

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

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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.**