Evidencia para el Desarrollo de la Pequeña y Mediana Empresa

Lima, 3 de Noviembre de 2015

ipa INNOVATIONS FOR POVERTY ACTION

25 años COPEME

ABDUL LATIF JAMEEL Poverty Action Lab TRADUCIENDO LA INVESTIGACIÓN EN ACCIÓN

SNI SOCIEDAD NACIONAL DE INDUSTRIAS

PERÚ Ministerio de la Producción

Barriers to Growth

- What determines cross-country income differences?
  - Physical Capital
  - Human Capital
  - Total Factor Productivity
- Firms are the fundamental production units that relate to all
- In developing economies, institutional barriers affect how firm can improve on all these dimensions
  - Credit constraints: slow or no accumulation of physical capital
  - Lack of education or training: low quality labor force
- Both have received considerable attention in the academic and policy community.

Total Factor Productivity (TFP)

- What about firm productivity?
- In developed economies such as U.S and EU, a lot of attention is paid to innovation (R&D and patents) and new products.
- However, the exact definition of TFP is much broader
  - Customer and retail channel
  - Input and output quality
  - Reputation and reliability
- We broadly think of these crucial determinants as “Access to Market”.
- Access to market is one of the major challenge of firm growth and success

Access to Market

- Output market Frictions
  - Acquiring and retaining customers: typically it is costly to search and match with a potential customer. These costs are especially sizable for international markets (i.e. exporting) and for firms with no track records.
  - The hazard rate of breakup with customers is particularly high for small sellers
  - Takes a substantial amount of time to establish firm visibility in new market

Search and Matching: Colombia Footwear Exports

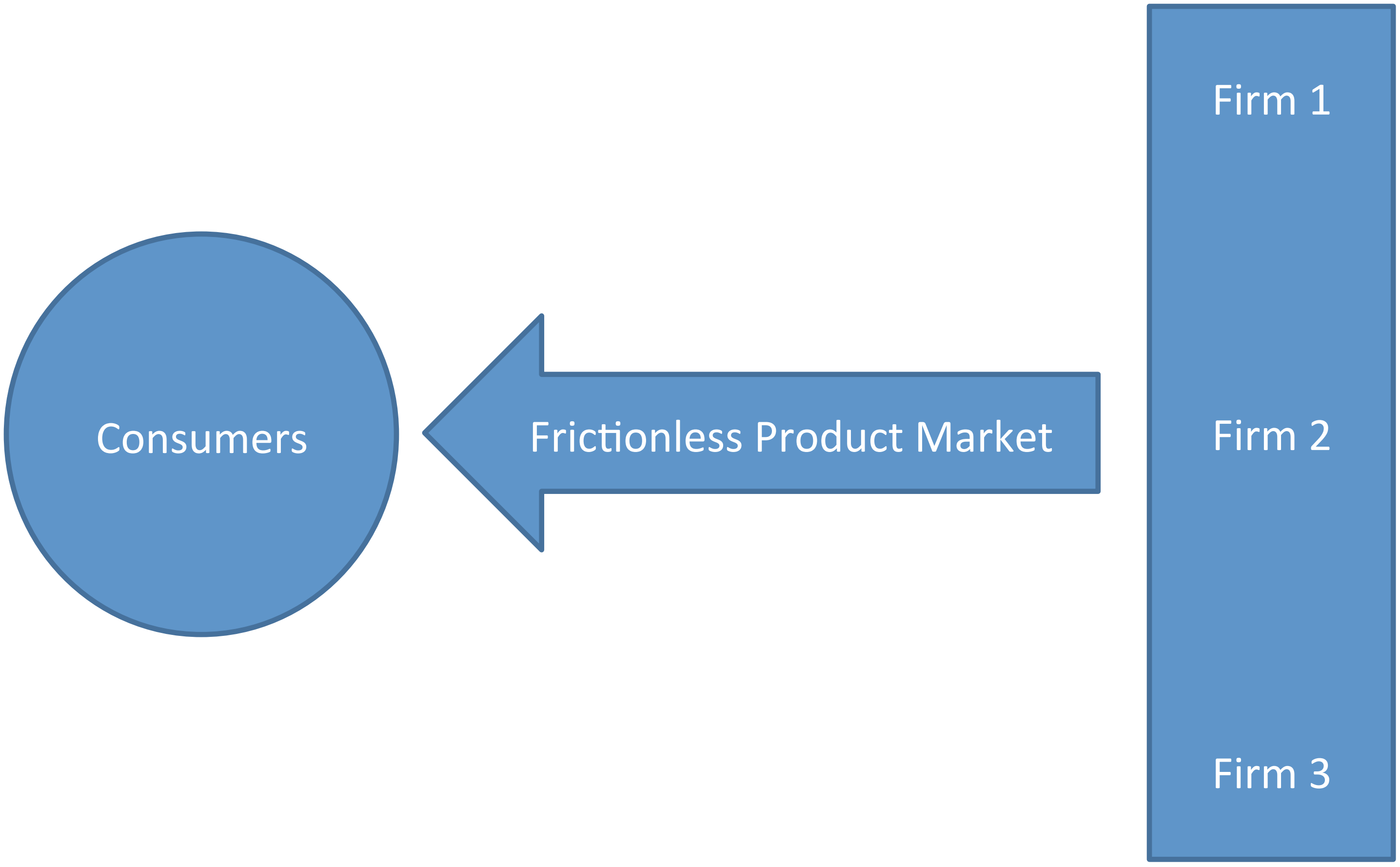
# of customers	Rubber 2009	Leather 2009	Plastic 2009
1	56.0%	60.8%	60.0%
2	16.3%	16.1%	15.8%
3	7.5%	7.2%	7.4%
4	4.9%	4.6%	4.9%
5	3.9%	2.7%	2.9%
6	2.5%	2.1%	2.5%
7	2.2%	1.6%	2.0%
8	1.7%	1.4%	1.2%
9	1.0%	1.1%	0.7%
10	0.8%	0.5%	0.5%

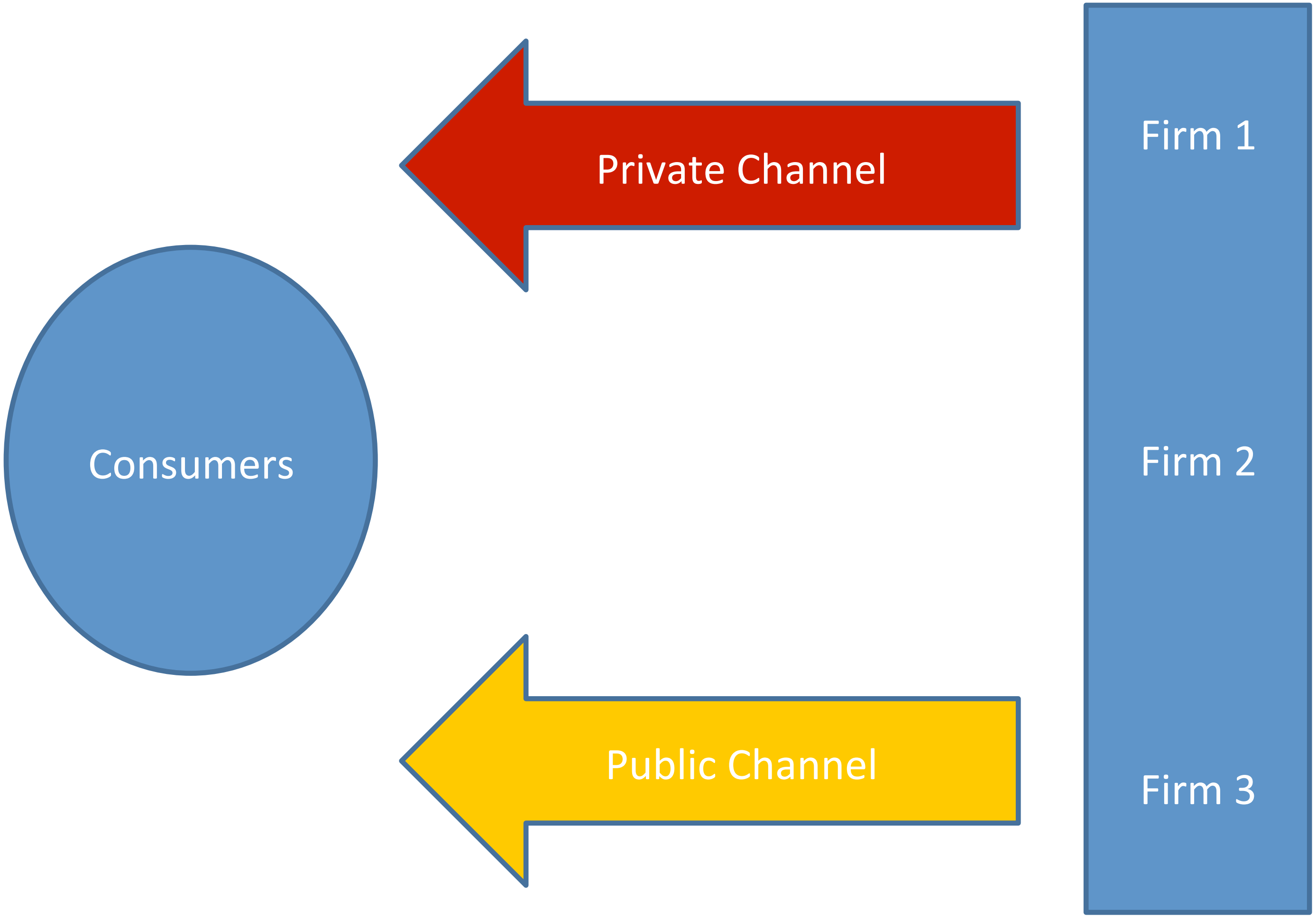
High Hazard Rate

t\t+1	0	1	2	3	4	5
1	69%	21%	5%	2%	1%	1%
2	49%	21%	12%	8%	5%	2%
3	39%	16%	16%	10%	8%	4%
4	25%	16%	12%	10%	13%	9%
5	26%	11%	9%	10%	13%	10%

Access to Market

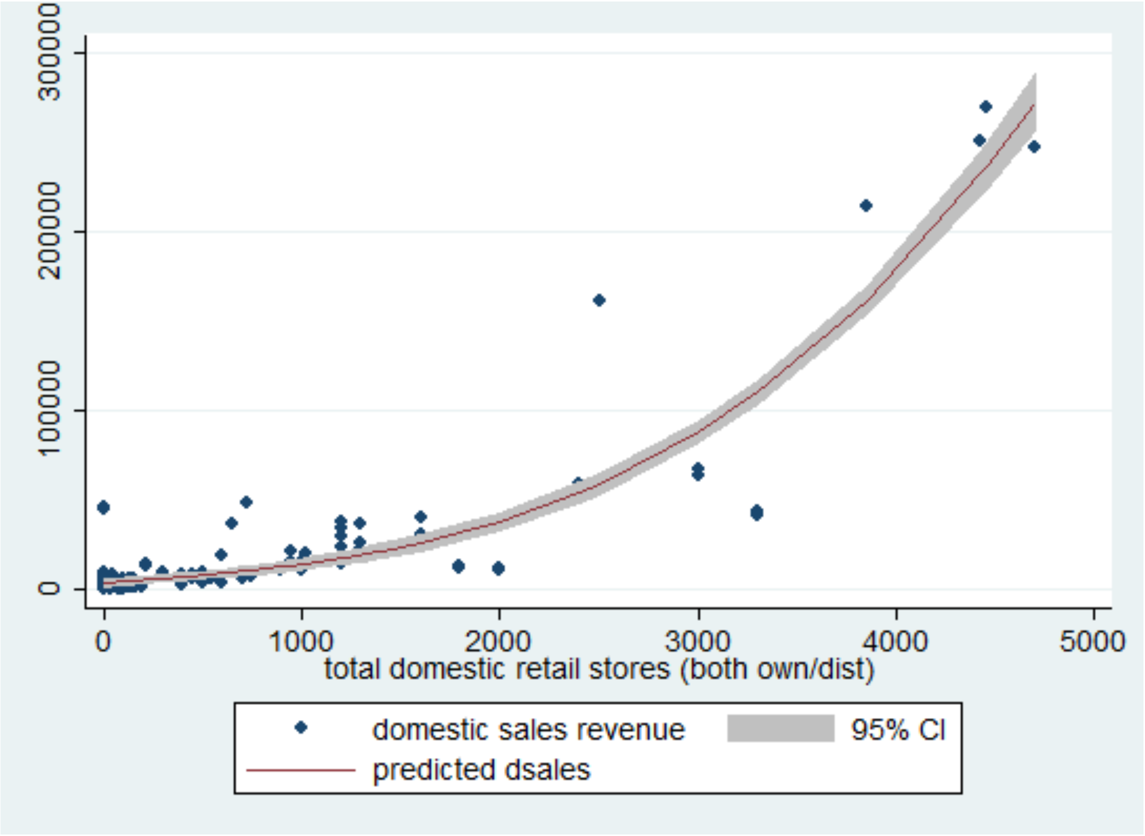
- Retail capital and demand creation
  - Even in domestic market, access to customer demand requires firm's private investment
  - Interacts with credit constraint


Consumers
Frictionless Product Market
Firm 1
Firm 2
Firm 3


Private Channel
Firm 1
Consumers
Firm 2
Public Channel
Firm 3

Direct Sales Stores

- Chinese footwear producers in domestic market



Efficiency vs. Retail Capital

Dependent Variable: Non-Exporter's $\ln x_i$ (Sales)

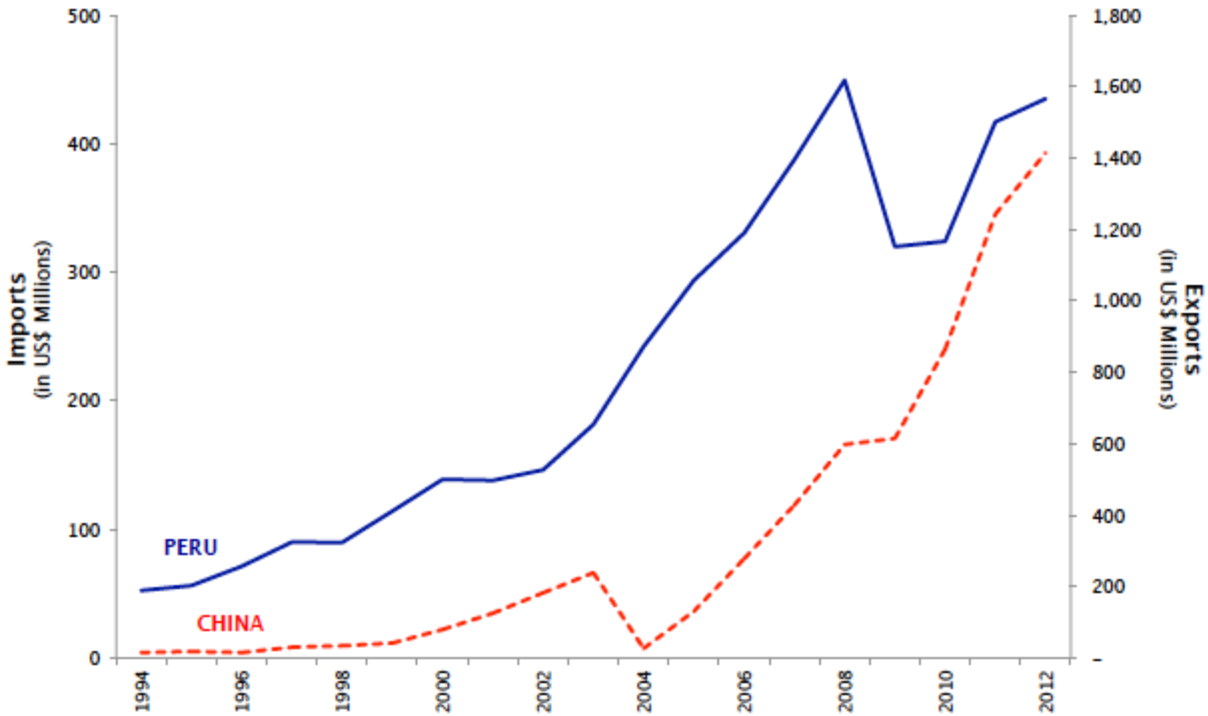
	Cross-Section	Growth
Retail Capital	0.55^{***} (0.03)	0.28^{***} (0.07)
Efficiency	-0.13 (0.13)	0.20 (0.15)
year dummy	+	+
Obs.	225	146
Adj. R^2	0.69	0.09

Access to Market

- Input Market Frictions
  - Coordination failure among input supplier and downstream producers
  - Lack of access to key inputs compromises product quality and export success

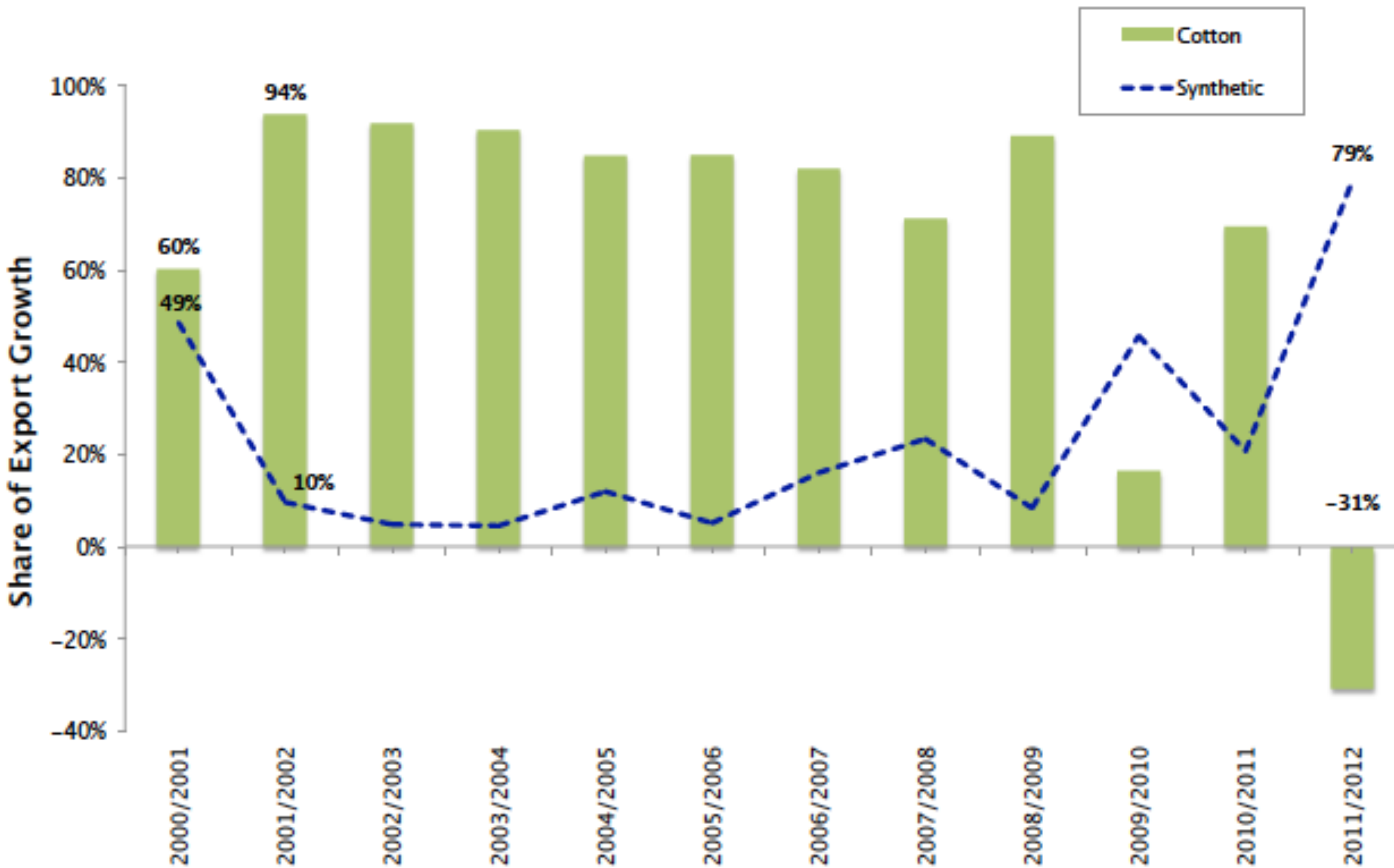
Peruvian Apparel Industry

- Paper by Pamela Medina (my collaborator, PhD candidate at Duke)



Source: Peruvian customs data.

Figure 2: Peruvian Exports of Apparel



Source: Peruvian customs data.

Figure 3: Composition of Export Growth by Product

	Intensive Margin					
	(1)	(2)	(3)	(4)	(5)	(6)
	Exports	**Cotton Exports**	**Synthetic Exports**	**Number of Products**	**Number of Cotton Products**	**Number of Synthetic Products**
Comp_{jt-1}	0.372***	0.494***	0.160	0.456***	0.494***	0.184*
	(0.125)	(0.157)	(0.254)	(0.085)	(0.090)	(0.111)
Firm FE			✓			✓
Year FE			✓			✓
F-Stat	904.94	876.40	578.96	904.04	876.40	578.96
Hansen J-Stat	6.94	4.74	3.54	2.72	2.69	3.36
Obs	5,477	5,004	2,899	5,477	5,004	2,899
R-squared	0.055	0.031	0.081	0.020	0.019	0.020
N. Firms	1,178	1,091	731	1,178	1,091	731

Notes: Clustered standard errors at the firm-level in parentheses. F-Stat refers to the Cragg-Donald Wald F-statistic and corresponds to a week identification test. Hansen J-statistics denotes the over-identification test of all instruments. All outcome variables are expressed in logs.

Table 2: Reduced-Form Evidence: Average Effects on Intensive Margin

What We Can Do

- Economic theory justifies interventions when there are market failures or externalities
- Several obvious ones in the context of "market access"
  - **Information:** sellers and buyers might not know about each other and it takes effort to start a new business relationship
  - **Reputation:** there is asymmetric information between seller and buyers in terms of product quality, reliability in delivery, and payment ability
  - **Input specificity:** producers might need high quality inputs that sellers find difficult/unprofitable to provide
  - **Learning spillovers:** producers might learn from pioneers about new customers and new markets

What We Can Do

- Programs that could alleviate these constraints - examples
  - **Information:** matchmaking, ecommerce, intermediation
  - **Reputation:** quality certification, sponsored trade credits
  - **Input specificity:** business association and coordination
  - **Learning spillovers:** subsidizing pioneers in new markets and new product categories
- **Piece-meal implementation and Randomized Control Trials**
  - Cost Effective
  - Real-time updates and modification
  - Rigorous evaluation of potential program outcomes