

Small Firm Success in Liberia: Information Frictions, Linkages and Informality

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 - ▶ Informality (De Soto, 1989; Farrell, 2004; Lewis, 1954; Harris-Todaro, 1970; La Porta and Shleifer, 2014)
 - ▶ Linkages, esp. in natural resource-intensive economies (Acemoglu et al., various papers; Jones, 2011, 2013)

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- ▶ Most registered firms are small and operate in or around Monrovia

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 - ▶ All BM’s activities intended to address *information frictions* – frictions that prevent buyers and sellers that would otherwise engage in growth-enhancing trade from “finding each other”

Table 1 : Winning contracts and use of Building Markets' services

	Self-reported contract ¹			BM-facilitated contract ²		
	Yes	No	Diff	Yes	No	Diff
Proposed in MM report ³	0.11 [0.32]	0.06 [0.24]	-0.05*** (0.02)	0.29 [0.45]	0.06 [0.25]	-0.22*** (0.05)
Training from BM ⁴	0.07 [0.25]	0.05 [0.21]	-0.02* (0.01)	0.23 [0.42]	0.04 [0.20]	-0.19*** (0.04)
SMS/email about tender ⁵	0.64 [0.48]	0.42 [0.49]	-0.22*** (0.03)	0.81 [0.39]	0.46 [0.50]	-0.36*** (0.05)
Responding to tender ⁶	0.67 [0.47]	0.27 [0.45]	-0.40*** (0.05)	0.85 [0.37]	0.40 [0.49]	-0.45*** (0.07)
Observations	526	1399		101	1824	

* $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$

Mean variables and differences; sd in square brackets; se of difference in parentheses; p-values for difference

¹ Dummy for reporting one or more clients

² Dummy for having won a contract facilitated by BM

³ Dummy for being proposed as a supplier by BM in an match-making report

⁴ Dummy for having attended training with BM

⁵ Dummy for having received an SMS or an e-mail about a tender from BM

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 - ▶ Measure outcomes (e.g. profits, #employees, etc) before+after “treatment” (data from BM, Liberia’s statistical institute (LISGIS) and surveys), for treated firms and their competitors

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 - ▶ That formalization gives firms opportunity to access services such as bank loans, importing and exporting, etc

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 - ▶ “the government” (e.g. taxes paid by small firms, etc)

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 - ▶ Winning a natural resource concession
 - ▶ Starting to export

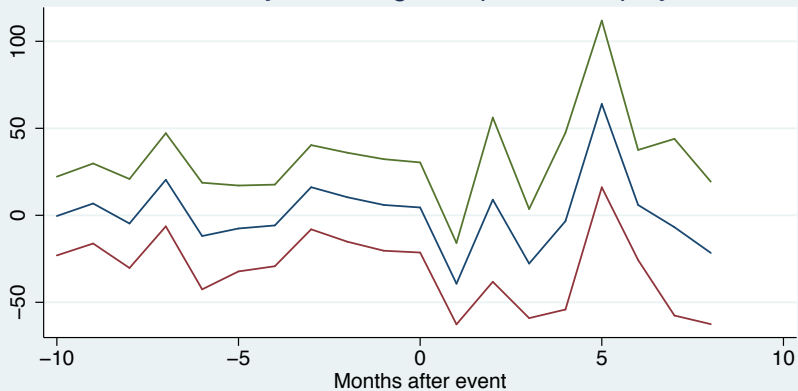
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 - ▶ Winning a contract (to itself supply another Liberian firm)
- ▶ Example of (very) preliminary findings:

Effects of buyer starting to export on employment



— Change in employment — 95% CI
— 95% CI

Event study method with fixed effects and time dummies

Starting to export is defined as the first date that a buyer exports in the data, if this date

- ▶ More findings to follow next year!
- ▶ Thanks for your attention