CHAPTER 1: INTRODUCTION

This chapter introduces the research problem, background of the problem, purpose statement, research question, hypothesis, scope and delimitation, significance, and operational definition of the study. The second chapter is devoted to the literature review, followed by chapters on research methodology, results, discussion, and conclusion.

The concept of an entrepreneur includes having entrepreneurial skills, identifying opportunities, gathering the necessary resources, and taking a risk to create a successful endeavor (Lilia et al., 2022).  Kallas (2019) explained that entrepreneurial readiness has individual, social/environmental, and institutional components and the personal aspect, which is determined by one's attitude, motivation, and competencies.

This study aims to investigate if differences exist between youth entrepreneurial readiness based on entrepreneurial self-efficacy related to entrepreneurship training conducted by Entrepreneurship Development Institute (EDI) in Addis Ababa and those who have not.

EDI was established following the latest government reorganization bringing together two entities: the UNDP-supported Entrepreneurship Development Center (EDC), established in February 2013, and the World Bank-financed Women Entrepreneurship Development Project, inaugurated in December 2012.  EDI aims to aid in producing the emergence of a competitive and innovative private-sector driven by a dynamic, vibrant, and growth-oriented small and medium enterprise (SME) sector. The new mandate includes playing a pivotal role in the entrepreneurial ecosystem, especially in self-employment, with a strategic shift from direct service providers to building the capacities of other public and private institutions.  In addition, two EDI programs target women and youth who wish to start or develop their businesses. The programs include training, business development services, a forum for networking innovative services, and establishing the center of excellence in selected universities (EDI, 2022).

Zhartay, Khussainova, and Yessengeldin (2020) defined *youth entrepreneurship* as "A tool to ensure the growth of employment, the involvement of young people in economic activities, their socialization, and self-realization" (p. 1190). The Macrotrends estimated that the unemployment rate for Ethiopia in 2021 was 3.69%, and the youth unemployment rate was 5.72%. At the same time, the Central Statistics Authority (2021) labor force and migration survey provide information on the Country's labor force, which indicates the economic performance through the employment and unemployment rate. The survey result reveals that the jobless rate in Ethiopia is 8.0 percent. Despite efforts to improve the economic conditions of Ethiopia, youth unemployment remains one of the significant challenges. The result also shows that the youth unemployment rate in the urban setting is estimated to be 23.1 percent.

Creating an enabling environment in which engaging the youth in entrepreneurial training and education is one of the ways to curb the challenges of youth unemployment and take entrepreneurship as a career option (Akubo, 2021). In this research, a non-experimental research design will be used to investigate if there are significant relations between a group that had the training and a group that did not.

Background of the Problem

According to the United Nations, in 2015, countries adopted 17 goals to end poverty, protect the planet, and ensure prosperity for all as part of a new workable development agenda, with 169 sub-targets to be achieved by 2030 (Weiland et al., 2021). This global agenda promotes an integrated approach to achieving sustainable development that tackles the interwoven issues of multidimensional poverty, inequality and exclusion, and sustainability while enhancing knowledge, skills, and production technologies to reduce risks and sustain development gains. The National Planning Commission (2016) described that Ethiopia developed the Growth and Transformation Plan (GTP) aligned with the world agenda of sustainable development.

The EDC, which is now transformed into EDI, was established to realize the vision of Ethiopia's GTP in response to the growing role the private sector can play in achieving the plan. The Ethiopian government established the program in partnership with the United Nations Development Program (UNDP) Ethiopia and launched it in February 2013. The program was designed to foster a robust and competitive private sector by developing the micro and small enterprise sectors. Based on that, entrepreneurship training is provided by the United Nations Development Program for one week for those who want to start a business and strengthen their existing one (Ministry of Trade and Industry & United Nations Industrial Development Organization, 2019).

Describing the impact, as of May 2022, the EDC report shows 244,459 new jobs are created, 20,819 new businesses are established, 29,378 businesses are expanded, 20,757 businesses are formalized, and 70,391 existing businesses are supported. In addition, 112,163 training have been provided in ten regional states, which is instrumental in creating the needed impact (EDI, 2022).

Problem Statement

Entrepreneurial initiatives, including training, are believed to curb unemployment problems by grooming the youth for entrepreneurial endeavors (Olayinka & Sulyman, 2022). Boris and Parakhina (2022) stated that youth entrepreneurship is a neglected yet important sector of the economy, substantiated by the unstable post-COVID pandemic economic conditions. Ahmed and Ahmed (2021) pointed out the challenges of the young generation to find a decent job in African countries, including Ethiopia, due to a lack of skill, experience, and attitude toward the youth in the workplace.

The alarming unemployment rate in Ethiopia is worth noting to strategize entrepreneurial interventions. According to the Ethiopian Statistics Service and International Organization for Migration (2021), the published statistical report of the employment-to-population ratio was 59.5 percent, with 69.0 percent males and 50.2 percent females, whereas the employment-to-population ratio of youth 15-29 was 57.4 percent nationally. The rate of youth employment to population ratio in rural areas was 64.9 percent and 50.6 percent in urban areas.

Adeniyi, Derera, and Gamede (2022) related entrepreneurial readiness to entrepreneurial skills, business opportunities, entrepreneurial self-efficacy, and opportunity identification.  Since studies show that youth entrepreneurship contributes to economic development, it is essential to know how one acquires the entrepreneurial mindset and uses the potential to create jobs, expand existing businesses, increase the possibility of business startups, and maximize opportunities to curb developing countries unemployment issues by using the youth potentials (GEM, 2022).

A study on the relationship between micro-enterprises targeting youth and socio-economic development showed that youth significantly reduce poverty in Ethiopia (Kidane et al., 2015). In addition, entrepreneurship was acknowledged as one of the stimulating factors for economic growth in developing countries (Muhammad & Ahmad, 2020). However, according to Ahmed and Ahmed's (2021) study on Ethiopia's potential constraints on youth entrepreneurship, next to a conducive policy environment, limited access to finance, markets, and business assistance and support, entrepreneurial education, and training were stated as one of the constraining factors not to engage in an entrepreneurial endeavor. Acknowledging the positive role of the youth in economic development (Chernova et al., 2020), it is essential to prepare the youth for such engagement.

Despite the growing interest in entrepreneurship as a means of economic development and poverty reduction, little is known about how entrepreneurial self-efficacy and entrepreneurship training influence entrepreneurial readiness among youth in Ethiopia.

Purpose Statement

This study investigates the difference between youth readiness to start or develop a business based on entrepreneurial self-efficacy of those who have taken EDI entrepreneurship training and those who have not, to determine if there is a significant difference in youth entrepreneurial readiness.

Research Question

What differences exist in youth entrepreneurial readiness based on entrepreneurial self-efficacy related to entrepreneurship training?

Hypothesis

H0: No statistically significant difference exists in entrepreneurial readiness to start or develop a business based on entrepreneurial self-efficacy between those who received entrepreneurship training and those who did not.

Ha: A statistically significant difference exists in entrepreneurial readiness to start or develop a business based on entrepreneurial self-efficacy between those who received entrepreneurship training and those who did not.

Scope and Delimitation of the Research

The study is delimited to youth aged 18-35 whom EDI has trained from January – March 2023 and willing to participate in the study. Another group, which has not taken the EDI training, will be selected, and the same tools will be administered to determine if there is a significant difference between the two groups.

Significance of the Research

The research outcome will suggest developing more awareness of the youth, including church, to engage in entrepreneurial training as a potential career choice to help them be active in income generation and economic development. The research has a potential contribution to the development of the entrepreneurial culture in the youth community of Addis Ababa through analysis of the entrepreneurial characteristics of the EDI's entrepreneurship training program participants. If training moderates new venture creation/business development, training activities will be scaled up to meet the needs of the millions of the Country.

At the national level, the research has valuable practical implications for policymakers and providers of informal entrepreneurial education. Policymakers will be encouraged to introduce policies that provide a secure environment for individuals to start their ventures after investing in suitable candidates for training.  In addition, higher learning institutes can serve as incubation centers whereby students get entrepreneurial education and incubate their innovative ideas into business. Graduates who graduate with academic credentials will have added skills of creating jobs in their areas of expertise, thereby contributing to curbing unemployment.

Operational Definitions

This research adopted the following operational definitions for the study.

**Definition of Entrepreneurship**

Essential ingredients include the willingness to take calculated risks—in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to marshal needed resources; and the fundamental skill of building a solid business plan; and finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion (Kuratko & Hodgetts, 2004, p. 30).

**Definition of Self-Efficacy**

Self-efficacy is an individual's cognitive estimate of their "capabilities to mobilize the motivation, cognitive resources, and courses of action needed to exercise control over events in their lives" (Wood & Bandura, 1989).

**Definition of Entrepreneurial Self-Efficacy**

 Entrepreneurial self-efficacy is one's ability to start and successfully manage a venture with required entrepreneurial skills in planning, marshaling, managing ambiguity and financial literacy (Moberg, 2012).

**Definition of Entrepreneurial Readiness**

This research has taken the definition of Darmasetiawan's (2019), Coduras et al., (2016) entrepreneurial readiness is determined by a person's ability or willingness for entrepreneurial activity to take entrepreneurial action.

**Definition of Youth**

The UN defines *youth* as between 15 and 25, but the African Union defines *youth* as between 15 and 35 years old. Because some entrepreneurship research adheres to the fact that youth entrepreneurship emboldens up to age 35, in this study, the term "youth" will be used to refer to ages 18-35.

**Definition of Entrepreneurial Mindset**

The ability to “think, reason, make decisions, plan and set goals in relatively unique way” Baron (2014, p. 55).

Summary

This chapter introduces the research problem that little is known about how entrepreneurial self-efficacy and entrepreneurship training influence entrepreneurial readiness among youth in Ethiopia, and provided by giving background context to the problem. To address the problem two research questions related to group differences and two others about relationship between one socio-background construct and youth readiness of the trained youth and not-trained youth asked if age makes statistically significant relations. Purpose statement was described and scope and delamination of the research were stated. The significance of the research and operational definition of the study were described at the end.