CHAPTER 2: REVIEW OF LITERATURE

The literature review is divided into five sections: literature search strategy, identification of gaps in literature, theoretical/conceptual framework, topical review of literature, and background of instrument and variables. The chapter includes an in-depth review of current, peer-reviewed journals published between 2019 and 2023. The background of entrepreneurial theories and the reason for social learning theory selected as the theoretical underpinning conceptual framework of the proposed research will be discussed in detail. In addition, six relevant topics that give a context to the study will be discussed: Historical Background of Entrepreneurship, Entrepreneurial Ecosystem, Entrepreneurial Policy, Youth Entrepreneurship, Entrepreneurial Readiness, and Ethiopian Entrepreneurial Context.

Literature Search Strategy

The literary search strategy began with exploring what entrepreneurship is with the work of economists like Smith (1776), “An inquiry into the Nature and Causes of the Wealth of Nations”, Ricardo (1817), “On the Principles of Political Economy and Taxation, Schumpeter (1934), “The Theory of Economic Development,” Glancey & McQuaid (2000), “Entrepreneurship and market dynamics. Entrepreneurial economics”, and Simpeh (2011) “Entrepreneurship Theories and Empirical Research: A Summary Review of the Literature” which laid the ground of understanding entrepreneur and entrepreneurship from the economics perspectives in classical, non-classical and Australian theories of economics.

The literary search continued with the shortcoming of economic theory to fully explain entrepreneurship by drawing attention to the individuals’ internal and external factors that lead to entrepreneurial success. Psychological theories that focus on individual personality traits (inborn qualities and locus of control) by Rotter (1996), “Generalised Expectancies for Internal Versus External Control of Reinforcement,” Şahin, Karadağ, and Tuncer (2019), “Big Five Personality Traits, Entrepreneurial Self-efficacy and Entrepreneurial Intention: A Configurational Approach;” followed by theories that focused on the need for achievement of individual for successful entrepreneurship - McClelland (1961), “The Achieving Society,” Johnson (1990), “Toward a Multidimensional Model of Entrepreneurship: The Case of Achievement Motivation and the Entrepreneur, United Nations Conference on Trade and Development UNCTAD (2018), Empretec Program – Inspiring entrepreneurship. The third psychological theory associated emotional intelligence with entrepreneurial efficacy was studied by Wen, Chen, Pang, and Gu (2020), “The Relationship between Emotional Intelligence and Entrepreneurial Self-Efficacy of Chinese Vocational College Students,” and Fatoki (2019), “Emotional Intelligence and Success of Immigrant-Owned Small Businesses in South Africa.” This psychological theory section will review the personality theory expound an entrepreneur and entrepreneurship were searched to explore the nature of entrepreneurship and entrepreneur in the original context of creating a robust economy. The fourth psychological theory reviewed was social learning theory by Bandura (1971), “Social Learning Theory” including his subsequent work on self-efficacy Bandura (1982), “Self‑efficacy Mechanism in Human Agency” complimented with entrepreneurial self-efficacy by Chen, Greene, & Crick (1998), “Does Entrepreneurial Self-Efficacy Distinguish Entrepreneurs from Managers?” DeNoble, Jung, and Ehrlich (1999), Entrepreneurial Self-efficacy: The Development of a Measure and Its Relationship to Entrepreneurial Action”, McGee, Peterson, Mueller, & Sequeira (2009), “Entrepreneurial Self-efficacy: The Measure”, and Kare Moberg (2012), “An Entrepreneurial Self-Efficacy Scale with Neutral Wording.”

In addition, literature search strategy was far ranging reviewing more than 150 journals and citing. Specifically, relevant articles that add broader context to the topics such as Entrepreneurship, Entrepreneurial Ecosystem, Entrepreneurial Policy, Youth Entrepreneurship, Entrepreneurial Readiness, Ethiopia’s Entrepreneurial Setting were reviewed.

Identification of Gap in Literature

Social scientists disagree on what makes an entrepreneur, but research falls into individual, environmental, and institutional factors (Kallas, 2019) that create readiness to start an enterprise. A great deal of attention is given to entrepreneurial intention (Saptono, Purwana, Wibowo, Wibowo, Mukhtar, Yanto, Hadi, & Kusumajanto, 2019; Aleksandrova, Gerry, & Verkhovskaya, 2019); impacts of entrepreneurship training (Efobi & Orkoh, 2018; Rahim, Mohamed, Tasir, & Shariff, 2022); the impact of entrepreneurial education programs (Hernández-Sánchez, Sánchez-García, & Mayens, 2019; Paray & Kumar, 2020); the role of entrepreneurial self-efficacy (Darmanto & Yuliari, 2019; Newman, Obschonka, Schwarz, Cohen, & Nielsen, 2019), psychological dispositions that predict entrepreneurial success and factors that determine entrepreneurial success (Salisu, Hashim, Mashi, & Mashi, 2020), and entrepreneurial behavior (Ho, Lu, & Bryant, 2021).

Reflecting on the past five years, from 2014 to 2019, Chan and Mustafa (2021) did an overview of published articles on entrepreneurship and innovation in emerging economies. They pointed out that entrepreneurship requires different skills in emerging economies than in developed economies. Therefore, factors for entrepreneurial practices at the individual, societal, and organizational levels must be understood considering contexts. Numerous surveys have showed that ESE has a positive effect on entrepreneurial intentions and behaviours (Barbosa, Gerhardt and Kickul, 2007; McGee, Peterson, Mueller and Sequeira, 2009; The mediating role of self-efficacy in the development of entrepreneurial intentions. Zhao, Seibert, and Hills, 2005).

However, no study was found on youth entrepreneurship readiness in economic theories of entrepreneurship; however, since the concept of an entrepreneur emerged from economic theories, it was necessary to explore the background, and its evolving nature in the past three centuries and the multidisciplinary nature. This necessitated to explore how psychological aspect of individuals entrepreneurial self-efficacy can contribute to youth readiness to start or develop a business.

Theoretical/Conceptual Framework

Researchers have identified several theories to explain the topic of entrepreneurship. Ahmed and Ahmed (2021) demonstrated that the multidisciplinary nature of entrepreneurship theories is rooted in disciplines such as applied economics, psychology, sociology, anthropological, and management fields of study. McMullen, Brownell, and Adams (2020) studied what makes an entrepreneurial investigation have a unified theory and identified five elements of entrepreneurial agency: ability, motivation, opportunity, institution, and process skills to transform social structures into action. The multifaceted aspect of entrepreneurship is examined in this study, and a theory that resonates with the purpose of the research and firmly explains the phenomenon of youth entrepreneurship and entrepreneurial training will be selected.

Entrepreneurship has evolved significantly in the last two and half centuries. Due to the complexity and multidimensional notion of entrepreneurship, it is influenced by economic, social, psychological, ethical, religious, and cultural factors. The present study focuses on youth entrepreneurial readiness from an entrepreneurial self-efficacy standpoint, using entrepreneurship training as a moderator.

Because many factors influence entrepreneurship, no single factor can generate it independently. This study uses social learning theory as a theoretical foundation to describe the different variables in the socio-demographic antecedent and explore the entrepreneurial self-efficacy related to youth entrepreneurial readiness as moderated by entrepreneurship training. The EDI entrepreneurial training provides the context of social learning, and the individual specific entrepreneurial self-efficacy will be assessed to determine the entrepreneurial readiness of the youth by comparing those who took the six-day training and those who did not.

Social Learning Theory

Berge and Lyons (2012) stated that social learning theory is associated with Albert Bandura but was rooted two decades earlier in Rotter’s social and clinical context that learning takes place in a social arena by observation and later by imitation. Chavis (2011) concurs with the idea that social learning theory is an approach that address human problems in a social context.

Albert Bandura theorized that learning might occur by observing others' behaviors and the consequences of the behaviors, and social learning reinforces behavior as people interact with their environment to determine their actions (Bandura, 1971). He expanded the social learning approach, adding the cognitive elements of learning, which occur through observation, imitation, and modeling, a sharp contrast with behavioral thinking of reinforcement and punishment (Bandura, 1977).

Social Learning/Cognitive Theory

Cognitive/personal Factors:

* Knowledge
* Expectation
* Attitude

Behavioral Factors:

* Skills
* Practice
* Self-efficacy

Environmental Factors:

* Community
* Policy
* Access

Entrepreneurs learn by observing their surroundings, including parents, friends, partners, and competitors, as they interact with their environment (Fernando & Nishantha, 2019).  Scherer, Adams, and Wiebe (1989) studied the background of entrepreneurs and non-entrepreneurs and found that many non-entrepreneurs did not have self-employed or entrepreneurial parents.

This implies that social modeling highly influences entrepreneurs in their entrepreneurial actions. Similarly, Drucker (1985) alluded that entrepreneurship can be a learned behavior as entrepreneurs with different personalities are educated in a social context and succeed.  The concept of self-efficacy is also part of Albert Bandura's social learning theory, which addresses the ability of individuals to make judgments on decisive matters, effectively perform and face challenges (Bandura, 1982). The concept further contributed to developing entrepreneurial self-efficacy to measure the person's entrepreneurial beliefs to start a business (Drnovšek et al., 2010).

Social learning theory shows how cognition, behavior, and environment are interrelated, having cause-effect relations (Wood & Bandura, 1989). Borhani, Amiran, Shahriari, and Ghadim (2020) stated that socio-demography was the first factor that affected the attitude of the youth to accept agricultural entrepreneurship, with the age 25-40 likely to start a new business.

Likewise, Fairlie and Holleran, 2012; Sakkthivel and Sriram, 2012 deduced that individuals' socio-demographic and psychological stances are significant determinants of entrepreneurship. Similarly, Gibb and Ritchie (1982) identified that an entrepreneurial social process of a start-up is influenced in so many ways by family, employment, training, and career patterns. Bouichou, Abdoulaye, Allali, Bouayad, and Fadlaoui (2021) identified young people aged (20-25) positively correlated with entrepreneurial intentions to start a new business venture, and as age increased 41-45, it was less likely to start a business.

A comparative study by Alamineh (2022) on identifying influencing factors of university and technical and vocational education and training graduate students' intentions toward entrepreneurship concluded that socio-demographic factors such as age, gender, family income, educational background, and entrepreneurial attitude had a significant effect on the TVET students' intention toward entrepreneurship.

According to Udayanan (2019), training plays a significant role in developing transferrable skills related to business in the ESE of graduate students. Entrepreneurial training provides the context of social learning, the individual psychological makeup, and the business ability to enhance the entrepreneurial readiness of the youth. This study uses social learning theory as a theoretical foundation to describe the social background and explore the entrepreneurial self-efficacy of youth for entrepreneurial readiness as moderated by entrepreneurship training.

Bandura, (1986) describes that self-efficacy beliefs are multifaceted, as social cognitive theory identifies several conditions, which include “generic skills for diagnosing task demands, constructing and evaluating alternative courses of action, setting proximal goals to guide one’s efforts, and creating self-incentives to sustain engagement in taxing activities and to manage stress and debilitating intrusive thoughts” (p.308). Self-efficacy measures a person’s belief in starting a business (Drnovšek, Wincent, & Cardon, 2010). Similarly, Adeniyi, Derera, and Gamede (2022) studied entrepreneurial self-efficacy for entrepreneurial readiness in developing countries, and the findings supported that ESE is helpful for the business creation process. Darmanto and Yuliari (2019) also concurred that ESE strongly predicts entrepreneurial readiness.

Using the social learning theory that encompasses the individual and social factors, entrepreneurship readiness is assumed to be described by incorporating the individual’s socio-demographic background and measuring psychological self-efficacy, and entrepreneurial self-efficacy, as moderated by entrepreneurial training (Hatos, Cioban, Bea, Dodescu, & Hatos 2022).

The conceptual framework is based on social learning theory that posits learning occurs through observation and when the individual has self-efficacy, whereby he or she believes they can master a particular task (Bandura, 1989). In this case, entrepreneurial self-efficacy moderated by entrepreneurial training may play greater role in entrepreneurial performance whereby the readiness to start or develop a business is linked between the independent and dependent variables. The framework below shows how independent variables entrepreneurial self-efficacy influence the dependent variable, youth entrepreneurial readiness, as moderated by EDI training.

**Youth Entrepreneurial Readiness**

**Entrepreneurial Self-Efficacy**

* **Searching**
* **Planning**
* **Marshalling**
* **Implementing**
* **Finance**

**Entrepreneurship Training**

Figure 1: Conceptual Model of Hypothesized Relationships

**Entrepreneurial Self-Efficacy**

Self-efficacy can be applied to various domains if the efficacy measure is tailored to the tasks assessed (Bandura, l982). Based on the conceptual framework of Albert Bandura, the social learning theory entrepreneurial tendency of college students’ ESE tool was first suggested by (Chen et al., 1998). Different constructs, such as risk-taking, innovation, management, financial control, and marketing, were assessed. This was complimented by McGee et al. (2009), supporting ESE as a multi-dimensional construct and suggesting the four tasks: searching, planning, marshaling, and implementing as valuable skills for entrepreneurial readiness resulting in business creation orientation.

According to Mobeg (2012), the entrepreneurial efficacy measure components start with the searching phase that includes brainstorming a new idea for a product or service, identifying the need for a new product or service, or a market, and designing a product or service that will satisfy customer needs and wants. The planning phase incorporates an assessment of demands, prices, capital needed, and designing a marketing strategy and translating this into a business plan.

The marshaling phase focuses on determining the different resources needed to execute the plan. The last implementation phase involves using resources to execute the action plan (Adenyi et al., 2022).  Borhani, Amiran, Shahriari, and Ghadim (2020) emphasized that education, opportunities, and financial support significantly impact young adults' career choices for startup businesses. Previous studies by Wadhawa, Holly, Aggarwal, and Salkever (2009) depicted that a lack of business and managerial skills would be a barrier to effective startups implying that the need to have business management knowledge and skills positively contributes to entrepreneurial readiness. Based on the social learning theory and the literature reviewed to construct ESE, Moberg (2012) improved the ESE variables by categorizing them into five domains: searching, planning, marshaling, implementing, and finance.

Ndofirepi (2020) described it as essential to understanding entrepreneurs' psych, ways of thinking, and doing to design effective training programs. The psychological traits associated with entrepreneurs are an internal locus of control, achievement needs, and risk-taking behaviors. This is also supported by previous studies by Bygrave and Hofer (1991), which have expanded the list of main psychological aspects associated with entrepreneurship: "need for achievement, locus of control, risk-propensity, self-efficacy, tolerance for ambiguity, innovativeness, independence and autonomy, and optimism."  Alamineh's (2022) study concluded that the field of study, entrepreneurship course, entrepreneurship test score, locus of control, entrepreneurship education, subjective norms, and entrepreneurial motivation statistically affected university students' intention toward entrepreneurship.

In this research the entrepreneurial self-efficacy of the EDI-trained youth and the non-trained youth will be investigated if there is a difference in their readiness to start or develop a business and if training moderates readiness.

**Entrepreneurship Training**

Entrepreneurial training is intended to reinforce information, skills, and attitudes and has been utilized in different countries to influence entrepreneurial culture within a population (Wulandari et al., 2021). They defined *entrepreneurship training* as "training to prepare someone to have entrepreneurial skills so that they can create a business appropriately by using existing opportunities and providing job opportunities both for themselves and others" p. 307. The current research uses training as a moderating factor to assess youth entrepreneurial readiness.

Most economies support entrepreneurship education and training to achieve goals such as encouraging citizens to have a positive attitude toward self-employment, identifying viable business opportunities, demonstrating managerial skills for running successful businesses, and encouraging new startups and other entrepreneurial ventures (Alam et al., 2019; Cieslik et al., 2022). Coelho et al. (2018) studied and evaluated the impact of the entrepreneurship training program in Recife, Brazil. Such research aids in understanding entrepreneurship education's ability to boost individuals' ability to generate new company prospects. The findings support the claim that entrepreneurship education is becoming more significant in emerging nations, reshaping society by allowing individuals to advance in their careers and lives.

The UN program UNCTAD, (2018) that developed entrepreneurship coined Empretec from the Spanish for emprendedores (entrepreneurs) and tecnología (technology). Empretec is a mechanism that instills behavioral change in a select group of promising entrepreneurs. It is dedicated to helping promising entrepreneurs put their ideas into action and helping fledgling businesses to grow. The course was developed by Harvard University to encourage entrepreneurial behavior and motivate learners to contribute to countries' economic prosperity by focusing on developing entrepreneurial competencies of entrepreneurs in emerging economies (UNCTAD, 2018). More than 31 years of experience have been since the UN implemented this program in 41 countries UNCTAD (2022). The program evaluation showed that trainees' success was linked to their involvement in entrepreneurship education, and therefore, entrepreneurship training programs are to be designed to create access to training and let trainees develop their competencies.

The EDI (2022) uses the Empretec program to identify ten key areas of competencies related to entrepreneurial development. These include opportunity-seeking and initiative; persistence; fulfillment of commitments; demand for quality and efficiency; calculated risks; goal setting; information-seeking; systematic planning and monitoring; persuasion and networking; and independence and self-confidence. EDI trainees are provided with six practical days of training with a practical tool to help them assess their strengths and weaknesses. Trainees are required to do 30 behavioral traits of each they have practiced since they completed the training.

Furthermore, Abdullah and Latif (2014) evaluated Bangladesh's entrepreneurship development training program. They concluded that the country could take the initiative to develop an entrepreneurial environment to evolve the prevailing salient talent. Developing such training and development programs for the newcomer and existing entrepreneur in that field nourishes the existing entrepreneur.  The study also showed the evaluation's validity by addressing the training program's effectiveness.

Vega, González-morales, and García (2016) studied the entrepreneurial aspirations of adolescents toward self-employment and found that interest increased in the case of foreigners, those who studied at state schools, and those who demonstrated lower academic achievements. Education has a long-term effect on students' attitudes, and training has a short-term practical effect in preparing a business plan and design projects. Therefore, the public action lines promoting entrepreneurship should combine the abovementioned factors.

According to Chethan (2020), entrepreneurship training positively affects the trainees by involving them in their business enterprise due to enhancing confidence levels. Before training, participants were afraid due to lack of practical knowledge; however, their satisfaction level was drastically enhanced to start their business enterprise after training. Similarly, Klinger and Schündeln (2007) investigated the effect of entrepreneurial training on enterprise outcomes, particularly whether training and business development programs in developing countries can help improve entrepreneurial skills and foster entrepreneurial activities such as creating and expanding businesses. The findings show that business training significantly increases the probability that the trainee starts or expands an existing business. In addition, they suggest that entrepreneurial activities such as starting and expanding businesses can be fostered by training.

Efobi and Orkoh (2018) mentioned that entrepreneurs who received formal evaluation training would retrain their colleagues, resulting in expanded human resources, increased innovation, and revenue for the company. Moreover, the author describes how training within an entrepreneurial venture should be viewed as a 'two-sided coin' that empowers the trained employee and the transfer of knowledge by training other workers. They have also studied the impacts of entrepreneurship training on the growth performance of firms and elaborated on training programs directed at entrepreneurs as an essential catalyst for business growth and development. The difference in revenue, innovation, and employee growth of firms where the entrepreneurs were trained, and they went ahead to set up in-house training for their workers, compared to those who were trained but did not have in-house training for their workers. The results imply that policies that encourage just the training of entrepreneurs may be limited in the scope of impact if steps are not taken to ensure that the trained entrepreneurs go further to retrain their workers in their businesses. Entrepreneurial education and training equip students with abilities, skills, and knowledge, allowing them to spot opportunities, analyze the environment, and draft strategies to help the company succeed (Mack et al., 2021).

Moreover, entrepreneurial education and training increase confidence in individuals' ability to start and run a company. In class, students are given exercises to develop business plans, perform feasibility studies for business opportunities, or participate in running simulated or real businesses (Thamahane, 2017).

Similar studies by Emmanuel, Mohammed, and Patrick (2018) mentioned that entrepreneurial orientation caused by inadequate entrepreneurial education and training statistically significantly influences entrepreneurial behavior among youths in the province. Cieslik, Barford, and Vira (2022) conducted studies on why sustainable development 8.6 was not fulfilled as targeted and stated that it was not due to the defectiveness of entrepreneurship-based programs. Instead, broader job-market policies must be assessed to complement training, education, and skill deficits.

Bouichou et al. (2021) studied entrepreneurial intention among rural youth in Moroccan agricultural cooperatives. They found that training is one of the factors that have a positive impact on the entrepreneurial intentions of young men and women. Similarly, Ndofirepi (2020) studied the relationship between entrepreneurship education and entrepreneurial goal intention and found that exposing students to entrepreneurial education positively impacts psychological development. Entrepreneurship training has been used as one of the driving forces to improve entrepreneurial capabilities (Zahra, 2011) that enhance knowledge, skills, and attitude (Seun & Kalsom, 2015), and they showed entrepreneurship training moderated the relationship between entrepreneurial ability and readiness towards new venture creation.

Topical Review of Literature

**Entrepreneurship**

Entrepreneurship and entrepreneur are defined differently depending on the theoretical orientation, model of what an entrepreneur is, and school of thought. For example, Akulava, Marozau, Abrashkevich, and Guerrero (2020) defined *entrepreneurship* as "a process of starting and running a new business." p.20, whereas Omoniyi and Bongani (2022) define *entrepreneurship* as a necessary production component and a driving force behind any successful business. As a result, *entrepreneurship* is defined as the science of completing tasks with associated risks and rewards, with the entrepreneur serving as the organizer, innovator, and risk bearer in any commercial venture. The primary goal of entrepreneurship is to make money rather than lose money (p. 4.).

An entrepreneur precedes entrepreneurship.  Joseph A. Schumpeter defines an entrepreneur based on one's innovation and creative capacity leading to disequilibrium (Schumpeter, 1934). Gartner focuses on a new business venture (Gartner, 1985); Peterson sees an entrepreneur as a person who recognizes the opportunity and taps into a new endeavor (Peterson, 1985); and for Garfield, it is identifying a market and developing a strategy to encounter the needs (Garfield, 1986). In contrast, Cantillon redefines an entrepreneur as someone "who works for a contract price and has uncertain future costs into a pervasive one who purchases inputs at market prices only to make sales in the future at uncertain market prices" (Thornton, 2019; p.277).

Therefore, even though no consensus has been reached among academicians and researchers in defining entrepreneurship and entrepreneur, the broader concept entails taking the initiative, arranging, and restructuring social and economic mechanisms to put resources (labor, materials, and other assets) together in ways that increase their worth and situations to practical use, accepting risk or failure; and bringing change, innovation, and a new order into the world (Cunningham & Lischeron, 1991; Steenekamp, 2013; 2013; Akulava et al., 2020).

For Schumpeter (1934), "Entrepreneurship" is a human activity and a creative act that involves creating something of worth from almost nothing. It is the pursuit of opportunity regardless of available resources or the lack thereof.  It necessitates both a vision and a burning desire. It also necessitates a readiness to take calculated risks. Conversely, Fuster (2022) acknowledged entrepreneurship as a dynamic process of accumulating wealth by producing value through capital, risk-taking, technology, and human talent.

For over two centuries, entrepreneurship has been explained in different fields of study, such as economics, sociology, and psychology.  In the early eighteenth century, the French term entrepreneur was first used to designate a "go-between" or "between-taker." Many consider Cantillon used the phrase to be someone who adopted a proactive risk-taking approach to pursuing possibilities giving the present meaning of an entrepreneur (Parker, 2009). However, entrepreneurial endeavors' twentieth and twenty-first-century popularity has incorporated broader descriptions beyond innovation and startup businesses.

Entrepreneurship is a multi-component and multi-category dynamic system. It should be considered holistically as a dynamic system of an individual's causally interrelated personality traits, motivation, cognition, needs, emotions, abilities, learning, skills, and behavior based on which an individual or a group of individuals interact with the context for identifying, generating, and realizing opportunities into new values (Oganisjana, 2010, p. 54).

As the United Nations Sustainable Development Goals (SDGs) suggest, entrepreneurship is a vital driver of society's health and prosperity and a powerful engine of economic progress. It promotes innovation required to seize new opportunities, increase productivity, create jobs, and address some of society's most serious concerns (Bosma et al., 2020; GEM, 2022).  Entrepreneurship is a dynamic process of vision, change, and creation. It requires energy and passion to create and implement new ideas and creative solutions.

**Entrepreneurial Ecosystem**

Over the last decade, the concept of entrepreneurial ecosystems has exploded in popularity among researchers, policymakers, and practitioners, even though there has yet to be an agreed definition and theoretical ground (Fubah & Moos, 2021). For example, Spigel (2017) described entrepreneurial ecosystems as "a tool in the study of the geography of high-growth entrepreneurship, the union of localized cultural outlooks, social networks, investment capital, universities, and active economic policies that create environments supportive of innovation-based ventures" p.1.

According to Spigel, as these attributes produce resources for entrepreneurs, the interactions and relations create the entrepreneurial ecosystem.    Gueguen, Delanoë-Gueguen, and Lechner (2021) described entrepreneurial ecosystems as providing a context for start-ups to access resources, networks of actors, and processes that link the entrepreneur with local resources. Entrepreneurial ecosystems reflect a growing interest in localized entrepreneurship settings and a focus on entrepreneurial actors' agency to build and modify their surroundings, which has contributed to developing a vibrant research landscape shaped by a legacy of various research traditions and new policies being implemented in several contexts around the world (Wurth, Stam, & Spigel, 2021).

Academic entrepreneurship and the entrepreneurial ecosystem in the project were investigated by (Hallam, Novick, Gilbert, Frankwick, Wenker, & Zanella, 2017). They concluded that fostering, supporting, developing, and commercializing new technologies necessitates creating and maintaining a transformational and progressive entrepreneurial ecosystem within the university environment.  The findings highlight the significance of company culture in the commercialization of technology.

Similarly, Yusof, Siddiq, and Nor (2009) investigated academic entrepreneurship as part of the larger ecosystem using a "Triple-helix of government-university-industry relations" framework to create a conducive entrepreneurial context. A transformational and progressive ecosystem within the academic environment is needed to foster support for the broader commercial context.  Bărbulescu, Tecău, Munteanu, and Constantin (2021) discussed the importance of focusing on information technology and having solid relationships with broader entrepreneurial ecosystems, particularly academia, the public and private sector, and citizens in the post-COVID era. Because of the importance of collaboration in today's business world, collaborative networks play an essential role. In addition, Lose (2022) alludes to the fact that standardized incubation programs support the entrepreneurial ecosystem across economies, accelerating entrepreneurship in sub-Saharan Africa and encouraging governments to promote incubation and entrepreneurship at local, national, and regional levels. For Aldrich, time is a factor in the entrepreneurial ecosystem, defined as "Systems of entrepreneurship as institutional and organizational as well as other systemic factors that interact and influence the identification and commercialization of entrepreneurial opportunities. Systems of entrepreneurship are geographically bounded, Audretsch, Mason, Miles, & O'Connor (2021), p.4.

Chaarani and Raimi (2022) emphasized the positive role of NGOs in creating sustainable environmental and social solutions using business projects to meet societal needs in Lebanon, intersecting economic profit, environment, and society, addressing the entrepreneurial ecosystem.  The GEM 2021 assesses entrepreneurial environments for enterprises using nine entrepreneurship points. This includes ease of access to finance, relevant government policies, affordable taxes, and bureaucracy; government programs support new entrepreneurs at local, regional, and national levels; adequacy of entrepreneurial education introduced at school and post-school; transferring research and development to commercial ventures; affordable professional services to support new experiences; ease of entry into the market dynamics, availability and accessibility of physical infrastructures; and normalizing entrepreneurship among communities. Bloh (2021) also affirmed how GEM closed the gap between entrepreneurial ecosystem definitions and what it entails after introducing the entrepreneurial ecosystem index to enable entrepreneurial activities.

Therefore, a broader friendly ecosystem needs to be assessed for successful entrepreneurship implementation in countries, and actions are taken to boost socio-economic development. The current study describes youth engagement in entrepreneurship and training within the Ethiopian ecosystem.

**Entrepreneurial Policy**

Bloh (2021) studied regional surveying entrepreneurs, economic development agencies or administrators, financial institutions, higher education institutions, political leaders, business incubators, and the media who would be stakeholders in entrepreneurial activities and suggested that a policy approach using entrepreneurial ecosystem stakeholders brings beneficial results. He concluded that policy approaches using entrepreneurial ecosystem stakeholders should yield more precise and effective results for policies. Entrepreneurial policies are designed to increase the quality of new firms or, more commonly, the number of new enterprises, as small company development and entrepreneurship are at the heart of many countries’ economies. Any country that pays special attention to its entrepreneurs has a higher chance of improving its economy Bramwell, Hepburn, & Wolfe, (2019). As a result, many governments have established policies to support entrepreneurial activities in response to the demand for such policies.

In addition, several policies have been explicitly designed to encourage entrepreneurship. In developing countries, entrepreneurship policies have also been introduced to encourage entrepreneurial activity (Akinyemi, Folashade, Adejumo & Oluwabunm, 2018), and they discovered that policy parameters that promote entrepreneurial activity vary depending on the stage of entrepreneurship.

Entrepreneurship and innovation have been linked in the economic theory of market capitalist economies since Schumpeter (1912, 1942). Modern policy frameworks hardly distinguish between the two, consistently incorporating entrepreneurship and innovation into broader public policy frameworks. Potts (2015) studied how national innovation policies interact strategically to create emerging de facto global entrepreneurship and innovation policies. Entrepreneurship policy is intrinsically linked to innovation policy, although innovation policy takes precedence in most countries. Improved innovation policies enable more effective entrepreneurial settings. Entrepreneurship and innovation policy must begin with a better understanding of national innovation policy's strategic global interactions (Potts, 2015).

**Youth Entrepreneurship**

Youth means a lifetime when someone is young and usually refers to the period between adolescence and adulthood or maturity. It is transitioning from babyhood reliance to adulthood independence (Mwampote, 2019). However, there has yet to be an agreement on the age span for the youth. Youth refers to the individual's development stage between adolescence and adulthood; as a result, juvenile learning is seen as a subset of adult learning and is described as a formative stage of adult learning (Pigozne et al., 2019).  In many industrialized countries, entrepreneurship education is constantly promoted to raise awareness and encourage business start-ups (Janissenova et al., 2021).

Youth entrepreneurship encourages youth to be innovative and resilient in pursuing new ideas and solutions.  Moreover, entrepreneurship is critical to community peace and prosperity and plays a role in poverty alleviation, wealth distribution, and self-sufficiency (Emmanuel et al., 2018; GEM, 2022).

Starting a business is a driver for economic development since it reduces unemployment; however, many countries' adoption of entrepreneurial education is not generating dividends in job generation, especially among youth (Cieslik et al., 2022). According to their research findings, the stalled progress in meeting the 2020 UN youth employment agenda was not because entrepreneurial training and education do not work; instead, they are not enough to address the structural nature of the unemployment crisis and factors such as socioeconomic dynamics and lousy governance should be studied in depth.

Adult learning is divided into two stages: youth learning and adult learning. Youth learning is regarded as an early stage of adult learning and is considered a part of adult learning. In Latvia, adult education is regulated by national law and is provided on three levels: national, local, and institutional. (Pigozne, Luka, & Surikova, 2019). Additionally, they mentioned that adult learning means 'the entire range of formal, non-formal, and informal learning activities undertaken by adults after a break since leaving initial education and training resulting in new knowledge.  This includes university-level or higher education under-taken after a break (other than deferred entry) since leaving initial education and training.' Pro-activity draws innovative change and moves society a step forward. Entrepreneurship, alongside other possible activities, such as volunteering, participating in social campaigns, and giving a hand to those in need, is a means to develop one's pro-activity (Pigozne et al., 2019).

Ahmed and Ahmed (2021) stated that Ethiopia aims at youth entrepreneurship as a possible tool for poverty alleviation and economic development through job creation.  According to Adenle's (2017) research, entrepreneurship education is critical for African economic progress since it empowers young leaders for commercial and entrepreneurial activity. All study participants agreed that entrepreneurship education would be crucial in developing the next generation of young entrepreneurs to help the continent establish solid and competitive economies. Furthermore, developing new company strategies and leadership leaders is critical, given the need for more entrepreneurial capabilities.

In the study conducted by Pigozne, Luka, and Surikova (2019) on promoting youth entrepreneurship and employability through non-formal and informal learning, they found out that young adults preferred experience sharing, collaboration with employers, doing internship projects, facilitating entrepreneurship experiences and training will help them learn practically and improve their life skills. Similarly, learning from good practices of training youth on entrepreneurship shows that training programs should never be a standalone agenda of youth employment but rather must be one aspect of a more extensive entrepreneurial ecosystem focusing on real examples from practicing entrepreneurs, entrepreneurial effectiveness, and personal transformation (Haule, 2012).

Pigozne, Luka, and Surikova (2019) emphasized working with employers to plan educational activities such as field trips, internships, projects, and meetings with entrepreneurs to learn about their experiences. Furthermore, the respondents recognized the value of collaboration in gaining first-hand work experience, facilitating their participation in entrepreneurship while boosting their professional self-determination, competitiveness, career advancement, and overall quality of life. According to current research, internships in a company or institution, projects, other people's experiences, success stories, and training enterprises are the most effective non-formal and informal learning methods, forms, and initiatives to promote youth entrepreneurship and employability in Latvia.

As far as the age of entrepreneurs is concerned, the study has similar findings that people establish their firm between the ages of 25 and 45 and mainly between the ages 25 and 34 (Storey, 1994; Mehari & Belay, 2017; Delmar & Davidson, 2000) and therefore adopted the youth definition up to age 35.

**Entrepreneurial Readiness**

Individual readiness for entrepreneurship is the combination of personal characteristics that separate people ready to start a business. Entrepreneurs are particularly capable of observing and analyzing their surroundings to channel their highly creative and productive potential, so they may use their capacity to dare and desire self-achievement, according to (Coduras et al. (2016).

A young person's entrepreneurial preparedness is defined by their ability to study various environmental options, apply their potential entrepreneurial ability based on available resources, and motivation to achieve personal goals (Olugbola, 2017). In addition, entrepreneurship training is essential because it allows young people to develop their business talents (Coduras et al., 2016; Olugbola, 2017).

Raza, Muffatto, and Saeed (2018) investigated the relationship between entrepreneurial readiness and entrepreneurial behavior across nations to see if formal institutions have a role in this relationship. The findings suggest that entrepreneurial readiness is linked to entrepreneurial behavior (as measured by entrepreneurial entry and opportunity-based entrepreneurship). This link strengthens as political democracy, government regulations, financial capital availability, and market liquidity improve. For policymakers, the findings demonstrate that when individuals have a high level of entrepreneurial preparedness, political democracy, and government laws, financial capital availability and market liquidity connect favorably with entrepreneurial behavior. Therefore, policymakers should enact regulations that allow individuals to start their businesses in a safe atmosphere.

Mwampote (2019) studied factors in teenagers' entrepreneurial readiness and found that motivation, entrepreneurial skills, and perceived behavioral control were all statistically significant. On the other hand, the family background could have been more statistically unimportant concerning young entrepreneurial preparation. Furthermore, it was shown that young people confront various obstacles when they want to start a business. Lack of sufficient start-up funding, a lack of entrepreneurial education among the young, a lack of marketplaces to sell the products, and a lack of confidence among adolescents were identified as obstacles to youth readiness.

Wulandari, Hermawan, and Mukhlis (2021) state that entrepreneurial readiness can be cultivated in society informally and formally by training, coaching, seminars, and so on, providing a forum for entrepreneurs. The study will suggest that young people shift their mindsets from waiting for government jobs to working for themselves and creating jobs for others by increasing their entrepreneurial self-efficacy through training.  Mack, White, and Senghor (2021) concluded that there is a positive correlation between exposing students to entrepreneurial training and later engagement in entrepreneurial activities.

In addition, once the hypothesis is accepted that training moderates the relationship between entrepreneurial self-efficacy to increase youth entrepreneurial readiness, advocacy for the government to provide youth and young adults with specialized entrepreneurial training and programs that include methods for starting and maintaining firms under challenging times will be considered.

**Ethiopia’s Entrepreneurial Setting**

Ethiopia's estimated population is 120.8 million (22.7% urban and 77.3% rural) (USAID, 2021), making it the second most populous country in sub-Saharan Africa after Nigeria. There are more than 80 ethnic groups with their own cultures and languages. Orthodox Christianity (43.8 percent) and Islam (33.3 percent) are the main religions.

Although Ethiopia is the fastest-growing economy, with 6.1 percent in 2019/20, it is also among the poorest, with a per capita income of $890 per year (World Bank, 2021). As a result, the government launched ten years development plan from 2020/2021 to 2030 based on a 'Home Grown Economic Agenda,' gravitating towards a private sector-driven economy. According to USAID (2017), Ethiopia's youthful population is estimated at 104 million, 41 percent is under the age of 15, and more than 28 percent is between the ages of 15 and 29. In addition, youth unemployment is estimated at nearly 27 percent.

According to the Global Entrepreneurship Monitor 2012 report, Ethiopia has few private enterprises compared to its population size. It has one of the lowest entrepreneurial activity rates in sub-Saharan African countries, with about 12% of the adult population (18-64) reporting establishing or running a business in the last 3.5 years. The average for countries in the sub-Saharan region is about 28% percent. Similarly, 8% of adults in Ethiopia run established businesses, while the regional average is 15% (Herrington & Kelly, 2012).

A study conducted by Presler-Marshall, Yadete, Jones, and Gebreyehu (2022) shows that Ethiopian youth have more significant challenges in accessing employment, which is unmatched by high population growth, suggesting a twin-track approach to invest in youth education and households to meet current needs. According to Sintayehu (2017), urban unemployment is 29%, and the government has made several changes to address the youth generation issues. This includes formulating a national policy in 2005 to promote youth participation in all spheres of life, developing a multi-sectoral strategy plan from 2006-2015; adolescent development and participation strategy in 2013; incorporating youth participation in the socio-economic and political activities in the ten years GTP of the Country; promoting the SME to large scale by mainstreaming youth issues within other development programs, increasing the number of youth centers, strengthening youth associations, encouraging youth entrepreneurship since 2014, and preparing youth development packages (Sintayehu, 2017). However, despite the efforts, youth unemployment remains high in the country.

According to the Central Statistics Agency (2022), Ethiopia's labor force and migration key findings, the unemployment rate is 8 percent at a national level and 7.7 percent for the youth aged 15-29. In a study conducted by Sintayehu (2017) on the challenges and opportunities faced by Ethiopian youth entrepreneurs, as well as roadblocks to the development of entrepreneurship in the country, he concluded that the significant challenges are: the absence of a culture of entrepreneurship, lack of technical and financial support to become an entrepreneur, burdensome administrative and regulatory framework, and poor access to infrastructures. In addition, society's incorrect perception of job creation, society's lack of readiness to live a life apart from the traditional way of living, and society's lack of willingness to live a life apart from the traditional way of life are additional challenges.

Moreover, Mehari and Belay (2017) studied the challenges and prospects of entrepreneurship development and job creation for unemployed youth in the Addis Ababa and Dire Dawa city administrations. They found that the social capital, using *iqub* – a social network that individuals or families contribute to meet the financial need of a person or a family. This is used as a substitute for microfinance credit to start-up businesses and has created a platform for start-ups without formal banks that avail credits only if there is matching collateral.

Sintayehu (2017) also stated that the government of Ethiopia had created holistic youth development opportunities in collaboration with UNDP by launching a system where the youth would be engaged in entrepreneurship and enterprise formation programs to address youth unemployment of age 15-24, which was 24%. Investment in the youth development program was designed with development actors such as UN agencies like UNICEF, UNDP, and Italian Cooperation.

Using government-led youth centers and developing the capacity of the youth by giving life skills training was one strategy. Another strategy to address employment needs was establishing EDI to increase employment by creating micro and small enterprises for youth and women.

According to the assessment report of the Entrepreneurship Ecosystem in Ethiopia (2018), the EDI has been providing different types of training to entrepreneurship trainers selected from various public universities. For instance, by May 2015, the Center had provided entrepreneurship training workshops to 306 university lecturers selected from 29 public universities.  Addis Ababa, Bahir Dar, Mekelle, Wollo, and Hawassa universities constitute the top five from which many lecturers have attended training organized by EDI, representing 10.13%, 10.13%, 7.52%, 7.19%, and 6.21%, of the total participants drawn from public universities.  In a study conducted by Ahmed and Ahmed (2021), out of eight potential constraints for youth entrepreneurial engagement in small and medium enterprises, the lack of unfavorable government policy was the first constraint identified and drew the government's focus to improve youth entrepreneurship.

Background of Instrument and Variables

**Entrepreneurial Self-Efficacy Scale**

Moberg (2012) built 20 items ESE scale based on previously established 29 items three scales Chen et al. (1998), DeNoble et al. (1999), and McGee et al. (2009) in which Moberg described the reliability and validity improved by using jargon free items. He stated that the scale was tested in a large-scale survey including 445 students from 12 programs in three universities in Denmark and one in Sweden.

Moberg (2012) used exploratory factor analysis to investigate the multidimensionality of the items and confirmatory analysis to investigate convergent, discriminatory, and nomological validity and results show high predictive validity in entrepreneurial behaviors and high reliability as the items are comprehensive for lay people without entrepreneurial experience. He used maximum likelihood as the estimator and stated that the 5-factor model met Bentler’s (1990) criteria for good fit indices with a Comparative Fit Index (CFI) greater than .90, a Root Mean Square Error of Approximation (RMSEA) below .06 and a Standardized Root Mean Square Residual (SRMR) below .08 (CFI=.92, RMSEA=.06 [.057-.071], SRMR=.06).

In addition, to test the construct validity of the ESE scale, Moberg (2012) stated that a known-groups validation was performed dividing the sample into two groups. The first group included students that have operated a business; are operating a business or are trying to set up a business (N=175), and a baseline group included the rest of the students (N=259). T-tests were used in order to establish if there was significant difference in mean scores between the two groups. Result showed the students with entrepreneurial experience showed higher mean-values in all 20 items.

Morgan (2012) noted that the scale can be used to evaluate programs that include control groups. Correlation between constructs derived through confirmatory factor analysis showed all correlations were significant on a p < .001. Pearson product moment correlations between entrepreneurial behavior, attitude, and the five ESE constructs show that all greater than .09 and are statistically significant at p<.05.

As far as reliability of constructs were concerned, the items scored: creativity (Cronbach’s ἀ .85), planning (Cronbach’s ἀ .71), marshaling (Cronbach’s ἀ .67), managing ambiguity (Cronbach’s ἀ .77), and financial literacy (Cronbach’s ἀ .85).

Summary

The literature review chapter started with introduction of the chapter, strategy to search the relevant literature, identification of gap in literature to fill in the study, followed by the selected theoretical background to hypothesize topical review of literature, and background of instrument and variables. The chapter includes an in-depth review of current, peer reviewed journals in relation to the background of entrepreneurial theories and the reason for social learning theory selected as the theoretical underpinning for the conceptual framework of the research. The chapter concludes with the historical background of how the validity and reliability of the entrepreneurial self-efficacy was established.