

## **AN ASSESSMENT OF THE MOTIVATING AND CONSTRAINING FACTORS FOR YOUTH ENTREPRENEURSHIP IN THE MANUFACTURING SECTOR OF ERITREA**

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**ABSTRACT:** *Globally, youth entrepreneurship is being given much attention because the youth are the dynamic forces and engine of development of nations. However, while the role of entrepreneurship is well recognized, attempts to identify factors that are motivating or inhibiting the development of youth entrepreneurship have received less attention in many African countries. In this study, we assess the behaviour of youth towards entrepreneurship, identify key supportive and constraining factors, and finally recommend actions needed to promote youth entrepreneurship in Eritrea. For this purpose, survey was conducted during the months of July to October 2014 to collect quantitative and qualitative data on the situation of youth entrepreneurs using a semi-structured questionnaire administered on a sample of manufacturing enterprises. The sample selection method employed consists of two steps. During the first stage of selection, a stratified random sample of manufacturing enterprises were selected from a sampling frame of establishment listing obtained from the Ministry of Trade and Industry (MOTI). During the second stage of selection, proportional and purposive sampling methods were used to select 100 respondents for interview. Ranking and Point Score System was used to identify major motivating and constraining factors. The major motivating factors were found to be self-reliance and wealth accumulation while the major constraining factors for youth entrepreneurship were access to finances (bank credit), administrative barriers and fears related to financial risks. The study found that instruction in entrepreneurial skills offers a potentially transformative impact on the work and career focus of young people. The study concludes that for youth entrepreneurship to flourish there should be collaboration efforts among the government, key stakeholders such as financial institutions, educational and training institutions, and development partners.*

**KEYWORDS:** Youth Entrepreneurship, Motivating and Constraining Factors

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### **INTRODUCTION**

It is imperative to note that raw materials, market, labour force, capital, technology and also entrepreneurship are not new factors necessary for industrial expansion and development of a country. In basic principles of economic theory, entrepreneurship has been treated as a specialized and critical factor that plays an important role in the production process. In managerial and technical fields, entrepreneurs are people with specialized talents and skills, and above all they are innovation oriented and risk takers. In development theory, entrepreneurs are considered to be

dynamic forces and engines of development of nations, and are highly concentrated in the industrialized countries compared to the LDCs.

In recent times, many African countries have recognized the crucial role played by entrepreneurs in driving economic development. But, very few studies have been made on entrepreneurial development with focus from the youth angle. Nevertheless, youth entrepreneurship and the continuity of enterprise development, industrial linkages, effective supply chain and networking are increasingly becoming necessary for sustainable industrial development. In business cycle theory, firms grow and reach a stage of maturity and ultimately decline when they lose their competitive edge. New and existing firms come with new products, processes and technologies and young entrepreneurs play critical role in order to ensure long term survival of these enterprises. This is because entrepreneurs help organizations and business firms to continuously introduce new technology and innovations that improve competitiveness, increase productivity of labour and supply quality products and services. In general, entrepreneurs create new enterprises, new commercial activities, and new economic sectors. They produce goods and services for society and fill gaps in markets and are guided by profit making with social responsibility. From purely efficiency considerations entrepreneurs adopt and introduce new technologies that lower production costs and supply quality products. From financial point of view they save, raise funds, and invest and ultimately increase value added to the domestic economy. Entrepreneurs also create jobs for others, generate income and wealth and they earn foreign exchange through export expansion or the substitution of imports; and contribute to government revenue through collection of taxes.

Efforts to reach a consensus on the subject of entrepreneurship have not been successful, and appropriate programs of youth entrepreneurship are a matter of choice for different countries. As McGrath observes, countries have their own cultures of knowledge and skills and diverse and multiple traditions of work and enterprise. These are experienced differently among different social groups and regions in a country. Successful interventions are highly likely to be those that are built upon a sensitive appreciation of obtaining socio-economic situation of local youth and their enterprise activities (McGrath R.G., 1999). It is also widely known that growth cannot be explained by the contributions of the increase in physical factor inputs only. In many industrialized countries, growth is largely attributed to the human factor or labour productivity. At the same time, the existence of the entrepreneur explains why standard inputs do not account for all outputs and why capital absorption becomes a problem in many of the developing countries. The experience of economic planning in many countries reveals that there is frequently large divergence between plan targets and results achieved. This divergence may be partly explained by the fact that the level of enterprise development and entrepreneurship differs across nations; and that entrepreneurship is not a normal input whose contribution is readily determined, controlled or predicted, although in general entrepreneurs are considered as gap fillers and input completers (Meier, 1995).

In many countries, the development of youth entrepreneurship has been seen as a strategy of reducing youth unemployment. Along these lines governments have given more emphasis on self-employment and the expansion of youth owned businesses and economic activities in different

sectors. While skills training and other forms of support have been provided to youth, parental trades and family-owned businesses are also believed to have some influence on business career or entrepreneurial skills of youth. The OECD defined youth entrepreneurship as the “practical application of enterprising qualities, such as initiative, innovation, creativity, and risk-taking into the work environment (either in self-employment or employment in small start-up firms), using the appropriate skills necessary for success in that environment and culture” (OECD, 2001). In this sense, focussed training and in particular technical and vocational education, is believed to enhance and contribute to youth entrepreneurial development in various fields. In general, vocational training is seen as a means to “help bring young people back” when the basic education system has failed (the notion of giving a second chance), or as a top-up to the basic knowledge base young people will need to help prepare them for the immediate needs of the world of work (the notion of continuous adaptation or re-adaptation to a flexible and constantly changing labor market (African Economic Outlook, 2015). Moreover, vocational education provides skills for self-employment and promotes self-reliance. It encompasses practical and technical skill acquisition training and manpower development which can also be called capacity building. Thus, experiences of many countries makes Technical and Vocational Educational Training (TVET) the best program content for expanding youth employment programs and training. According to Thelen, in Germany, dual vocational training is the dominant pathway from school to work and provides young people with a relatively smooth transition in the labour market. This model relies on strong social partnership and government support as well as active participation of employers. However, major efforts have to be undertaken to help integrate young people unable to enter the vocational training system via active labour market policy schemes, involving preparatory training schemes (Thelen, Kathleen (2007).

In Eritrea, the development of modern enterprises, skill formation and entrepreneurship has a long history. During the Italian colonial period, a number of manufacturing enterprises, services, commercial farms and agro-based industries were established which catered for the local as well as for export markets to neighbouring countries. As a result of this and guided by the colonial interests a pool of hardworking and skilled Eritreans was created in various sectors of activities. This contributed to improved manufacturing activities in the country until it began to decline when the British administration dismantled key industrial and infrastructural installations in the country. During the mid-1970s, the situation worsened when industrial and manufacturing production declined and many small and medium enterprises began to close notably when more than 40 of the major industrial enterprises were nationalized by the military regime of Ethiopia.

Manufacturing enterprises in Eritrea suffered heavily due to the thirty years war of independence. They faced a lot of problems such as serious shortages of raw materials, spare parts, working capital, foreign exchange and obsolete equipment. Consequently, entrepreneurial development declined and as the result many firms lost their competitive edge and were operating at levels below capacity while others were idle for many years. While many of the youth joined the liberation struggle, the bad economic situation also led to the outflow of Eritrean skilled workers and entrepreneurs that migrated to foreign countries. During this period, some enterprises were also transferred to Ethiopian hinterlands under the pretext of getting larger markets, safe economic

environment and stability. With it many young skilled Eritrean workers were moved to Ethiopia and this worsened the situation of the existing enterprises and the manufacturing base in Eritrea. The consequences were damaging to enterprise development and also negatively affected Eritrea's rich entrepreneurial tradition and culture which was one of its strengths in the past.

In the aftermath of Eritrea's independence in 1991, the Government of Eritrea (GOE) gave emphasis to revive the manufacturing sector and push the Eritrean economy forward by encouraging enterprise development. The rationale was that the development of manufacturing enterprises was crucial to job creation, entrepreneurial development and to the economic development of the Eritrean economy. In the same line the GOE remained committed to promote human capital development because Eritrea's work force and the youth are considered to be the major asset of the nation. As a result, a number of measures have been taken that focus on the youth as productive agents that would contribute to the economic transformation of the country. Among these mention can be made of the allocation of huge resources to education sector and the transformation of the educational system to reduce wastage at all levels. Moreover, positive moves were taken towards the expansion of technical and vocational schools, restructuring of the higher education institutions and the establishment of various institutions with focus on skill formation, training and entrepreneurship. Overall, it is argued that the development of the Eritrean economy and its transformation into a modern competitive economy would, among others, highly depend on strategies followed and actions taken towards narrowing the education and skill gap and the development of youth entrepreneurship.

The overall objective of this paper is to assess the state of youth entrepreneurship with particular emphasis on manufacturing enterprises in Eritrea. Its specific objectives are to:

- Assess the behaviour of the youth towards entrepreneurship and the employment situation of young entrepreneurs in manufacturing enterprises.
- Identify motivating factors as well as constraining factors for youth entrepreneurship.
- Recommend actions needed to promote youth entrepreneurship.

The research deals with the following major issues and research questions:

- What are the key factors considered to support and motivate youth entrepreneurship?
- What are the key factors considered to be constraints and non-motivating factors for youth entrepreneurship?
- What actions are needed to promote youth entrepreneurship in the country?

To address the above questions, a semi-structured questionnaire was prepared and administered to a sample of manufacturing enterprises in the country and interviews were conducted with 100 youth entrepreneurs employed in the sampled enterprises. The findings show that 91.3% of the respondents view entrepreneurship as a respectful activity and about 72.5% of the respondents consider it as a risky venture and this is in line with the view that entrepreneurs are risk takers. The major motivating factors for youth to acquire skill to be entrepreneurs were found to be related with self-sufficiency at large, that is the youth go into entrepreneurship with the intention of self-employment as well as accumulation of wealth and capital, as opposed to such factors as ambition

to be seen as successful and challenger or the need to put talents into work. Survey results on the role of education and training in influencing youth entrepreneurship and career of the youth show that 73.1% of the respondents believe education strongly supports youth entrepreneurial and job career development. As regards to the social and cultural environment, results show that for 81.2% of the respondents the social and cultural environment prevailing is viewed as conducive for entrepreneurship development. According to the findings, more important non-motivating factors for the youth in acquiring skills or starting businesses are access to finance, administrative barriers, and fears related to financial risks. The major constraints to access bank credit were found to be, in order of their intensity, collateral assets or guarantees, strict credit scoring rules, and high bank interest rates and fees. The study also indicates that there is a need to strengthen existing training and educational institutions and open more technical and professional schools as well as establish an enterprise development centre to promote youth entrepreneurship.

The paper is organized into five sections. Section one is an introduction consisting of the background, literature, objectives as well as research problems and questions of the study. In section two, methodology of the study is presented, and in section three respondents and enterprise characteristics are summarized. Survey results and findings of the study are reported in section four with focus on employment situation of youth entrepreneurs, supportive and constraining factors to youth entrepreneurship and actions needed to promote youth entrepreneurship in the manufacturing sector. Finally, in section 5, we provide conclusion and implications of the study.

## RESEARCH METHODOLOGY

Survey was conducted during the months of July to October 2014 using a semi-structured questionnaire to assess the state of youth entrepreneurship and employment in the manufacturing sector of Eritrea. The sample selection method employed consists of two steps. During the first stage of selection, a stratified random sample of manufacturing enterprises were selected from a sampling frame of establishment listing obtained from the Ministry of Trade and Industry (MOTI), where size of enterprise was taken as stratifying variable. The enterprises were classified as small, medium, and large following the definition of size of enterprises of MOTI. During the second stage of selection, proportional and purposive sampling method was used to select respondents. Due representation was given to women and men in different positions and focus was on key respondents that were expected to have some knowledge, experience and influence in their area of employment and youth entrepreneurial development. Interviews were conducted with about 100 youth employed in the sample of enterprises, and qualitative and quantitative data were collected regarding the situation of youth entrepreneurs in the manufacturing sector.

‘Youth’ is defined by the United Nations as those between 15-24 years of age. In different countries, youth is defined differently depending on the purpose and context of the study. In some countries, it includes those between 15-35 years of age and in other countries, it is defined as those between 15-40 years of age. For the purpose of this research, however, ‘youth’ will be defined as any person aged between 15-40 years of age as per the definition of the National Union of Eritrean Youth and Students (NUEYS).

### Respondents and Enterprise Characteristics

The percentage distribution of the sampled respondents (n=100) with respect to age, gender and educational level attained is given in Table 1. Most of the respondents (86.2%) are below 40 years of age and 40% of them are female while 60% are male. As to the educational level of the respondents, 33.8% have college or university level education, 32.5% have high school level education, 25% have below high school education and 8.8% of the sample respondents attended technical school education.

**Table 1: Percentage distribution of respondents by age, gender and educational level**

Percentage of total respondents					
Age					
14-24yrs	25-29yrs	30-34yrs	35-39yrs	40 and above	<b>Total</b>
10.0	31.3	21.3	23.8	13.8	<b>100.0</b>
Gender					
				Female	<b>Total</b>
60.0				40.0	<b>100.0</b>
Educational level					
No education	Below high school	High school	Technical school	College/University	<b>Total</b>
0.0	25.0	32.5	8.8	33.8	<b>100.0</b>

The manufacturing enterprises under study are concentrated in urban areas with about two thirds of the total number of enterprises in the sample being located in Asmara, the capital city and its environs. About 31.3% of the sample manufacturing enterprises covered in the study are located in other urban areas, mostly in the major regional towns such as Massawa, Keren, Mendefera, Barentu, Dubaruwa and Dekemhare.

The respondents come mainly from manufacturing enterprises producing textile products, food products, metal and wood products, cement products, tanneries, leather products and shoes, meat and dairy products and others. The occupational characteristics of the respondents in the sample manufacturing enterprises under study shows that about 20% of the respondents are in administrative and finance related jobs, 15.1% of the respondents are designers of clothing and shoes, 15.1% of the respondents are machine operators and 13.8% are managers or supervisors in the enterprises. The rest of the respondents are technical employees in bakeries and leather processing as well as salespersons, nurses, carpenters and chemists.

### Survey Results and Findings

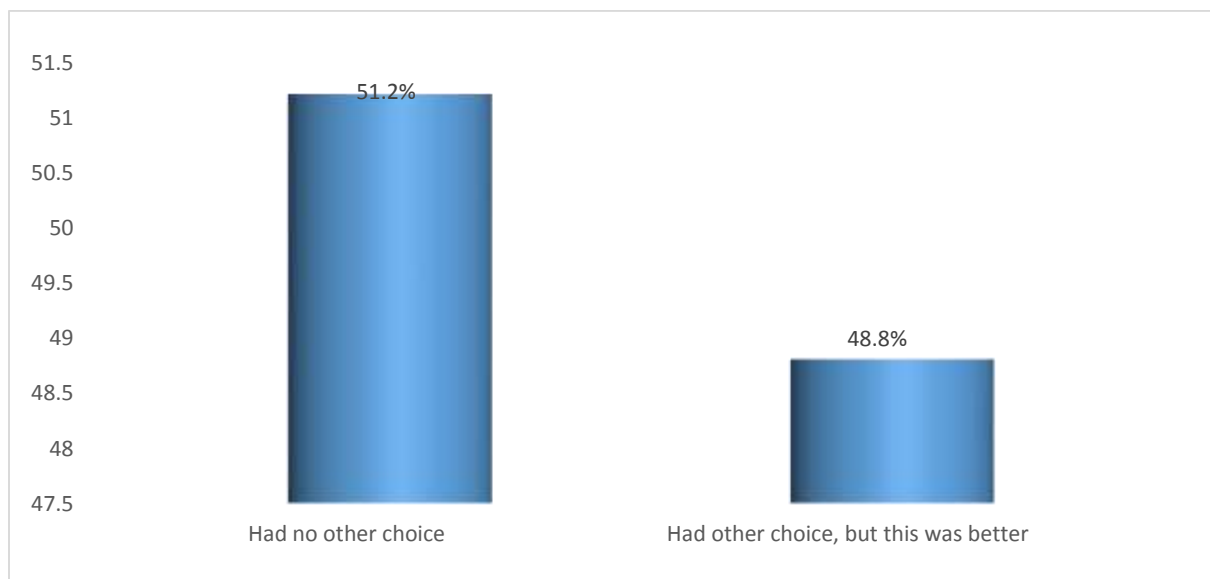
#### Employment Situation of Respondents

Survey results show that 68.7% of the respondents were employed in profitable enterprises, 15.0% were employed in enterprises that were in the process of introducing new technology, about 10%

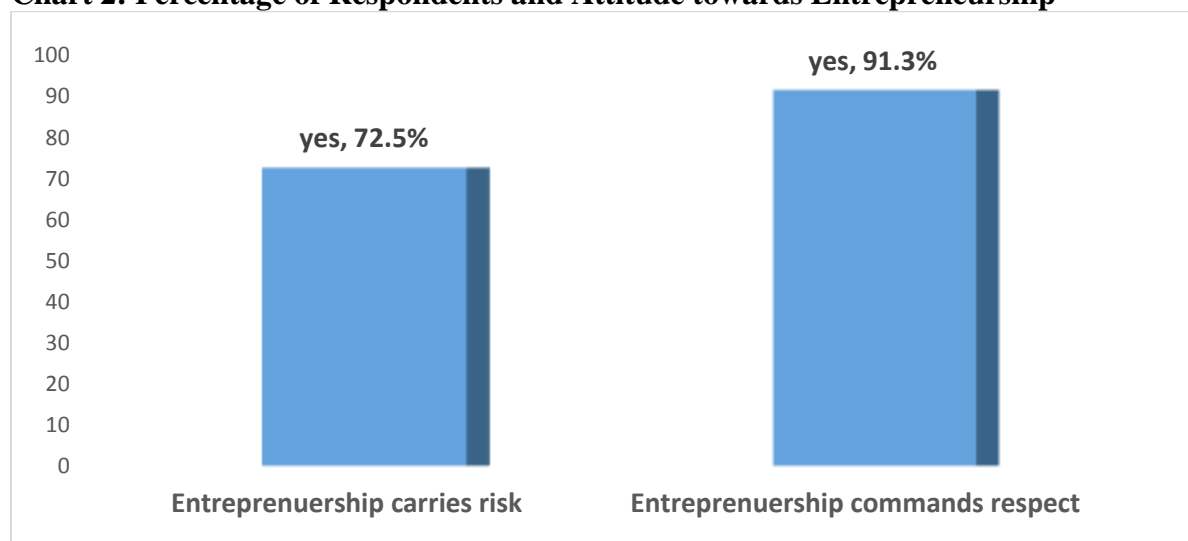
were employed in enterprises that were losing money, and the remaining were not sure regarding the status of their enterprise.

It is important to note that for 46.3% of the respondents, employment in the enterprise concerned was their first job while the remainder (53.7%) were employed in other enterprises before. Moreover, as indicated in Chart 1, it has been found that 51.2% of the respondents had no other choices when they got into their current job. However, the rest 48.8% of the respondents had other employment opportunities but preferred their current job. This suggests that they are satisfied with the work they currently do assuming that there exists no mobility restrictions.

**Chart 1: Percentage Distribution of Respondents with respect to Choices of Work Availability when they got their present job**



The respondents were asked if the situation in their enterprises has changed since they were employed. About 40.0% of the respondents believe that there was a change in the enterprise and they contributed in the positive changes and improved performance of the enterprise, while the rest do not believe positive changes have occurred in the enterprises since their employment. The attitude of the respondents towards entrepreneurship is summarized in chart 2, and results show that 72.5% of the respondents view entrepreneurship as a risky venture, and 91.3% see it as a respectful activity. Behaviour towards risk differs across individuals, and in general most individuals are characterized by risk aversion behaviour while entrepreneurs are considered to be risk takers.

**Chart 2: Percentage of Respondents and Attitude towards Entrepreneurship**

Most successful entrepreneurs have initiatives and take charge, are determined and persevere, are resilient and able to adapt. Thus, it is not a matter of their personalities and entrepreneurs are mostly identified by what they do. Similarly, in the Eritrean situation, most of the youth entrepreneurs are found to be creative, efficient and determined to achieve their objectives. However, it does not mean that entrepreneurs do not have undeniable core of inborn characteristics, some of which are energy and intelligence. But it is important to understand that possession of these characteristics does not necessarily make a person an entrepreneur. This is because there is evidence that entrepreneurs are made better and certain attitudes and behaviours can be acquired, developed, practiced and refined through a combination of experience, training and study. It is also true that not all attitudes and behaviours can be acquired by everyone at the same pace and with the same proficiency. In the following sections we present the findings on the key supportive and motivating factors for youth entrepreneurship.

### **Supportive and Motivating Factors for Youth Entrepreneurship**

Several factors may be at play that influence people's desire to acquire entrepreneurial skills. The level of intensity of these factors differs from people to people. In Table 2, we present the distribution of the number of respondents for each of the major motivating factors for youth to develop skills for entrepreneurship on the ranks given along with the point score for each factor. Point scoring system of the ranks given by the respondents was used to order the motivating factors according to their level of intensity and the point assigned to each rank is as follows: 1<sup>st</sup> rank= 7pts; 2<sup>nd</sup> = 6pts; 3<sup>rd</sup> = 5pts; 4<sup>th</sup> = 4pts and 5<sup>th</sup> = 3pts, 6<sup>th</sup> = 2pts, and 7<sup>th</sup> = 1pt. The total point score for each factor is obtained by taking the weighted sum of the number of respondents on each rank, where the weights are as given above. Results show that the desire to be self-employed is the major driving force that motivates youth to develop skill for entrepreneurship, as shown by the relatively higher point score of 23.8%. Another major factor that motivates youth is the need to acquire wealth and capital, with a point score of 17.53%. Here, it is the relative ordering of the factors that is important. At the bottom of the ordering of these factors are 'need to put talents into



work' with a point score of 9.75%, and ambition to be seen successful and challenger' with a point score of 8.73%. Overall, it can be gathered from Table 2 that the major motivating factors for youth to acquire skills to be entrepreneurs are related with self-sufficiency and confidence at large, as can be seen with the relatively higher ordering of self-employment and accumulation of wealth and capital.

**Table 2: Point Scores of Ranks for Incentives or Motives for Youth to pursue Entrepreneurship**

Main factors for skill development for entrepreneurship	Number of respondents ranking:							Total Point score	% score
	1st	2nd	3rd	4th	5th	6th	7th		
Wealth and capital	17	12	7	7	3	4	6	277	17.53
Self-employment	35	11	4	5	4	5	3	376	23.80
Ambition to be seen successful and challenger	2	3	3	8	12	8	7	138	8.73
Need to get or garner respect	1	8	11	7	7	9	3	180	11.39
Need to bring new things and introduce changes	11	11	8	5	4	6	4	231	14.62
Need for ideas and dreams be realized	9	8	12	6	5	5	4	224	14.18
Need to put talents into work	4	5	9	6	4	3	9	154	9.75
<b>Total</b>								1580	100.0

Survey results on the role of education and training in influencing youth entrepreneurship and career of the youth show that 73.1% of the respondents believe education strongly supports youth entrepreneurial and job career development, and 22.4% reported that education has no positive influence. About 4.5% of the respondents indicated that education did not support or was detrimental to their jobs or careers and thus believe that education negatively influenced entrepreneurship. It is argued that this is mainly because many youth get employment in businesses, occupations and fields different from their academic backgrounds. Moreover, they argue that with education risk taking and business initiatives decline and they believe that most risk takers that are successful in making money are those with little education than those with more education.

As regards to the social and cultural environment, results show that for 81.2% of the respondents, the social and cultural environment prevailing is viewed as conducive for entrepreneurship. The remaining 18.8% of the respondents believe that the social and cultural environment is not supportive to development of youth entrepreneurship. Youth entrepreneurs need support and help from various groups of people and the positive influence of these groups on the achievements and success of youth entrepreneurs need not be underestimated. Table 3 shows that out of the total respondents 52.5% believe that family and relatives play crucial role, while 43.8% of the respondents consider family and relatives as having only supportive role in influencing youth

behaviours and their careers. Teachers or instructors have significant influence on youth, in particular on students, according to 40.5% of the respondents. 48.1% of the respondents believe that counsellors or mentors have high level of importance to youth in their entrepreneurship development as well as youth employees in work places. Media has crucial influence according to 37.5% of the respondents, and friends have high importance according to 38.3% of the respondents. On the other hand, media has no influence according to 21.3% of the respondents, and friends have a disruptive or negative influence according to 11.3% of the respondents. This suggests that the positive sides of peer influence need to be given due attention and youth need to be organized and be guided by discipline and hard work to fight the negative and disruptive influences of peers. In this line, efforts are taken by government, youth association, families, teachers, communities and other stakeholders to create a healthy and productive youth that will play key role in the economic transformation of the country.

**Table 3: Percentage of Respondents indicating the Level of Importance and Influence of various groups on Youth Entrepreneurship and Career Development**

Support or influencing groups	Level of importance and influence					Total
	Crucial	Supportive	Disruptive	No influence	Don't know	
Family and relatives	52.5	43.8	1.3	2.5	0.0	100.0
Teachers or instructors	40.5	44.3	1.3	11.4	2.5	100.0
Counsellors or mentors	48.1	40.5	2.5	8.9	0.0	100.0
Friends	38.8	41.3	11.3	8.8	0.0	100.0
Entrepreneurs	40.0	48.8	2.5	7.5	1.3	100.0
Media	37.5	32.5	1.3	21.3	7.5	100.0

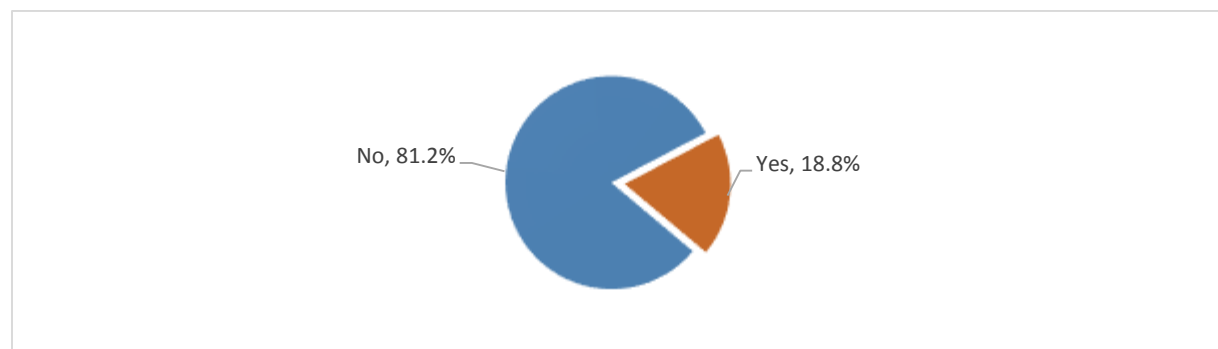
### Constraints and Non-motivating factors

There are several non-motivating factors and fears that affect youth in making decisions about skill acquisition, choice of job, starting business or entrepreneurship. Table 4 summarizes the views of the respondents with respect to their rating on whether they agree or disagree with the non-motivating factors or fears listed. According to the findings, more important non-motivating factors for the youth in acquiring skills or starting business are access to finance for 56.8% of the respondents, administrative barriers for 48.6% of the respondents and fears related to financial risks for 40.5% of the respondents. There is disagreement that gender is a non-motivating factor as indicated by about two thirds of the respondents. Out of the total respondents (n=100), 36.5% strongly agree while 24.3% strongly disagree that lack of skills or confidence is a non-motivating factor for youth entrepreneurship.

**Table 4: Percentage Distribution of Respondents with respect to their Rating on several Non-Motivating factors (fears) to acquire skills, Job or Business or Entrepreneurship**

Fears/Non-motivating factors	Strongly disagree	Disagree	Neither	Agree	Strongly Agree	Don't know	Missing	Total
Financial risks	21.6	1.4	4.1	18.9	40.5	10.8	2.8	100.0
Access to finance/capital	6.8	-	2.7	21.6	56.8	10.8	1.4	100.0
Social protection risks	24.3	4.1	4.1	20.3	32.4	12.2	2.8	100.0
Lack of skills/confidence	24.3	2.7	4.1	21.6	36.5	9.5	1.4	100.0
Administrative hurdle	14.9	2.7	1.4	21.6	48.6	8.1	2.8	100.0
Gender/being female	55.4	10.8	9.5	6.8	6.8	8.1	2.8	100.0
Stigma associated with failure	48.6	8.1	9.5	13.5	8.1	9.5	2.8	100.0
Workload	45.9	9.5	8.1	12.2	10.8	10.8	2.8	100.0
Corruption	43.2	6.8	4.1	18.9	14.9	10.8	1.4	100.0
Market demand	45.9	1.4	6.8	17.6	14.9	10.8	2.8	100.0

There are different forms of support that would be needed to alleviate some of the fears youth face in their efforts to start business or develop entrepreneurial skills. Support needs to come from government and non-government sources and as indicated in Chart 3, results of the survey show that out of the respondents, 18.8% benefitted from government programs that support youth entrepreneurs while 81.3% did not benefit from such programs. It is well recognized that free education is given in Eritrea, and the public sector has been the major employer due to the weak private sector and limited employment opportunities in non-government organizations. This suggests that much is needed to be done to promote youth entrepreneurship and expansion of employment opportunities in the country through stronger public and private partnerships.

**Chart 3: Percent Distribution of Respondents that benefitted from Government Programs that support Youth Entrepreneurship**

Youth face difficulties in getting jobs as well as in starting their own business or in being self-employed. The level of difficulties they face can arise due to several factors which limit youth

capabilities and initiatives from exploiting their potentials. In Table 5, we present the distribution of the number of respondents for each of the major difficulties youth face on ranks given, and the point score for each difficulty. Point scoring system of the ranks given by the respondents was used to order the difficulties according to their level of intensity. The point assigned to each rank is as follows: 1<sup>st</sup> rank = 5pts; 2<sup>nd</sup> = 4pts; 3<sup>rd</sup> = 3pts; 4<sup>th</sup> = 2pts and 5<sup>th</sup> = 1pt. The total point score for each factor is obtained by taking the weighted sum of the number of respondents on each rank, where the weights are as given above. Results show that access to finance or financial constraints such as shortage of start-up finance, seed funding or loans is found to be a major difficulty for youth as shown by the relatively higher point score of 37.56%. Other major difficulties which ranked higher include government policies or regulations such as administrative and bureaucratic procedures with a point score of 28.49%, and social and cultural attitude towards youth such as not being appreciated or encouraged with a point score of 18.02%. The results show that the main challenges are related to access to finance as well as government policies or regulations.

**Table 5: Point Scores of Ranks for major Difficulties faced by Youth in Employment, Business or Entrepreneurship Development**

Difficulties Experienced by the Youth	Number of respondents ranking:					Total Point Score	% score
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>		
(a) Social and cultural attitude towards youth e.g. not appreciated or promoted	15	10	7	8	3	155	18.02
(b) Financial constraints e.g. start-up finance, seed funding or loans	43	24	4	0	0	323	37.56
(c) Government policies or regulations e.g. administrative procedures, bureaucracy, etc.	31	16	8	1	0	245	28.49
(d) Education, skills and training e.g. not matching with labour market, limited opportunities, not meeting expectations of youth, inadequate and irrelevant training	8	5	5	10	0	95	11.05
(e) Support system, institutions and infrastructure e.g. lack of mentoring, counselling, workspaces, facilities, advisory and consultancy institutions	1	1	1.	15	0	42	4.88
<b>Total</b>						<b>860</b>	<b>100.0</b>

### **Actions needed to Promote Youth Entrepreneurship**

The actions needed to be taken in order to promote youth entrepreneurship were identified by the respondents and are summarized in Table 6. While there is agreement that youth are endowed with inborn characteristics, there are findings that show most of the skills and entrepreneurial qualities possessed by youth are acquired overtime through training and experience. As shown in Table 6, 57.5% of the respondents believe that there is a need to open more technical and professional schools as well as establish enterprise development centres to promote youth entrepreneurship. According to 27.5% of the respondents, actions to improve quality of education in schools and

providing proper training is necessary to promote youth entrepreneurship, there is also a need for more programs of youth development and effective use of mass media to encourage entrepreneurship among the youth as indicated by 21.3% of the respondents. Chris argues that it is also worth while to note that it is often not the class gainers who becomes most successful. Intelligence is a very valuable and important asset for entrepreneurs but by itself is woefully inadequate. It is important to consider the skills and capacities that are not measured by the tests of intelligence as measured by IQ Tests, SAT, GMAT, among others. Thus, it is enough to consider the critical skills and capacities that are at the heart of entrepreneurial leadership and achievement (Chris Argyris, 1999).

**Table 6: Percent of Respondents on Actions needed to Promote Youth Entrepreneurship**

<b>Actions needed to promote youth entrepreneurship</b>	<b>Percentage of respondents</b>
Open more technical and professional schools/youth enterprise development centres	57.5
Give chance for youth to share experiences with skilled people	2.5
Media should concentrate on youth development	21.3
Youth should do more to develop themselves	1.3
The society has adequate knowledge of the professions, so we should preserve it	1.3
Give chance and more freedom for the youth and the present high expectation of families on the performance of their children should be limited,	2.5
Create job opportunities	6.3
Make loans available with less interest rate	2.5
Proper education in schools	27.5
Have the youth develop skills in companies	1.3
Education at all levels should be practical	3.8
<b>Total</b>	<b>100.0</b>

There are arguments that young entrepreneurs need to be recognized and their contributions accepted by society in general and by their communities in particular. This would encourage the youth to be more motivated and thus be productive.

**Table 7: Percentage of Respondents indicating Measures to Improve the Acceptance and Appreciation of Youth Entrepreneurship**

<b>Measure to be taken</b>	<b>Percentage of respondents</b>
Improve education and training	63.5
Encouraging creative and innovative youth	4.1
Entrepreneurship education	23.0
Supply required materials with subsidy	1.4
Create better employment opportunities	13.5
Acquire business knowledge	6.8
Provide release to those that complete National service	5.4
Free market, privatize institutions	5.4
Match jobs with skills/competencies	2.7
Better media coverage to increase awareness	5.4
Provide finances for national service people	5.4
Policy change	1.4
<b>Total</b>	<b>100.0</b>

Table 7 above summarizes the measures that need to be taken to improve the acceptance and appreciation of young entrepreneurs. Accordingly, 63.5% of the respondents support focus on education and training of youth, 23.0% prefer more focus and attention on entrepreneurial education to youth, and 13.5% favour measures to expand better employment opportunities in order to raise the contribution and recognition of young entrepreneurs. In general, this is indicative that education, training, skills and hard work are highly valued in Eritrean communities and society.

Anne-Myriam and Abdelhak (2014) observe that access to capital is a major hurdle in the process of starting their own businesses. Consequently, one of the major ways of empowering youth is by providing access to finances. Some of the main sources of finance for the youth to start their own informal businesses are own cash savings, family support, loans from friends and relatives. According to 85.1% of the respondents, capital or finance is difficult to obtain while for 14.9%, access to start-up capital is not a major challenge.

Point scoring system of the ranks given by the respondents was used to analyse the serious impediments or difficulties youth face to get capital for start-up business or a career. The distribution of the number of respondents indicating their ranking on the major reasons that make loans difficult to get is given in Table 8. Collateral assets or guarantees comes first as a major problem for youth entrepreneurs with a point score percentage of 33.4, followed by strict credit scoring rules with a point score percentage of 29.6. High bank interest rates and fees are also found to be major impediments for youth as indicated by a point score percentage of 25.3. Loan documentations and procedures and the informal nature of youth enterprises are less of impediment as shown by low point score percentages. Thus, while age does not come as the first reason for not getting loan, it is to be recalled that there are no student loans or other forms of financial support

or assistance to students that join colleges or that pursue any other form of training in the country. Nevertheless, it is important to note that dominantly free education is provided by the government at all levels.

**Table 8: Point Scores of Ranks for Impediments faced by youth in getting Start up Finance**

Impediment for start-up finance	Number of Respondents ranking:					Total Point Score	% score
	1st	2nd	3rd	4th	5 <sup>th</sup>		
Strict credit scoring methods/ regulations	35	16	10	0	0	269	<b>29.6</b>
High bank interest rates/fees	23	20	8	4	3	230	<b>25.3</b>
Collaterals assets/guarantees	37	20	11	3	0	304	<b>33.4</b>
Complex documentation procedures	1	5	7	7	3	63	<b>6.9</b>
Age and legal status of youth	0	3	1	5	10	35	<b>3.9</b>
Informal nature of youth enterprises	1	0	0	1	1	8	<b>0.9</b>
<b>Total</b>						909	<b>100.0</b>

In a nutshell, survey results show that credit was useful for youth entrepreneurship and employment creation but there was no guarantee of repayment given the objective realities in the country. From the experiences of loans provided by NUEYS, collateral and other conditions were put in place but the default risk rate or non-repayment rate was still high among the young borrowers. In most cases, borrowers have to provide a guarantor as part of the criteria before they get the loan. However, the major difficulty is the high mobility of guarantors that makes recovery of funds difficult.

In general, there is no dispute on the need to encourage and support young people although there could be differences on the ways and means of supporting them. It has been found that moral and financial support is important in the success of youth businesses and careers. The kind of government support that would be useful for encouraging youth employment and promoting entrepreneurial skills are presented in Table 9. From the total respondents (n=100), 24.2% indicated that more focus on business related courses is necessary, 19.2% reported that government needs to encourage and support free employment for youth (particularly to those that complete national service), 18.3% are in support of encouraging private sector investment and expansion of private sector jobs for the youth, and 17.5% are in favour of more attention to skill oriented VST training to youth.

**Table 9: Response on the kind of Government Support that could be valuable for encouraging Youth Employment and Entrepreneurship**

<b>Kinds of government support</b>	<b>Percentage of respondents</b>
Skill oriented (e.g. VCT, ICT)	17.5
Put encouraging credit policy	15.0
On job training	3.3
Call expert trainers, especially from abroad	0.8
Offer business related courses	24.2
Encourage entrepreneurship	7.5
Encourage private investment	18.3
Free employment opportunities must be encouraged	19.2
Give enough salary	5.0
Put right person in right job	2.5
Put constitution to work	5.0
Clear and clean Commercial law	3.3
Subsidy	5.8
Incentive system	0.8
<b>Total</b>	<b>100.0</b>

It is mostly argued that experience and wisdom increases with age and that age matters for entrepreneurship. On the other hand, it is believed that youth are mostly risk takers and they are creative and do easily catch up with new technology and thus entrepreneurship is higher at early age than in later ages. According to Timmons, when an entrepreneur's drive, energy and ambition are at a peak at young age, the necessary relevant business experience and management skills are least developed and those critical elements of wisdom and judgement are in their infancy (Timmons, 1999). Thus, education and acquiring necessary training at early age helps to develop the skills but there are other qualities that develop with age and with behaviour of individuals and experience. For instance, patience and perseverance to relentlessly pursue a long term vision need to be balanced with the urgency and realism to make it happen.

On money making and entrepreneurship, findings indicate that money may be the end result and entrepreneurs, it is believed, may ultimately end up in making more money. Surprisingly as it may sound, investors and successful entrepreneurs often say one of the worst things that can happen to an entrepreneur is to have too much money too early" (Timmons, 1999). Thus doing more with less is a powerful competitive weapon for entrepreneurs. Financially, there is no doubt that overtime successful entrepreneurs enjoy higher incomes and net worth than career managers in large companies.

One way of reducing youth unemployment that also contributes in promoting youth entrepreneurship is apprenticeship and acquiring skills through VST training or attachment to employers or firms in private and public sector. On the job training programs and apprenticeship



not only helps in skill development but can also be an integral part of the process of an entrepreneurial career.

## **CONCLUSION AND IMPLICATION**

Many of the youth entrepreneurs start with almost no start-up capital, network or business experience. However, with time, they master the ropes of enterprise development and become successful beyond their expectation. This suggests that there are some unique and concrete habits of some entrepreneurs that can be adopted or learned in life which can have or can bring changes on youth. This study has tried to approach the entrepreneurial environment for youth in Eritrea by taking the case of employees working in the manufacturing enterprises in the country. Several studies from different countries have argued that entrepreneurship can be nurtured. However, the question how best it can be nurtured would remain an open question, and its answers, among others, may differ between countries, cultures as well as societies. Survey results show, that about four-fifth of the respondents believe that the prevailing social and cultural environment is conducive for youth entrepreneurship development in Eritrea. Several factors may be at play that drives people to acquire entrepreneurial skills. The level of intensity of these factors differs from people to people. The study found that the major motivating factors for youth to acquire skill to be entrepreneurs are related with self-sufficiency at large, that is the youth go into entrepreneurship with the intention of self-employment as well as accumulation of wealth and capital, as opposed to such factors as ambition to be seen as successful and challenger as well as the need to put talents into work.

Education, training and successful capacity building initiatives help youth entrepreneurs obtain the information they need and have the skills to manipulate it for business success. Youth is characterized by its abundance of promise, potential and possibility and one of the goals should be to help them reach this potential while supporting sustainable economic development. Youth entrepreneurs require the skills to both run a profitable business and a financially stable household. There is a need to bring stakeholders together to support the youth and in this respect financial institutions and stakeholders should come together in the common goal of supporting youth-led enterprises. One way is to provide access to finance and promote sustainable trade practices and small and medium businesses in the country. Credit agencies thus need to work with youth, reaching out to them in all possible ways.

The study indicates that instruction in entrepreneurial skills offers a potentially transformative impact on the work and career focus of young people. Training obviously can help entrepreneurial minded young people to start and succeed in their own businesses, contributing to employment solutions for the community as a whole. Thus programs to train youth for self-employment can help achieve and enhance what must be done to attack youth unemployment in general and contribute to success on the promotion of culture of entrepreneurship as is observed in high participation of youth in internet business startups and other computer based services (OECD, 2001; Curtain, 2000). But even those workers not destined to start their own business need to acquire a deeper understanding of what it takes to make a business succeed. Mainstreaming

entrepreneurship content into the national education systems and the establishment of a centre for entrepreneurship and enterprise development in the country is the obvious way to reach scale. In general, the study indicates that no single factor is sufficient to promote youth entrepreneurship which implies that a package of multiple factors and a holistic approach needs to be considered to encourage youth, develop youth entrepreneurship and enterprise development in the country.

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