

Informational Barriers to Accessing Demand: Experimental Evidence from Liberian Firms*

Jonas Hjort
Columbia U. & BREAD
& CEPR & NBER

Vinayak Iyer
Columbia U.

Golvine de Rochambeau
Sciences Po

March 2, 2020

PRELIMINARY AND INCOMPLETE: DO NOT CITE

Abstract

We hypothesize that many productive firms in poor countries stagnate due to informational barriers to accessing existing demand. To investigate, we gave a randomly chosen subset of Liberian firms the opportunity to participate in a 10 day-long training program. The program exclusively teaches how to bid on contracts from large buyers that are awarded through a formal procurement process. Overall, the program increased the number of bids firms submit; the total number and quality of contracts won; and the number of contracts won through other channels than a formal bidding process. We then show via a regularization procedure that, relative to otherwise similar firms, the impact of the program is especially large for firms that use the Internet at baseline. We interpret these results through a simple theoretical framework in which a “keys-to-the-door” training program facilitates firms’ growth by boosting their ability to win contracts they bid on, and firms that face lower costs of finding and selecting appropriate contracts to bid on—for example those that use the Internet—benefit more. This interpretation is supported by the way in which the differential impact of the program for firms that use the Internet varies with the *share* of tenders for contracts published around the time of treatment that are published online. In sum this paper’s findings suggest that, to grow, firms need both knowledge of how to win contracts and the technology necessary to cost-effectively access demand.

*hjort@columbia.edu, vinayak.iyer@columbia.edu, golvine.derochambeau@sciencespo.fr

We thank Katarzyna Bilicka, Amit Khandelwal, Eric Verhoogen, and seminar participants at Columbia, Essex, the Graduate Institute of Geneva, Indian Statistical Institute, Yale, Sciences Po, and Zurich for helpful comments, the IGC for financial support, IPA and Q&A Liberia for great field-work, and Building Markets for data-sharing and excellent collaboration. The project was registered in the AEA RCT Registry, ID 0002264.