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## Factors influencing urban youth entrepreneurship development in sub-Saharan Africa

### Abstract

Africa's population is growing rapidly and African youth currently has limited income opportunities other than self-employment. Globally there are more than 1 billion young people between the ages of 15 and 24 defined as youth by the United Nations. According to the International Labour Organization, an estimation of 85% of young people live in developing economies such as African economy, and anticipate that for the next 10 years close to 100 million young people will enter the global workforce every year. The purpose of this paper is to identify the factors driving youth entrepreneurship as well as challenges limiting urban youth entrepreneurs' ability to contribute meaningfully to economic growth and reducing unemployment across sub-Saharan Africa (SSA) using a quantitative research approach. 533 questionnaires were purposive administered and 431 were completed, a response rate of 82.6% was achieved. Mozambique and Namibia were excluded due to language proficiency. Swaziland response rate was very poor and thus was discarded and regarded as spoilt questionnaires. The findings indicate that youth do not start business out of necessity and that role models play a major role in influencing youth to start business in sub-Saharan region.

**Keywords:** youth, unemployment, sub-Saharan, economic growth and challenges.

**JEL Classification:** L26, J46, L26.

### Introduction

Research in Africa by King'ori (2012, p. 9) indicates that there are limited formal employment opportunities to young entrants to the labor market. In his view he asserts that in the SSA, self-employment among youth is greater than in other parts of the world. Similar evidence can be found in other countries such as Malaysia limited career options led unemployed people, including youth, to seek out self-employment (Chan Kim Ling, Selvadurai & Hamid, 2009). According to the World Bank database self-employment in SSA varies between 26.7% and 91.1% of the working population per country. Africa is urbanizing at an alarming rate. McKinsey (2012, p. 2) found that in Africa the 16-34 age group already account for 53% of income and by 2016 500 million of Africans will live in urban areas. Urbanization will serve as a catalyst for consumer growth but if urban residents are unemployed severe social and economic problems may emerge. African youth represent 40-65% of urban unemployment (Bay & Ramussen, 2010; Chigunta, Schnurr, James-Wilson & Torres, 2005) and youth unemployment levels are double and triple the adult rate (Chigunta et al., 2005; King'ori, 2012, p. 5). As already reported in 2006 by ECOWAS-SWAC/OECD, SSA is the last large region in the world where population growth rate is above 2.5% per annum and this through a growing youth population. A 1% increase in population can result in a 0.5% increase in youth unemployment

which could have a significant impact on African youth (Elder, Schmidt & Sparreboom, 2010). Thus vital to understand both factors driving youth entrepreneurship and challenges limiting urban youth entrepreneurs' ability to contribute meaningfully to economic growth while reducing unemployment across Africa. If issues are not addressed, youth unemployment coupled with rapid urbanization could result in social and economic decay in Africa. Youth entrepreneurship is widely regarded by most literature as a viable solution to address youth unemployment in both developed and emerging markets (AFD, 2007; Chigunta et al., 2005; Okojie, 2003; Sharif, 2007). Self-employment can play a role in reducing unemployment amongst African youth, contributing to job creation across Africa and addressing social challenges resulting from unemployment, in urban areas mainly.

While there is a strong debate that youth pursue entrepreneurship by choice and not out of necessity, education, environment and early exposure to entrepreneurship, albeit through family or acquaintances, have been found to develop a tendency amongst youth to pursue entrepreneurship (Beeka & Rimmington, 2011; Goel & Vohra, 2007; Ncube, 2005). Bay and Ramussen (2010, p. 2) found in Ghana that the majority of youth pursued entrepreneurship by choice; nonetheless a need was perceived to determine whether youth entrepreneurship can address job creation and unemployment challenges in SSA. Oppositely contradicting studies were found in literature with none exploring the role of youth entrepreneurs specifically. Biggs and Srivastava (1996) argue that although SMEs increase their employees' number, the total number of jobs created does not reduce

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unemployment. Chigunta et al. (2005) argue that most of Africa's employment opportunities are created in the informal sector. Youth entrepreneurship is widely regarded as a viable solution to address youth unemployment in both developed and emerging markets (AFD, 2007; Chigunta et al., 2005; Okojie, 2003; Sharif, 2007).

### 1. Problem investigated

The preliminary literature review highlights that sub-Saharan Africa's formal sector currently provides limited employment opportunities and the growing population and workforce can result in greater unemployment particularly amongst urban youth in the medium term. As stated earlier SSA youth represents 40 to 65% of urban unemployment as yet and the 2.5% yearly population growth rate of youth as already observed since 2006, should be considered as a major concern, which significantly impact on African youth. Further indications from the literature show limitations of Pan-African research on African youth not engaging in entrepreneurship and evoking questions whether they can play a meaningful role in job creation and in reducing unemployment. In addition, SSA countries differ in challenges. South Africa's youth unemployment challenges are very different to those faced by the rest of the SSA countries. This paper therefore intended to identify whether youth entrepreneurs of SSA start business out of necessity when looking at challenges limiting urban youth entrepreneurs' ability to contribute meaningfully to economic and reducing unemployment across the sub-Saharan Africa region. While secondary objective looked at determining whether African youth pursue entrepreneurship out of necessity or based on opportunities identified and determined whether differences existed between countries in sub-Saharan Africa. In addition in order to build a profile of youth entrepreneurs in sub-Saharan Africa aspects such as gender, age, work experience, industry, business age, type of business premises and access to technology was explored. Two hypothetical statements were formulated and the t-test was used to analyze the results. These statements were formulated to further validate the objective under research.

*H1* – Youth in sub-Saharan Africa pursue entrepreneurship based on opportunity rather than necessity.

*H2* – There is a relationship between youth entrepreneurship and job creation.

### 2. Literature review

#### 2.1. Facts and factors influencing African youth entrepreneurship.

Numerous factors influence

youth entrepreneurs. King'ori (2012) found that both educational levels and personal factors contribute to the success of a youth entrepreneurship venture in Kenya. As recorded, Singapore successful entrepreneurs tend to have higher education levels than unsuccessful entrepreneurs. Evidence found was that one additional year of education can improve entrepreneurial profits by 5.5% in developing countries (Van der Sluis, Van Praag & Vijverberg, 2005).

Although literature indicates that youth entrepreneurs face many challenges which may limit their ability to contribute towards job creation, social stability and economic growth in SSA, Bay and Ramussen (2010) identified potential challenges relating to infrastructure such as "telecommunications, power, railway transport, roads, water and sanitation". Other challenges identified include high production costs, lack of access to finance and high documentation requirements which contribute to low banking penetration in Africa (Haji Hatibu Haji, 2007; Koveos et al., 2011). Even though African youth entrepreneurs may face many challenges, SSA is rated as one of the regions that are the "fastest reformers in terms of easing business entry" and ranked first in terms of number of active start-up reforms (Koveos et al., 2011, p. 2). Research by AFD found that access to start-up finance is a critical youth employment issue given the prevalence of self-employment in most African countries yet "no study has examined specifically the issue of youth access to start-up capital in African countries" (AFD, 2007, p. 33).

Moreover Africa is rapidly urbanizing and literature clearly indicates that unemployment in urban areas has dire social and economic consequences. Research by the Brenthurst Foundation (2011, p. 45) highlighted that Africa faces a similar reality as Latin America where migrants to urban areas also turn to self-employment in the absence of being able to secure jobs in the formal sector. If challenges to self-employment cannot be overcome, it can lead to higher unemployment in urban areas. Beeka and Rimmington (2011, p. 146) cite that entrepreneurship is a way to integrate young people economically and argue that "high youth unemployment is fundamental to the growing difficulties in Africa, causing various economic, social and moral issues". On the positive side, youth entrepreneurs are recognized for their role in society and their role in fostering innovation which could transform overpopulated urban areas (Chigunta et al., 2005). In addition, it is important to note that entrepreneurship research is still in its infancy and mostly based on evidence from high-income or middle-income countries due to the lack of data

available from emerging markets (Bruton, Ahlstrom & Obloj, 2008; ILO, 2010, p. 3). According to Beeka and Rimmington (2011, p. 147), “specific research into the field of youth entrepreneurship in the African context is limited or non-existent”. Schoof (2006) also stated a lack of research and data into issues such as employment creation by youth entrepreneurs as well as the constraints faced by youth entrepreneurs.

Challenges faced by youth entrepreneurs limit their ability to contribute towards job creation, social stability and economic growth in SSA (Brennan & Fickett, 2011). One factor to influence youth entrepreneurs output is education. Ncube (2005, p. 5) argued that the process of entrepreneurship begins with “the education levels and environment. For King’ori (2012) both educational levels and personal factors contribute towards success with the Kenya study. Rasheed (2002) is of the view that sufficient literature exists to provide evidence that entrepreneurial education increases the likelihood of adults pursuing opportunities in entrepreneurship. As evidenced much as additional year of education can improve entrepreneurial profits by 5.5% in developing countries, Bay and Ramussen (2010) argue that education below a certain level could have little impact on business profits. Education has also been found to add the most value in the public sector, followed by the private sector and least valuable in the informal or self-employed sector across five West-African capital cities (Kuepie, Nordman & Roubaud, 2006).

Brennan and Fickett (2011, p. 10) cite that 11 report accords that sub-Saharan Africa has the least friendly business environment. However, although African youth entrepreneurs may face many challenges, sub-Saharan Africa was rated as one of the regions that are the “fastest business reformers entry” and in terms of number of active start-up reforms (Koveos et al., 2011, p. 2). Namatovu et al. (2012) found transport challenges such as access to land, taxes, minimal support from Government, unsuitable education systems and insufficient business skills training were faced by youth entrepreneurs. Chimucheka (2012, p. 10392) concluded that lack of experience, training and skills, corruption and failure to meet personal and family needs and expectations are the main challenges faced by Zimbabwean youth. Other challenges identified through the literature review included high production costs, lack of access to finance and high documentation requirements which contribute to low banking penetration in Africa (Haji Hatibu Haji, 2007; Koveos et al., 2011).

Namatovu et al. (2012) found that in both Kenya and Uganda rural youth entrepreneurs mainly used personal savings or funds from family or friends as start-up capital. Research found that access to start-up

finance is a critical youth employment issue given the prevalence of self-employment in most African countries (AFD, 2007; Atieno, 2009; Fick, 2002; GEM, 2011; GEM, 2012; Pretorius & Shaw, 2004; Waweru, 2012). Waweru (2012) found that very few youth entrepreneurs are able to obtain loans from financial institutions or Government schemes. Waweru (2012, p. 65) further argued that poor access to credit and the unavailability of credit could slow down the development of youth entrepreneurship. Yet AFD highlighted that “no study has specifically the issue of youth access to start-up capital in African countries”. It emerged from the literature review that although factors influencing youth entrepreneurs have been explored in past research, and it is very difficult to synthesize common factors or compare factors across countries as studies were mostly country specific with different research designs.

### **3. The knowledge gap identified through the literature review**

Nonetheless, it is critical to note that entrepreneurship research is still in its infancy and mostly based on evidence from high-income or middle-income countries due to the lack of data available from emerging markets (Bruton, Ahlstrom & Obloj, 2008; ILO, 2010, p. 3). According to Beeka and Rimmington (2011, p. 147), “specific research into the field of youth entrepreneurship in the African context is limited or non-existent”. Schoof (2006) also stated a lack of research and data into issues such as employment creation by youth entrepreneurs as well as the constraints faced by youth entrepreneurs. Further research is required to determine why African youth engage in entrepreneurship and whether they can play a meaningful role in job creation and reducing unemployment in sub-Saharan Africa.

### **4. Methodology and research design**

The selected research approach was informed by the research objectives and research hypotheses formulated for this study. Based on the research objectives the most appropriate research approach was a non-experimental research approach. A descriptive research method, using a quantitative survey design, was used to establish whether African youth, at present, pursue entrepreneurship out of necessity or opportunity and assess whether youth entrepreneurs can contribute towards job creation in SSA. The intention of this study was not to examine the “cause-and-effect relationship” between variables thus an experimental research approach was not suitable (Salkind, 2012, p. 10).

Standard Bank, a large bank with a presence across multiple sub-Saharan African countries, agreed to support and make resources (interviewers, laptop

devices, past survey questionnaires to SMEs, video conferencing technology and the use of an online survey tool, Qualtrics) available for the purposes of this study. The availability of and access to resources granted by Standard Bank allows the researcher to achieve greater results with limited additional complexity and impact. In order to ensure matters of confidentiality each research respondent received a participant number to ensure anonymity. Only the researcher had a record of each respondent and his or her matching participant number. As the study was of a quantitative nature and the data were analyzed using descriptive statistical analysis the findings were presented in a consolidated format enabling anonymity. In addressing issues of informed concern each participant had the option to sign an informed consent form prior to participating in the survey and completing the questionnaire. The content of the consent form served as the opening screen of the online survey and thus by proceeding to the actual questionnaire respondents gave their consent to participate in the study. Respondents could not participate in the survey without giving their explicit consent. Albeit, the objectives of the study were to establish whether African youth, at present, pursue entrepreneurship out of necessity and assess whether youth entrepreneurs contribute towards job creation in sub-Saharan Africa. The study aimed to identify the factors driving youth entrepreneurship as well as challenges limiting urban youth entrepreneurs' ability to contribute meaningfully to economic growth and reducing unemployment across sub-Saharan Africa (SSA) using a quantitative research approach.

A quantitative research approach was used for the research in the sense that it evaluated objective data consisting of numbers. This approach was regarded as the most appropriate approach for the research, because this type involves acquiring information about a group of people, namely, youth in selected countries of sub-Saharan region. Furthermore a descriptive research method, rather than historical or qualitative methods, aligned to the research objectives in that it enabled the researcher to build a holistic view of youth entrepreneurship, in sub-Saharan Africa which could be used as a foundation for further research. The aim was to determine why African youth engage in entrepreneurship and whether they can play a meaningful role in job creation and reducing unemployment in sub-Saharan Africa and assessment between two variables were necessitated that was the relationship between the two variables, youth entrepreneurship and job creation. A very clear profile of youth entrepreneurs across sub-Saharan Africa emerged from the study. The profile is similar to that developed by Bay and Ramussen (2010), King'ori (2012) and Namatovu et al. (2012) although it offers greater depth and scale across 9 countries in SSA.

## 5. Pre-test or pilot study

The questionnaire was tested with 5 youth entrepreneurs in Johannesburg, South Africa, by the researcher to ensure the reliability of the research instrument. The pilot study assisted the researcher to simplify the questionnaire and eliminate unclear items.

## 6. Questionnaire, sample size and response rate

The expected sample size for this study was 533 participants across 14 sub-Saharan African countries however 431 were fully completed surveyed across 11 sub-Saharan African countries. Interviewers identified and approached 40 to 60 youth entrepreneurs in capital cities based on their age. The sample formed a sub-set of the self-employed urban youth population in the chosen countries across SSA. Nonprobability quota sampling was used as a sampling technique to ensure youth with the correct characteristics selected for the study. An acceptable response rate of 82.6% was achieved. A maximum of 60 entrepreneurs were invited to participate in the research per country. Constraints were placed on age and business ownership. Only entrepreneurs between the ages of 18 and 34 were included in the study and the respondent had to be the owner of the youth enterprise. The sample was not balanced to the country population as the number of youth entrepreneurs per country were unknown. Responses collected in South Africa were excluded as those of formed part of the pilot study. Swaziland collected only 6 responses which were much less than the minimum of 30 responses expected per country thus Swaziland was excluded from the data analysis. Data from Botswana and Malawi were included in the overall sample but excluded from country specific analysis for the same reason. Respondents from Mozambique and Angola struggled to complete the questionnaire in English as the official language of both countries is Portuguese and thus responses from these two countries were excluded from the data analysis.

## 7. Data collection techniques

The research survey questionnaire was designed using previously designed interviews as a basis to ensure reliability and validity. Questions were well structured, straightforward and unambiguous to ensure the research objectives were achieved. Data were collected by local interviewers from every country using the standard survey questionnaire. These interviewers were already employed on a contract basis by the Standard Bank and were dedicated to conduct the interviews for the period of the research, 15 July to 15 September 2013. A quantitative survey design, using a structured or

close-ended questionnaire rather than open-ended questions, limited the risk of interview bias. The use of interviewers to administer the tests assisted in achieving higher participation rates as well as better completion rates. Interviewers were expected to administer 6 interviews per day using an online survey tool, Qualtrics, on a laptop device which improved data collection, record keeping as well as speed up the data consolidation and analysis phase of the research ensured consistency across all the interviewers and countries forming part of the study. It also saved time and costs. The online survey tool automatically saved the data collected on a virtual server reducing the risk of losing data. Youth entrepreneurs were interviewed at their place of business at a time convenient to them.

### 8. Data analysis and interpretation

Data capturing took place automatically at the time of conducting the interview by using an online survey tool. A Likert-type scale was used to rate and summate responses of an attitudinal nature. The rest of the survey was coded for easy tabulation. Descriptive statistical analysis was used to get an overview of the data collected and to compare the distribution of scores. Measures of central tendency such as the mean, median, mode, minimum and maximum values were used whilst measures of variability such as the range and the standard deviation gave deeper insight into the data. As a second step, basic inferential statistics were used to determine how accurately the data collected reflected the validity of the hypotheses being tested.

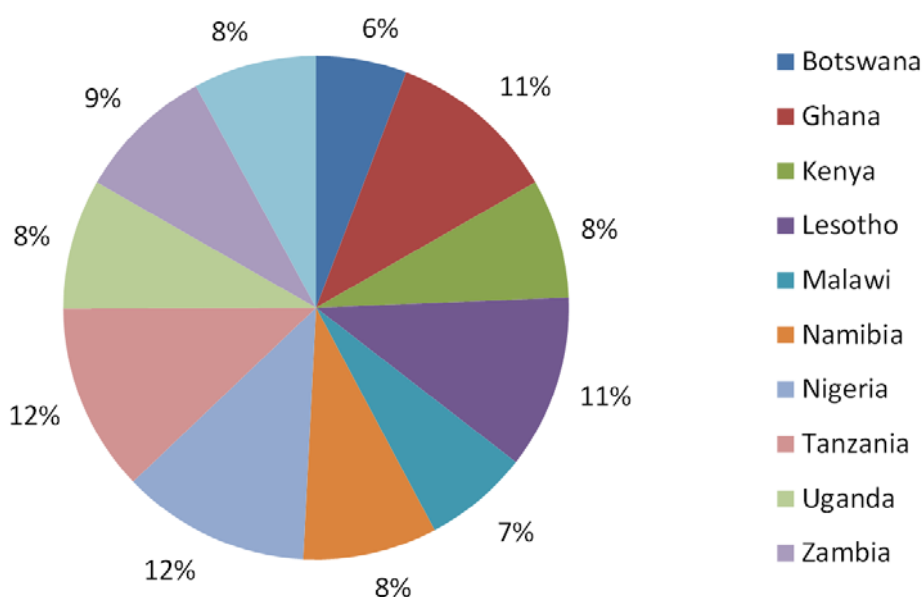


Fig. 1. Analysis of results and composition of respondents

Table 1. Report on composition of respondents by country

Country	Frequency	Percentage
Botswana	25	5.8%
Ghana	47	10.9%
Kenya	33	7.7%
Lesotho	48	11.1%
Malawi	29	6.7%
Namibia	37	8.6%
Nigeria	52	12.1%
Tanzania	52	12.1%
Uganda	36	8.4%
Zambia	38	8.8%
Zimbabwe	34	7.9%
Total	431	100%

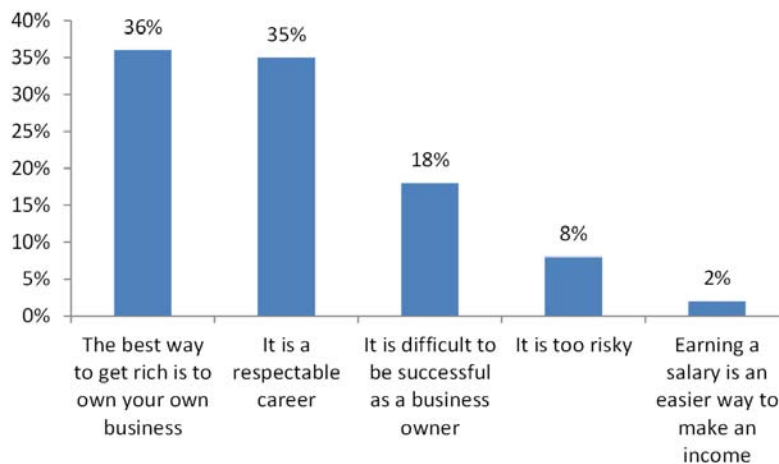
Source: Data analysis 2014.

Table 1 displays the composition of respondents by country. The highest percentages of respondents were from Nigeria and Tanzania with equal score of 12.1% and the lowest Botswana with 5.8%.

### 9. Discussion at descriptive level on rationale for becoming a youth entrepreneur

The null hypothesis was to establish whether African youth, at present, pursue entrepreneurship out of necessity. This study rejected the null hypothesis and found that the majority of youth entrepreneurs surveyed across sub-Saharan Africa pursued entrepreneurship because they saw an opportunity. A t-test was conducted and found to be statistically significant,  $t(425) = 23.34, p < .0001$ . The results further established that majority of respondents of 36% responded that it is the best way to get rich in your business. While 18% accords that it is difficult to become successful and 2% thought it was easy money making. In addition to exploring youth's rationale for choosing to become entrepreneurs the study also explored how youth feel about entrepreneurship. The findings indicated that 36% of respondents considered entrepreneurship as the best way to become rich and 35% believe entrepreneurship is a respectable career

indicating a fairly equal split. Only 2% of respondents felt being an employee is an easier way to make an income although 18% admitted that it can be difficult



**Fig. 2. Perceptions of youth entrepreneurship**

Source: Literature and Data analysis, 2014.

The results proved that indeed, differences between the 9 countries surveyed were observed – 55.6% of Ugandan respondents stated it was difficult to succeed as a business owner. Respondents from Namibia, Tanzania and Zimbabwe were more in favor of youth entrepreneurs themselves, deemed entrepreneurship as too risky – 32% thought that their peers regarded entrepreneurship as too risky. Even though the respondents indicated that they were positive themselves. It was necessary to establish what influenced youth to start business and most respondents were influenced to start their business by other entrepreneurs (37%) or parents and family (25%), while (21%) of respondents stated that no one influenced them to start a business. 3% were influenced by media. Differences were observed between the countries surveyed in this study – 55.6% of Ugandan respondents stated it was difficult to succeed as a business owner and 75% of Tanzanian respondents deemed owning their own business as the best way to get rich.

It was also interesting to observe the nuances between countries as to whether respondents place more emphasis on youth entrepreneurship as a respectable career or it being the best way to become rich. Respondents from Ghana, Nigeria and Zambia were significantly weighted towards valuing entrepreneurship as a respectable career whereas respondents from Tanzania and Namibia were more in favor of youth entrepreneurship being the best way to get rich. The study also found out that youth entrepreneurs do create jobs in sub-Saharan Africa, with 88.4% of respondents creating jobs. More than a third of respondents (33.6%) saw an increase in the number of people they employed over the lifetime of the business and only 3.2% saw a decrease. The study

to be successful as an entrepreneur. Literature by Waweru (2012) found that the attitudes of youth towards entrepreneurship differ between countries.

found that youth entrepreneurs do create jobs in sub-Saharan Africa, with 88.4% of respondents creating jobs. More than a third of respondents (33.6%) saw an increase in the number of people they employed over the lifetime of the business and only 3.2% saw a decrease. From the analysis, it was observed that 70% of youth entrepreneurs were males and only 30% were females. The data analysis revealed that youth entrepreneurs who were older, most did not start a business straight out of school. The study did not find a particular type of employment to be common amongst respondents with past work experience but professional services (18%), sales representatives or agents (15%) and administrators or clerks (11%) were mentioned most.

The data analysis shows a fairly equal split between single (46%) and married (47%) respondents. Although most respondents (72%) had three or less dependents, 28% of respondents had four or more dependents resulting in a significant financial burden for young entrepreneurs, 51% of respondents financially support their children, 45% financially support their parents, 34% financially support a spouse and 32% support their siblings financially. A large portion of respondents, 44%, live with siblings, relatives or their parents whilst 47% live with their spouse or partner.

## 10. Social media as a source for business purposes

The majority of businesses use a prepaid cell-phone (74%) for business purposes whilst 23% use a cell-phone on a contract basis and 17% use a landline. More than half of respondents (51%) use a laptop for business purposes and 14% use a tablet – only 25% use a traditional personal computer. More than

a quarter of respondents (29%) use Facebook, for business purposes, whilst only 14% have a business website. Considering the level of use of new technology such as Facebook, Twitter, LinkedIn and tablets it can be concluded that youth leapfrog the use of traditional business resources such as personal computers and landline phones. The study found that more than half of respondents spend a great deal of time, more than 10 hours per day, either at their business or on business matters. Further data analysis revealed that the minimum number of hours per day is one whilst the maximum is 20. The median and mode was both 10 hours and the average 9 hours. The data analysis found a standard deviation of 3.68.

### 11. Support system

It is indicated that other entrepreneurs, parents, family and friends influenced 80% of respondents to start their business. Similarly, 48% cited other business owners as their source of business information, 22% cited friends and 13% cited family. The media (28%), educational or training institutions (19%) and business or trade associations (18%) received a fair portion of mentions. Literature made a strong case that youth do not pursue entrepreneurship out of necessity (Bay and Ramussen, 2010; Blanchflower & Oswald, 1998; GEM, 2011; GEM, 2012; Greene, 2005; Lieber, 1998). According to this study, 87% of respondents in SSA pursued starting a business because they saw an opportunity. The result is statistically significant,  $t(425) = 23.34, p < .0001$ . The study found that youth entrepreneurs do create jobs in sub-Saharan Africa, with 88.4% of respondents creating jobs. More than a third of respondents (33.6%) saw an increase in the number of people they employed over the lifetime of the business and only 3.2% saw a decrease. The study found that respondents were mainly influenced by other entrepreneurs, business owners, parents, family and friends in terms of starting their business (84% of respondents) and also as an ongoing source of business information (51% of respondents). Other factors which had a positive impact on respondents' businesses were found to be business training or

workshops, mentoring, formal education and international travel. The major challenges faced by youth entrepreneurs were found to be fairly homogenous across all countries surveyed. However, the study found that the ranking in terms of impact or severity did differ by country. As suggested by the literature review (AFD, 2007; Atieno, 2009; Fick, 2002; GEM, 2011; GEM, 2012; Pretorius & Shaw, 2004; Waweru, 2012), access to finance emerged in this study as the single biggest challenge faced by respondents across 9 countries in sub-Saharan Africa.

Table 2. Report on initiatives that had a positive influence on respondents' businesses

Which of the following has had a positive impact on your business:	Frequency	Percentage
Business training/workshops	131	31%
Mentoring	92	22%
None of these	62	15%
Business advisory services	53	12%
Coaching/Counseling	44	10%
Formal business qualifications	44	10%
Total	426	100%

Source: Data analysis, 2014.

The findings revealed that business training or workshops had a positive impact on the businesses of more than a third. The data analysis showed that respondents were fairly educated and 78.1% of respondents experienced that their education had a positive impact on their business. This supported the findings of the literature review. However, it is important to note that 17.4% of respondents said their education did not influence their business in a positive manner. Based on Bay and Ramussen's (2010) findings that youth who travel tend to innovate in their businesses, the study explored the extent and impact of travel amongst youth entrepreneurs. The study found that 63% of respondents had travelled internationally of those who have travelled 84% found that their travel experience had a positive impact on their business. In particular those who travelled for business and studies found the experience to have a positive impact on their business entrepreneurship being the best way to get rich rather than regarding it as a respectable career.

Table 3. Variance in attitude by country

Country	How do you feel about owning your own business?					Total number of responses and percentage per country
	It is too risky	It is a respectable career	It is difficult to be successful as a business owner	The best way to get rich is to own your own business	Earning an easier way to make an income	
Ghana	2	23	10	11	1	47
	4.3%	48.9%	21.3%	23.4%	2.1%	100%
Kenya	2	14	3	12	0	31
	6.5%	45.2%	9.7%	38.7%	0.0%	100%
Lesotho	7	17	10	12	2	48
	14.6%	35.4%	20.8%	25.0%	4.2%	100%
Namibia	8	9	8	11	1	37

Table 3 (cont.). Variance in attitude by country

Country	How do you feel about owning your own business?					Total number of responses and percentage per country
	It is too risky?	It is a respectable career?	It is difficult to be successful as a business owner	The best way to get rich is to own your own business	Earning an easier way to make an income	
Namibia	21.6%	24.3%	21.6%	29.7%	2.7%	100%
Nigeria	3	26	5	15	1	50
	6.0%	52.0%	10.0%	30.0%	2.0%	100%
Tanzania	1	11	1	39	0	52
	1.9%	21.2%	1.9%	75.0%	0.0%	100%
Uganda	5	2	20	8	1	36
	13.9%	5.6%	55.6%	22.2%	2.8%	100%
Zambia	3	19	1	12	2	37
	8.1%	51.4%	2.7%	32.4%	5.4%	100%
Zimbabwe	0	10	9	12	1	32
	0.0%	31.3%	28.1%	37.5%	3.1%	100%
Total per statement	34	148	77	150	9	418
	8.1%	35.4%	18.4%	35.9%	2.2%	100%

## 12. Challenges faced by young business owners

When analyzing the data by country, specific challenges emerged. Access to finance was a major concern across all countries. Thus, 78% of all respondents indicated that finance was a major stumbling block for youth development in sub-Saharan region. Tax rates, electricity and access to land emerged as particular challenges in Ghana whilst access to markets or customers and access to business support emerged as particular challenges in Uganda. Zambia was the only country where practices of or competition from the informal sector emerged as a key challenge whilst Lesotho and Nigeria were the only countries where an inadequately skilled labor force emerged as a key challenge. Respondents from Zimbabwe cited political instability, corruption and administrative burdens as key challenges. Corruption was also highlighted as a significant challenge in Kenya. Although the data analysis identified electricity as a key challenge across SSA, it did not emerge as a key challenge in Kenya and Tanzania. Similarly access to business support did not emerge as a challenge in Lesotho.

Despite these challenges the study found that the majority of respondents' businesses were either performing in line with expectations (33%) or growing steadily (36%). Only 21% of respondents stated that their businesses were struggling to survive in these difficult economic times and 10% of respondents stated that their businesses were growing very fast placing pressure on the owner and business resources.

While conducting literature it was clear that youth do not pursue entrepreneurship out of necessity (Bay and Ramussen, 2010; Blanchflower & Oswald, 1998; GEM, 2011; GEM, 2012; Greene, 2005; Lieber, 1998). The findings revealed, that 87% of respondents in SSA pursued starting a business because they saw an opportunity. The statistical findings showed a

significant,  $t(425) = 23.34, p < .0001$ . While, evidence rests that youth entrepreneurs do create jobs in sub-Saharan Africa, with 88.4% of respondents creating jobs. More than a third of respondents (33.6%) saw an increase in the number of people they employed over the lifetime of the business and only 3.2% saw a decrease. The respondents were mainly influenced by other entrepreneurs, business owners, parents, family and friends in terms of starting their business (84% of respondents) and also as an on-going source of business information (51% of respondents). Other factors which had a positive impact on respondents' businesses were found to be business training or workshops, mentoring, formal education and international travel.

The major challenges faced by youth entrepreneurs were found to be fairly homogenous across all countries surveyed. However, the study found that the ranking in terms of impact or severity did differ by country. As suggested by the literature review (AFD, 2007; Atieno, 2009; Fick, 2002; GEM, 2011; GEM, 2012; Pretorius & Shaw, 2004; Waweru, 2012), access to finance emerged in this study as the single biggest challenge faced by respondents across 9 countries in sub-Saharan Africa.

The literature review, researched into the field of youth entrepreneurship across Africa is limited and there is a lack of research and data into issues such as employment creation by youth entrepreneurs and the constraints faced by youth entrepreneurs. This lack of historic research may compromise the reliability and validity of this study. Furthermore, given the above constraint, proportional stratified sampling could not be used as a sampling method at this point in time even though it was the most appropriate sampling method to ensure generalisability. In order to enable a multi-country study no qualitative or experimental approaches were considered at this stage due to cost



constraints. Other approaches such as focus groups and observations were considered in future research to complement this study.

### Conclusions

Youth entrepreneurs in sub-Saharan Africa pursue entrepreneurship based on opportunity (87%) with the intent to create jobs, personal wealth, to earn more money and to be their own boss. Youth entrepreneurs regard entrepreneurship as a respectable career and the best way to get rich. They enter into entrepreneurship by choice with a positive attitude and regard it as the best alternative to meet their personal goals. They regard youth entrepreneurs not only to create new employment opportunities and career options for themselves they also create job opportunities for others (88.4%). Youth entrepreneurs believe they can play a significant role in job creation (97.7%) and are committed to job creation. The profiles of youth entrepreneurs were found to be similar across sub-Saharan African countries and the challenges faced by youth entrepreneurs were also homogenous. Sub-Saharan African entrepreneurs are tertiary educated, well-travelled and technologically savvy individuals. They are also optimistic and dedicated to entrepreneurship. The majority of youth entrepreneurs in sub-Saharan Africa obtained a tertiary qualification and were employed before starting their own business. Youth entrepreneurs do not rush into business straight out of school. The research found no clear link between the type of employment and youth entrepreneurship concluding that entrepreneurs can come from a variety of backgrounds. Access to finance was found to be the single biggest and most common challenge faced by youth entrepreneurs across sub-Saharan Africa (78%). This finding was further supported by the lack of loans amongst youth entrepreneurs despite most youth entrepreneurs being well educated, operating fairly formal business and having bank accounts. The study found that friends and family play a critical role in youth entrepreneurs'.

### Recommendations

The private sector and specifically corporate employers can support entrepreneurial development by promoting an entrepreneurial culture in the workplace.

- ◆ Access to finance was found to be the single biggest and most common challenge faced by youth entrepreneurs across sub-Saharan Africa stressing the need for commercial banks to review their lending requirements to youth entrepreneurs. Youth entrepreneurs mainly

require working capital (66%) and equipment finance (22%) to start their business. Youth entrepreneurs are eager to have greater access to business support and training.

- ◆ Given the penetration of cell-phones and tablets amongst youth entrepreneurs it is recommended that technology be used to provide greater access to business support and training.
- ◆ It is recommended that governments should play an active role in developing youth entrepreneurship by encouraging greater access to finance, easing the administrative burdens on entrepreneurs, implementing favorable tax regimes and encouraging the private sector as well as educational institutions to develop entrepreneurship.
- ◆ At an infrastructure level Governments can expand telecommunication networks, expand transport networks, improve electricity supply and facilitate greater access to land.

### Policy implication

- ◆ Governments should expand telecommunication networks, expand transport networks, improve electricity supply and facilitate greater access to land.
- ◆ Government should create enabling favorable tax regimes and encouraging the private sector as well as educational institutions to develop entrepreneurship.
- ◆ Commercial banks to review their lending requirements to youth entrepreneurs.
- ◆ Governments should play an active role in developing youth entrepreneurship by encouraging greater access to finance.

### Limitations of the study

- ◆ The proportional stratified sampling could not be used as a sampling method at the time of conducting this study even though it would have been the most appropriate sampling method to ensure generalizability.
- ◆ In order to enable a multi-country study no qualitative or experimental approaches could be considered due to cost constraints agreed by appointment.
- ◆ The researcher was available at all times during the research period to assist interviewers via telephone.
- ◆ Where necessary, interviewers were trained by the researcher from Johannesburg, utilizing teleconferencing facilities applying the ten commandments of interviewing.

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