



## **SKILLS LANDSCAPE AND SUSTAINABILITY OF YOUTH-LED BUSINESS ESTABLISHMENTS IN DAR ES SALAAM, TANZANIA**



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## List of Abbreviations

BSS	Business Support Services
GEM	Gender Empowerment Measure
ILO	International Labor Organization
IT	Information Technology
MIT	Ministry of Industry and Trade
OECD	Organization for Economic Co-operation and Development
SME	Small and Medium Enterprise
UK	United Kingdom
UNESCO	United Nation Educational, Scientific and Cultural Organization
VSO	Voluntary Service Overseas

## Abstract

Youth unemployment has become the biggest development challenge in Tanzania. Young people have few opportunities to learn skills from so as to help them start and sustain their established micro and small enterprises and, therefore, the majority of youth owned enterprises do not survive beyond one year. This research aimed at assessing the youth skills landscape and its role in enhancing sustainability of youth-led business establishments in Dar es Salaam, Tanzania. An enterprise survey was conducted where 274 micro and small-scale enterprises were randomly selected and interviewed. Business sustainability was measured using the working capital turnover which was then clustered to get the business sustainability status. The logistic model was used in determining the influence of skills to the sustainability of micro and small-scale businesses.

The results revealed that communications skills, business plan skills, attending the professional training and gender of the business owner had significant effect on business sustainability. The findings show that most of the skills are informally acquired from either internships or volunteering, while few of them (11.6%) got the business skills from formal vocational training (VETA). The study recommends that youth should be encouraged to undergo formal trainings for acquisition of business skills so as to be equipped with proper business skills for sustenance of their business. It is recommended also that the government should re-establish the technical and vocational training centers at a district level as was the case before.

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# Introduction

## 1.1 Background of the Study

The youth population in sub-Saharan Africa is increasing rapidly by more than 60 percent, leading to the demographic dividend (Brixiova, 2016). Nearly one third of the population in this region are young adults, and it is projected that by 2050, this age group's population will double to about 561 million (PRB, 2013). Increasing urban population and shrinking formal employment opportunities have contributed to widespread urban poverty and insecurity across the continent (Banks, 2015). In Africa's growing and youthful population, the youth are three times more likely to be unemployed compared to non-youth adults (Swaniker, 2014).

Many young people in Africa, establish businesses due to lack of other options because of employment challenges which are the result of lack of employable skills; difficulties in accessing resources such as land and capital; and insufficient focus by government organizations on the informal sector and agriculture. In addition to that, the growing youth population and lack of appropriate education magnifies the problem (Kew, 2015). With a growing population, improving the quality of basic education to ensure that sub-Saharan Africa is able to increase the productivity of its workforce is an important step in developing a long-term sustainable solution to address the twin challenges of a large youth population and high levels of unemployment.

In Tanzania about 60 percent of the unemployed people are youth while 84 percent of the entire country's population is low-skilled and 40 percent of the local firms identify lack of workforce skills as one of their key business constraints (The Citizen Newspaper of 24th August, 2017). However, the number of working-age Tanzanians has been growing faster than the number of jobs. With rapid population growth (2.7% per year) and a youthful population distribution (about half the population is below the age of 15), the country has almost one million new entrants into the domestic labor market every year. Recent growth has been driven by emerging sectors such as professional services, IT, construction, transport and storage, hotels and restaurants, and other services. Earnings in these sectors are about six times higher than in traditional sectors, but they demand educated and skilled workforce. Giving youth the tools needed to access these jobs will be key to securing their livelihoods while enhancing Tanzania's economic development (Adams et al., 2013).



In the midst of these demographic dynamics, technological change is bringing along substantial changes to employment of the youth population. Although the trends in technology, innovation and demography vary across countries (World Bank, 2016; Dabla-Norris et al., 2015), their associated transformations are affecting many traditional jobs and employment relations, while creating new job opportunities in emerging economic activities. As a result, these dynamics have created a monumental employment challenge. ILO (2012), for example, estimates that as many as 600 million jobs must be created worldwide over the next decade to keep employment rates at their current level. The employment challenge is particularly pressing in developing countries, where demographic pressures are stronger, wage employment opportunities are scarce and formal job creation is insufficient to give most youth access to decent work (OECD, 2017). Consequently, most youth are engaged in business activities, not because of opportunities they see but are compelled by lack of employment opportunities.

The majority (about 90%) of micro and small enterprises do not live to see their first birthday. Of those that survive beyond one year, less than 60 percent sustain to the fifth year of their operation (Global Entrepreneurship Monitor Report, 2010). This failure is fueled by many factors including lack of access to appropriate knowledge and financial resources. In Nigeria, at least three out of ten graduates cannot find employment on graduation; even being highly educated does not increase the chance of finding employment because there is a persistent mismatch in the skills and fit requirements for employment (Akanmu, 2011). This is being associated with employers' demand when recruiting graduates. Graduates must be technically competent, well equipped with complementary skills such as problem solving, reflective and critical thinking, interpersonal and teaming skills, effective communication, character, integrity and high level of personal ethics, self-esteem, self-discipline, organizing skills and abilities to translate ideas into action. The problem typical of higher education is that these life skills are rarely taught as part of higher education curriculum (Akanmu, 2011).

The human factor is among the overwhelming forces that determine sustenance and prosperity of the business. The business success is based on clear and motivated business intentions by the business owner and or manager in order to achieve the expected outcome (Morrison et al., 2003). Indeed, the development of small enterprises requires a comprehensive stock of knowledge and skills for continuous improvement and innovation necessary for business success (Wambua, 2014). Skills shortage emerges as significant variables that affect decisions to innovate and spur growth of small enterprises. It must be noted also that most of youth's enterprises fail to tick beyond the start-up phase.

Studies conducted in many sub-Saharan African countries, depict that at least half of young people aged 15 to 19 lack foundation skills, often because they had never attended school or they dropped out of school before gaining basic literacy or numeracy (UNESCO, 2012). To adapt to the workforce, youth require systems that encourage the development of transferable skills, broader vocational profiles and competency-based training, delivered through programs that incorporate work-based learning, including quality apprenticeships (Almeida, Behrman & Robalino, 2012).

## 1.2 Statement of the Problem

Youth unemployment has, therefore, become the biggest development challenge in all parts of the world, Tanzania inclusive. In most developing and emerging countries, large gaps between career aspirations and the reality of the labor market constitute a key challenge and only a tiny portion, on average 5 percent of youth entrepreneurs, prove to be successful (OECD, 2017). In Tanzania, young people have few opportunities to learn skills from to help them start and sustain enterprises, and also access to financial support is low with only 4 percent of young people having access to micro-credit (Restless Development, 2011).

Educational and training systems in most developing counties have continued to fail in the provision of relevant skills to the youth. Without the ability to attain relevant skills-set that match the demands of the labor market, many youths are unable to find employment. As a result, the majority of young people start a business for lack of better choice, while possessing no or very basic business skills and primarily operating in petty unregistered trade.

Interventions aimed at addressing the youth employment challenge have, however, focused on narrow set of challenges such as provision of basic vocational training and addressing issues related to financing of youth-led business establishments. Understanding of the requisite skills-set on the one hand, and its implications on enhancing sustainability of youth-led businesses, on the other, has so far received less attention. This research attempts, therefore, to explore the skills landscape among youth entrepreneurs and its implications on the sustainability of their business establishments using the context of Tanzania.

Many studies on youth business sustainability have been carried out (Mfaume and Leonard, 2004; Abdul, 2018; Macharia, 2015; and Wambua, 2014). However, in most of the cases the analysis was based on perceptions. To expand on the previous studies, this study uses an approach that facilitate the generation of new knowledge. Firstly, it demonstrates the magnitude of effects of skills possessed by youth business owners to the sustainability of the established enterprises. Furthermore, it establishes the measurement of business sustainability using the working capital turnover that measures the efficiency of the business in using its capital in generating revenue.

### **1.3 Objectives**

#### *1.3.1 General Objectives*

To assess the skills landscape and their role in enhancing sustainability of youth-led business establishments using the case of Dar es Salaam, Tanzania

#### *1.3.2 Specific Objectives*

- i. To evaluate the skills profile of youths in their business establishments
- ii. To evaluate the modes of acquisition of skills by youths
- iii. To assess how skill landscape influences business sustainability

### **1.4 Rationale of the Study**

The study contributes to the body of knowledge and literature about skills possessed by youth and sustainability of their businesses. Most of the studies on youth business establishment in Tanzania focused on business environment, with little attention on skills and business sustainability. The study also provides information to policy makers about the skills landscape and sustainability of youth-led business establishments.

### **1.5 Limitations of the Study**

This study focused on youth skills landscape and youth business growth. However, there are a number of businesses that are owned by non-youth, but youth are the main business operators as employees, time limitation to accomplish the study, especially in data collection. Furthermore, the study was done in Dar es Salaam which is the biggest city in the country in which the nature and behavior of businesses are different with those in the countryside. The use of Open Data Kit (ODK), however, assisted to reduce the time limitation for data entry and strengthened the field data collection process. Also, due to variations in the nature of business environment for cities and countryside the conclusion drawn from this study better reflect urban areas than rural areas.

### **1.6 Organization of the Study**

The study comprises five major chapters. Chapter one includes introduction of the study, problems statement, objectives, significance of the study, limitations of the study and organization of the study. Chapter two has an extensive literature review, both theoretical and empirical. Chapter three discusses research methodology focusing on definition of key variables and their measurements, study area, unit of analysis, sampling procedure, data and data collection technique, data analysis and estimation technique. Chapter four focused on data, findings and discussion of the study results, and chapter five includes the study and gives recommendations.

# Literature Review

## 2.1 Introduction

The literature review section is divided into five sub-sections, which are conceptualization of theoretical review of human capital theory and investment theory of business sustainability. Other sub-section are on review of empirical studies with focus on key concepts related to specific objectives of the study.

## 2.2 Theoretical Literature Review

There are several theories that relate and are applied to this study. The first one is the Human Capital Theory. According to this theory education or training raises the productivity of workers by imparting useful knowledge and skills, thus helps workers raise their future income (Schultz 1961 & Becker, 1964). The theory was advanced by Theodore Schultz and Gary Becker in 1960. They argued that investment in human resources through education results in private rates of return accruing to families in terms of increased income and social rates of return such as improved public health, spread of democratic and governance values and practices, and enhanced rights and freedoms for individuals in society (Macharia, 2015).

The second theory is the Schumpeter's Innovation Theory, which suggests that entrepreneurs are characterized with two abilities innovative or creative and foresight. The theory argues that entrepreneurship takes place at the stage of production of a new product and finding an existing or new market for the product. The setback of this theory is that it ignores the aspects of organizational skills or what it takes for entrepreneurs to carry out a successful task and focuses on profit of innovators, (Nichter & Goldmark, 2009). However, Alfred Marshall argued that entrepreneurs are the driving factor that brings labor, land, capital and organization together (Scudder, 2001). Therefore, the characteristics of an entrepreneur should include foresight, understanding of the market, and ability to identify opportunities (Omolara, 2018).

Another is the Investment theory of creativity proposed by Sternberg which implies creativity to be a personal choice, so far there is an investment of time and effort into the creative method. The theory further describes the kind of creativity as "intellectual abilities, knowledge, ways of thinking, personality, motivation, and the environment" (Sternberg, 1995). The intellectual skills give the potential to differentiate a good idea from bad ones. However, a creative mind needs entrepreneurial skills to actualize the ideas to business. Through creative thinking, an entrepreneur does not just have ideas but assess the requirement of how to execute and establish the success of those ideas. Thus, an entrepreneur demonstrates the difference between creative intellect and old-style business method.

## 2.3 Empirical Literature Review

### *2.3.1 Business Management Skills for Business Sustainability*

Nyamu (2015) carried out a study on entrepreneurship training and growth of youth enterprises, with the aim to examine the trainings on entrepreneurship by looking at quality and level, also to examine the growth and development of the youth enterprises. The case study was done at Kajiado North Constituency, Kenya. The issue of concern was the high rate of decline of the youth enterprises. The study carried out a cross sectional descriptive design to collect data for analysis. The study established that the growth and development of youth enterprises at Kajiado North Constituency do not have significant relationship with the level and quality of entrepreneurship training. The study had further recommended that there is a need to emphasize on other training areas, such as internship and mentorship, in order to improve performance and survival of the enterprises.

However, other studies that investigated youth businesses using training as a factor for growth and sustainability had different findings from that of Nyamu (2015). According to the VSO report of 2018, on the research project on youth entrepreneurship and empowerment, which was carried out in Uganda and Kenya, using the participatory action research, one of the key finding among others was that, youth in these areas lack competencies and employable skills. The study had selected three regions in the two mentioned countries, Nakuru, Machokos and Gulu where similar results were obtained from the selected regions. The findings implied that the major barriers for youth self-employment as entrepreneurs are lack of proper entrepreneurship skills and relevant business trainings.

### *2.3.2 Factors Affecting Businesses Performance*

Wambua (2014) examined factors that affect women performance in the small and medium enterprises in Mombasa central business district, Kenya. The study aimed at determining the effect of entrepreneurial training of the small and medium businesses owned by women in the chosen area. The study established that 64.2 percent of enterprises owned by women had no professional training on running their business. Furthermore, the study concluded that lack of professional trainings was one of the limitations in the attainment of the sustainability of those small and medium enterprises owned by women and that, this led to the collapse of their businesses.

According to ILO (2010), one among the various constraints and barriers to achieving sustainable youth entrepreneurship is lack of formal and informal educational systems and regulatory frameworks. Another constraint is inaccessibility to relevant business development services and support schemes for the youth businesses. The study further suggested interventions to be made in order for the youth entrepreneurship to be effective and sustainable. Among the intervention suggested was introduction of entrepreneurship studies at different levels of education. Entrepreneurship education does not mean creating entrepreneurs but to equip the youth with entrepreneurial attitude and skills to sustain established businesses and ensure success for the benefit of their communities as well.

Worlu, et al (2016) study on the critical success factors for sustainable entrepreneurship, that was carried out in Nigeria, focused on determining factors that led to sustainability of the Small and Medium Enterprises. The study used the following factors as the independent variables that influence the sustainability of the enterprises, namely, attitudinal and perceptual, firm size, innovative orientation, personality, management skills, ownership, sector, access to finance, motivation, working capital management and infrastructure. The study used the descriptive analysis of the data reviewed. The study established that the independent variables had a significant impact on the sustainability of the enterprises.

### *2.3.3 Challenges of Business Survival among Youth*

Ligthelm (2010) established the survival rate of small businesses in the rapidly changing trade environment through a study that was done in Soweto using longitudinal empirical surveys. In analyzing the objectivity of the study, 300 small businesses were surveyed between year 2007 and 2009 and was modeled by using a categorical regression model, whereas the dependent variable was the business survival. The study had similar findings with that by Worlu et al., (2016) despite using different approaches. The results established that business management skills and entrepreneur insight were the strongest predictors of small business survival.

Macharia (2015) studied the Kawangware slum of Nairobi on the influence of entrepreneurship skills on sustainability of youth enterprises. The study aimed at establishing ways in which skills in different aspects such as project planning, market access, resource mobilization and financial literacy affects youth businesses sustainability. The study revealed that most of the youth entrepreneurs lack skills and experience which leads to the failure of many projects they implement.

Another study was carried out by Abdul (2018) on the entrepreneurship skills and growth of small and medium enterprises of the Nigerian entrepreneurs and minority of UK entrepreneurs. It focused on revealing the influence of creative thinking, problem solving and communication skills on the growth of the enterprises in the two countries. A descriptive analysis of data was used. The study found that in both countries there is a significant relationship between the entrepreneurship skills and SMEs growth. Furthermore, the study revealed that creative thinking, problem solving, and communication skills have an influence in increasing sales, and gave them competitive advantage. UK minority entrepreneurs argue also that creative thinking and a balance of problem solving, and communication skills are critical to SMEs growth.

Breen and Shameen (2003) examined the growth of the small businesses by mainly considering the intention, ability and opportunity. The main purpose of this study was to identify factors and characteristics of small business sustainability and growth. The study revealed that human factor constitutes a critical factor that determines in particular the survival and prosper of the business. It further implied that the prospering and success of small businesses are based on positive business intentions and actions of the implementers to achieve the desired goals.

A study by Mfaume and Leonard (2004) aimed at exploring the problems and prospects of small businesses for future development in Dar es Salaam. The main purpose of the study was to describe the effect of crime on entrepreneurship and small businesses using qualitative data analysis approaches. The findings revealed that most people engage in entrepreneurship because they do not have adequate education background.



# Research Methodology

## 3.1 Introduction

This section presents research methodology used in this study. It starts by presenting study area, followed by research design, unit of analysis, sampling design, types and source of data as well as methods of data collection, analysis and presentation. Finally, it presents estimation technique approach for modeling the effect of skills landscape on youth-led business sustainability.

## 3.2 Study Area

The study was conducted in Dar es Salaam which represents a typical urban setting. This study area was suitable since it is the center of business in Tanzania and comprises a large number of youths who often established various business types. The research covered all the five municipalities in Dar es Salaam namely Ilala, Temeke, Kinondoni, Kigamboni and Ubungu. A total of 46 wards from these municipalities were randomly chosen and studied.

## 3.3 Unit of Analysis

The analysis covers business characterized as micro and small scale established by the youth who face employment challenges regardless of the acquired skills. SMEs were chosen based on the criteria of the number of employees. Those with less than 49 were considered (ILO, 2015). To add on that, the study considered businesses with at least one year in operation in order to capture all the ups and downs in the business cycle.

## 3.4 Sample Size and Sampling Procedure

The list of micro and small enterprises located in Dar es Salaam was obtained from the National Bureau of Statistics. All wards in all municipalities in Dar es Salaam had an equal chance of being included in the study sample. A total of 46 wards were sampled out of which 6 enterprises were further randomly selected from each ward for interview. Regarding the study focus, all the youth-owned micro and small businesses in operation for the duration of at least one year were taken as the study population. The stratified sampling technique was then used to set the population into different strata regarding the nature of the main business in operation. Three main strata were formed out of which the simple random sampling technique was used to choose the sample for the study. The three lines of businesses groups selected include, service business, merchandise (or trade) business, and manufacturing business from which 276 enterprises were interviewed.

### 3.5 Data Type and Data Collection

Primary data was the main source of information which was gathered through the use of administered questionnaires. The questionnaires were digitalized using Open Data Kit (ODK) to ease the collection and reduce the financial and time cost for data entry.

### 3.6 Data Analysis

Data collected were analyzed through the use of STATA software in which the tabulation and graphical presentation were produced. In addition, econometric analysis was done to estimate the magnitude of relationships. The variables of interest were skills landscape (communication skills, business plan skills, decision making skills) and sustainability of youth-led business establishments. With regard to sustainability of businesses, the study's interest was to determine whether the business had the risk of shutdown or otherwise. The study, therefore, used working capital turnover ratio as a proxy for business sustainability. The formula for calculating working capital turnover was as presented in equation 1:

$$WCTR = \frac{\text{Net Sales}}{\text{Average Capital}} \dots\dots\dots (1)$$

Whereby, WCTR is the Working Capital Turnover Ratio.

The working capital turnover ratio measures the efficiency of an enterprise using its working capital to support a given level of sales. In other words, it depicts how well the capital invested in a business can result into generated revenue. It should be noted that, for micro and small enterprises the main source of revenue comes from the sales of service or goods. The use of capital turnover was sufficient a supplement of business profit which could be a good thing for sustainability. Obtaining data on profit for these micro businesses was a challenge. The study done by Nastiti et al., (2019) argued that there is a direct link between working capital management and profit of the firm, and indirectly (through profit) determine the sustainability of the business. Furthermore, Asad (2012) established a link between firms profit and working capital turnover ratio which was positive and highly correlated. In regard to that, the WCTR was taken as a proper proxy for small business sustainability measure.

### 3.7 Estimation Technique

The working capital turnover varies among enterprises; therefore, the variable was clustered into two groups of high and low ratios through two-group cluster analysis. This results into a binary response outcome. The outcome takes the value of 1 which means the possibility of business to sustain while 0 means otherwise. Given the nature of the dependent variable, binary response model was utilized, hence estimating the probabilities of the business to be sustainable given the explanatory variables. According to Wooldrige (2010), this model was expressed as

$$Y_i = b_0 + \sum_{j=1}^k b_j W_{ij} + \sum_{j=1}^m \alpha_j X_{ij} + \sum_{j=1}^n \lambda_j Z_{ij} \quad \dots\dots\dots 4.2$$

Whereby

$$\text{Whereby } Y_i = \begin{cases} 1 & \text{if an enterprise is sustainable} \\ 0 & \text{otherwise} \end{cases} \quad \dots\dots\dots 4.3$$

Whereby

$Y_i$  is the business sustainability status

$W$  is the matrix of skills sets

$X$  is the matrix set of other skills

$Z$  the set of other standard factors affecting business performance

$b_0$  is the intercept

$a_j, b_j$ , and  $\lambda_j$  are the set of coefficients of explanatory variables

**Table 3. 1 Set of Independent Variables in Multiple Regression**

<b>Variables code</b>	<b>Description of the variable</b>	<b>Expected Sign</b>
Business Sustainability status	Length of survival of the business in operation	+
Sex of the business owner	Gender of the business owner, a dummy variable taking the value of 1 if the owner is a male and 0 otherwise	+
Communication skills	A dummy variable for communication skills, takes the value of 1 if there exist a specified pattern of business communication and 0 if not	+
Decision making skills	A dummy variable for decision making skills, takes the value of 1 if the business owner had made several decisions (more than 3 times) that adversely affect their businesses and 0 otherwise	-
Business plan skills	It takes the value of 1 if the business owner has the capacity to plan for his/her business and 0 otherwise	+
Professional training attendance	A dummy variable takes the value of 1 if the business owner ever attended training related to the business in operation and 0 otherwise	+
Age of the business owner	Age of the business owner measured in years	+
Education level of the business owner	A dummy variable takes the value of 1 for secondary education and above, and zero for primary education and below	+
Customer coverage	A dummy variable takes the value of 1 if the business covers customers from outside the neighborhood, and 0 if customers are from within the neighborhood only	+
Experience in business	The number of years the owner has been operating the same nature of the current business	-
Business Location	A dummy variable takes the value of 1 the business is located in commercial area and 0 if located in non-commercial area.	+

# Findings and Discussion

## 4.1 Introduction

This section presents findings and their corresponding discussions on skills landscape and sustainability of youth-led business establishments in Dar es Salaam. Coverage includes spatial distribution and socio-demographic characteristics of youth businesses, youth business skills landscape, and modes of skills acquisition by youths in business establishment.

## 4.2 Spatial Distribution and Socio-Demographic Characteristics of Youth Businesses

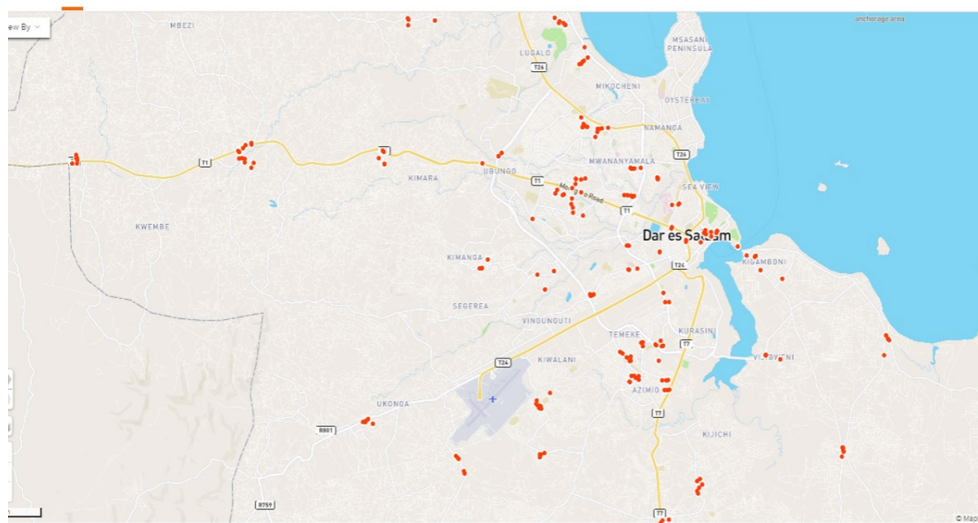
### 4.2.1 Spatial Distribution of Business Entities

A total number of 46 wards from all the five municipalities in Dar es Salaam were interviewed as observed in the map below. The spatial analysis describes the patterns of youth type of enterprises established in different spatial locations in Dar es Salaam.

### 4.2.2 Type of the Business Conducted by Youth

The study surveyed 274 youth owned businesses from 46 wards located in five municipalities in Dar es Salaam. The main three types of businesses were considered for study, these are trade, service, and manufacturing businesses. The distribution of these types of businesses were set nearly equal, that is, 33.9%, 33.9% and 32.1% for trade, service and manufacturing businesses respectively.

**Fig 4.1 Spatial Distribution of Interviewed Youth Businesses**

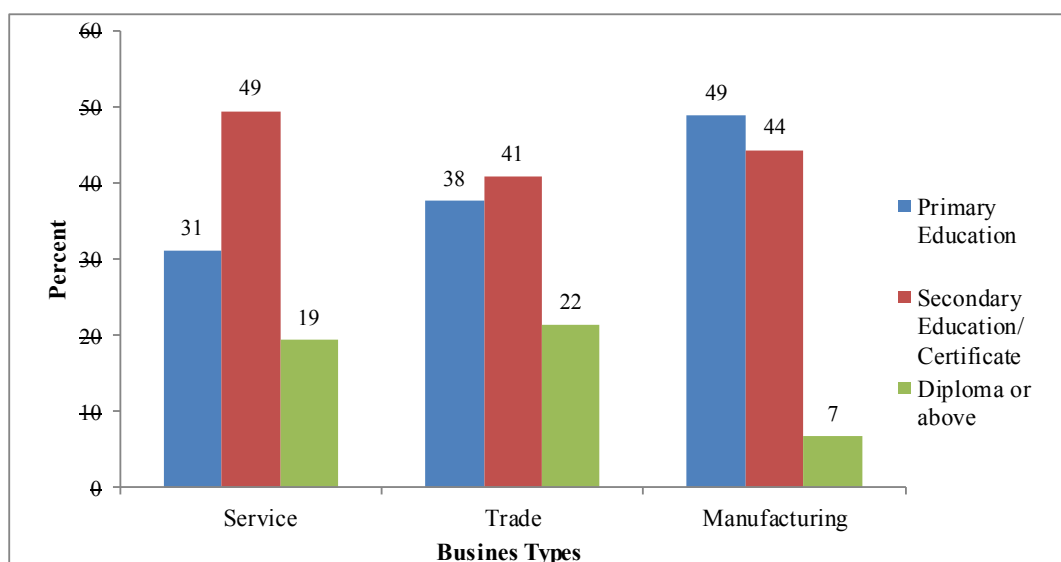


Source: Study survey, 2019

### 4.2.3 Education Level of the Business Owner

The data presented in Fig 4.2 shows education levels of business owners along with the business types. The majority of youth business owners are primary and secondary education holders. Few youths with higher education levels establish micro and small-scale businesses for income generation. There is a strong link between educational attainment and employment choices of youth. The early drop out of youth from school forces them to start micro businesses to gain a living but not as a career aspiration. Youths with higher levels of education enjoy a competitive advantage in the labor market, including higher wages and therefore, they choose to go for formal employment.

**Fig 4.2 Education Level**



Source: Survey data, 2019

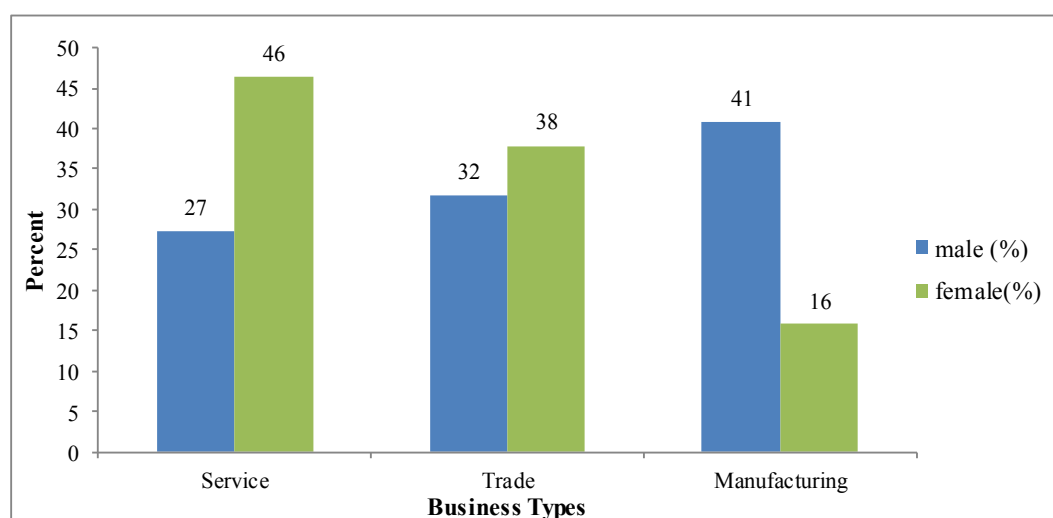
#### 4.2.4 Youth Business Type Engagement by Gender

Fig 4.3 presents the distribution of male and females on various business types. Out of 274 respondents the majority (65.3%) were males and the remaining (34.6%) were female. The huge difference of gender participation is observed in service and manufacturing types of businesses while trade had nearly equal proportion across the gender divide. Since the number of males differ from that of females the percentages presented in Fig 2 are proportion of the respective gender.

Services are dominated by females while manufacturing by males. The reason behind this dominance of female in service businesses is that, these businesses require persuasive language and customer care which in most cases are better performed by females than males.

To add on that, due to African culture, females from their childhood are engaged and exposed to domestic activities including cookery, beauty works, home guest caring, and family caring in general which predict their career aspiration. On the other side, the majority of males dominate manufacturing due to the nature of tasks which are carried out in those businesses. Manufacturing businesses include but not limited to brick making, welding, and carpentry. These activities require masculinity and they, therefore, fit. However, the women empowerment process currently demolishes the view that distinguished male from female performed tasks as currently the works which were perceived as laddish are performed by both genders and the other way round.

**Fig 4. 3 Youth Business Type by Gender**



Source: Survey data, 2019

## 4.3 Youth Business Skills Landscape

### 4.3.1 Business Plan Skills

Business plans are strategic tools for entrepreneurs. The development and realization of business ideas need a clear path and specific steps for their success. Furthermore, short term and long-term objectives of the business can be smoothly achieved if the business plan is well stipulated. Therefore, business plan writing skills is a crucial and prevalent feature of a new venture (Burke et.al, 2010). In this study, the majority (83.2%) of the respondents had no business plan preparation skills and had never involved themselves in any business plan preparation or attending training for the same as indicated in Table 2. Many youth entrepreneurs are reluctant to have their ideas written down and thus do not see the need to seek for these specific skills. However, studies done by Delmar and Sane (2003) confirmed the existence of the positive relationship between business plans and business sustainability. Through acquisition of planning skills appropriate plans can be developed to achieve the market objectives (Gruber, 2007).

**Table 4. 1 Involvement of Business Plan Preparation**

Business plan	Frequency	Percent
Yes	46	16.7
No	228	83.2
<b>Total</b>	<b>274</b>	<b>100</b>

*Source: Survey data, 2019*

Due to lack of business planning skills among the majority of youth entrepreneurs, many businesses were found to have no business plans. Only 20 percent of the respondents had put down their ideas in a business plan while majority (80%) did not. This was linked to the reason behind majority of youth establishing their businesses in Dar es Salaam as indicated in table 3. For instance, only 31 percent of the youth interviewed established the existing businesses on the basis of business ideas they had developed on that line of operation, while the majority had other reasons, including lack of other sources of income, lack of support from families and many others. Plans and planning skills are viewed by youth as unimportant element of business success and that most youth entrepreneurs are triggered by difficulties of life in choosing the type of businesses to establish.



**Table 4. 2 Reasons for Establishing Businesses**

<b>Reason for establishing the business</b>	<b>Frequency</b>	<b>Percent</b>
No other source of income	139	50.73
I lost my job	9	3.28
I had a business idea	85	31.02
No support from family	7	2.55
Other reasons	34	12.41

*Source: Survey data, 2019*

#### *4.3.2 Record Keeping Skills*

The record keeping involve managing and keeping the records in balance sheet, tax reporting forms, paid bills, receipts records, as well as bank statement. The findings from Table 4 indicate that the majority (70%) of youth businesses had no record keeping skills. Record keeping positively influence business sustainability because financial and bills record keeping has become the foundation on which modern business strive for growth and sustainability (Ademola, Olukotun, Samuel & Ifedolapou, 2012). It is believed that record keeping has a significant impact on financial performance of any given business.

In line with the results from the survey, Chelimo and Sophia (2014) revealed that about 60 percent of small businesses in Uganda fail within the first three years due to inefficiencies in management as a result of poor record keeping. However, other study done by Ademola et al. (2012) confirms that poor records can lead to financial inefficiency of small and medium enterprises hence leading to poor enterprises performance.

#### *4.3.3 Decision Making Skills*

Findings from table 4 depict that about 59.5 percent of the sampled youth had previously made a decision that affected their business negatively while 40.5 percent responded that they had never made any decision with negative effect to their business. In line with that, out of 163 respondents who ever made wrong decisions, 36 percent made four times and more negative decision against their business while more than half (64%) made a negative decision against their business once, twice or three times. These findings had a negative implication in the sustainability of youth-led businesses. According to Abdul (2016), entrepreneurs operating the micro and small enterprises are said to face several problems in running their business because of inadequate skill to develop desirable solution that will not negatively affect the business operations.

#### *4.3.4 Delegation Skills*

In running a business, the delegation skill is important in ensuring smooth management of the business and to encourage the employees to be creative and increase efficiency. The results from table 4 show that 73 percent of the businesses operate in all their working days regardless of the absence of the business owner(s) or manager, that is, other employees are given the chance to manage the business. In contrast, about 27 percent of businesses had revealed that they close the business temporary in the absence of the business owner(s) or manager. Among the reasons provided for temporary closure of the businesses were having no employees, and incapability of employees available to independently run the business. The implication of these results is that the majority of businesses owners are aware of the importance of giving authority and building trust to their employees. Running businesses smoothly is important for customer satisfaction, it provides assurance that supplies will be there all the time (Bass and Bass, 2008).

#### 4.3.5 Communication Skills

Communication is an important social skill that is essential for business growth and sustainability. Regularity and defined flow of information is important for the success of communication. Other important elements of communication skills include listening, speaking and writing skills. Table 4 elucidates that the majority of youth had a pattern of communication flow in their established businesses. Based on this survey, communication and communication skills is what transforms idea into vision, defines its difference, explains why it works and engage people. According to Williams (2007) smart managers understand that in the end effective, straight forward communication is essential for success and team performance of any firm or organization.

**Table 4.3 Youth Skills Profile**

Skills profiles	Responses (N=274)	
	Yes (%)	No (%)
Business plan	20.4	79.6
Record Keeping	30.0	70.0
Decision making	59.5	40.5
Delegation skills	26.6	73.4
Communication skills	52.5	47.5

*Source: Survey data, 2019*

#### 4.4 Modes of Skills Acquisition by Youths in Business Establishment

Despite the conflicting ideas about the source of entrepreneurs, whether they are born or developed, both inborn and developed entrepreneurs need further entrepreneurial development to increase self-confidence, self-esteem and participate in decision making which eventually impact business sustainability (Olugbola, 2016, Emaikwu, 2011; Gatewood et al., 2004). Exploitation of entrepreneurial opportunities also depends on the entrepreneur's level of education, skills or knowledge acquired through training and work experience (Ebong et al., 2011; Ekpe& Mat, 2012; Ibru, 2009; Ikegwu, 2014).

This study captured two main modes of acquisitions which are formal and informal. The formal mode of acquisition is through the formal vocational training (VETA) while informal is through internships and/or volunteering programs, and own skills. The results in table 4.5 show that the majority of youth acquire business skills through internships and/or volunteering programs. Volunteering placements and internships not only offer an effective applied method in developing appropriate awareness and skills among youth in self-employment, including business established, but also promotes productive collaboration and building understand with other stakeholders.

This was then followed by youth who claimed to have own inborn business skills, and few obtained their skills from formal vocational training (VETA). Most of youth are not appropriately using formal vocational training as a means of business skills development, perhaps due to the cost of engaging in in the formal training such as tuition fees and stationeries as well as indirect cost (Mulongo, 2012). The modes of skills acquisition, however, depend on the existing formal education and training systems.

**Table 4.4: Modes of acquisition of skills**

<b>Modes of Skills acquisition</b>	<b>Frequency</b>	<b>Percent</b>
Formal Vocational training (VETA)	32	11.67
Internship program/ Volunteering	180	65.69
Own Skills	49	17.88
Others	13	4.74

*Source: Survey data, 2019*

## **4.5 Capacity Building for Youth Ongoing Businesses**

Capacity building is important for business growth and sustainability. However, many youths do not see the importance of participating in short term capacity building trainings. The study shows that about 72 percent of youth had never attended any training related to the ongoing business. However, for those few (76 enterprises) who attended several short trainings 80 percent, 8 percent, and 2 percent attended training with duration between one and three days, four and 5 days, and above 5 days respectively.

The short training provided to youth entrepreneurs covers various aspects that are important for small business development. These aspects include production, management and marketing. Various youth business skills are, therefore, strengthened and developed in these business workshops and trainings. From this study, 76 youth enterprises had a representative in the workshop and short trainings. Out of them the majority learnt the managerial skills followed by production skills and lastly marketing skills as presented in table 4.7.

**Table 4.5: Skills Acquired from Training**

Type of Skills	Frequency	Percent
Production skills	27	56.25
Managerial skills	30	60.78
Marketing skills	19	39.58

*Source: Survey data, 2019*

#### 4.6 Econometric Analysis

Econometric analysis shows the logistic estimation of micro and small-scale youth-led business sustainability. After running the logistic model several diagnostic tests were done to test the relevance of model's application. The tests included specification error and the multicollinearity test for independent variables.

#### 4.6.1 Model Specification Test

The link test was used to check for model specification error. Results in table 4.6 show that the model was well specified. This indicates that the relevant explanatory variables were included in the model construction. The linear predicted value ( $\hat{y}$ ) was significant with a p-value of 0.019 and the predicted value squared ( $\hat{y}^2$ ) was not significant with a p-value of 0.394 indicating the absence of specification error. However, the theoretical consideration of the theoretical background was paramount prior to model estimation to avoid spurious relationship.

**Table 4.6: Link Test for Model Specification**

<b>Sustainability status</b>	<b>.Coef</b>	<b>Std.Err</b>	<b>Z</b>	<b> P&gt; z</b>
hat_	0.7640278	0.3269602	2.34	0.019
hatsq_	-0.1088854	0.1276265	-0.85	0.394
cons_	0.1222229	0.460689	0.27	0.791

*Source: Survey data, 2019*

#### 4.6.2 Multicollinearity Test

The variance of the coefficient estimates can be increased due to the presence of the serious multicollinearity which can make estimates unstable. Therefore, it was vital to test for the problem and correct if found. The results, however, showed that there was no serious multicollinearity problem. Table 4.7 shows the average Variance Inflating Factor (VIF) equals 1.26 which is tolerable.

**Table 4.7: Multicollinearity Test Results for Independent Variables**

<b>Variables</b>	<b>Collinearity diagnostic statistics</b>		
	<b>VIF</b>	<b>Tolerance</b>	<b>R-squared</b>
Sex of the business owner	1.25	0.7987	0.2013
Communication skills	1.31	0.7613	0.2387
Decision making skills	1.18	0.8442	0.1558
Business plan skills	1.40	0.7123	0.2877
Professional training attendance	1.14	0.7862	0.2138
Age of the business owner	1.24	0.8807	0.1193
Education level of the business owner	1.32	0.8039	0.1961
Customer coverage	1.10	0.7599	0.2401
Experience in business	1.18	0.9111	0.0889
Business product mix	1.18	0.8442	0.1558
Business Location	1.33	0.7518	0.2482
Business type	1.34	0.7439	0.2561
Mean VIF	1.26		

*Source: Survey data, 2019*

#### *4.6.3 Business Location and the Business Sustainability*

From the econometric analysis findings in table 4.10 it has been revealed that business location has a significant relationship with business sustainability. That is to say, with no change in other factors, businesses which are located in the commercial areas are more likely to sustain than those located in non-commercial areas.

According to Knaup (2005), the trends of business sustainability were still in existence two years after their birth. Moreover, it is not surprising that most of the new established businesses disappeared within the first two years after establishment and only a smaller percentage disappeared in the subsequent two years. This is because; many small businesses are located in the lower segment of the market and pose a problem to their growth due to saturation, low investment, poor management and lack of innovation.

#### *4.6.4 Communication Skills and Business Sustainability*

The results in Table 4.10 show that communication skills affect business sustainability positively. Communication skills include listening skills, speaking skills, writing skills and reading skills as stipulated by Adam (2003). He further explained that the listening skills is needed to bridge the gap between the business owner and employees, postulated that business owner's immaculate verbal skills can help in making effective communication with the employees about business goals and vision of the business to his employees. From the sample, the majority of the youth business owners by almost 52.2 percent were found to have a pattern of the communication flow in their businesses.

#### *4.6.5 Business Plan Skills and Business Sustainability*

The results show that business plan skills have positive and significant relationship with the sustainability of the business. The results imply that having business plan skills among business owners increases the probability of their business sustainability. Sound planning is a necessary input to a sound decision making for businesses to succeed and meet their set of objectives (Ojiako, 2007). However, in the descriptive results it was revealed that majority of the owners of about 80.8 percent had never been involved or participated in the preparation of a business plan. This means that most of small and medium youth-led established businesses found in Dar es Salaam do not have the business plan skills although it is an important aspect to the survival of the business. In addition, not being involved in the preparation of a business plan explains the fact that most of the youth businesses (79.5 percent) do not have a plan for their business.



#### *4.6.6 Professional Training Participation and Business Sustainability*

Training skills was found to have a positive and significant relationship with the sustainability of the business. This finding shows that training skill is an important aspect and essential to the survival of the business. Youth that participated in training relevant to their businesses had higher probability of sustenance compared to those who had never attended. The training skills enable the business owners to gain experience of running business from others, to learn and improve their business operations, to be innovative and adapt to changes in order to capture more customers this in turn helps the business to run smoothly and survive. The skills that youth business owners acquired from training were the managerial skills, production skills and marketing skills.

In addition, participating in a tailor made training can serve a preparatory function in relation to initiation of new ventures and business sustainability, whereby the transfer of knowledge and the acquisition of relevant skills would be expected to increase the self-efficacy and effectiveness of the potential business entrepreneurs, especially among youth. King and McGrath (2002) observe that training is one of the factors that impact positively on growth of firms, and they further argue that entrepreneurs with larger stocks of human capital, in terms of education and/or vocational training are better placed to adapt their enterprises to constantly changing business environments. Also, Pretorius et al. (2005) noted that while training programs are aimed at different target markets, they all have as their core concept stimulation of entrepreneurial activity in some or other ways. Solomon et al. (2002) confirm the positive role of teaching entrepreneurial and small business management skills for new venture creation and success. Mano et al. (2012) found 9% increase in the likelihood of survival twelve months after training.

#### *4.6.7 Business Product-Mix and Sustainability*

The nature of small businesses whereby only one product was traded had less probability of sustaining the business environment as compared to those with more than one product. This is due to market risk diversification. Moreover, a business can have the best location and offer the best price, but the business will not be sustainable and profitable if it does not provide the target market with product mix that customers want (Kurtz, 2015, p. 493). Thus, the purpose of the product mix in any business is to provide products to as many customers as possible thus, increasing sales opportunities for the business (Clerk, 2014). Small businesses with a product mix are developed differently compared to larger businesses because most of small businesses are less formal and less complex compared to larger businesses.

**Table 4. 8 Logistic Estimation Results for Youth Business Sustainability**

<b>Sustainability status (1=Sustainable, 0=Unsustainable)</b>	<b>Coefficient</b>	<b>(Std. Err)</b>
Constant	-7.698	(2.597)
Sex of the business owner {1=male, 0=female}	-1.089	(0.877)
Communication Skills {1=Yes, 0=No}	2.626**	(1.152)
Decision making skills {1=Yes, 0=No}	2.736**	(1.176)
Business plan skills {1=Yes, 0=No}	3.035***	(1.137)
Professional training attendance {1=Yes, 0=No}	2.341***	(0.951)
Age of the business owner {years}	1.282	(1.109)
Education of owner {0=Primary, 1=secondary and above}	0.869	(1.121)
Customer coverage {0=within neighborhood, 1= otherwise}	-2.142	(1.181)
Experience in business (years)	-0.195	(0.202)
Business location {1=commercial area, 0= non-commercial area}	3.847***	(1.465)
Product mix {1=more than 1 product, 0= only one product traded}	3.422**	(1.486)
Business type (1=trade, 2= manufacturing, 3= service)	0.319	(0.508)
Number of Observations	230	
Prob > Chi2	0.000	

**Note:** Significance level: \*\*\* ( $p \leq 0.01$ ); \*\* ( $p \leq 0.05$ )

## Conclusion and Recommendations

### 5.1 Conclusion

Unemployment and lack of employment opportunities is a major challenge facing many youths in Tanzania. About 60 percent of the unemployed people are youth. In addition, the number of working-age has been growing more rapidly than the number of jobs available. In line with this, many youths are engaging in micro and small businesses in order to sustain their daily lives. However, the sustainability of the businesses established by youth is still a challenge as most of the businesses collapse within the first three years of their operation. This has been associated with the low skills in running and managing the established businesses among youth themselves. Literature shows that the majority (84%) of the entire country's population is low-skilled and 40 percent of the local firms identify lack of workforce skills as one of their key business constraints. Therefore, understanding the sustainability situation of the micro and small enterprises established by youth, the study assessed the skills landscape and their roles in enhancing sustainability of youth-led business establishment in Dar es Salaam.

Based on the findings, it has been found out that among the 274 surveyed youth businesses, 33.9 percent engage in service and trade type of business while 32.1 percent engage in manufacturing businesses. In line with this majority (58.2%) of the youth had secondary education and above while 41.7 percent had primary level of education.

From the results of econometrics analysis communication skills, business planning skills and professional training attendances have positive and significant relationship with sustainability of the youth-led business establishments. Furthermore, female owned businesses had higher probability of sustenance compared to male owned businesses and the difference was found to be significant.

## 5.2 Policy Recommendations

Based on the findings, the following policy recommendations are suggested:

- i. Introducing entrepreneurship as a subject at a primary and secondary school syllabus. Since most petty traders are of lower levels of education, introducing this subject at those levels will give them a chance to acquire entrepreneurship soft skills, including communication, record keeping, business plan formulation, and the like.
- ii. The government should improve the technical and vocational colleges available to offer the customized trainings on production and marketing of products sold by petty traders. This will help in absorption of more youth and acquire the potential skills of running and sustaining their businesses.
- iii. There should be proper arrangement for affordable and accessible permanent business locations for petty traders in the cities of Tanzania.

## 5.3. Area for Further Research

The present findings in this study were the results of a micro-study on skills landscape and sustainability of youth-led business establishment conducted in Dar es Salaam, which is a typical urban setting. That being the case, the study recommends the expansion of study area coverage to include peri-urban and rural areas where the majority of citizens are based is important. Importantly, by expanding the study area, the agri-based businesses in rural areas which accommodate majority of youth would be captured.

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