THE IMPACT OF THE SEED CAPITAL PROGRAM OF SERCOTEC IN CHILE (SUMMARY)

Claudio A. Bonilla  
*Universidad de Chile*, cbonilla@fen.uchile.cl

Christian A. Cancino  
*Universidad de Chile*

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SUMMARY

THE IMPACT OF THE SEED CAPITAL PROGRAM OF SERCOTEC IN CHILE

Claudio A. Bonilla, Universidad de Chile, Chile
Christian A. Cancino, Universidad de Chile, Chile

Principal Topic
During the last years, many Latin American countries have developed public instruments to support smaller companies in order to solve asymmetric information regarding the real benefits and risks of the projects of these companies. Such asymmetric information has repercussions on high interest rates and credit rationing which makes more difficult for these companies the take off. In this context, the Chilean Government through SERCOTEC (Service for Technical Cooperation) introduced since 2005 to date a SCP (Capital Seed Program) that seeks to solve, to some extent, funding problems that the small and medium enterprises (SME) face in Chile. This paper seeks to measure the impact of the SCP of SERCOTEC on small businesses in Chile.

Method
We do the analysis of the program through the information collected with a field survey to its beneficiaries (treatment group) and with additional information provided by SERCOTEC for a group of companies that applied for the program but did not get funding (control group). In order to estimate the effect that SERCOTEC’s SCP has on beneficiaries, the methodology is focused on the control group companies with similar characteristics to those companies who received the benefit immediately before treatment. The method used in this stage is propensity score matching (PSM) that give us the probability that a firm receives treatment according to its own characteristics at the time before getting treatment.

Results and Implications
The results are mixed. On the one hand, the impact of sales is positive but statistically not significant. On the other hand the impact of the number of employees is positive and statistically significant. The results also show that passing through the program has no incidence on the probability of later obtaining financing. Our analysis highlights the importance of not confusing productive development programs with social programs. Suggestions for improvements in public policy to develop entrepreneurship of small businesses in Chile are discussed. These suggestions may also be interesting to other developing countries facing similar challenges in terms of productive development of private entrepreneurship as a vehicle to generate economic development.

CONTACT: Claudio A. Bonilla; cbonilla@fen.uchile.cl; (T): (562) 9783326; Diagonal Paraguay 257, Suite 1304, Santiago, Chile.