
Triad problematic of youth entrepreneurship:

Voices from University Students

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ABSTRACT:

Based on previous research investigated, we identified various factors affecting youth entrepreneurship like instance lack of access to finance, lack of business skills, psychological orientation, lack of market opportunity and others and measured their importance on unemployed youth. As unemployed youth can be categorized in three: unemployed uneducated ones, those in schools and unemployed educated ones, our study focused on those still in university. As these factors pose a great hindrance towards youth entrepreneurship development but not all at the same time and same level, this research was aimed at finding the hindering factors to serve as base for any solution formulation to different categories. Our findings were grouped into three categories: those related to State or Governmental factors creating enabling environment (Weak enabling environment and assistance from the government, Legal and regulatory issues, Poor infrastructure, the country macro-economic situation), industry factors (Market structure and competition), and Individual factors. Again, the latest ones was sub-divided into Cognitive and cultural constraints (lack of vision and psychological orientation, and absence of entrepreneurial culture among youth) and Financial and human capital (lack of business skills, few training programs or capacity building and lack of access to finance and start-up resources). We recommend to policy makers and researchers that any intervention program and future researches need to tackle the youth entrepreneurship problem by looking at different three categories of youth, all of these three categories of problems making triad problematic one by one or in combination again in relation to triple helix (Brundin et al., 2008) of Industry-university-government relationship to foster innovations and growth.

INTRODUCTION:

Youth entrepreneurship development is of great importance for the advancement of Rwanda's economy. Like any other developing country, when most young people engage in business activities, the levels of unemployment among the youth are minimised. Imparting entrepreneurship skills in such a segment which comprises a large percentage of Rwanda's population would therefore, contribute greatly to supporting enterprise development. According to research, the various factors, including lack of access to finance, lack of business skills, psychological orientation and lack of market opportunity, among others, affect youth entrepreneurship development. Therefore this research was aimed at finding the hindering factors to serve as base for any solution formulation. Our findings were grouped into three categories to sensitize policy makers and researchers that any intervention program and future research tackles the youth entrepreneurship problem by looking at all of these three categories individually or in a combination.

BACKGROUND AND PROBLEM OF YOUTH UNEMPLOYMENT:

The current global youth population is estimated at 1.5 billion, of which 620 million are employable. About 90% of this population live in developing countries. Countries like India and China have a fast increasing youth population. As per ILO's (International Labour Organization) prediction, approximately 660 million youth will be seeking employment by 2015.

Different authors like Chigunta, F., (2012), Pretorius, M., & Shaw, G. (2004): Ronstadt (1987), Rwigema, H., & Venter, R. (2004), and Shapero, A., & Sokol, L. (1982) show how the problem of youth employment and their problem of self-employment are similar in many developing countries. In most African countries, various organizations are encouraging youth to embrace entrepreneurship to ease increasing unemployment levels. Organizations which are supporting young entrepreneurs in the country say lack of funding is one of the major hindrances to youth entrepreneurship development. Despite this and other challenges, Africa nations are working hard to support young entrepreneurs as one way of reducing unemployment and growing their economies.

In spite of the increasing recognition of entrepreneurship as a source of job creation, empowerment and economic dynamism, there have been a few systematic attempts to look at it from a youth perspective. The tendency has been either to subsume the youth into the general adult population or to ignore their efforts to forge a livelihood through enterprise activities. Though there are some organizations that are trying to support young entrepreneurs, challenges still abound, including lack of financial capacity, Risk taking is low among the youth, lack of collateral security, stiff competition from developed or successful entrepreneurs and others. In African nations, Herrington et al. (2009) point out the obstacles to youth entrepreneurship development in South Africa as lack of skills, lack of access to financial support, stiff competition from developed entrepreneurs, lack of collateral and lack of experience. Others are lack of market opportunities, government policy and problem of relying on the local market. Therefore, it is essential to carry out an investigation into the possible obstacles to youth entrepreneurship. (Kazela, 2009).

Due to the above challenges, the government of Rwanda, in its policy of entrepreneurship development, adopted tailored approaches to encourage young people to start their own businesses. Despite the implementation of the policy, youth entrepreneurship development initiatives have not delivered as per expectations. Thus the research is intended at finding out factors responsible for affecting it and how those hindrances could be overcome in order to facilitate the development of youth entrepreneurship.

METHODOLOGY

This chapter includes research design, the population, the sample, and data collection instruments as well as data interpretation. A descriptive survey design was used where data was collected through questionnaires distributed personally to selected university students. The survey involved asking student to rank (from 1 to 5) the factors according to the extent a particular factor affects youth entrepreneurship from a list of possible options. The following table illustrates how their responses were interpreted from statement of agreement to the interpretation of how a given factor is affecting youth entrepreneurship.

Interpretation table

statement	coding	Range	Interpretation
Strongly disagree	1	1-1.8	Very Low level
Disagree	2	1.8-2.6	Low level
Somehow agree (can't neither agree nor disagree)	3	2.6-3.4	Moderate
Agree	4	3.4-4.2	Highly level
Strongly agree	5	4.2-5	Very Highly level

FINDING AND DISCUSSION

The following table illustrates the responses in order of their importance according to the mean

Rank/ order in importance	indicators/ factors	mean	interpretation (level)
1	<i>Lack of access to finance and other start-up resources</i>	3.4	High level
2	Legal and regulatory issues	3.3	Moderate level
3	<i>Lack of business skills</i>	3.2	Moderate level
4	<i>Market structure and competition</i>	3.0	Moderate level
5	<i>Weak assistance from the government</i>	3.0	Moderate level
6	<i>lack of vision and psychological orientation</i>	3.0	Moderate level
7	<i>Few training programs</i>	2.8	Moderate level
8	<i>Poor infrastructure</i>	2.6	Moderate level
9	<i>The economic situation in Rwanda</i>	2.6	Moderate level
10	<i>Lack of an enabling environment</i>	2.5	Low level
11	<i>Absence of entrepreneurial culture</i>	2.4	Low level

LACK OF ACCESS TO FINANCE AND OTHER START-UP RESOURCES

This factor of lack of access to finance and other start-up resources was found with a high level of effect on youth entrepreneurship. It was agreed upon by most respondents as a factor

which is hindering youth entrepreneurship development. Therefore basing on the data collected, this factor's level of hindrance is high towards the development of youth entrepreneurship.

Zachary D. Kauffman (2012) identifies this issue as one of the obstacles young entrepreneurs are facing in Rwanda. This is worsened by the fact that young entrepreneurs cannot easily access finance to start or expand their businesses, especially because they do not have collateral. Young entrepreneurs point out that banks always ask collateral which they do not have, meaning that even the brilliant business ideas 'die' because of lack of funding. Young people always dream of growing their businesses, but are usually frustrated by financial institutions that refuse them unsecured loans. The situation is made worse by the high loan rates that range from 17 to 24 per cent in commercial banks microfinance institutions (MFIs), which the young people cannot afford. In fact, about 70 per cent of youth projects are rejected by the banks. This discourages young Rwandans with an entrepreneurial spirit from pursuing their dreams. A study by Ngobo (2008) details analysis of finance as a constraining factor, adding that lack of collateral, high interest rates, bank charges, inability to evaluate financial proposals and lack of financial management skills as some of the major barriers young entrepreneurs face.

Scholars such as Pretorius and Shaw (2004) and Atieno (2009) demonstrated that lack of access to finance greatly influence the rate of young people who will open or expand businesses. This view is shared by Maas and Herington (2006) who demonstrated that lack of capital affects development of youth entrepreneurship. This is strongly supported by the respondents (through questionnaires), who ranked lack finance as being the biggest hindrance to youth entrepreneurship. Thus the findings of the study clearly support the literature insofar. Similarly, Kaufman (2012) argued that scarcity of resources such as raw materials, human assets, capital, infrastructure and utilities, is a major factor facing young entrepreneurs in Rwanda. Capital remains indispensable to start an enterprise. The availability of finance allows the entrepreneur to employ the other factors to produce goods or services. The importance of human capital can never be underestimated, yet young entrepreneurs cannot afford all these resources. No enterprise succeeds without a skilled and committed workforce. These greatly affect the growth of youth entrepreneurship in Rwanda. (Cassiman 2010)

LEGAL AND REGULATORY ISSUES:

Basing on the analysis, legal and regulatory factors are mildly affecting the development of young entrepreneurs. This is support by the research finding, in which most youth “somehow agreed” that legal and regulatory challenges affect young people who want to start businesses or expand existing ones.

Phil Clark (2012) showed that there are a number of legal and regulatory issues affecting the growth of young entrepreneurs. This situation cannot be blamed on the youth, but government institutions that have failed to support them. The various taxes charged that cut into the returns discourage potential young entrepreneurs in Rwanda. Youth fear bureaucratic delays and some laws which make compliance difficult, despite fact that Rwanda Development Board has reviewed a number of them.

Lack of business skills

The findings show that lack of business skills has a moderate effect on youth entrepreneurship development. Basing on the findings, there was an overwhelmingly positive response for this factor with a great number of respondents ‘somehow’ agreeing to it. Which makes it the most variable which was selected by respondents on this particular factor. According to Akulava (2012), young entrepreneurs in Rwanda lack business skills. A recent survey on the capacity needs of the young-owned enterprises, among 21 districts of Rwanda carried out by Private Sector Federation (PSF) indicates that about 80% of the 21,000 total sampled business lack entrepreneurial skills. The outcome of the survey included some astounding figures. Among the key business capacity parameters assessed were lack of entrepreneurship skills, lack of business planning, lack of ICT usage, lack of marketing skills, about 98% of youth-owned enterprises do not keep accounting records and about the same percentage do not also develop their products. Therefore with all this, the youth in Rwanda are facing a very big obstacle in pursuing their journey as entrepreneurs (www.brighthub.com).

The Minister for Youth and ICT was quoted as saying that about 80% of businesses started by youth in Rwanda collapse in the first year, according to local online publication (www.gihe.com) of November 30, 2014. (<http://www.igihe.com/ubukungu/iterambere/article/icyorezo-80-by-imirimo-urubiruko>).

Many studies have faulted poor managerial skills as the major contributor to this high mortality rate among businesses started by the youth. At formation stage a young entrepreneur is able to run a business, but as it grows, managerial demands arise, especially in areas of production, sales and finance.

Market structure and competition

This factor was ranked as ‘moderate’ by respondents, especially when you look at globalization of markets. Hill (2009) showed that globalization of markets and production is also affecting young entrepreneurs in Rwanda. Globalization refers to a fundamental shift in the world economy in which nations are moving toward an independent global economic system. Globalization means that markets which were historically separate have become one huge global marketplace as a result of reduction in trade barriers and advances in information and transportation technologies. This has created cutthroat competition, which young entrepreneurs in a low developed country like Rwanda cannot match. Globalization is also manifested in production. Companies can locate production facilities in countries where labour and other factors of production are cheaper. Locally-manufactured goods by the youth enterprises now compete with cheaper quality products from emerging economies, such as China, India and Brazil. These inexpensive imports are rapidly replacing locally-made goods, and hence pushing them out of the market.

Most young entrepreneurs in Rwanda use low level of technology that cannot allow them to compete with well-established entrepreneurs who have the benefits that come with economies of scale. Because of the enterprises owned by the youth are small, they use cheap and poor technologies. This results into high costs of production and competitiveness. For instance, young entrepreneurs cannot afford to use computers or even where they have a computer; it is hard to continuously upgrade their equipment. This is really affecting the development of youth entrepreneurship development in Rwanda.

Weak enabling environment and assistance from the government

In the findings, this factor is described as a moderate factor. It can be seen from the preceding analysis that a great percentage of the youth somehow agreed with the above factor as a hindrance to growth youth enterprises.

Schumpeter (2010) argued assistance from government to young entrepreneurs is weak and inadequate. Though the government has established some organizations to boost youth entrepreneurship, they have limited scope and reach. Young entrepreneurs need central government assistance in the form of loan guarantee, direct loan and mentorship and training in effective business management. In addition, local governments should increase their support for youth enterprises located in their areas.

Similarly, Mutazindwa (2011), argued that Rwanda as a country is lacking an enabling environment for the development of youth entrepreneurship. While many countries have acknowledged that youth enterprises have an important role in their economies, not much effort has been done to facilitate their growth in Rwanda. They have to compete for finance, markets, personnel and utilities like any other investor. In some countries like India, there is affirmative action to promote youth enterprises over a long period of time. In fact, the former Rwanda Investment Authority (now RDB) which was set up to promote investments in Rwanda was not attractive for the young entrepreneurs. The authority would only support proposals from companies with a given amount to invest. This blocked out youth people because most lack such huge amounts of money.

Vision and psychology orientation

The factor of psychological orientation, basing on the findings, is also a moderate hindrance to youth entrepreneurship development. Arthur H. Cole (2011) showed that psychological orientation affects entrepreneurship; most young entrepreneurs in Rwanda are not psychologically-oriented towards entrepreneurship, and lack a strong need orientation that provides the inclination to achieve things. All other factors, notwithstanding the success of a business depends on the entrepreneur. The entrepreneur is the leader and driver of the venture and requires the following skill-set and orientation for success: hard work and persistence, ability to manage and minimize risk, ability to draw up a business plan and having a contingency plan ready. With the fact that most young entrepreneurs are not that strong-oriented, the entrepreneurial spirit is being deterred among the youth in Rwanda.

Few training programs

The research shows that the factor of few training programs is somewhat significant with moderate effect on youth entrepreneurship. Marx (2009) argued that most young entrepreneurs are facing this problem. Most training programs for the youth entrepreneurs are few and far between and different in content than what is needed. The trainings are mostly based in urban centers and conducted by people who are not familiar with the actual needs of youth entrepreneurs. The technology involved in the training (projectors and laptops etc) is also expensive to acquire. In most cases there are no follow ups after trainings, or mechanisms of ascertaining the effectiveness of the training.

Poor infrastructure

The variable of poor infrastructure was rated as a ‘moderate’ hindrance by most of the respondents. However, Cogburn and Adeya (2009) argued that poor infrastructure is another aspect hindering the growth of youth enterprises in Rwanda. Basic infrastructure required for economic development, such as good roads, adequate power supply and infrastructure are in poor shape. As a result, deplorable roads, deteriorating rail lines where rail transportation still exists (not in Rwanda), inadequate power supply, and unusable waterways have combined to make youth business operations difficult. For example, damage to equipment because of power surges and downtime due to inadequate power during production hours are major problems for Rwandan young business operators. Though some youth buy generators to power their operations, this increases costs and makes their products less competitive, and, hence their ability to expand their businesses.

The macro-economic situation in Rwanda

The data shows that the local economic situation has a moderate influence factor towards youth entrepreneurship. Kaufman (2012) showed that Rwanda’s economic status greatly affects youth in business. The general purchasing power of the people is low and this is manifested by low income levels, makes the youth reluctant to invest. Also, most people are engaged in agriculture, producing for home consumption, a scenario that narrows opportunities for young people to engage in business.

Absence of entrepreneurial culture

According to the research, it is apparent that this factor of absence of entrepreneurial culture is affecting youth entrepreneurship on a low level. It rated by respondents as less significant towards the development of youth entrepreneurship, which is most worrying. Mehdi (2010) explained looking critically at all these inefficiencies among young business operators, one discovers that most are not of their own making. For instance, the absence of an entrepreneurial culture could be attributed to lack of exposure and training. Culture and entrepreneurship intervene in many ways; people traditionally engaged in businesses have a pro-business attitude and disdain working as employers. Most young people lack this spirit instead they have a culture of thrift where they spend less and save for a rainy day, this discourages entrepreneurship. Also most young people are risk averse and do not attach much importance to hard work plus persistence, this has failed the growth of youth entrepreneurship in Rwanda. (Mehdi 2010)

SUMMARY, CONCLUSION AND IMPLICATION:

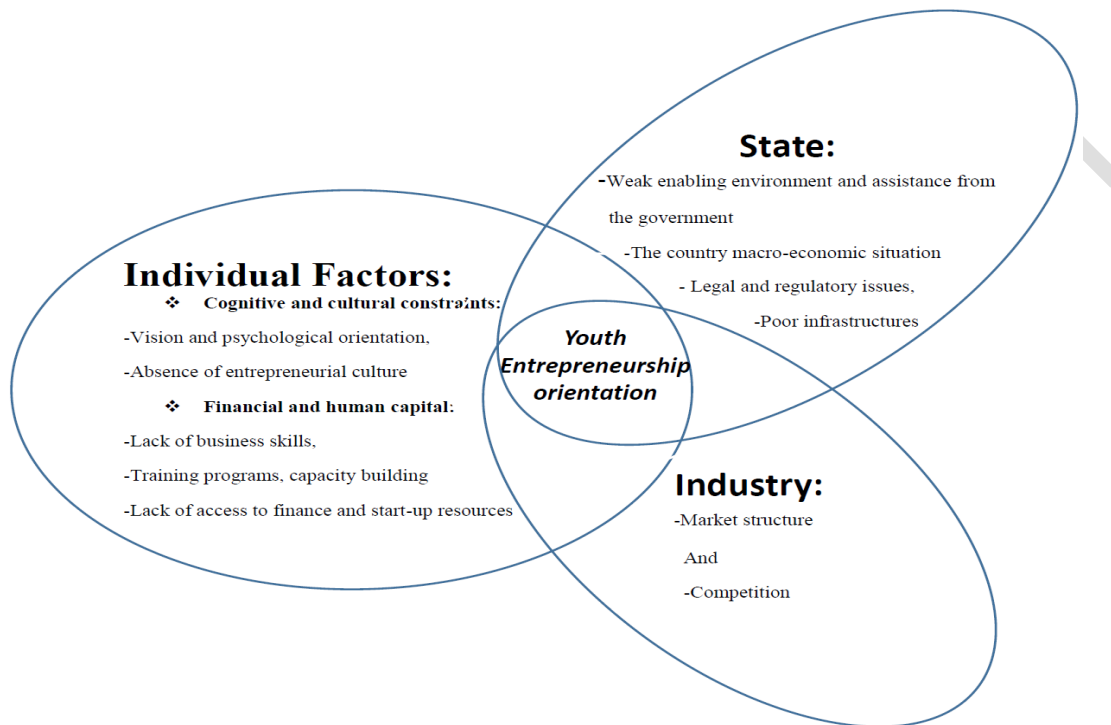
Like Brundin et al., (2008) adopted Triple helix networks in a multicultural context: triggers and barriers for fostering growth and sustainability by describing the dynamics of Industry-university-government relationship to foster innovations and growth, the findings presented above can be grouped in three categories. Individual knowledge and mind sets contribute to business creation; industry became partners in training and giving space for business while the government establishes and regulates the business environment and contributes financially to research and development. The following mode shows the link of the above categories.

Any intervention program and future researchers need to tackle the youth entrepreneurship problem by looking at all of these three categories one by one or in combination.

In summary, various factors affect development of businesses run by young Rwandans. It is also clear that although it is primarily the major factors such lack of access to finance and other start-up resources, lack of business skills, legal and regulatory issues, market and competition plus fragmentation of African markets and globalization of markets which were mostly agreed upon by the respondents, other factors such as poor infrastructure, psychology

orientation, also affect youth entrepreneurship. This can be best evidenced with the comparison of the findings and the literature reviewed as below:

Figure 1. Interaction between government, industry and individual factors towards youth entrepreneurship



Source: Authors, 2014

From the eleven main factors identified by university students as reasons of non-entrepreneurship orientation, we grouped them into three categories: State or Governmental factors creating enabling environment (Weak enabling environment and assistance from the government, Legal and regulatory issues, Poor infrastructure, the country macro-economic situation), industry factors (Market structure and competition), and Individual factors. Again, the latest ones can be sub-divided into Cognitive and cultural constraints (lack of vision and psychological orientation, and absence of entrepreneurial culture among youth) and Financial and human capital (lack of business skills, few training programs or capacity building and lack of access to finance and start-up resources).

INDIVIDUAL FACTORS HINDERING YOUTH ENTREPRENEURSHIP

Cognitive and cultural constraints

Lack of vision and psychological orientation: According to the data analysed, the factor of lack of vision and psychological orientation was found as a moderate hindrance to youth entrepreneurship too. This analysis is supported by Arthur H. Cole (2011) in the literature review where he showed that most young entrepreneurs lacked the character of being psychologically oriented towards entrepreneurship.

Absence of entrepreneurship culture: The data collected from the questionnaires illustrate that absence of entrepreneurship culture is affecting youth entrepreneurship on a low level, this is contrary to Mehdi (2010)'s view. Mehdi showed that young people lack the spirit of entrepreneurship and are also risk averse. This level of understanding among youth is worrying because they attribute their failure to wrong causes.

Financial and human capital

Lack of business skills: With the factor of *lack of business skills*, the findings of the primary data show that this factor has a moderate effect on the development of youth entrepreneurship especially when growing. This can explain the worries of the Minister of Youth and ICT about the death rate of businesses started by youth in Rwanda where the death rate is about 80% in the first year.

Training programs: The body of the literature demonstrates that the factor of few training programs is still a problem (Marx 2009). Factor was found moderately affecting the development of youth entrepreneurship because of the quality of the content and the trainers.

Lack of access to finance and other resources: As noted in the literature review, there is a wide body of literature which already exists which demonstrates how the various factors hindered the development of youth entrepreneurship. Scholars such as Pretorius and Shaw (2004) and Atieno (2009) demonstrated that lack of access to finance and other resources has tremendous power to influence the rates of youth entrepreneurship. This view is shared by

Maas and Herington (2006) who demonstrated that finance deters the development of youth entrepreneurship. This is strongly evidenced in the questionnaire which determined finance as a factor with a high level of hindrance towards the development of youth entrepreneurship. Thus the findings of the study clearly support the literature insofar.

Governmental related factors hindering youth entrepreneurship

Weak enabling environment and assistance from the government: The factor of weak enabling environment and assistance from the government is this factor is identified as having a moderate level in affecting youth entrepreneurship; this is evidenced in the primary data. And in addition, the literature review corresponds to the primary data; this is seen from Schumpeter's view (2010). He argued that assistance from the government is weak and inadequate.

Macro-economic situation: The factor of macro-economic situation in Rwanda was determined as a moderate hindrance towards youth entrepreneurship from the primary data, economic situation for example the general purchasing power of people is low, same as savings which discourages investments.

Poor infrastructures: The factor of poor infrastructures was supported in the literature review as a constraining factor by Cogburn and Adeya (2009). Poor or nonexistence of infrastructure increases production costs and making their products less competitive.

Legal and regulatory issues: Phil Clark (2012), on the factor of legal and regulatory issues, argued that this factor affects youth entrepreneurship especially tax system. However, they lack for knowledge about legal environment.

Industry related factors hindering youth entrepreneurship

Market structure and competition: The factor of Globalization of markets and Fragmentation of African markets affects development of youth entrepreneurship at a moderate level as per the primary data. This supports Hill's literature review where he argued that globalization has

created a high level of competition which can be barely managed by young entrepreneurs in a low developed country like Rwanda.

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