

Enterprise and Economic Development in Africa

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Enterprise and Economic Development in Africa

EDITED BY

DINA M. NZIKU

University of the West of Scotland, UK

JOHN J. STRUTHERS

University of the West of Scotland, UK



United Kingdom – North America – Japan – India – Malaysia – China

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INVESTOR IN PEOPLE

To my parents, brothers, sisters and all striving entrepreneurs out there.

Dina Modestus Nziku (PhD)

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List of Abbreviations

Chapter 1

UNCTAD	United Nations Conference on Trade and Development
SSA	Sub-Saharan African
GEM	<i>Global Entrepreneurship Monitor</i>
RoSCAs	<i>Rotating Savings and Credit Associations</i>

Chapter 2

GEM	Global Entrepreneurship Monitor
SSA	Sub-Saharan Africa

Chapter 3

SSA	Sub-Saharan Africa
<i>URT</i>	<i>United Republic of Tanzania</i>
UNCTAD	United Nations Conference on Trade and Development
LDCs	least developed countries
ODCs	other developing countries
WGI	Worldwide Governance Indicators
FTC	farmers training centres
SME	small and medium enterprise
PPPs	public–private partnerships
EPF	Entrepreneurship Policy Framework
MSMEs	macro, small and medium enterprises

Chapter 5

SWT	strength of weak ties
P-A	principal-agent
SSA	Sub-Saharan Africa

Chapter 6

WEDF	Women Enterprise and Development Fund
WEF	Women Enterprise Fund

SMEs	small and medium enterprises
NGOs	non-governmental organisations
MFIs	micro-finance institutions
MSEs	micro and small enterprises
MDG	Millennium Development Goal

Chapter 7

AEO	African Economic Outlook
APS	Adult Population Survey
CDA	critical discourse analysis
DANIDA	Danish International Development Agency
GEM	Global Entrepreneurship Monitor
IDRC	International Development Research Centre
ILO	International Labour Organisation
OECD	Organisation for Economic Co-operation and Development
TEA	total entrepreneurial activity
UN	United Nations
UNDESA	United Nations Department of Economic and Social Affairs

Chapter 8

IAT	impact analysis theory
GDP	gross domestic product

Chapter 9

AR	action research
AT	action team
CBO	Community-based organisation
CT	conflict transformation
MP	Member of Parliament
NTC	Norton Town Council
SE	social entrepreneurship
SV	structural violence

Chapter 10

MKU	Mount Kenya University
GEA	Graduate Enterprise Academy
STEP	students training for entrepreneurial promotion
TATs	thematic apperception tests
AGPOs	access to government procurement opportunities
PLWDs	persons living with disabilities

Chapter 11

GIs	governance indicators
GE	government effectiveness
RL	rule of law
CC	control of corruption
PSOs	public sector organisations
GDP	gross domestic product

Chapter 12

WBES	World Bank Enterprise Survey
WEO	World Economic Outlook
ILO	International Labour Office
DRC	Democratic Republic of Congo
OLS	ordinary least squares

Chapter 13

GVC	global value chains
FDI	foreign direct investment
LDC	least developed countries
EIZ	Eastern Industrial Zone
PVH	Phillips-van-Heusen Corporation

Chapter 14

RoSCAs	Rotating Savings and Credit Associations
SVO	social value orientation
BUE	British University of Egypt
LSC	low self-control
HSC	high self-control
MSC	moderate self-control

Chapter 15

MMT	million metric tonnes
GDP	gross domestic product
OAIC	Office Algerien Interprofessionnel des Cereales
B2B	business-to-business

Chapter 16

ROA	return on asset
RDB	Rwanda Development Board

xviii *List of Abbreviations*

PSF	Private Sector Federation
FDI	foreign direct investment
SPSS	Statistical Package for Social Sciences
ANOVA	Analysis of Variance
VIF	variance inflation factor

About the Editors

Editors Biographies

Dina M. Nziku (PhD) is a Lecturer, Researcher and Director for Research and Publications in the Centre for African Research on Enterprise and Economic Development (CAREED) at the University of the West of Scotland, UK. She is the Lead of Global Women's Entrepreneurship Policy in Sub-Saharan Africa and Entrepreneurship Thought Leader at Women Economic Imperative (WEI). Her research focusses on women entrepreneurship.

John J. Struthers is a Professor and Director of the Centre for African Research on Enterprise and Economic Development (CAREED) University of West of Scotland. In recent years his research has focused on commodity price volatility in developing countries. Among his numerous publications he co-edited a book in 2018: *Logistics and Global Value Chains in Africa: Impact on Trade and Development*. In 2015, he was appointed as Honorary Consul for Ethiopia in Scotland and in 2018 he was appointed as Chancellor of Mount Kenya University.

Authors Biographies

John Adams is a Doctoral Supervisor at Heriot-Watt University in Edinburgh. His research includes economic development and he has published numerous papers in this and related areas of economics.

Isaac Amoako is an Associate Professor of Entrepreneurship at Coventry University, UK. His current research interests are: entrepreneurship and SMEs management, trust, institutions and entrepreneurship/small business management in Africa. He is the author of *Trust, Institutions, and Managing Entrepreneurial Relationships in Africa: An SME Perspective*.

Joseph Baricako is an Economist at the United Nations Economic Commission for Africa. He has contributed extensively in many areas of economics, for example, development, international economics, macroeconomics, economic geography, econometrics and regional integration. He has several journal publications and book chapters. Before joining the United Nations in 2006, he was a Professor of Economics and researcher in different universities.

Ahmed Beloucif is a Doctoral Supervisor for (DBA/PhD) in multidisciplinary areas at the University of the West of Scotland, UK. His current research interest expands to entrepreneurship, marketing, strategy, corporate reputation and Islamic studies (finance, marketing and entrepreneurship).

Eman Elish is an Associate Professor in the Department of Economics at the British University in Egypt. Her research is focussed on growth and economic development and she has presented her work at numerous international conferences in Europe and the Middle East.

Veronika Gustafsson is an Associate Professor of Entrepreneurship at Uppsala University. Her home turf in entrepreneurship research is entrepreneurial cognition. Her research focusses on the cross-fertilisation of cognitive psychology, entrepreneurship theory in an entrepreneurial context. She is the author of *Entrepreneurial Decision-making: Individuals, Tasks and Cognitions*.

Omar Habimana holds a PhD in Finance, MBA and Bachelor degree's in Economics. He is a Part-time Lecturer at Mount Kenya University and a Director at REVAS a research company. He is affiliated in the Rwandan tax advisory body and a member of the Rwandan private companies' Board of Director.

Stephen Hunt is Research Manager at the Challenges Group, UK. His work focusses on demand-led solutions to active labour market integration of vulnerable groups, including youth. He has supported several organisations in youth employment activities across Africa, including DFID, IFAD, Mastercard Foundation and Standard Chartered Foundation.

Abbi M. Kedir is an Associate Professor/Senior Lecturer in International Business at the University of Sheffield, UK. He is an Applied Quantitative Economist with experience over 25 years in analysing and modelling development issues with a policy focus on African economies. His research interests include poverty, labour markets, urbanisation, entrepreneurship, trade, foreign direct investment and development finance.

Hillary Jephata Musarurwa is a Research Consultant at Practical Empowerment & Networking Youth Association, Zimbabwe. His research focusses on social inequalities and financial inclusion among youth, financial capability support, transformative service co-design, social innovation and youth empowerment in Africa.

Côme Nahimana holds a Master's in Taxation and Bachelor's Degree in Economics; he is currently a Tax Consultant and a member of the Tax Policy Committee in the Ministry of Finance and Economic Planning in Rwanda. He has worked for the Rwanda Revenue Authority as a Tax Auditor, Tax Collector and Investigator.

Ernestine N. Ning is an Early Career Researcher at the University of Edinburgh Business School, Scotland, UK. Her research is focussed on "Entrepreneurship and Innovation" with a keen interest in microfirms and family businesses.

Phelista Wangui Njeru is a Senior Lecturer at Mount Kenya University. Currently, she serves as a Head of the Economics Department of Mount Kenya University. She served as the Dean for School of Business and Economics in an acting capacity in the year 2016. She holds a PhD in Entrepreneurship Development and MBA in Entrepreneurship. She is an accredited trained trainer of trainers and a member of the Kenya Institute of Management. Her area of research interest includes entrepreneurship education, economic models, and small and medium enterprise development.

Dina Modestus Nziku (PhD) is a Lecturer, Researcher and Director for Research and Publications in the Centre for African Research on Enterprise and Economic Development (CAREED) at the University of the West of Scotland, UK. She is the Lead of Global Women's Entrepreneurship Policy in Sub-Saharan Africa and Entrepreneurship Thought Leader at Women Economic Imperative. Her research focusses on women entrepreneurship.

Kingsley Obi Omeihe is an Assistant Professor of Entrepreneurship and Management Practice at the University of the West of Scotland, UK. He is the Chair of African Studies at the British Academy of Management. Kingsley is working on an ongoing study of endogenous institutional change focussing on networks and norms of entrepreneurs in West Africa.

Abderrezak Osmani is co-founder and led the UK Algeria Business Council (www.uk-algeria.org) as CEO and has been its' President since 2010. Currently, he is studying for a PhD at the University of the West of Scotland and working on youth entrepreneurship and challenges to economic growth in Algeria. His research interest area is democratisation of youth entrepreneurship.

Dina Rabie is a PhD candidate at the University of Hamburg and an Assistant Lecturer at the British University in Egypt (BUE). She is the Director and Co-founder of the BUE Experimental and Behavioural Economics Laboratory. Her research focusses on individual decision making using behavioural and experimental economics methods.

Reda Emir Rebbah is a Soft Commodities Trader. With more than 20 years' professional experience, he occupied positions as a country, regional manager and senior consultant of soft commodities for international companies. He is reading for a PhD at the University of the West of Scotland. His research interest is in the area of international trade of soft commodities.

Christine Jeptoo Sawe is a Lecturer of Business Administration (Strategic Management option) of Mount Kenya University, School of Business and Economics in the Department of Management. She has published a book entitled *The Role of Organizational Culture on Schools' Academic Performance: A Case of St. Patrick's High School Iten in Kenya*. She participates in community projects directed to self-help women groups. She has published in several refereed journals. She holds a PhD in Business Administration (Strategic Management option).

John Struthers is a Professor and Director of the Centre for African Research on Enterprise and Economic Development (CAREED) University of West of Scotland. Among his numerous publications, he co-edited a book in 2018 “*Logistics and Global Value Chains in Africa: Impact on Trade and Development*” (Palgrave Macmillan). In 2015, he was appointed as Honorary Consul for Ethiopia in Scotland and in 2018 he was appointed as Chancellor of Mount Kenya University.

Taffere Tesfachew, PhD, is Senior Advisor, Tony Blair Institute for Global Change, Ethiopia. Until 2017, he was the Director of the Division on Africa and Least Developed Countries, at UNCTAD, Geneva. He is an Economist and has authored and co-authored on a range of topics, including technological learning, investment, trade and industrial policy.

Mwangi Peter Wanderi is an Associate Professor of Physical Education and Sports at Mount Kenya University. For more than three decades, he has taught, and has undertaken research and community outreach works in two areas that he has inter-linked in his scholarly career, namely, physical education and sports and youth entrepreneurial promotion. He has served at Mount Kenya University in various capacities including the Director, Quality Assurance and Linkages, Principal, Corporate Affairs as well as Acting Vice-Chancellor.

List of Contributors

<i>John Adams</i>	Heriot-Watt University in Edinburgh, United Kingdom
<i>Isaac Amoako</i>	Coventry University, United Kingdom
<i>Alistair Anderson</i>	University of Lancaster, United Kingdom
<i>Joseph Baricako</i>	United Nations Economic Commission for Africa, Ethiopia
<i>Ahmed Beloucif</i>	University of the West of Scotland, United Kingdom
<i>Eman Elish</i>	The British University in Egypt, Egypt
<i>Veronika Gustafsson</i>	Uppsala University, Sweden
<i>Omar Habimana</i>	Mount Kenya University, Kenya
<i>Stephen Hunt</i>	Challenges Group, United Kingdom
<i>Abbi M. Kadir</i>	University of Sheffield, United Kingdom
<i>Hillary Jephata Musarurwa</i>	Practical Empowerment & Networking Youth Association, Zimbabwe
<i>Côme Nahimana</i>	Ministry of Finance and Economic Planning in Rwanda, East Africa
<i>Ernestine N. Ning</i>	Early Career University of Edinburgh, United Kingdom
<i>Phelista Wangui Njeru</i>	Mount Kenya University, Kenya
<i>Dina Modestus Nziku</i>	University of the West of Scotland, United Kingdom
<i>Kingsley Obi Omeihe</i>	University of the West of Scotland - United Kingdom
<i>Abderrezak Osmani</i>	Director General UK-Algeria Business Council Algeria Business Council, United Kingdom
<i>Dina Rabie</i>	British University in Egypt, Egypt
<i>Reda Emir Rebbah</i>	University of the West of Scotland, United Kingdom
<i>Christine Jeptoo Sawe</i>	Mount Kenya University, Kenya
<i>John Struthers</i>	University of the West of Scotland, United Kingdom
<i>Taffere Tesfachew</i>	Tony Blair Institute for Global Change, Ethiopia
<i>Mwangi Peter Wanderi</i>	Mount Kenya University, Kenya

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Foreword

Alistair R Anderson

Situating Our Scholarship: African Entrepreneurship in Context

It is always pleasing to see new additions to our pool of knowledge about entrepreneurship and entrepreneuring in Africa. This diverse context offers so many opportunities to understand enterprise and to recognise how entrepreneurship can develop economies, places and people. Africa presents us with a rich tapestry of cultures, histories and people that are woven into the socio-economic fabric that shapes enterprise practice and outcomes. Like many western-based scholars, my own work has barely skimmed this surface. Yet, I recognise how African cultures and institutions shape enterprise and how mechanisms to support and encourage entrepreneurship must be adapted to suit local circumstances. Yet, I am impressed with the agility, adaptability and clever use of resources in how entrepreneurship is practiced. We need to share the delight of the many entrepreneurial success stories. Like so many African entrepreneurs, we need to see the bright side of their achievements, avoid dwelling on problems and realise how much we can learn.

Many of my colleagues and students have collected and used African entrepreneurs' own narratives to shed light on entrepreneurial experiences. These tell us about how some face social and economic exclusion and formidable institutional barriers, but they also contextualise the ingenuity and resourcefulness that characterises so much of African enterprise. This 'entrepreneurship in the raw' may lack the glamour and glitz of high tech and fast growth, yet it signifies the micro power, the agency of entrepreneurship to make life better. It also signifies and even shows us entrepreneurship empowering the weaker members of our societies to help themselves when institutional support is absent. Each tiny, micro victory of survival, each instance of achievement and each example of improvement celebrates how African women and men employ entrepreneurship to work around and overcome the formidable obstacles of disadvantage.

However, we also know the weak explanatory power of importing theory from the affluent west. We recognise a pressing scholarly need to develop indigenous and local theory to celebrate and explain how entrepreneurship works in this continent; how we can foster, nurture and shape the change making mechanics of entrepreneuring. It is our academic responsibility to report and develop African theories of entrepreneurship that are inclusive, responsible and appropriate. It is not sufficient to glibly recite the mantra that entrepreneurship is the engine of the

economy; for this to be true we need to know how and why. We need to know how African entrepreneurship can include the excluded; how growth can be promoted and enterprise encouraged. To do this, we need scholarship, good scholarship that explains the role and potential of entrepreneuring as integrated bottom up and inclusive development. This calls for much more than economic theory, it demands an understanding of context and practices and an appreciation of the many rich examples of the nature and practices of entrepreneurship that characterise African enterprise. Only then will we fully realise the potential and role for entrepreneurship as bottom up development that is socially integrated and inclusive. In turn, we can then apply these theories to develop better entrepreneurship outside the continent.

Engagement with practitioners seems a progressive way to develop solutions. This seems much better than any impassioned handwringing of we must do something for them. Learning what they do and how they do entrepreneurship; learning from practice is promising. Engagement, especially informed scholarly engagement, will show us how entrepreneurship works in these African contexts. Such engagement, close observation, careful thinking and appreciation will serve us well for understanding problems and for providing entrepreneurial solutions.

I alluded earlier to the rich socio-economic fabric that supports and shapes enterprise. The chapters in this book provide us with accounts of some of the wefts and insights into the weaves that form this African fabric. They offer examples, rich and informed examples of contexts and practices. We can learn and advance our scholarship from studying these chapters.

Acknowledgments

Editing this book has been harder than expected but also more rewarding than could ever have been imagined. Editing and writing this book would not have been possible without the support of parents, family and friends. Commencing this journey in a time of peace and harmony but then to be hit by the Coronavirus (Covid-19) global pandemic and lockdown, meant working from home became the norm for all of us.

We are very grateful to the entire team of chapter contributors and co-authors who despite the pandemic and lockdown worked diligently and revised their chapters in a timely fashion. This was very motivating and encouraging as we all worked to achieve the same goal.

Sincere appreciation goes to Prof. Alistair Anderson for taking the time to read the book and for providing a foreword for this edition. We are also very grateful to Prof. Leo Paul Dana for his helpful comments on the manuscript. Their advice and recommendations helped this book come to fruition.

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Part A

Enterprise and Entrepreneurship in Africa

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Chapter 1

Introduction to Enterprise and Economic Development in Africa: The Way Forward

Dina Modestus Nziku and John Struthers

Overview and Structure of the Book

In *Entrepreneurship and Economic Development in Africa* we aim to study and celebrate the diversity, ingenuity and entrepreneurial endeavours across the full spectrum of people and places on the continent. Africa presents us with a rich history and cultural diversity of peoples who are intertwined with the socio-economic realities that form the base of enterprise practice. A central component of this book is the recognition of the significant contribution that African cultures and institutions make towards shaping enterprise (Anderson & Obeng, 2017; North, 1971; Nziku & Henry, 2020; Nziku & Struthers, 2018; Xiong, Ukanwa, & Anderson, 2020). Mechanisms to support and encourage entrepreneurship must be adapted to suit these local circumstances (Anderson & Lent, 2019; Dana & Ratten, 2017; Nziku, 2016; 2014; Ukanwa, Xiong, & Anderson, 2018).

Based on papers presented at the fourth annual conference in 2019 of the *Centre for African Research on Enterprise and Economic Development* at the Paisley campus of the University of West of Scotland, the editors of this volume present a diverse range of interesting papers by academics, researchers, and industry experts. These cover three principle themes namely: *Enterprise and Entrepreneurship in Africa*, *Gender Entrepreneurship and Youth Unemployment in Africa*, and *Economic Development (Governance and Institutions) in Africa*. To that end, a common thread across the book's three parts is how many potential entrepreneurs can face social and economic exclusion as well as institutional barriers which can thwart the ingenuity and resourcefulness that characterises African enterprise.

It has been well documented that Africa enjoys high levels of entrepreneurship, indeed some of the highest levels in the world. Yet, the continent also suffers from the lowest levels of economic development and the highest levels of poverty across the globe. For example, the United Nations Conference on Trade and Development's (UNCTAD) recent *The Least Developed Countries Annual Report* indicated that of the 47 countries covered, 33 came from the African continent (UNCTAD, 2018, 2019). There are of course many possible reasons proposed

and explanations offered for this paradox, not least the impact of colonialism which is still experienced across the continent. Other reasons include: a heavy reliance on primary commodity exports which do not benefit sufficiently from expanding global value chains; a high dependency on aid and overseas development assistance; poor governance and corruption; natural disasters, adverse weather conditions and the impact of climate change; and low levels of literacy (UNCTAD, 2018). On the positive side, some factors seem to be improving, though some remain negative when compared to the rest of the world.

Contributors to this edition recognise a scholarly need to develop indigenous and local theories and narratives which celebrate and explain how entrepreneurship works in the African continent and how it can be fostered and nurtured. Nonetheless, it is not enough to superficially narrate entrepreneurship as the machine for driving the economy (Acemoglu & Johnson, 2005; Acemoglu, Johnson, & Robinson, 2012; Dana & Ratten, 2017; Nziku, 2014; 2016; Nziku & Henry, 2020). This should be combined with a clear appreciation of how African entrepreneurship can be promoted and encouraged. In order to achieve this, there is a need for scholarship that explains the role and contribution of entrepreneurship towards economic development in the region. Hence, this not only calls for much more than simply economic theory, but it also demands a clearer understanding of the context and practices of entrepreneurship that characterise African enterprise. Only then can we fully realise the potential for entrepreneurship to contribute to bottom up development that is socially cohesive, comprehensive and inclusive.

The level of entrepreneurship according to authoritative bodies such as the *Global Entrepreneurship Monitor (GEM)* is high for Africa as a whole. However, when we examine the nature of that entrepreneurship, we find that much of it can be described as *necessity* as opposed to *opportunity* entrepreneurship with few linkages to the wider economy and to sustainable economic development. Hence, the triple focus of this book is to highlight such linkages, yet also focus on a crucial component of the continent's problem of high levels of youth (and female) unemployment. To this end, the book begins with an in-depth analysis relating to the challenges, opportunities, and achievements of entrepreneurial activities in Africa.

Furthermore, engagement '*especially informed scholarly engagement*' allows researchers and academics to realise how entrepreneurship works in the African context. Such engagement, close observation, careful thinking, and appreciation will serve us well for understanding problems and for providing entrepreneurial solutions. This book reinforces the role played by such rich socio-economic aspects that have the potential to support and shape enterprise. The three parts contain chapters that reflect some of the 'wefts and insights into the weaves' that form this African context. The book also offers significant practical examples and case studies that are rich and informed of the contexts and practices that can be assimilated in order to advance our scholarship.

In summary *Part A* contains a discussion of the reasons why entrepreneurship in Africa has not led, at least in many African countries, to a corresponding *increase in economic growth and development*; *rural entrepreneurship* including *non-farm entrepreneurship*; and the importance of *trust*, especially in West African export

markets. *Part B* contains several chapters, including case studies which for a range of African countries (Kenya, Zimbabwe, and Algeria) analyse the problems faced particularly by potential *youth* and *women* entrepreneurs in Africa. It also addresses the policies that governments and other stakeholders (e.g. universities) can adopt in order to stimulate youth entrepreneurship across different sectors of the economy including services (e.g. within the expanding agri-business sector). From the examples chosen, there is positive evidence of much progress in stimulating youth entrepreneurship in the selected countries as well as female entrepreneurship. Moreover, from such examples it is possible to suggest that the experiences gained are sufficiently generic to be easily transferrable across the continent. *Part C* of the book considers other aspects of economic development including: the *role of governance*; the *impact of institutions* and *ease of doing business* (including registration bottlenecks); the specific role that can be played by *cluster (agglomeration) interventions* (as witnessed in recent years with the development of Industrial Parks, highlighted herein in the case of Ethiopia); and specific examples of *financial innovations* that can stimulate entrepreneurship and have been tried successfully in some countries and in some particular sectors (e.g. hospitality and tourism).

The editors and chapter authors believe that both the depth and breadth of topics covered will be of great interest to a wide variety of readers including those who specialise on the economic development of Africa, as well as entrepreneurship experts. It will also be of interest to other stakeholders including governments, non-governmental organisations, international development organisations, and other institutions such as universities, chambers of commerce, and specific trade associations including farmers' associations.

Of course, at the time of writing and finalising this book, the editors and authors are acutely aware of the impact the ongoing Coronavirus COVID-19 pandemic is having on African economies. Consequently, we recognise even more the importance of fostering an entrepreneurial climate and environment within the continent of Africa, not least to overcome some of the challenges that act as *structural and institutional impediments*, that can hinder economic development on the continent. This will be even more critical in a post COVID-19 world in which a high premium will be placed on innovative and sustainable forms of inclusive entrepreneurship which embrace all sections of Africa's populations, young and old, and across gender distinctions.

Part A: Enterprise and Entrepreneurship in Africa

We now present short summaries of each chapter, section by section and identify linkages and synergies between the chapters. Moving from the introductory chapter to the *second chapter* of this book authored by Ernestine Ning who asks the question: *why is entrepreneurship not an engine of economic development in Africa as it is in other regions of the world?* This *paradox* is analysed and explained in terms of the continent's over-emphasis on *necessity* entrepreneurship rather than *opportunity* entrepreneurship. Based on an extensive review of the conceptual and empirical literature and with reference to data gathered in three African

countries, *Cameroon, Nigeria, and Uganda*, Ning argues that while economic development is typically measured only in economic or monetary terms, entrepreneurship can be explained in a variety of contexts including: *behavioural, anthropological, managerial, sociological* as well as *economic*. In other words, *context and culture* matter, especially in less developed countries. Therefore, even in those countries where much of the entrepreneurship can be classified as necessity, benefits are still derived from the social capital (and networks) that are derived from such activity (Light & Dana, 2013; Nziku & Henry, 2020; Nziku & Struthers, 2018). Ojediran and Anderson (2020) in a study on women entrepreneurship in the global south, suggest that entrepreneurship self-fosters the fulfilment of human potentials. This has to be aligned with the role of government specific policies for entrepreneurship (Nziku & Henry, 2020). Echoing the early work of Joseph Schumpeter who coined the phrase *creative destruction* to describe the entrepreneurial motivation and ethos, Ning suggests that this may apply to the African context, where entrepreneurship may have as much of a societal impact as it does an economic impact. This applies even though it may be more difficult to measure in a monetary or financial sense. Rather, it should be regarded as a continuing ‘development process’ rather than a final outcome.

The *third chapter* in this part is by Dina Modestus Nziku and John Struthers and provides a systematic literature review of conceptual and empirical research on rural farm and non-farm entrepreneurship in Sub-Saharan African (SSA) countries and the linkages between these activities. The focus is on discussing what factors might stimulate such linkages and the factors which might discourage them. UNCTAD’s 2018 Least Developed Countries Report focussed on entrepreneurship and structural transformation. This chapter is based on a background paper which the authors wrote for the 2018 UNCTAD Report. The chapter considers optimal government policies for promoting both farm and non-farm entrepreneurial activities in SSA. Based on a review of recent government policies in Ethiopia, Rwanda, Sierra Leone, and Tanzania, Nziku and Struthers highlight generic policies such as infrastructural/transport development and market access issues such as quality standards to enable African economies to compete on world markets; as well as factors that are specific to each country. This highlights the need to avoid adopting a *one size fits all* approach when it comes to this issue.

The *fourth chapter* authored by Kingsley Omeihe, Isaac Amoako, and Veronika Gustafsson analyse the increasingly important role of *trust* within West African small and medium-sized enterprise (SME) export networks based on a study of owner-managers in Nigeria. Once again, the *socio-economic context* in which these networks exist and operate is of great importance. The authors challenge assumptions made in many studies outside Africa in trying to apply or adapt such studies on this topic within an African context. Rather they suggest that it is vital for scholars of trust to recognise that types of interactions as well as actual contracts signed can be subtly different from those in other contexts. This can apply even to the extent of being an *oral* rather than written contract. Their chapter refers to a qualitative (embeddedness) study of responses to a series of questions in field work carried out. One striking and illuminating finding from their study is that exporters’ apparent ‘preference’ for *informal contracts* may not be a preference at all. In fact, they are often viewed as a necessity due to the absence of trust in

formal (including court-based) systems of legal redress. Such evidence highlights the importance of appreciating the African cultural context of economic activities, and especially in relation to entrepreneurship.

Part B: Gender Entrepreneurship and Youth Unemployment in Africa

Within the *fifth chapter*, John Struthers and Dina Modestus Nziku extend a previous conceptual paper (Nziku & Struthers, 2018) on *female entrepreneurship in Africa*. The paper combined an analysis of the seminal work on *strength of weak ties* (SWT; Granovetter, 1973) within a *principal-agent (P-A)* context in order to develop an innovative taxonomy across a number of P-A indicators including: *risk aversion, moral hazard, transaction costs, and monitoring and evaluation costs* (Nziku & Struthers, 2018). The chapter extends this framework by attenuating insights derived from *behavioural economics* such as *loss aversion, reasonable gain and acceptable loss, and tournament effects*. The ultimate aim using such concepts is to test the often implicit assumption in studies of female entrepreneurship that women are more risk-averse than men. The authors contend that this is an assumption that requires to be challenged rather than just being accepted as a *sine qua non*. Within Africa, where it can be argued that the stakes are higher for women entrepreneurs than they are in more economically developed and prosperous societies (Nziku, 2014; 2016; Nziku & Struthers, 2018; Ukanwa et al., 2018), it remains an empirical question not an assumption that has to be tested in field work. The authors outline their empirical methodology along these lines which will subsequently be tested in the field in several African countries.

The *sixth chapter* by Christine Jeptoo Sawe reflects some of the concepts referred to in the previous chapter with an application to women empowerment in a major town in Kenya, Eldoret. The purpose of her study is to empirically assess challenges women entrepreneurs face when establishing and developing their businesses including *lack of finance* especially for start-ups, *poor marketing skills*, and sometimes *unfavourable local governmental policies* towards women entrepreneurs. In a study which targeted 246 women entrepreneurs in Eldoret (of whom 51 were randomly selected) a key element which improved the performance of women entrepreneurs was the setting up of a *Women Enterprise and Development Fund (WEDF)*. The study discovered that the availability of such loans specifically targeted at women made a difference to the start-up costs and success of their enterprises. It removed at least that obstacle to their overall progress, though the absence of key marketing skills remained a problem. Moreover, an interesting outcome which is often replicated across many developing countries is the benefit to women from engaging in *group borrowing*. This is a feature of borrowing by women entrepreneurs which is common (e.g. within a microfinance setting) and is further discussed in the fourteenth chapter in the book by Dina Rabie.

Stephen Hunt in the *seventh chapter* presents an interesting perspective which challenges the commonly held view that entrepreneurship, especially for the youth of Africa, is the panacea that is often claimed. Referring to the GEM, one of the most authoritative vehicles for assessing the drive (or 'turn' as Hunt describes this

trend towards greater entrepreneurship around the world) relates to his discussion of youth entrepreneurship policies and strategies in Africa. While the author stresses the important work that the GEM does, especially in relation to reliable data gathering and measurement, Hunt rightly challenges the perceived over-reliance on entrepreneurship as the only solution to youth unemployment on the continent. Using grounded theory and *critical discourse analysis*, Hunt probes deeply into the GEM framework and methodology and challenges some of its assumptions. One implication of this approach, which applies to most of the chapters in this edited volume, is to seek out solutions to the problem of youth unemployment in Africa, and around the world, in a nuanced fashion rather than a simple generic *one size fits all* approach. In practical terms, this may require a cocktail of policies which combine all stakeholders, public as well as private, domestic and foreign, especially within the African context.

Youth entrepreneurship and challenges to economic development in Algeria is the topic covered in the *eighth chapter* by Abderrezak Osmani and Ahmed Beloucif. Set against the backdrop of the Algerian economy's historical dependence on oil and hydrocarbons, the authors review recent government policies aimed at improving youth entrepreneurship in the country. Using an *opportunity-based approach* and *impact analysis theory*, Osmani and Beloucif identify a range of barriers standing in the way of successful youth entrepreneurship not least: *bureaucratic obstacles*, *gender discrimination*, and the need to *improve soft skills* among the youth of the country. They stress the importance of and the need to link youth entrepreneurship to the country's overall economic development, which of course is the central theme of this edited volume. A key element is the need to view youth in Algeria (and in the rest of Africa) as an abundant resource of human capital that should not remain underutilised.

The *ninth chapter* authored by Hillary Jephath Musarurwa is a study, based on *Zimbabwe*, which focusses on the role of *social entrepreneurship* with the aim of challenging the *barriers to youth entrepreneurship* in that country. In the form of a *case study*, the author carried out field work on social entrepreneurship as a means of reducing the prevalence of *structural violence* in that setting. The aim is to use social entrepreneurship to facilitate *social transformation* and mitigate the effects of endemic structural violence. Of course, this is an unusual context in which to discuss entrepreneurship in Africa, though nevertheless very important as it is a problem across several countries over the continent, often due to *civil conflict* and *displacement*. Although the potential for such transformational effects to occur is certainly important in the context of this chapter, the barriers highlighted in the chapter include the community's *failure to self-organise*, the *paucity of financial resources*, and *support from the local government*. Such obstacles to youth entrepreneurship in Zimbabwe are not unique to that country and resonate with many of the countries covered in this volume such as Algeria and Kenya.

The *tenth chapter* by Phelista Wangui Njeru and Mwangi Peter Wanderi reports on the successful intervention at Mount Kenya University which has set up *incubation centres* and *business accelerators* as part of its community engagement