

BOTTLE-NECKS TO SUCCESSFUL RURAL YOUTH ENTREPRENEURSHIP IN ZIMBABWE

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Abstract

This paper sought to investigate the barrier that rural youth face in the quest to embark on entrepreneurial ventures. Through the use of a purposively selected sample data was collected from Chivi Rural District in Masvingo , Zimbabwe and analyzed through the use of specialized computer programs. The findings from the research indicate that the youths in rural areas face a myriad of challenges when it comes to business venturing . The challenges include lack of funding, inadequate infrastructure and in access to information. Recommendations were made for policy makers to curb the challenges being face by the youth.

Key words : entrepreneurship, unemployment , informal sector , economic growth

1. INTRODUCTION

Zimbabwe, like the majority of countries in the sub-Saharan Africa, has the larger population living in the rural areas. A sizeable segment of the rural areas is characterized by poor road and transport networks, infrastructure problems and high level of poverty and unemployment. Because of the inaccessibility of most rural areas economic activity has remained low and many have resorted to subsistence farming for survival. The Zimbabwean situation has been made worse because the country experienced arguably the worst economic meltdown in history. With the hyperinflationary environment that persisted, with inflation figures reaching 516 quintillion percent by December 2008(Burgess, 2008) and the local currency dramatically losing value against major currencies, entrepreneurial activity hit the substratum.

Cited in literature as the causes of the economic crisis is the payment of gratuities to war veteran which raised inflationary pressures,the government's involvement in the conflict in the Democratic Republic of Congo , the implementation of the land reform programme, which some described as chaotic , economic distortions caused by price controls and the misalignments of the foreign exchange rate and the collapse of respect for property rights and entrepreneurial freedom (Richardson, 2005; Clemens and Moss, 2005; Richardson, 2007; Coorey et al., 2007).As economic growth declined in Zimbabwe, so did the labour absorptive capacity of the economy such that by 2004, four out of every five jobs in Zimbabwe were informalised, resulting in massive decent work deficits,(UN,2010). Unemployment, informal employment, underemployment and massive brain drain were characteristic of the period prior to 2008.

In recent years however, the Zimbabwean economy has shown signs of recovery from the economic meltdown that culminated in 2000. The adoption of the multicurrency system, the signing of the Global Political Agreement of 2008 and the crafting of the Short Term Economic Recovery Programme (STERP) blueprint propelled the country's awakening from economic sluggishness. Private investment level increased, basic commodities and fuel shortages were remedied and activity became evident in the industrial areas of major cities. Industrial capacity utilization improved from about 10 percent at the beginning of 2009 to between 35 and 60 percent by December of that year (UN, 2010). Powered by the indigenization laws, locals and youth participation in the main stream economic activity improved. Through investment, new technology was adopted, employment opportunities created and income grew and this led to economic growth, in line with the arguments put forward by Lusambili (2000).

2. CONCEPTUAL FRAMEWORK

Employment is perceived as the missing link between economic growth and poverty reduction (Jahan, 2005). Evidently, even after the adoption of the multicurrency system and STERP, unemployment levels remain high in Zimbabwe, especially among the youth in the rural areas. According to the Labour Force Survey of 2011 in Zimbabwe, unemployment rates were highest for the youths, those with secondary education and higher education. The inability of the economy to absorb school leavers and inexperienced youth into formal employment has left a sizeable number of youths unemployed. According to the Zimbabwe National Statistics Agency, in 2011, only 31 percent of the economically active men and 14 percent of females were in paid employment. Fifty-nine percent of women were involved in communal farming (ZimStat, 2012).

The Zimbabwean government has remained committed to the plight of the youth and economic empowerment of the citizens. Through the Ministry of Youth, Indigenization and Economic Empowerment and the Ministry of Small to Medium Enterprises the government has assisted a sizeable number of youth entrepreneurs. Entrepreneurship and self-employment has been identified as a source of new jobs and "economic dynamism" that can improve youth livelihoods and economic independence in developing countries for young people with limited resources, life and work experience (Maxwell, 2002, Schoof, 2006).

According to Leff (1979) entrepreneurship is essential in developing countries because entrepreneurs fill important gaps left by incomplete and underdeveloped markets. While studies have been carried out in other countries like South Africa (Fatoki and Chindoga, 2011) and Kenya (Mwangi and Wanjau, 2012), this paper seeks to investigate the barriers to the development of youth entrepreneurship in the rural areas in the Zimbabwean context.

3. LITERATURE REVIEW

Entrepreneurship has defined as "The pursuit of opportunity beyond the resources you currently control" (Stevenson, 1983, 1985; Stevenson and Jarillo, 1991). Entrepreneurship is a process that results in creativity, innovation and growth. According to the European Commission, it refers to an individual's ability to turn ideas into action and is therefore a key competence for all, helping young people to be more creative and self-confident in whatever they undertake (European Commission, 2008). A sizeable number of terms have been used interchangeably to describe entrepreneurial ventures. Entrepreneurship and Small to Medium Enterprises (SMEs) have been used synonymously (Acs et al, 2004). According to Smart and Smart (2005) the discussion of entrepreneurial activities in developing countries have included informal sector and petty capitalism. Volkmann et al (2009), argue that youth entrepreneurship is not essentially different from entrepreneurship among adults. The only difference is in the age of the entrepreneur and what differs

between youth and adult entrepreneurship, given the inherently different levels of intellectual and behavioral maturity is how entrepreneurship is taught and how it is learned. Youth entrepreneurship is the process whereby youth become aware of the self-employment career option, develop ideas, take and manage risks, learn the process and take the initiative in developing and owning a business (Chigunta, 2002).

In developing economies, the contribution of the informal sector is critical, both in terms of providing employment as well as in creating income (Jahan, 2005). The delegates at the 90th International Labour Conference of 2002 came to the conclusion that is in line with Jahan (2005), that the informal economy absorbs workers who would otherwise be without work or income, especially in developing countries that have a large and rapidly growing labour force, for example in countries where workers are made redundant following structural adjustment programmes. (ILC, 2002) Existing literature suggests that in Zimbabwe the informal sector only became a significant and visible factor after independence when many regulations and by-laws stemming from the colonial era, especially those that restricted the freedom of movement – were repealed and others no longer enforced (Ndoro, 1996; Mhone, 1996; Peters-Berries, 1993; Shinder, 1997; Dhemba, 1999; Daniels, 2003)

The 2011 Labour Force and Child Labour Survey (LFCLS) showed that the informal sector contributed 10 percent to the employed population. Fjose et al (2010) however argues that despite the fact that 99 percent of all firms in developing countries are SMEs, and despite the substantial amount written about the significance of SMEs to developing economies, there is very limited evidence in the literature on the contribution of SMEs to economic growth

The development of youth entrepreneurship and entrepreneurship in general is heavily dependent upon the participation of a multiplicity of stakeholders. The government plays a pivotal role in promoting youth entrepreneurship. In some countries governments “discouraged” entrepreneurship while in others government activity has become so pervasive that it “crowds out” private entrepreneurship opportunities (Elkan, 1988). A survey of 32 Nigerian SMEs revealed that there is “frequent harassment by government officials who extort money from businesses” (Mambula, 2002). Other studies have revealed that regulations, taxes and labour market rigidities tend to load together as barriers to business startups (Volery et al, 1999, Choo and Wong, 2006, Klapper et al, 2006).

Physical infrastructure such as transportation, land and operating space and communication facilities such as internet, telephone and postal services are vital for the successful operation of entrepreneurial activities and venture startups and growth (Trulsson, 2002, Liao, Welch and Pistrui, 2001, Hansen and Sebor, 2003). According to Ncube (2004) the quality of the financial infrastructure is vital for the financing of entrepreneurship activities hence the development of capital markets and stable exchange rates is a prerequisite for engendering a good entrepreneurial environment. Theoretical literature also acknowledges the role of academic institutions in promoting entrepreneurship. The promotion of entrepreneurship hinges around the exposure to and education of the youth about entrepreneurship (Ncube, 2004) Leibenstein (1968) states that while not all characteristics of entrepreneurs are trainable, training can eliminate some gaps in carrying out the entrepreneurial role. Nelson and Johnson (1997) add that entrepreneurial education programs are necessary to develop personal entrepreneurial traits and thereby potential entrepreneurs would be more likely to initiate action and have a better chance for success in their business ventures. This is supported by Schoof (2006) who postulates that learning the necessary skills,

attributes and behaviors creates positive attitudes towards entrepreneurship and has a significant impact on a young person's decision to become an entrepreneur.

4. METHODOLOGY

4.1 Sampling and sample size

The study employed purposive sampling and this involved the handpicking of subjects on the basis of specific characteristics (Black, 1999). This method was chosen to ensure selection of adequate number of participants with appropriate characteristics. The research was carried out in Chivi Rural District in Masvingo Province, Zimbabwe. A sample size of 90 participants predominantly youths was used, between the ages of 15 and 34 years in line with the African Union definition of youth.

4.2 Data collection and analysis

Self-administered questionnaires were used as the primary method of data collection. Questionnaires are familiar to most people and they generally do not make people apprehensive (Berdie, Anderson and Niebuhr, 1986). The questionnaire was principally made of five point Likert scale with 1 representing the "Strongly Disagree" response and 5 the "Strongly Agree" response. However scales were used on questions relating to the respondents' demography.

A pilot test was conducted to ensure the questionnaire's validity and reliability. Data was processed using the Statistical Package for Social Studies (SPSS) and a quantitative analysis was performed. Both descriptive statistics and inferential statistics were done to ascertain the extent of the relationship that exists between the variables of interest as well as the strength and direction of their relationship.

5. EMPIRICAL FINDINGS

5.1 Descriptive Statistics

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5.2 Discussions

5.2.1 Youth Entrepreneurship readiness

From the responses from the participants, the Zimbabwean youth are geared from entrepreneurship. A mean of 4.4286 stated that given the necessary resources and support they will definitely venture into entrepreneurial activities. The majority believe that there are untapped business opportunities (mean of 4.9184). The ability to identify gaps and opportunities in the community is the recipe for entrepreneurial success. This is supported by existing literature. Drennan & Saleh, (2008) state that entrepreneurial intention is influenced by perceptions of feasibility, which focus on one's ability to adopt entrepreneurial behavior, given the prevailing entrepreneurship environmental conditions. Moreover the youths do not consider lack of skill a barrier to entrepreneurship as these can be acquired through training. According to Nelson and Johnson (1992) entrepreneurial education programs are necessary to develop personal entrepreneurial traits. The research showed that a sizeable number of respondents agree that the youth possess the necessary skills to at least start businesses (mean, 3.7755). In addition crime was not cited as one of the barriers to rural youth entrepreneurship and indicated by a mean of 3.8980 and so was the imposition of sanctions on Zimbabwe by some Western countries.

5.2.2 Barriers to Youth Entrepreneurship

5.2.2.1 Corruption

Corruption has been identified as the strongest barrier to rural entrepreneurship by the respondents. With a mean of 1,518, the majority of the respondents “Disagree” to the notion that in Zimbabwe corruption has been curbed and it is no longer a barrier to business venturing. Corruption as a barrier to entrepreneurship is in line with findings of Mambula (2002) who carried out his research on the Nigerian SMEs. In line with the findings, Transparency International, a human rights watchdog in 2012 ranked Zimbabwe among the worst corrupt countries in the world. Zimbabwe was a number 136 out of 174 implying that it is the 38th most corrupt country in the world.

5.2.2.2 Unavailability of ready markets

Following corruption in ranking is unavailability of markets (mean, 1, 9592). Because of the low level of income in Zimbabwe, with civil servants who constitute the greater percentage of rural working population earning around US\$300 a month, the market is likely to be suppressed. The buying power in the rural areas is evidently low thereby suppressing entrepreneurial growth. Competition from established businesses in the city, who enjoy economies of scale thereby charging lower prices means that rural entrepreneurs are left with a streamlined market.

5.2.2.3 Lack of support from private organizations and Non-Governmental Organizations (NGOs)

Lack of support from private organizations and NGOs was also cited as a barrier to successful entrepreneurship, (mean, 2.4082). Africa has generally been characterized by donor funding and active NGOs involvement in the upliftment of lives of the rural populace. This has somehow created a reliance syndrome. This could explain why the youth in the rural areas largely expect some kind of involvement of NGOs and private organizations in kick starting their entrepreneurial ventures. Lack of this kind of support has become a barrier to entrepreneurship.

5.2.2.4 Information deficiency

Information inadequacy (mean, 2.4082) is another factor that has been identified as a barrier to entrepreneurship. While access to technology has greatly improved in the Sub-Saharan Africa, where millions have managed to leap-frog the landline phone technology enroute to 21st century connectivity (Jack, Suri and Townsend, 2010), access to the right entrepreneurship information remains a challenge. This has created a setback in terms of the development of entrepreneurship.

5.2.2.5 Inadequate government support

Lack of government financial and other support was highlighted as existing in rural Zimbabwe. In line with Mambula (2002) inadequate government funding, lack of qualified government officials to assist new businesses and policy inconsistency present a bottle neck to the development of entrepreneurship. This has caused many business dreams to fail before takeoff.

5.2.2.6 Infrastructure inadequacy

With a mean of 2.8980, lack of adequate infrastructure is a barrier to entrepreneurial development. This is because in the absence of adequate essential infrastructure, some of the costs that could have been borne by the government are passed on to the businesses (Elkan, 1995). This increase in transportation costs, communication costs and other transactional costs discourages entrepreneurship. Lack of infrastructure all limits access to raw materials and lucrative markets.

5.2.2.7 Lack of training and development

Lack of adequate training and development, mean of 2.5510 is another challenge faced by budding entrepreneurs. Universities, technical colleges and other institutions tend to ignore the rural populace in terms of offering training and short courses relevant to their operations. Without the necessary educational background entrepreneurs fall into unforeseen pitfalls in their businesses.

6 Recommendations

6.1 Government and civilian commitment to fighting corruption

Since corruption has been identified as a bottleneck in entrepreneurship development, it is essential that government and the citizens of Zimbabwe make a commitment to fight corruption and ensure that confidence is restored into the systems. Pulling down corruption will go a long way in ensuring that there is sanity in the operations of government.

6.2 Customized training and development

Drucker (1985) says entrepreneurship is “not magic, it’s not mysterious, and it has nothing to do with the genes. It’s a discipline. And like a discipline, it can be learned”. Taking from the arguments of Drucker it is important that a system is put in place a policy level to ensure that the rural entrepreneurs receive tailor made training to enable them to develop. This can be achieved through short courses and block release programmes.

6.3 Access to loans and government guarantees

Funding is a challenge for upcoming entrepreneurs. It is essential that through government and financial institutions partnerships, access to loans by rural entrepreneurs improve. With cheap funding it is possible for businesses to expand and thereby creating more opportunities.

6.4 Rural youth centers

As a measure to improve access to information and collaboration among the youth, the government and private organization should endeavor to establish youth centers in the rural areas and part of their corporate responsibility programmes. Internet facilities, sporting facilities and vocational training would go a long way in ensuring that the youth are ignited for entrepreneurship.

7 Limitations of the study and areas for further research

This study was carried out on the youth of Chivi rural district. The results are therefore based on what they perceive to be the barriers to entrepreneurship. Some of the barriers mentioned in this research may prove to be opportunities rather than barriers. For example in access to information mentioned as a barrier may actually be an opportunity for someone to start a low cost internet facility to improve access to information. Further research may be necessary to look at the barriers from the perspective of identified youths who are already in business. Research is also needed into the solutions to the barriers being faced by the youth.

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Table

Table 1 Descriptive Statistics

	N	Mean	Std. Deviation
There are sizeable untapped business opportunities in the rural areas	49	4.9184	7.25958
Given adequate resources and support I will undertake a business venture	49	4.4286	1.17260
Crime has been well managed in Zimbabwe and does not discourage new venture creation	49	3.8980	1.14100
Zimbabwean youth possess enough skills necessary to incubate business ventures	49	3.7755	1.41812
The sanctions imposed of Zimbabwe by some Western countries are not a hindrance to venturing into business	49	3.5306	1.22648
The infrastructure in rural areas is adequate to support entrepreneurial activities	49	2.8980	3.08386
Educational institutions are offering adequate training on entrepreneurship to rural business persons	49	2.5510	1.22579
The legal and regulatory framework including tax laws are favourable for rural entrepreneurs	49	2.5306	1.02270
Government is providing financial and other support to rural entrepreneurs	49	2.4286	1.33853
Information is readily available and easily accessible for business planning	49	2.4082	1.05906
Assistance is readily available from NGOs and Private organisations	49	2.4082	1.25695
The Zimbabwean economy is conducive for starting and operating a business	49	2.1633	1.16094
There is a ready market for products and services	49	1.9592	1.07934
Corruption has been well contained and does not hinder entrepreneurship	49	1.5918	.78842
Valid N (listwise)	49		