

Chapter 11

The Challenges of Small Companies: Case Study of the Aparecida Municipality of Goiânia Goiás Brazil

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ABSTRACT

The aim of the chapter is to understand and analyze the main challenges faced by the city of Aparecida de Goiânia, state of Goiás, for its economic development, from 2015 to this first quarter of 2018. Also, the authors analyze what strategies are being adopted by local, state, and municipality governments in view of recent corruption scandals in Brazil in very recent years leading to problems such as failure to provide adequate infrastructure, high tax rates, and a slow and heavy bureaucratic system that makes the opening, reform, and closing of companies a slow and difficult process.

INTRODUCTION

In the last three years Brazil has experienced/endured a major corruption scandal involving the largest Brazilian Companies, Petrobras largest Brazilian company a mixed economy company and the state summit with the fall and arrest of a president of the republic in an operation called “Lava Jato” (meaning, literally, car wash). These facts undermined Brazil’s credibility with investors. The interaction between political and economic crisis affected the confidence of consumers and entrepreneurs and led to a greater contraction of the activity, affecting the collection and insecurity in relation to the payment of the public debt, opening the way to the downgrade of Brazilian credit.

In exposing the core of national politics, the experts of the International Monetary Fund (FMI) explained the origin of the Brazilian crisis, which is internal. But with repercussions of mistakes and mismanagement that have compromised the Brazilian economy, leading to the downgrading of international credit.

The pillaging of Petrobras, the tip-off scandal, the purchase of the Pasadena refinery, the interference in fuel prices and ill-conceived projects, such as the Abreu Lima refinery, along with acts of corruption

DOI: 10.4018/978-1-5225-7888-8.ch011

by public companies, inflation control and disastrous handling of public money. The sum of these facts: fiscal, economic and political problems led to the downgrading of the official credit of Brazil, and a reclassification of Petrobras occurred, worsening Brazil's forecasts in relation to its growth.

From the year 2015 onwards the outlook for Brazilian companies has become the worst possible. Brazil's Gross Domestic Product (GDP) saw a 3.5% decline in October 2015 and the projection for 2016 was contraction of 1%, after shrinking 3.8%, according to data from the Global Economic Outlook (2017)), in which the FMI pointed out that Brazil would register economic stagnation and zero growth, with only a 2.3% expansion. The report cited a recession, the cause of which would be the political uncertainty and continuing repercussions of economic investigations and scandals involving large Brazilian companies.

In 2015, the Brazilian economy falls short of Latin America and the Caribbean, with a decline of 0.3% of GDP and growth of 1.6%, in 2016 and 2017: estimates/predictions are still bad for the growth of the country. Among the challenges presented by the IMF are: the cut down on or /reduction of public spending, consolidation/reinforcement of fiscal institutions and the increase of revenues. The IMF prognoses for Brazilian economic activity, which underwent/experienced a strong recession in a scenario of inflation and high interest rates aggravated by a political crisis, we're not very encouraging. But despite the crisis many Brazilian states have been struggling to settle the difficulties and: escape recession.

The State of Goiás, is one of the Brazilian states that best faced the crisis and kept its economy stable. As well as the municipality of Aparecida de Goiânia managed to maintain its development despite the negative national scenario.

CASE STUDY OF APARECIDA DE GOIÂNIA CITY AND THE STATE OF GOIÁS

According to: information from the Finance Department of the City of Aparecida de Goiânia (2018), most of the active companies belong to the economic activities of providing services and commerce. In 2008, Aparecida de Goiânia had 6,460 active companies, currently that number has risen to 32,094. The evolution also occurred in the industrial activity in 2008, when there were only 590 active industries and today, in 2018, there are 3,513.

The evolution also occurred in the industrial activity in 2008, when there were only 590 active industries and today, in the current year of 2018, there are 3,513. Investments in infrastructure, health and education projects carried out between 2009 and 2015 amounted to R\$ 717.8 million in these areas, which attracted investors, which contributed to the consolidation of the municipal vocation. Of the 3,513 industries currently active in the municipality, at least 500 are large industries with billings in the millions. They are spread across the six poles and industrial parks of Aparecida four municipal, one private and one state and employ directly more than 75 thousand people. To make this growth possible, despite the worst estimates in the world scenario. The municipality sought to reduce bureaucracy and facilitate the opening of companies and, to do so, it adopted various measures. One of them was the founding of the first *Casa do Empreendedor Aparecida de Goiânia* (Entrepreneurial House) of the State of Goiás in December 2014. The unit, installed is a place to assist entrepreneurs in the opening of a business and how to simplify payment of taxes, so that they can choose the best type of business environment and pay less taxes according to the chosen branch of activity, performs the pre-service and mediates between the micro-entrepreneur and the bodies responsible for its formalization. The space works in partnership with the Secretaries of Industry and Commerce, Finance, Urban Regulation, Environment and Health and with the following public agents: Sine Municipal, Sebrae, Goiás Commercial Board (JUCEG), Banco

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