Entrepreneurship in Liberia: challenges and opportunities of SMEs

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Abstract. Entrepreneurship has been considered one of the major universal drivers of economic development, and sustainable development while also contributing to the growth of a country’s economy. This study explored the perspectives of business entrepreneurs on the contributions of entrepreneurship to economic development in Liberia. A qualitative research approach while an in-depth interview guided by a semi-structured interview was conducted among Liberian entrepreneurs to explore whether entrepreneurship contributes to a country’s economic development based on their views, opinions, and experiences. The findings of the study show that the lack of proper incentives, government support, infrastructure, cost of utilities, entrepreneurship awareness, and lack of entrepreneurship education in schools and universities curriculum is considered to be one of the core factors that is hindering the promotion of entrepreneurship in Liberia. As a result, the study recommends the Liberian government's need to implement policies that will enhance the development of entrepreneurship, provide basic infrastructure, and introduce entrepreneurship education in secondary and tertiary institutions as a core module. This study contributed to the entrepreneurship literature and confirmed that entrepreneurship has played a key role in providing solutions for Liberia’s economy while generating a greater number of employment and enhancing society's living standards.

Keywords: Economic; Entrepreneurship; Education; Liberia.

1 Introduction

Entrepreneurship is regarded as a discipline (Glaeser, 2020; Urban, 2010). According to Hisrich, Peters, and Shepherd (2019), it is about investigating how, why, and when opportunities are recognized, generated, and used. Numerous developed and developing countries appear to be moving in the direction of entrepreneurship and innovation in recent years due to opportunities that come along with entrepreneurship. Entrepreneurship has played a vital role in the country’s economy by improving society’s standard of living, creating wealth, generating employment and prosperity on a local and global level, and paving the way for more companies to start up (Richter, 2021).

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According to the 2017 Global Entrepreneurship Index study, the top ten countries where entrepreneurship has become a true success are all regarded as developed countries. Meanwhile, Liberia is a country with just over 5.5 million population that declare its independence on July 26, 1847. Since 2003, the country has seen peace, three democratic elections, and there has been a steady economic recovery during the last years. These are significant accomplishments for a country that has been devastated by years of conflict and turmoil. However, despite the natural resource’s country is gifted with, Liberia is considered one the poorest countries in sub-Saharan Africa and the world. Liberia is a nation that is well equipped with natural resources, and human capital and has the right playing field to attract foreign businesses and entrepreneurs for investment purposes.

Moreover, part of the failure to attack foreign investors and local entrepreneurs is caused by the country’s fourteen years of civil war along with the poor decision made by the government on the socio-economic policies which have led to the increment of the poverty level and unemployment rate in Liberia (De Mel, Elder & Vansteenkiste, 2013). Still, Liberia is now working on enhancing its economic sectors through agriculture, science and technology, sports, entertainment, tourism, and encouraging entrepreneurship.

Approximately 80% of all Liberia companies hire less than 20 people while only 13% of those companies hire between 20 to 100 individuals. To grow the number of employments, in 2013 Liberia launched a development plan called Agenda for Transformation (AFT) with the aim of making Liberia a middle-income country by 2030 by investing in SMEs and promoting local entrepreneurs as part of the development plans. It cannot be stressed enough the significant role that entrepreneurship play in a country’s economic growth, unemployment and poverty reduction within a country or nation and that is why entrepreneurship has been brought to the forefront by many global countries. It is crystal clear that the failure of the Liberian government to encourage and create a promoting platform for entrepreneurship has contributed to the effect on the country’s economy (OECD, 2021). Undeniably, when a country’s government provides entrepreneurship, it requires attention and investment in the sector, and it boosts the country’s economy immensely. Thus, the study explored various ways how entrepreneurship can serve as a solution to the economic development in Liberia by tackling the challenges of high unemployment, the promotion of innovation, the well-being of the society, and the country’s economic growth.

2 Literature Review

The term entrepreneur is a word derived from a French verb called “entreprendre” which means to undertake. Adam Smith and other economic scholars from the neoclassical era, including the English, American, and German Economists have always had a different perspective on the function and role of entrepreneurs in economic development. However, there has been a general agreement that the source of wealth creation is not a function of land, labor, and capital alone. Carree and Thurik (2003) view entrepreneurs as an organizer whose input provide or add value to the resources when integrated during the production process. Sledzik (2013) states that the introduction of innovations can serve as a key driver to a country’s economic growth. Schumpeter also described technical change and innovation as the role of the entrepreneur and believed through introducing new or successful innovations entrepreneurs could earn economic profits. Furthermore, entrepreneurship is a process in which entrepreneurs, organizations, businesses, and governments develop economic and commercial activities required for the betterment of society's standard of life (Estay, Durrieu & Akhter, 2013). Glaeser (2020) argued that the role of entrepreneurship is just more than creating a firm or starting a business rather those individuals find opportunities that require change, allocate resources, and create value by identifying the unmet needs. The development of entrepreneurship has led to the creation of millions of jobs worldwide, paving the way for
economic growth and sustainable development (Hisrich, Peters & Shepherd, 2019). However, due to the importance of entrepreneurship, there has been a massive increase in colleges and universities that offer entrepreneurship development and business management program from one university in 1947 to 1600 in the 1990s (Hisrich, Peters, & Shepherd, 2019; Audretsch & Thurik, 2001).

2.1 Contributions of Entrepreneurship to Economic Development

Out of the many available factors, entrepreneurship has been identified as a core influence on the progress of a country’s economic development. As a result, there has been a rising number of research literature on the effects and relationship of entrepreneurship on economic development and it has been agreed by several researchers that entrepreneurial activities are one of the essential pillars in a country’s economic development (Knudson, Wysocki, Champagne & Peterson, 2004; Baumol, 1993). Neumann (2021) regarded entrepreneurship as a prerequisite for sustainable long-term economic development and helps to revitalize economies. Undoubtedly, entrepreneurship is part of the most influential ways to stimulate economic development among the many options available and as a result, entrepreneurial activities are increasing in a number of countries globally (Hisrich, Peters & Shepherd, 2019). In the past two decades, there has been a massive growth of wealth and technology innovation through the help of entrepreneurship and while more than just an economic factor contributor. Entrepreneurship has been identified as a way of life and the majority school of thought on entrepreneurship has identified risk-seeking, opportunity-seeking, and innovativeness as functional roles of entrepreneurs (Audretsch & Thurik, 2001). About 55.5 percent of Liberia’s population are living below the poverty line but this is expected to increase to about 68.9 percent due to the Covid-19 (World Bank, 2020a). With the global pandemic that has impacted economic and financial crisis, many countries around the globe including Liberia have resulted in 114 million jobs lost since 2019. Rana (2021) suggested that the promotion or the encouragement of entrepreneurship activities can serve as a solution to the economic and financial crisis caused by the Covid-19 that has led to a job loss of millions worldwide.

For the past three decades, there has been a massive growth of entrepreneurship it serves as one of the most essential elements that contribute to the economic development of a nation. Entrepreneurs are innovators who generate numerous ideas and put them into use as a means of promoting the growth of economic development (OECD, 2021; World Economic Forum, 2019). The role of entrepreneurs or entrepreneurship in a country can contribute significantly to the shift of a nation from becoming a developing economy to a developed economy (Galor & Michalopoulos, 2006). The researcher has listed and discussed some essential roles played by entrepreneurs in the country’s economic development.

a. Entrepreneurship promotes employment opportunities

Entrepreneurs create jobs in two ways: directly and indirectly. Self-employment as an entrepreneur provides the most direct path to an independent and honorable life. Indirectly, they provide employment to millions of people by establishing large- and small-scale business units. For instance, if 50 individuals become entrepreneurs, they can not only build jobs for themselves but also create for fifty others. As businesses expand, more jobs are created in the industry (Kritikos, 2014; Knudson, Wysocki, Champagne & Peterson, 2004).

b. Entrepreneurship Promotes Balanced Regional Development

Entrepreneurs are constantly on the lookout for new possibilities in their surroundings. They take advantage of government concessions, incentives, and facilities to establish businesses in underdeveloped areas. This aids in the reduction of regional inequalities by establishing factories in less developed areas. Meanwhile, the development of businesses or industries by entrepreneurs in that less developed area will lead to a public benefit by building
c. Entrepreneurship promotes a country’s economic independence

Entrepreneurship is important for a country’s national self-reliance. Entrepreneurs assist in promoting local manufacturing rather than solely relying on imports from foreign countries. Those local entrepreneurs can manufacture goods and services on a large scale that is enough for the locals and reduce the import in substitution of export as means of promoting and ensuring the economic dependency of the country (Glaeser, 2020).

d. Entrepreneurship promotes the creation of innovation

The creation of innovation from entrepreneurs contributes to a country’s economic development. Entrepreneurs are individuals who are constantly figuring out new opportunities. He is constantly attempting to implement newer and newer methods of producing products and services. Successful entrepreneurs are noted to be successful innovators who try to invent or modify things that will bring about efficiency and effectiveness by using their innate potential (Kritikos, 2014).

e. Entrepreneurship promotes a standard of living

Entrepreneurs play a critical role in raising people's living standards by implementing innovative and modern technologies in the mass production of a wide range of products and services at a lower cost. This allows consumers to obtain higher-quality items at cheaper costs, resulting in an increase in their standard of the living country (Glaeser, 2020).

3 Entrepreneurship development challenges in Liberia

Liberia a country like many other countries in Africa and around the world is currently facing a multitude of problems or challenges from internal conflict to unemployment, poverty, diseases, etc. These situations have caused a greater challenge in the development of entrepreneurship in Liberia. Meanwhile, according to the United Nations report, about 65% of Liberia’s total population are youth and it has also been estimated that about 85% of those youth are unemployed (World Bank, 2020b; De Mel, Elder & Vansteenkiste, 2013). Nevertheless, the researcher has listed and explained the challenges faced by entrepreneurship development in Liberia.

a. The absence of fundamental knowledge of science and technology

The position of entrepreneurship in economic development is more than just focusing on growing capital income and output rather it also involves constructing or initiating change in how businesses operate and benefit the society. In order to construct or initiate those changes, having a basic or fundamental knowledge of science and technology is highly required. However, this serves major problem or challenge to entrepreneurship development as entrepreneurs and business owners in Liberia lack basic knowledge of information technology (All Africa, 2021, Ndedi, 2009).

b. High cost of doing business in Liberia

Despite the high risk taken by entrepreneurs, the end goal of every entrepreneur is to earn profit. The overall cost of starting or doing a business in Liberia can be very costly and this is mainly attributed to the lack of proper infrastructure facilities and corruption. Too often, entrepreneurs or business owners spend a huge sum on basic infrastructures like internet, electricity, and others while also paying a bribe to government officials or workers for their business paperwork, documents, and other related matters. In addition, expenses like rent, utilities, and paying workers on time have all contributed to the challenges in doing business in Liberia due to the high operating and legal costs (USA.Gov, 2021).

c. Lack of incentive

The subsidy is also commonly known as an incentive that is provided to firms or individuals by the government mostly in form of grants, cash, or even tax breaks to enhance
the supply of a specific product or service. Meanwhile, in Liberia, the lack of a proper incentive structure by the government to promote its local firms or businesses can be identified as a constraint to the promotion of entrepreneurship. The average life span of a start-up business in Liberia usually survives between 6 months to one year and the primary identified reason, why those businesses fail within this duration, is due to the lack of sufficient working capital and little to no subsidy or incentive that is being provided by the government to help those start-ups sustain their businesses (David, John & Hussain, 2020; Ndedi, 2009).

4 Problem Statement

In Liberia, it has almost become a norm to see graduates who are unemployed, and the number of unemployed graduates and citizens is increasing day by day. As a result, this has contributed to the increased level of crime within the country as citizens find various methods of making money through illegal ways such as drug trafficking, robbery attacks, prostitution, kidnapping, and others.

a. Entrepreneurship development - where the Liberian government is expected to provide the necessary infrastructure, promote entrepreneurship through incentives and tax reduction, providing skills and the knowledge needed through training and seminars in order to enhance entrepreneur’s potential
b. The entrepreneurial challenges - that contribute to the lack of reviving the entrepreneurship sector that is a tie-up with the country’s high level of corruption while top-level management often embezzles and misuses all the allocated funds for the sector has caused a major challenge to the sector for the past decade.
c. Entrepreneurship education - is vital in the promotion of entrepreneurship within a country or nation and the entrepreneurship education or knowledge provided in the secondary and tertiary institutions will help enlighten students and the role of entrepreneurship in reviving the country’s economy and how it benefits them and their community.

Research Questions

1. What are the challenges faced in the development of entrepreneurship in Liberia?
2. How does the role of entrepreneurship development contribute to the economic development in Liberia?
3. Can the promotion of entrepreneurship education serve as a means of promoting entrepreneurship in Liberia?

5 Methodology

A qualitative research design is used in carrying out this research as a means of collecting in-depth information about the study of entrepreneurship as a panacea for economic development in Liberia. Qualitative works on exploring views, opinions, experiences, values, and feelings about a phenomenon through investigation (Lune & Berg, 2017). The purpose of qualitative study is to explore and understand whether entrepreneurship can contribute to a country’s economic development. Collecting information or data from the entire Liberian population is not a possible option for this study. Hence, it is essential to select a suitable target audience that provides a reasonable and logical answer to the study questions. Collecting information or data from the entire Liberian population is not a possible option for this study. Hence, it is essential to select a suitable target audience that provides a reasonable and logical answer to the study questions. Three respondents participated during
the data collection process which has helped the researcher in managing time since data collection can be easily manageable with few people being involved.

6 Findings

Research Question 1: What are the challenges faced in the development of entrepreneurship in Liberia?

Theme 1: Concern about the lack of Government Incentives

The importance of entrepreneurship development in numerous economies throughout the world cannot be overstated and as a result, the majority of governments have implemented programs to encourage entrepreneurship in their communities. However, the first theme refers to the lack of funds, and all the three participants in this research study have raised their concerns over the lack of funds provided to entrepreneurs in Liberia by the government which serves as a core challenge to entrepreneurs in Liberia. Participant 3 highlighted the phrase "incentive" as a method of boosting production. Participant 3 believed incentive will serve as a driving force that motivates an entrepreneur to make the best option possible and act on it. The goal of offering incentives is to encourage entrepreneurs to start a new business in the nation's and the society's best interests.

Theme 2: Concern about the lack of government support

The theme refers to government support, consisting of government protection, government promotion, and corruption. Participant 1, 2, and 3 indicated their concern over the lack of government protection and promotion of entrepreneurs in Liberia. The respondents stated that small company development and entrepreneurship are at the heart of many countries' economies, and as such, the Liberian government should protect and promote its entrepreneurs against foreign traders which will contain a higher chance of improving the country's economy.

In Liberia, the cost of foreign imported products and the cost of locally manufactured products is almost the same and this serves as a challenge to the domestic entrepreneurs as a result, respondent 1 emphasized the Liberian government should impose some more tariffs on the importers' products in other to help the domestic companies. Following the theme respondent, 2 also mentioned corruption as a challenge for entrepreneurs in Liberia. Respondent 2 added corruption has made it difficult and expensive for entrepreneurs to carry out their own business where they need to bribe officials to get their work faster or to even get it done when needed. This form of behavior will lead businesses to close down or prevent start-ups.

Theme 3: Concern about the lack of Infrastructure

The theme of infrastructure refers to poor connectivity of roads and the lack of consistent electricity. The three respondents 1, 2, and 3 almost have a similar view on how the lack of infrastructure has served as a major constraint to their business supply chain due to poor road connectivity and the lack of consistence electricity which affect their business operations. The participant expressed their thought on the importance of the Liberian government producing or building better roads that will play a critical role in the economic development and progress of the country’s economy and as well as providing significant social advantages. Roads are critical to a country's growth and development.

Furthermore, a road network is critical in the fight against poverty since it provides access to a job, social, health, and education services. Roads connect more people and places,
promoting economic and social development. Meanwhile, under infrastructure respondents 1, 2, and 3 also highlighted their dissatisfaction with the lack of consistent electricity which affects their company production or operation line. Unlike SMEs, these entrepreneurs need stable lighting for their office equipment and most importantly during the company’s production.

As electricity still be considered one of the challenges faced by entrepreneurs in Liberia, it also serves as an assistant to the entrepreneurs by buying generators and petrol.

**Theme 4: Concern about the cost of utilities**

Theme four refers to utilities that consist of the cost of internet and the cost of water. Participant 1 raises a concern that the Liberia water and sewer corporation water bills are so high, and his company is left with no other option than to build his own groundwater (well-water) that will be used for his company’s production purposes which were quite costly. On the other hand, respondent 2 also points out his concern about the internet being too costly. Unlike SMEs, a company in his category needs unlimited and fast internet to be able to carry out its company operations and to be able to live in the midst of its competitors. With the cost of the internet being high it can also contribute to the challenges of entrepreneurs in Liberia.

**Research Question 2: How does the role of entrepreneurship development contribute to the economic development in Liberia?**

**Theme 1: Societal Benefits**

The theme of social benefits consists of reduction of unemployment, lowering the cost of products and services, promotion of innovation, and developing new products and services. All of the interviewed respondents 1, 2, and 3 agreed that entrepreneurship will achieve great success in the reduction of unemployment. As entrepreneurs’ businesses or companies grow, so do they often require new skills and labor workers which necessitates the creation of jobs. Through the creation of jobs, society will be able to benefit where individuals will be able to have money in their pockets and reduce the crime and poverty rate.

Respondent 2 added that entrepreneurship will help lower the price of products and services for the citizens compared to the imported goods which are slightly higher compared to local manufacturing products. Entrepreneurship will increase the level of competition in the market by providing customers with more choices and keeping customers satisfied and improve the livelihood of the citizens.

Respondent 1 and 2 also added through entrepreneurship a country can seek the promotion of innovation. This is because entrepreneurs are individuals who find solutions to problems that often result in better and more affordable products and services for customers. In providing a solution entrepreneurs have unlimited potential and one of the respondents points out Tony Fernandes as an example by making Air Asia one of the cheapest low-cost carriers which is now benefiting both the Malaysian population and beyond.

**Theme 2: Economic Benefit**

Respondents 1 and 3 highlighted some economic benefits of entrepreneurship as a means of contributing to the country’s income or GDP. Businesses contribute to government money by paying taxes, which helps to facilitate development. Entrepreneurial ventures contribute much more to GDP, demonstrating their importance in raising income, financing government programs, and contributing to economic growth. Another point presented by respondents 2 and 3 was entrepreneurship does contribute to reducing the number of imports and increasing the number of exports which provide a greater benefit to the country’s economy. When a country is over-dependent on imports its influent the country’s exchange rate, GDP, level of interest rate, and high level of inflation. However, when a nation is more involved in export, it brings money into the country by selling to foreign countries.
Research Question 3: Can the promotion of entrepreneurship education serve as a means of promoting entrepreneurship in Liberia?

Theme 1: Schools and Universities Curriculum

Finding from participants 1, 2, and 3 suggested that the failure to implement entrepreneurship programs in secondary and tertiary institutions has contributed to the failure of entrepreneurship within the country. If entrepreneurship were to be implemented in those institutions, its presence would have been felt as more individuals would have loved to explore the field of entrepreneurship. The respondents also added when entrepreneurship education is implemented in secondary and tertiary institutions, people will be provided with the necessary skills required on being an entrepreneur. Through entrepreneurship education, people might take entrepreneurship as a career and help reduce the over-dependence on the government for jobs.

Theme 2: Entrepreneurship Awareness

Respondents 1, 2, and 3 perceived that the lack of entrepreneurship programs in secondary and tertiary institutions has impacted the awareness of entrepreneurship in Liberia. As such, implementing entrepreneurship programs in secondary and tertiary institutions will help promote entrepreneurship awareness among the youth and others while enabling people to take entrepreneurship as their career choice. Respondent 3 also stated that the Liberian government should also play its part by providing the platform, training, funds, or incentives that will help in the promotion of entrepreneurship among citizens in the country.

7 Conclusion and Recommendation

Based on the research, the study concludes that it cannot be stressed enough the significant role those entrepreneurial activities play in countries’ economic development due to its enhancement of the socio-economic well-being of the society. Entrepreneurship is critical to a nation's development as well as the economy's long-term growth and development through which the level of poverty is minimized, unemployment is reduced, and the wealth and prosperity of the nation are increased. The study has shown that one of the leading causes of the crime rate in Liberia is joblessness or citizens being unemployed. As a result, the promotion of entrepreneurship will help in lowering the crime rate in Liberia by providing jobs to those unemployed citizens.

1. Recommendation for Q1: The study recommends that it is vital for the Liberian government to promote and support entrepreneurship by ensuring that the right policies are taken and supported in the country’s legislation.

2. Recommendation for Q2: The study recommends for the Liberian government see and recognize the importance of entrepreneurship which impact the country’s economic development through wealth creation, creating a large-scale employment opportunity, innovation through introducing of new technologies, and solving existing problems.

3. Recommendation for Q3: The study recommends that schools and universities must implement an entrepreneurship-related module in students’ curricula that will help educate those students about entrepreneurship and provide them with the necessary skills to become an entrepreneur upon graduation.

Suggestions for Further Study

This study focuses on how entrepreneurship can serve as a panacea or a solution to the economic development in Liberia. Hence, since the study focuses on the entire country “Liberia,” it is suggested that a similar study can also be conducted by scoping the study into states since Liberia is made up of fifteen states. A qualitative method was used in carrying
out this study through the process of interviews where the participants or the respondents of the study provided their honest opinion, views, and experiences about the research topic. Meanwhile, when conducting a similar study, a parallel method can be adopted either qualitative or mixed-method when conducting the further study.

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