



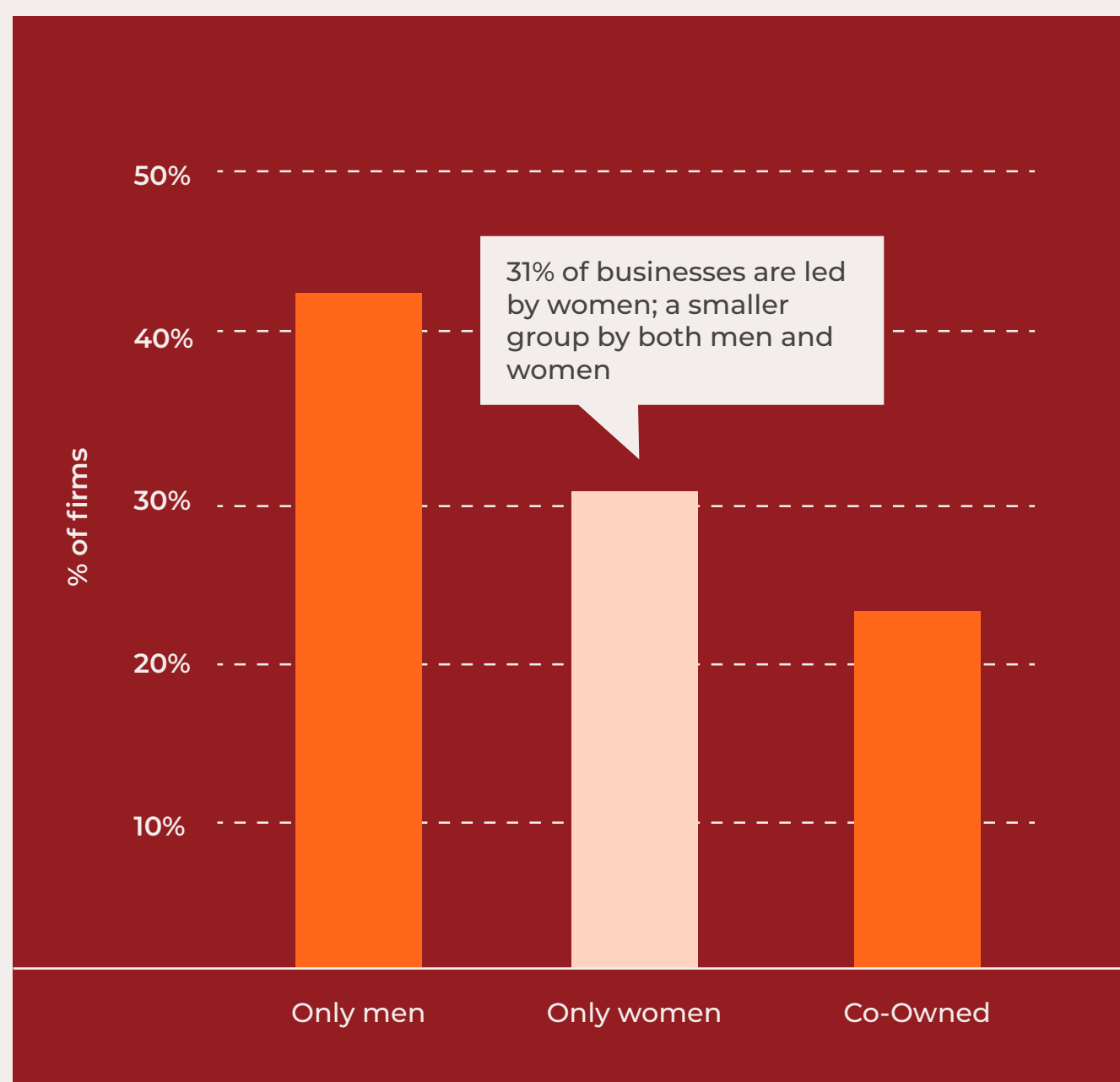
03 → Financial Diaries in Action: An in-depth exploration of the small business economy in Colombia ↗

What is a small business?

- 1-20 employees, non-family
- Formal and informal
- No professional manager
- Use various sources of financing for the business: microcredit, formal and informal credit, etc.

122 businesses

- 3 cities: Bogotá, Cali, and Barranquilla
- Agroprocessing, light industry, and services



Financial Diaries Methodology

Allows for understanding the complexity and volatility faced by small businesses through:

- Weekly visits to small businesses over 12 months
- Collection of detailed quantitative data on cash flows
- Qualitative interviews about choices and decision-making with owners, employees, and suppliers

Key findings

01 Income volatility Causes:



- Seeking stability
- Prioritizing liquidity
- Generating fragile employment with vulnerable employees



02 Mainly invest in raw materials, not assets



03 Almost all use their own savings to face risks



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Recommendations

- Focus support on this segment, not just on micro or larger companies
- Tailor training for those seeking stability, not just growth and productivity
- Offer financial products (such as credits that allow better liquidity management and volatility smoothing)
- Provide flexibility in employee hiring while protecting them

Volatility

