected countries)

Country	Declaration of emergency (date)	No. of support measures					GDP growth rate (%)		
		Liquidity	Employment	Production	Financing	Total	2020	2021	Recovery
Chile	18/02/2020	7	5	2	3	17	-6,0	11,7	5,7
Colombia	17/03/2020	5	5	4	15	29	-7,0	10,6	3,6
Costa Rica	6/03/2020	4	5	4	4	17	-4,1	7,6	3,5
Brasil	6/02/2020	8	4	2	5	19	-3,9	4,6	0,7
Argentina	23/12/2019	6	5	3	10	24	-9,9	10,3	0,4
Uruguay	13/03/2020	6	6	0	7	19	-6,1	4,4	-1,7
Panamá	13/03/2020	4	4	1	3	12	-17,9	15,3	-2,6
México	30/03/2020	2	1	4	3	10	-8,2	4,8	-3,4
Ecuador	11/03/2020	5	3	2	6	16	-7,8	4,2	-3,6
Average		5	4	2	6	18	-7,9	8,2	0,3

Measuring the impact of the pandemic on SMEs

The analysis of the performance of SMEs during the Covid19 pandemic is carried out with the help of the Survey on the Impact Generated by Covid19 on Businesses (ECOVID-IE), developed by INEGI (National Institute of Statistics and Geography) and its purpose is to generate qualitative indicators on the impact of the contingency caused by Covid19 on companies (INEGI, 2021a). For this

purpose, three rounds of measurement were carried out at the national level in April 2020, August 2020, and February 2021. Finally, as it concerns the object of study, the total number of companies is restricted to large companies and SMEs, excluding micro-enterprises, since, for those, a specialized treatment is required, which is not addressed in the present object of study.

Continuing with this previous methodological framework, it should be noted that, according to the results of the 2018 Economic Census, the total number of Mexican SMEs is 128,261. For round I, a total sample of 2,058 companies was taken, which was then adjusted to 5,671 for the following two rounds (see table 2). This value could mean a limitation due to low participation, but it should be noted that the study carried out uses a stratified probabilistic sampling at 95% confidence, and extractive and government activities are withdrawn. Finally, in the spectrum of SMEs, 24% are in trade activities, 44% in industry, and 32% in services.

Table 2: Distribution of samples by round

Round	Sample		% of SMEs in sample	% of total of the SMEs
	Total enterprises	SMEs		
Round I	4.920	1.360	28	1,1
Round II	5.671	1.564	28	1,2
Round III	5.671	1.564	28	1,2

The first analysis of ECOVID-IE results is related to the main impacts of company size. These are classified into employment reduction, supply, and income. The following figure shows that the impact that has prevailed in all rounds, i.e. the most important, especially in SMEs, is represented by reductions in income. Therefore, the effect of the contraction of demand has been the driving factor in the problems of SMEs in the face of the Covid19 pandemic. While its trend shows a reduction, the pace at which it does so is quite slow.

A curious fact is that a similar impact occurred in both business sizes concerning the reduction of supply, which mainly impacted imported inputs, components, and finished products whose logistic chains were broken. This factor normalized in the last two rounds, although the perception is it was not overcome. The employment cost adjustment also shows a normalized behavior, which is based on business strategies to increase personnel with low salaries (Fig. 4).
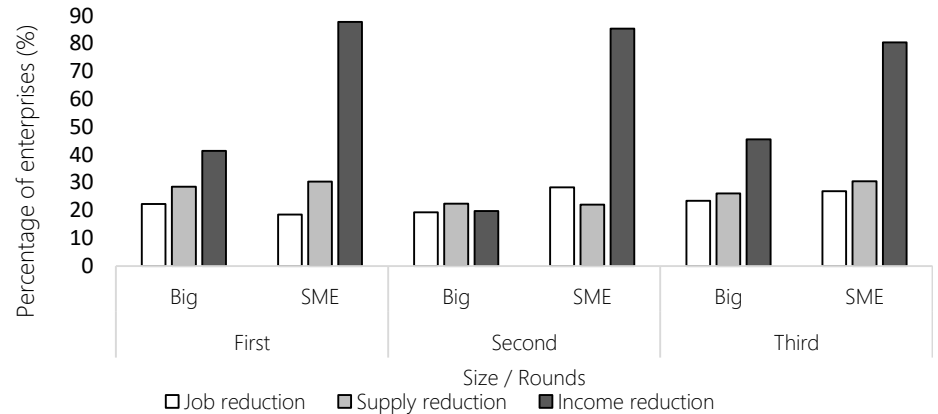
Fig. 4: Principal impacts of Covid19 in each round by company size

The development of the crisis led to the adoption of strategies in line with the new normal, the purpose of which was to avoid interrupting productive activity. In this sense, migration to the home office was the most prominent strategy in large corporations. SMEs also tried to apply these strategies, but it was not predominant due to the number of workers and the activities they perform. Therefore, actions such as delivery mechanisms, as well as sales through technological platforms, are quickly improving and being actively implemented. These changes can be observed in the following figure (Fig. 5). This information also reveals that emergency funding was not necessary or did not represent the main mechanism for SMEs to confront the crisis.
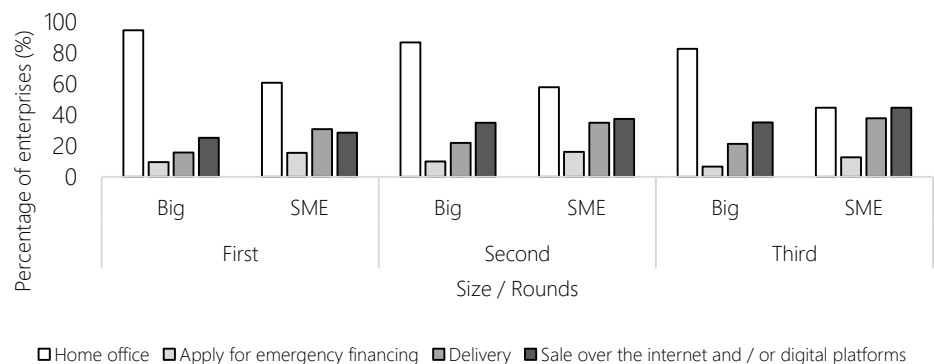
Fig. 5: Main actions taken in each round by size of the company

It should be noted that, of the support provided to companies, the government in all its categories (Federal, State, or Municipal/Mayoral) led in its operation, even though the chambers and business organizations also played a significant role in these activities, as is the case of COPARMEX (Salas *et al.*, 2020). This support was, mainly provided to large companies, fiscal support, and payroll subsidies. For SMEs these resources were also the main ones, although they were compensated with cash transfers that covered fixed costs and some operating costs, among the most significant ones.

However, on average in the three rounds, 30% of the SMEs did not apply for aid, and in the case of large companies, this figure was 47%. The main explanation refers to the lack of awareness of the different programmes, as shown in the following figure. The second limitation of the SMEs was that applying for these benefits was very complicated due to the bureaucratic mechanisms in place . The third factor indicates that, despite having applied for support, they did not receive it; this factor shares importance with the scenario where the SMEs do not meet the characteristics or requirements established to access the support (Fig. 6).
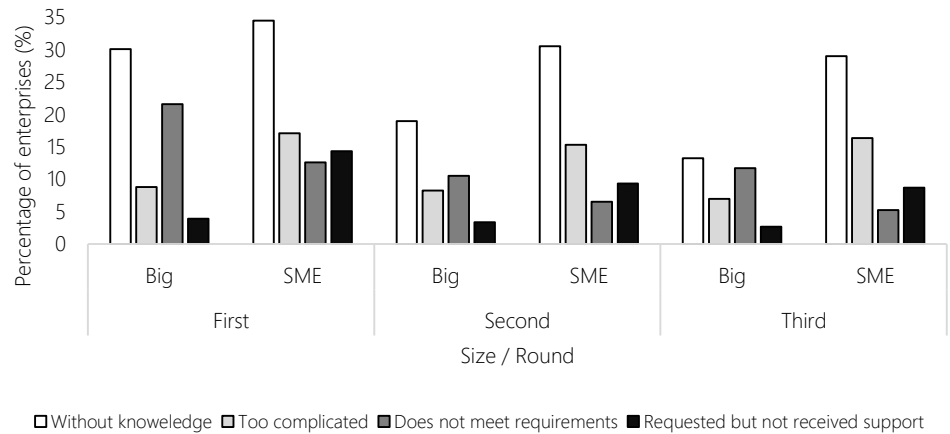
Fig. 6: Impediments to achieving support by the size of the company

When the economic units were consulted regarding their revenue expectations, under normal circumstances, in the first round they were expecting their revenues to reduce. However, as the rounds progressed, the expectation that revenues would at least remain the same for both sizes of companies became stronger, as shown in the following figure (Fig. 7). Note that it is not until the third round that those expectations concerning the reduction in revenues decrease; however, due to the constantly emerging new variants of the virus and complications regarding the origin of the pandemic, the expectations of revenue levels in businesses become highly uncertain.
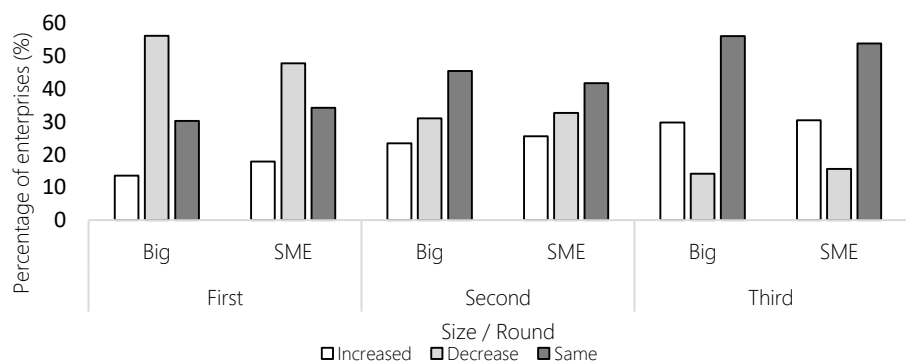

Fig. 7: Expectations about revenues in each round by company size

These expectations translate into the length of time that the companies could remain operating in the market. In the second round, the estimated time for companies of both sizes was between 6 and 12 months, reminding us that in that measurement period, there were strong expectations of a reduction in revenues. In the final round, the time that SMEs could operate, maintaining the level of their revenues, was equalized between 6 and more than 12 months, while large companies stabilized at a survival period of more than 12 months. All these processes had taught lessons to companies, especially SMEs, which mostly decided to permanently implement actions such as increasing/adopting internet sales and/or digital platforms, offering new goods or services, adopting work shifts to increase the distance between staff, working from home for part or all the staff, as well as diversifying their supply chains.

Bank funding and SMEs during Covid19, some policy proposals
The effect of a contraction in the SME market, whether due to demand or supply, results in a hardening of banking preferences for lending. In this sense, the interest rate that optimizes your portfolio is established and the amount is limited. Although the credit share of these companies had already been limited since 2017, as the problems analyzed in the previous section arose, the portfolio limit of these companies reached the lowest point in the last 12 years of study (see Fig. 8).
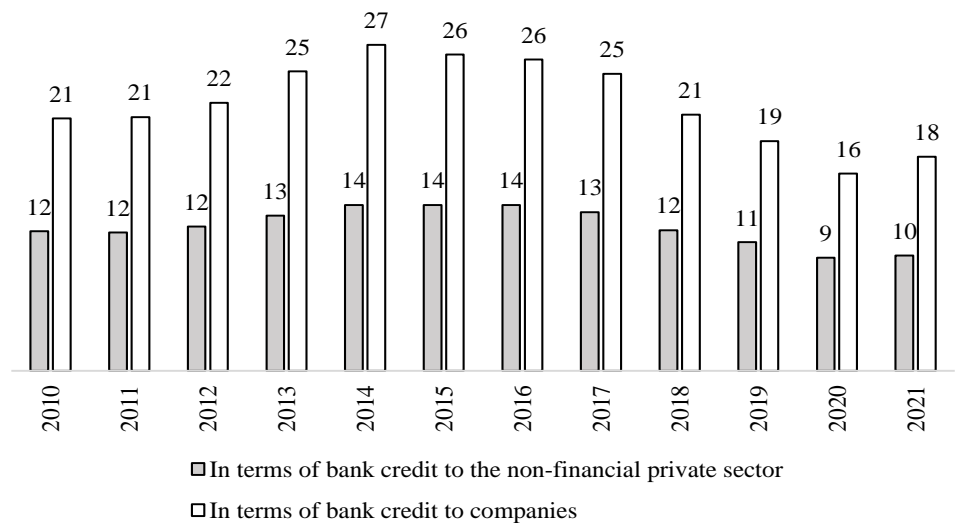

Fig. 8: Share of SME credit over time (2010-2021), in %

One of the most significant factors increasing credit restriction is the positive evolution that the Delinquency Index (IMOR) of this portfolio has shown. According to Banxico (2021), this indicator went from an average of 4% to show a growing trend until 2021, when it was 7%. This shows that before the pandemic, the conditions of SMEs had eroded their financial structures, which resulted in them reaching the Covid19 crisis in highly disadvantaged conditions.

The scenario for 2021 was one of a slight recovery in the SME portfolio, despite the deterioration of its IMOR. If the structural conditions of SMEs are not modified, that is, if they do not improve their financial structure and are unable to improve their credit subject category, their outlook is very worrying because they are the most dynamic companies in the Mexican domestic market.

These problems are reflected in a deep reduction in the SMEs income and negative expectations about them in the future, which depend on their financial improvement. Although for 2021 the credit tends to recover, it must be viewed in the context of second-tier government financial support being promoted. The shortcomings of these companies are evident, and it is necessary to rethink the programmes aimed at improving the conditions of these companies. The support policies deployed represented an important palliative contribution to SMEs, as their name indicates: "economic containment measures". Considering that the SMEs central problem is still awaiting a solution and will become evident again in the face of future crises, it is essential to propose other solution routes. However, digital transformations of SMEs has been a process favoured by its accelerated implementation as described by Uvarova (2021), revealing important advantages that these companies have managed to incorporate.

The government measures took the form of cash transfers of 25,000 Mexican pesos to companies that were not in arrears in the transfer of their employees' social security, which was called credit "solidario a la palabra", among the most representative. Salas *et al.,* (2020), develop an interesting summary detailing the support at the State level. In terms of the direction of these policies, the institution in charge of these processes is the Ministry of Economy, through the Productive Development Unit (UDP). Heredia and Dini (2021a), identify ten measures focused on addressing four policy guidelines which are production support, funding, liquidity, and employment, with programmes such as "Tandas del Bienestar" and credits "a la Palabra".

In 2020, Provencio (2020) highlights that Mexico only allocated a fifth of emergency spending for fiscal support, compared to the average of emerging countries. The author concludes that the lack of depth of these policies particularly affected the performance of SMEs. From that perspective, an expense of 350,000 million pesos to strengthen credit channels through commercial banking stands out. The aim of these policies is not to interrupt funding flows, especially to SMEs. These policies are weakened because they show that the preferences for lending by Mexican private banks do not react to stimuli from public funds (Tregear, 2020).

The evidence presented in the preceding section shows that financial support has not necessarily been the most important in addressing the problems of SMEs in the context of the Covid19 pandemic. A different impact was achieved by the

implementation of digitalization processes, which was deepened due to the development of market and logistics platforms.

Considering that, before the present crisis the Mexican economy presented a decrease in the GDP rate and a historical reduction occurred in oil income, it marks a strong limitation in the structure of the public budget, as well as a growing public debt. This scenario makes it possible to merge policies that seek to restructure current spending, with defined goals in the SME sector.

From the above, the author proposes stimulus mechanisms so that SMEs can overcome their limitations. To this end, the reinvestment of income tax payments is proposed, and to the extent that these companies manage to increase their capital, the existing programmes can be activated at levels that strengthen the capacities of these companies with the same objective. In addition to allowing more efficient use of resources and strengthening the tax base in the medium term, this process could be implemented in activities classified as having a severe impact. It should be remembered that, in the current situation, tax facilities are being provided, but with a low impact on the accumulation of these companies.

CONCLUSIONS

The review of SMEs in the context of the current pandemic caused by the Covid19 virus allows the understanding of diverse factors and uses much information from the measurements made by the ECOVID-IE. The effect of the pandemic on Mexican SMEs has been profound, as their financial structures have remained weak over time. The statistical analysis shows an important route to reactivate internal economic dynamics, prioritizing attention to the most vulnerable sectors of these companies, where assistance policies must be reconsidered, and a process of financial strengthening must be undertaken. The banking behaviour has followed the logic of the theoretical framework, profoundly affecting the problem of SMEs. Financial support programmes have proven to be palliative measures, without addressing the structural weaknesses of these companies.

Although emergency measures prevented the problem from worsening, especially in the first round, these companies have managed to incorporate important tools that are reflected in their ability to maintain the level of their sales. These improvements were achieved through accelerated learning and adaptation of digital technologies, as well as logistics related to the shipment of their sales.

The most prominent impact, provided by digital transformations, has been seen in the ability to reverse the expectations of SMEs' future revenues. Currently, the dominant expectations they have are to keep their revenues constant, thus postponing the closing times of these companies. It is important to examine all policy options in the face of future events of the greater impact that converge on a scenario of the New Normal. A viable option would be the ability of these

companies to reinvest their profits destined for the payment of income tax to improve their capacities and strengthen their tax base in the medium term, which contemplates a scenario that does not generate higher public expenses.

The approximation that is achieved towards the proposed hypothesis focuses on the theoretical analysis of the policies and the reaction of the banking system to the problem of SMEs. It is expected that this aspect will be strengthened more rigorously given the possibility of the emergence of more data.

AUTHOR CONTRIBUTIONS

M. Tregear, corresponding author, contributed to data analysis, and interpretation of results, and prepared the manuscript.

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CONFLICT OF INTEREST

The authors declare no conflict of interest regarding the publication of this manuscript. In addition, the ethical issues, including plagiarism, informed consent, misconduct, data fabrication and/or falsification, double publication and/or submission, and redundancy, were observed by the authors.

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