

Four Squares

<u>Team Member Name</u>	<u>Year</u>	<u>Major</u>
Christopher Cuevas	2022	Master of Business Administration
Nain Vaswani	2022	Master of Business Administration
Ricky Holzer	2022	Master of Business Administration
Twisha Phirke	2022	Master of Business Administration

Topic: Creating More Opportunities for Small Businesses

Division: Graduate

Audience: Comité de Dirección de Asociación de Bancos de México (Steering Committee of the Association of Mexican Banks)

Sustainable Development Goal

SDG # 10: Reduced Inequalities Reduce inequality within and among countries

Executive Summary

In Latin America, the most unequal region in the world, over half of the economically active population works in the informal economy. The sector is characterized by small businesses that are typically family enterprises, having a low social safety net and economic output. Mexico is the second most populous country in Latin America and 22.6 million of the population works in informal sector jobs, which has increased due to the recent pandemic. Not only this, but this increase has also highlighted the wide gap in healthcare services available for those in the formal job sector vs informal sector. Small businesses' inability to provide healthcare benefits to their employees arises mainly from the lack of financial resources. Financial actors play a major role in this. On a macroeconomic level, financial development contributes to economic growth, supports innovation, facilitates entrepreneurship, and has an immensely important role to play in the welfare of a country. According to Mexico's statistical agency, 90 percent of micro firms, and 70 percent of small firms have no financing. This has also stifled them from attracting and retaining talent, in turn affecting their growth. Considering increasing demand for impact investments, it is important to build measures around financing initiatives and expansion of the global movement for sustainable capital markets.

Our team, Four Squares, recognizes the high probability of future global pandemics and aims to address their effect on Mexican small businesses. Our suggestions are primarily for financial institutions who are already working with small businesses for their banking needs and extending policies/initiatives that will help these businesses in providing healthcare support to people in Mexico. By adding an explicit health component (H) to the Environmental, Social and Governance (ESG) investment criteria, creating the ESG+H initiative, could serve as a catalyst for the inclusion of health criteria into mainstream financial actors' business practices and investment objectives. These health considerations directly impact profitability of the firm and therefore should be incorporated into financial analysis. Adopting such a practice provides a positive health impact at a broad societal or environmental level as well as for a firm's employees and can become a value enhancing competitive advantage. An ESG+H framework could incorporate this into mainstream financial decision-making and scalable investment products. Another suggestion is to provide discounted insurance to increase healthcare in the informal sector and to revise loan repayment terms to account for economic downturns and pandemics. For benchmarking our outputs, we have also taken into consideration some banks which are successfully doing this. Comparing that data with that of Mexico will help us measure the output and impact correctly.