Working Papers - Formalization and Growth of Microbusinesses in Colombia: Relationship with Credit Access from a Formal/Informal, Gender, and Regional Perspective

Download Keep in mind
The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Tobar-Cruz, John Sebastian Ruiz-Martínez, Carlos Alberto
The series Working Papers on Economics contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Publication Date: Thursday, 23 of January 2025 **Abstract**
This paper explores the relationship between access to finance and the formalization and growth of microbusinesses in Colombia. The study utilizes data from the DANE Microbusiness Survey (EMICRON) for the 2019-2022 period, applying the Propensity Score Matching method alongside binary choice models to analyze this relationship. The findings underscore that access to credit is positively and significantly related to the growth and formalization of these businesses across the four dimensions studied: entry, inputs, production, and taxation. The analysis includes a distinction between financing provided by formal and informal entities, revealing that microbusinesses with access to formal credit exhibit a higher propensity for formalization and achieve more pronounced growth compared to those reliant on informal credit sources. Furthermore, when analyzing by the owner's gender, microbusinesses led by women with access to formal credit demonstrate superior outcomes in formalization and growth compared to those led by men. Finally, the regional-level analyses reveal significant variations in the results, underscoring the economic and social disparities across Colombia's diverse regions.

Access to formal credit has a positive relationship with the growth and formalization of microbusinesses. Those led by women are associated with higher probabilities of formalization and better growth indicators when accessing formal credit, compared to those led by men.

Fuente: https://www.banrep.gov.co/en/publications-research/working-papers-economics/formalization-growth-microbusinesses-colombia-relationship