Efficiency for small and medium-sized enterprises in Liberia: the case of Monrovia: the case of Monrovia.

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This study applies Stochastic Frontier Analysis to primary data to investigate the Efficiency of Small and Medium-Sized Enterprises (SMEs) in Monrovia, Liberia. The results reveal that SMEs in Monrovia are inefficient. Furthermore, the study uses the Two-Limit Tobit Model and the Logit Model to identify factors that influence efficiency of SMEs so as to compare the results from both models. The Tobit regression results reveal that entrepreneur experience, electricity (the proxy for infrastructure), and access to credit positively influence efficiency of SMEs; while the Logit Model results reveal that age of entrepreneur, and electricity positively influence efficiency of SMEs; whereas age of firm and access to credit negatively influence SME’s efficiency. This study therefore adopts the Tobit Model. The policy implication for post-conflict Liberia is vital. Enhancing efficiency of SMEs requires the government to prioritize the formulation and implementation of requisite policies necessary to build and strengthen entrepreneur network. Such policies could stimulate knowledge diffusion for inexperienced entrepreneurs to acquire experience from veteran entrepreneurs. Furthermore, improvement of basic infrastructure and broader access to credit will enhance SMEs efficiency to augment their contributions to employment, economic growth as well as poverty reduction.