
Transaction Costs in Peru: What does it cost to start a new garment firm in Lima?*

Miguel Jaramillo Baanante
Grupo de Análisis para el Desarrollo – GRADE



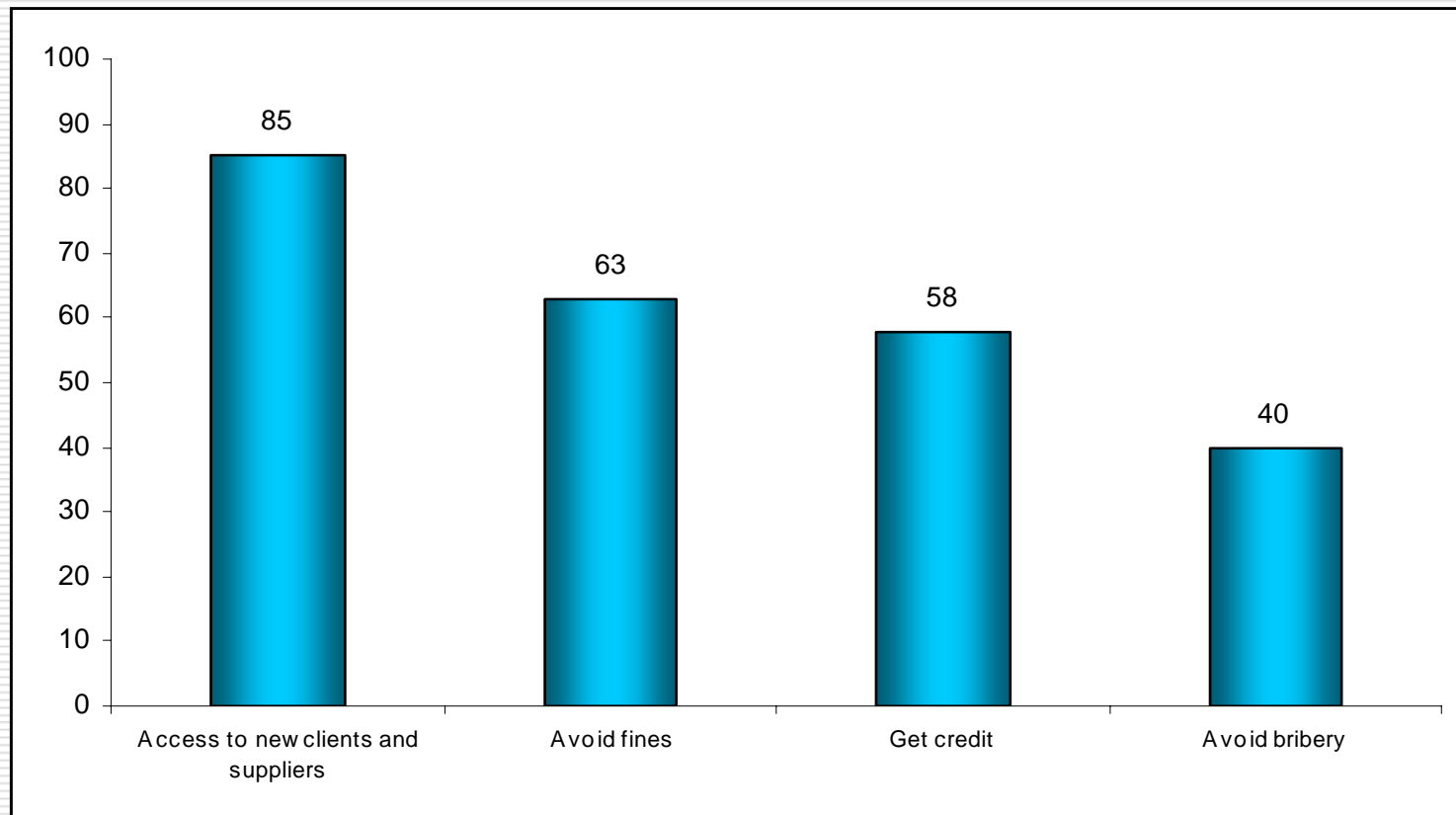
* Research sponsored by the Tinker Foundation, the Center for International Private Enterprise, and the Ronald Coase Institute.

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General characteristics of the firms

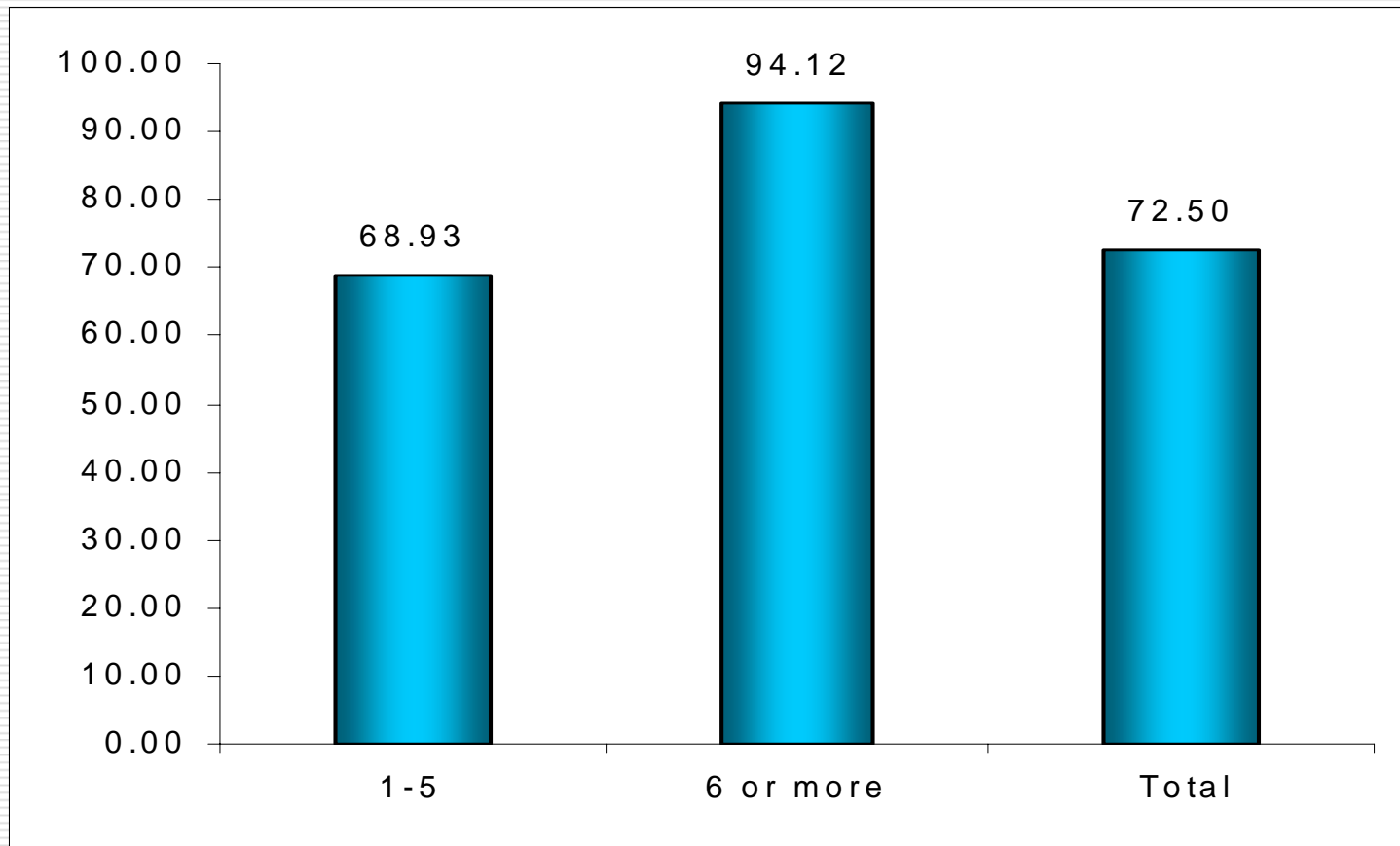
	Average
Number of workers	4.1
Yearly sales	US\$ 11,130
Years operating	2.6
Years operating formally	1.9

Factors motivating registration*



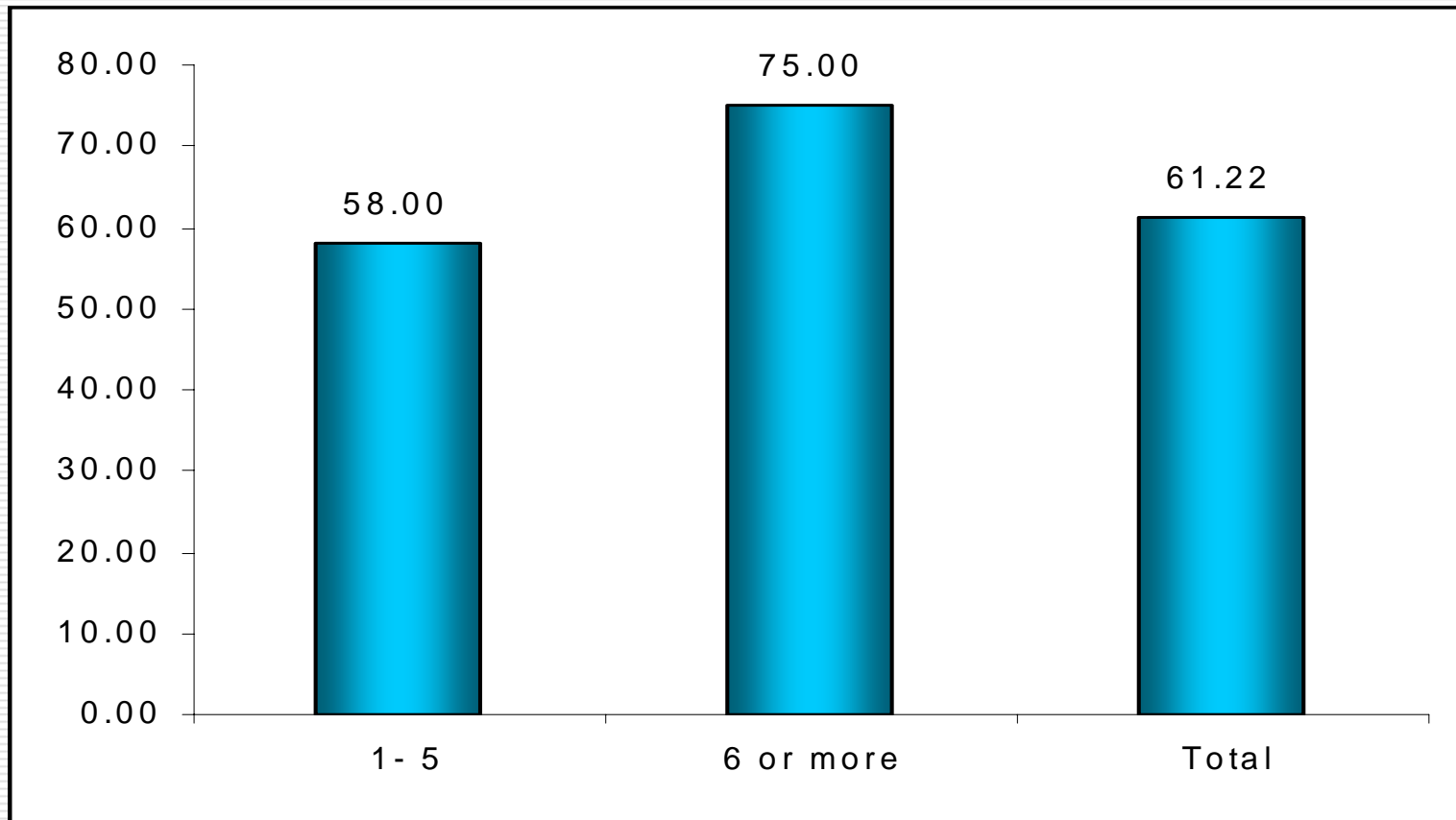
* Percentages

Do entrepreneurs use outside help?*



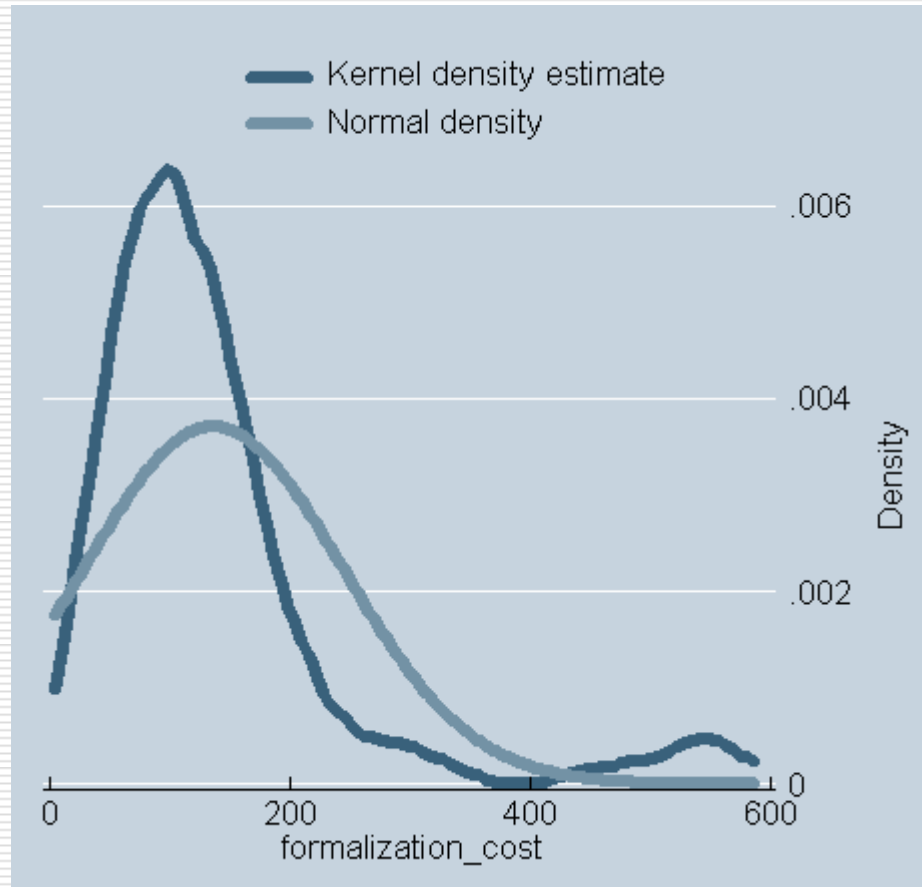
* Percentage

Duration of the registration process



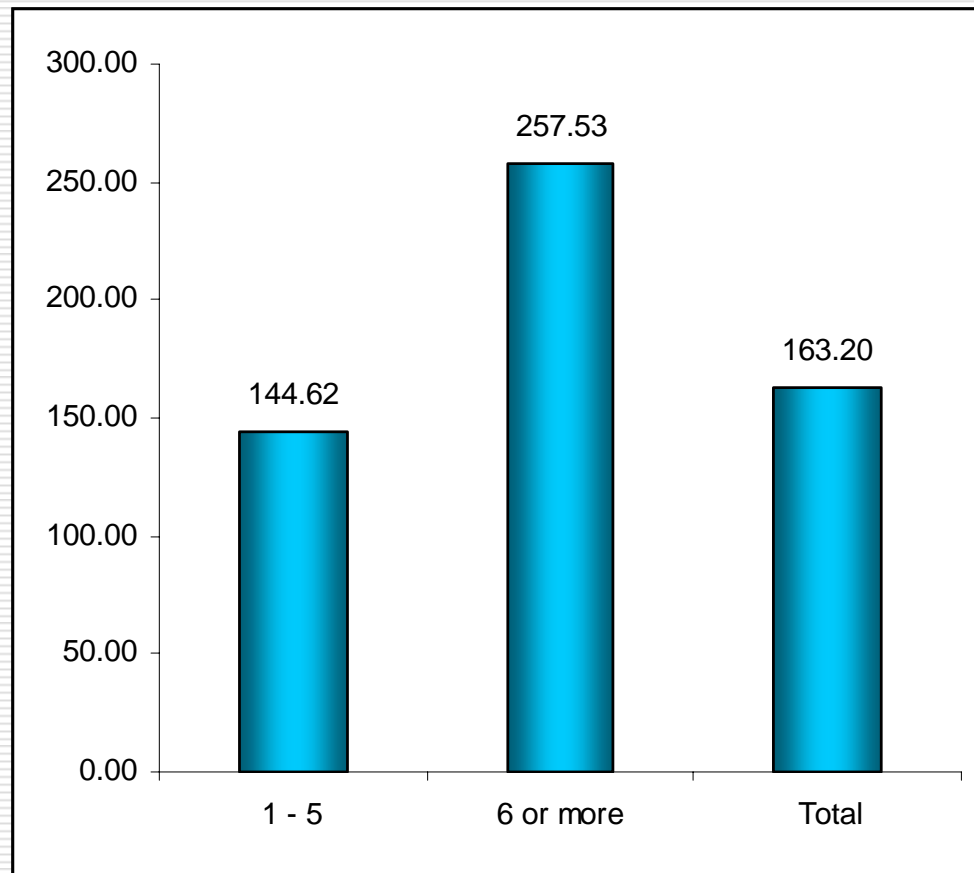
Note: Duration of the process expressed in days

High variability in registration costs



Note: Costs in US\$

Cost of the process by firm size



Note: Registration costs in US\$

Comparison with World Bank estimates

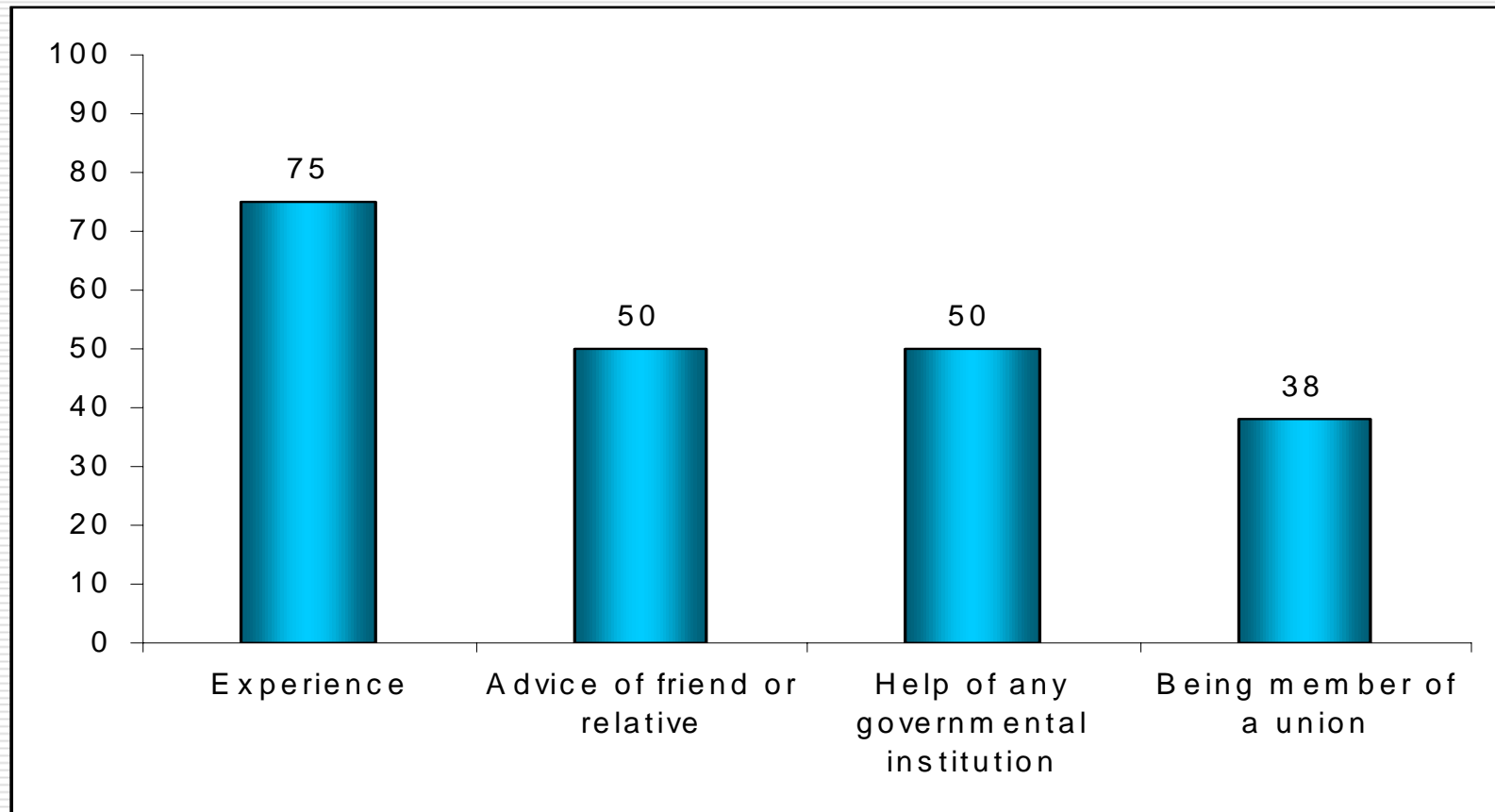
	World Bank	Ours
Duration of process	100	61.2
Cost	US\$ 510	US\$ 163
Cost/GDP	24.9	8.2

How results compare with previous studies

- There have been improvements:

	De Soto (1983)	Ours
Duration of process	289	61.2
Cost	US\$ 1231	US\$ 163
Cost/GDP	74.9	8.2

Factors considered important in facilitating the formalization process*

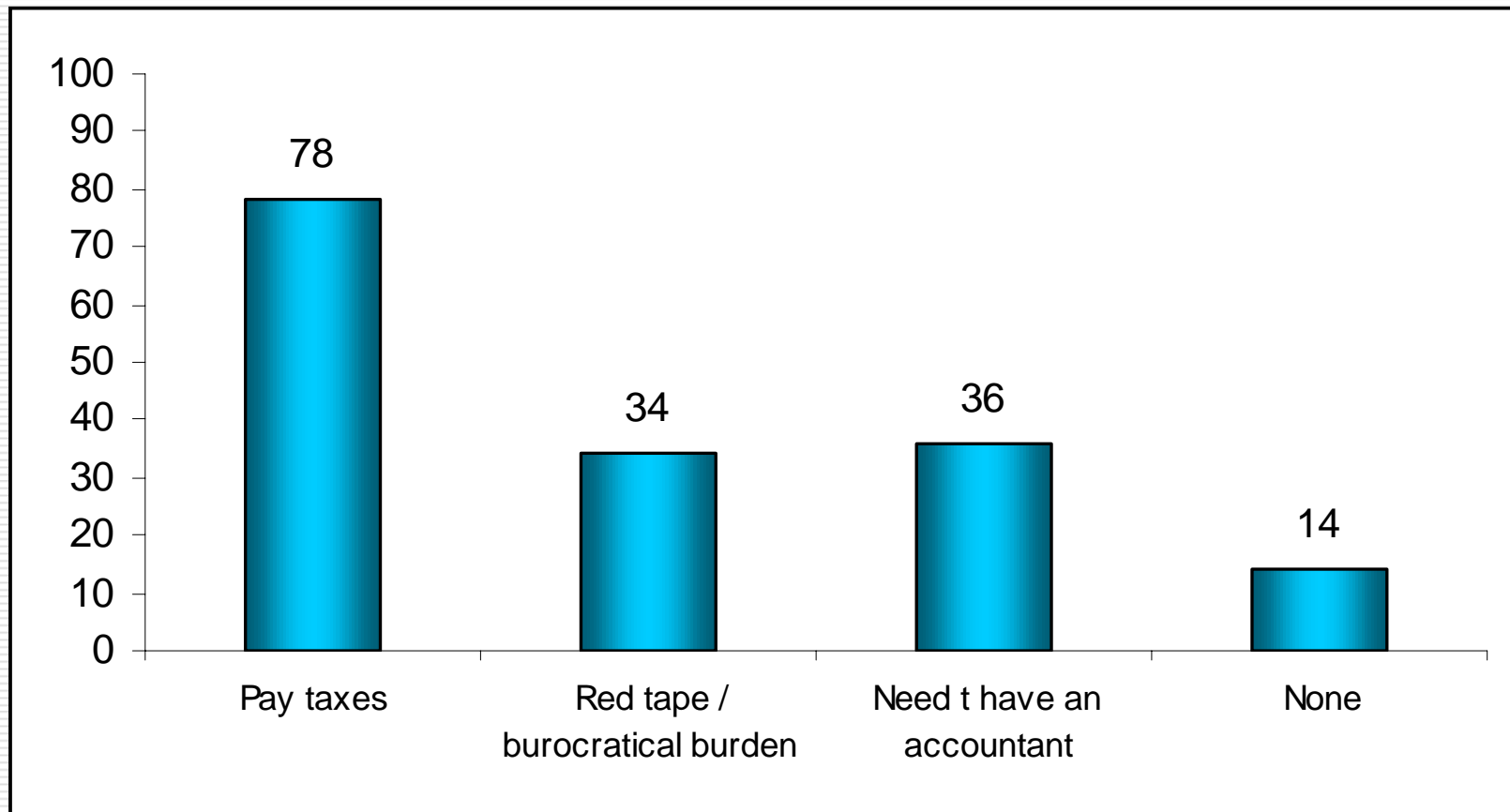


* Percentage

Distributional effects: gender bias

- Entry costs affect different social groups differently.
 - Preliminary evidence suggests women systematically spend more on registration.
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Perceived disadvantages of being formal*



* Percentage

Final remarks: policy issues

- ❑ Improvements have been made, but...
 - ❑ Formalization costs have dropped from the 1980s
 - ❑ But, there is bias against women
 - ❑ Registered business find bureaucratic procedures related to being formal costly
 - ❑ Policies should focus on these issues
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