Impact of Computerization of Custom Transactions on Firms’ Productivity and Growth

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Abstract

Customs are often prone to corruption because it concentrates a lot of discretionary power in the hand of custom agents who take decisions with high economic stakes for the firms, providing an opportunity for custom agents to extract a rent from the firms. Communications Technologies offer the possibility to limit this discretionary power and the direct connections between firms and custom agents. Combining firm level panel data on about 6,000 manufacturing firms with custom level data on about 56,000 firms per year, we test the effects of a computerization of import transactions that occurred sequentially in Colombian customs between 2000 and 2005. We use a triple difference which explains change in economic outcomes by the timing of computerization in the most accessible custom and the exposure of the firm, which depends on importations prior to the treatment. Positive effects on productivity appear on the first year of the reform. We find large effects of the computerization on the growth of importing firms’ production, labor and capital. The number and amounts of transactions observed at customs increased significantly with the computerization.

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