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**Barriers to entry: Challenges facing youth entrepreneurs as they establish their small and medium enterprises (SMEs) in Egypt**

Roqaya Zamzam

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Barriers to entry: Challenges facing youth entrepreneurs as they establish their small and medium enterprises (SMEs) in Egypt

A Thesis Submitted to the

Public Policy and Administration Department

In partial fulfillment of the requirements for the degree of Master of Public Policy

By

Roqaya Zamzam

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School of Global Affairs and Public Policy

Department of Public Policy and Administration

BARRIERS TO ENTRY: CHALLENGES FACING YOUTH ENTREPRENEURS AS THEY ESTABLISH THEIR SMALL AND MEDIUM ENTERPRISES (SMEs) IN EGYPT

Roqaya Zamzam

Supervised by Dr. Ghada Barsoum

ABSTRACT

This study aims at exploring the challenges faced by emergent youth entrepreneurs as they enter the market in Egypt. The qualitative approach incorporates semi-structured interviews with youth entrepreneurs who own SMEs in different sectors. The concepts underlying the legal and non-legal institutions are used to help present the different hindrances to SMEs and youth entrepreneurial development. The research has shown that the lack of financing options, the inconsistent legal changes, the administrative burdens, the poor physical infrastructure, the lack of specialization along with market dominance are the main obstacles facing youth and SMEs. The study contributes to the literature on entrepreneurship in Egypt and highlights entrepreneurship challenges in order to present potential solutions that could help promote an enabling environment for youth to efficiently and effectively contribute to the economy.
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Chapter 1: Introduction

In Egypt, there has been an increased awareness towards developing entrepreneurial activity and promoting its advantages among youth (Kirby & Ibrahim, 2011). Additionally, the staggering unemployment rates along with the prosperity of innovation and the accessibility to luxurious living conditions have given youth an incentive to seek alternative methods to upgrade their status and standards of living (Ahmad & Abdel-Aziz, 2015). Globalization played an important role in influencing youths’ attitudes and behaviors and increasing their awareness towards entrepreneurial activity (Kirby & Ibrahim, 2013). Policies shifted gears giving a focus on the creation of opportunities and expanding youth employment (Barsoum, 2016). Hence, entrepreneurship has come to be a crucial aspect of Egypt’s economic activity making it a cornerstone and an important pillar in the economic development process (Abbas, 2017; Schoof, 2006).

Despite the significance of entrepreneurship, entrepreneurs face several challenges in Egypt that hamper their development and progress in the market. This study focuses on youth entrepreneurs and the challenges facing them as they establish their Small and Medium Enterprises in Egypt (SMEs) in the market. However, to be able to identify their challenges and constraints, it becomes crucial to identify the objectives, define the terms and present a research question. Hence, the following section explores the purpose of the study, offers a research question and aims at defining “Youth Entrepreneurship” along with explaining their importance in Egypt’s economy. This section aims at highlighting the significance of “Youth” and “Entrepreneurship” in Egypt in order to better identify their problems.
1.1 Study Objective

The study aims at exploring challenges faced by youth entrepreneurs as they start their Small and Medium Enterprises (SMEs) in Egypt. The study focuses on the main hindrances that hinder youths’ progress and inhibits their growth. The main motivation behind the study stems from the importance of youth employment and their inclusion in the economy. Hence, as youths’ economic activity is realized and highlighted, creating an enabling environment becomes crucial to ensure their success. Accordingly, this thesis aims at enhancing the literature, through providing raw and recent data analysis, which explains obstacles facing youth. Through showcasing their struggle, action could be taken to improve entrepreneurial environment for youth seeking recognition. While the literature offers several explanations on struggles facing youth entrepreneurship, yet the available data remains outdated and scattered among several studies. This thesis, however, objectively provides a comprehensive platform to showcase youth struggles from a broader scope. The study covers all sectors which enables for the provision of a general and all-inclusive outlook on the matter. The study looks at the full picture and provides an encompassing explanation on the general struggles facing youth entrepreneurs. It studies the legal and non-legal system to incorporate all obstacles facing youth and inhibiting an entrepreneurial environment for the growth of their SMEs.

1.2 Research Question

The research question presents the inquiry which the study aims at explaining and solving. The research question of this study is:
What are the main challenges youth entrepreneurs face when starting their SMEs in Egypt?

In order to answer the research question and provide an explanation on the challenges facing youth entrepreneurs, the study will first define the terms “Entrepreneurship” and “Youth Entrepreneurship”. An explanation will then be provided on the importance of youth entrepreneurship in Egypt to prove the significance of exploring their issues and working on combating it. The study then offers the conceptual framework that guides the process through which the research question will be tackled and handled. Entrepreneurship in Egypt will then be explored in order to provide a background on the initiatives, laws and other programs that have previously aimed at supporting youth entrepreneurs. The literature will then be explored in order to present arguments by other available scholars on that matter. The study will then present the research methodology which incorporates a thorough explanation of the methods used to collect the data and analyze it. As a qualitative approach is being used, the research methodology section will explain the use of a purposive sample to perform semi-structured interviews with sixteen emergent youth entrepreneurs through the snow-bowling technique. Afterwards, the data analysis will be presented in order to answer the research question and explain the challenges facing youth entrepreneurs as they start their SMEs in Egypt. The study will conclude by providing recommendations that could help mitigate the issue and improve the conditions to allow for a more supportive entrepreneurial ecosystem.
1.3 What is Entrepreneurship?

In order to be able to identify challenges faced by youth entrepreneurs it becomes necessary to first define the term and understand its context. Unfortunately, though, there has not been an agreement on a unified definition to explain the terms “Entrepreneur”, “Entrepreneurship” or “Youth Entrepreneurship”. However, various scholars have provided several explanations of the term that help shape its meaning and comprehension.

Scholars explain that the definition can be studied through two different lenses; one direction would be in favor of a behavior-based approach while the other through a trait-based approach (Schoof, 2006; Abbas, 2017). For the purpose of this research, a behavioral-based approach will be explained and used to define entrepreneurship. Depending on a behavioral approach makes it easier to understand how youth act and react in a specific manner that signifies them as entrepreneurs. Hence, according to Schoof (2006), the behavioral approach defines entrepreneurship as realizing an opportunity of added value and acting towards achieving it regardless of a new venture creation. Such a definition encompasses different forms of entrepreneurship and broadens its prospects to include all forms of creation and innovation without focusing on new ventures only.

Entrepreneurship in that sense is about realizing an opportunity, making use of the resources, and innovatively processing and taking advantage of the situation. According to Shane and Venkataraman (2000) entrepreneurship includes the discovery, evaluation and exploitation of an opportunity. Such a view of entrepreneurship encompasses the human’s ability to, “…turn ideas into action and is therefore a key competence for all, helping young
people to be more creative and self-confident in whatever they undertake” (Kirby & Ibrahim, 2011, p.182).

In addition, Meredith, Nelson, and Neck (1996) define entrepreneurship, “…as people who have the ability to see and evaluate business opportunities; to gather the necessary resources to take advantage of them; and to initiate appropriate action to ensure success.” (Cited from Hattab 2014, p. 2). Thus it involves shifting away from the traditional view of entrepreneurship to one that takes into consideration the attitudes, behaviors, and capabilities of youth (Kirby & Ibrahim, 2011). Hence, scholars have recently shifted away from using the term to identify building start-ups into using it as a way of thinking and behaving that shapes an individual’s mindset and attitude. Such an explanation, though, transforms entrepreneurship from a narrowly-defined paradigm into an all-encompassing term (Kirby & Ibrahim, 2012).

1.4 Youth Entrepreneurship

Based on the proposed definition of entrepreneurship, it becomes apparent that entrepreneurial activity can encompass distinct sectors, businesses branches, along with a wide range of different individuals that seek distinctive motivations (Schoof, 2006). This study focuses on youth entrepreneurship, as a result, defining youth entrepreneurs becomes important in order to complement the above explanation of entrepreneurship.

Chigunta (2002) proposes a classification of youth entrepreneurs into three main categories. These include:
1. Pre-entrepreneurs (in the age of 15-19 years): In this stage, youth are still in their formation stage moving away from education into the working environment.

2. Budding entrepreneurs (in the age of 20-25 years): This stage is identified as the growth stage where youth have gained some experience and skills that can support them in implementing their plans.

3. Emergent entrepreneurs (in the age of 26-29 years): This is perceived to be the prime stage where youth have gained valuable experience along with maturity that can help them run their enterprises with greater viability.

Thus, youth entrepreneurship could be seen as the recognition of an opportunity by youth to accomplish value added and innovative creations. It is explained as the youths’ ability to identify, generate, create and exploit new ideas in the market.

1.5 Why is Youth Entrepreneurship Important?

As explored by several scholars, entrepreneurship addresses several bottlenecks in the economy which as a result highlight its importance in a developing country (Ahmad & Abdel-Aziz, 2015; Schoof, 2006; Hattab, 2014). Entrepreneurship can successfully promote economic growth, offer jobs to decrease unemployment rates, and provide a pool of innovative services needed in the country (Baumol, 2008; Hattab, 2013; Ahmad & Abdel-Aziz, 2015). Entrepreneurship helps promote competition as it changes the market structure by allowing for new entrants to be included in the economy (Hattab, 2014).
In addition, giving entrepreneurship the attention it deserves and recognizing its importance can unleash the potential of youth (Schoof, 2006). Youth entrepreneurship is seen as a way to integrate youth into the economy and provide them with an alternative income generation tool (Abbas, 2017; Schoof, 2006). It allows youth to create employment opportunities and can help them develop skills that can support them when facing other life challenges. It builds resilience, shapes their characters and induces innovation among them. Finally, it allows them to showcase the latest trends into the local market thus revitalizing it (Chigunta, 2002; Schoof, 2006; Hattab, 2014). The positive relationship between entrepreneurship and economic growth, as a result, has been proven in several studies (El Dahshan et al., 2012; Hattab, 2014; Schoof 2006; Acs & Szerb, 2008; Ahmad & Abdel-Aziz, 2015).

In Egypt, for example, the GDP growth suffered after the revolution going from 5.1% in 2010 to 1.8% in 2011. It then rose slightly to 2.1% in 2013. Unemployment also increased going from 9% in 2010 to 12.7 in 2013 (Ahmad & Abdel-Aziz, 2015). Thus, entrepreneurship importance to Egypt is reflected in the high rates of unemployment and the difficulty in creating jobs for the labor force (Abbas, 2017; Ahmad & Abdel-Aziz, 2015). According to Ahmad & Abdel-Aziz (2015), youth unemployment, specifically, is staggering given the political instability and the shocks the economy has witnessed lately. Along with unemployment such youth suffer from the structural distortions that adds to the inadequate economic growth.

Entrepreneurship can help solve such issues by helping to stabilize the economy through offering opportunities for those seeking employment (Hattab 2014 & Schoof, 2006). According to the report by The Swedish Trade and Invest Council (2015),
demographic analysis shows that 29% of the population were between the ages of 15 to 29 in 2013. Hence, the large platform of available youth creates an opportunity for the improvement of the economic stagnation that can enhance growth and development. The large population of youth in the country acts as a driving force and a valuable resource that could drastically improve the economic situation if addressed properly (Schoof, 2006). Hence, as explained in the report (2015), Egypt’s availability of youth is a driving force and an entrepreneurial advantage. Entrepreneurship does not just provide job opportunities but it also has a, “…greater implication on the whole economy by; fostering competition, productivity, increasing innovation, also, providing an opportunity to include more elements of the society.” (Ahmad & Abdel-Aziz, 2015, p. 12).
Chapter 2: Background

Entrepreneurship in Egypt

This thesis aims to study youth entrepreneurs and the challenges they face as they start their Small and Medium Enterprises in Egypt (SMEs). Thus, defining SMEs becomes crucial in order to set the context and clearly be able to identify the problems. However, there is not one clear and unified definition of SMEs in Egypt. Rather, different local institutions define the terms distinctively through taking into consideration specific elements. The main elements used in defining SMEs include: the number of employees, capital size, and revenues. This thesis will focus on the definition given by the Central Bank of Egypt since it is all-inclusive and encompasses the three elements.

According to the Central Bank of Egypt, the law defining SMEs in Egypt was altered in 2017 so that Small enterprises included all that those producing revenues above 1 million Egyptian Pounds (EGP) and below EGP 50 million yearly. Their capital should range from EGP 50 thousand to not more than EGP 5 million for industrial enterprises and 3 million EGP for non-industrial ones. Moreover, they should have less than 200 employees from the labor force. Medium enterprises on the other hand, are expected to produce revenues ranging from EGP 50 million to EGP 200 million with a capital of EGP 5 million to EGP 15 million in the industrial sector and 3 million to 5 million in the non-industrial one. Similar to the Small enterprises, Medium ones should employ no more than 200.
The subsequent sections will cover the information about SMEs and youth entrepreneurs in Egypt. It aims at exploring the status quo in order to be able to further identify the challenges youth face as they start their SMEs.

3.1 Facts and Figures

According to the GEM 2017 report, results from 2015 have shown that the SMEs contribution to GDP reached 80%. Masri et al. (2010, p.79), explain that, “…Entrepreneurship is promoted to mitigate high youth unemployment rates and is defined in connection with the establishment or development of SMEs.” In addition, Ahmad & Abdel-Aziz (2015), note that 75% of the employed labor works under 2.5 million Small and Medium Enterprises available in Egypt. Hence, the importance of SMEs becomes apparent as its role in the economy becomes identified and highlighted.

When exploring the entrepreneurial culture in Egypt, the GEM results of 2017 show that entrepreneurial activity is perceived to be a good career choice and is seen to have a high prestigious status. According to the GEM analysis of 2017, Egypt ranked the first out of 64 countries when examining entrepreneurial intentions among the citizens. Moreover, it was ranked 14 out of 64 countries when tested on the perceived entrepreneurial opportunities. Egyptians perceive entrepreneurs to be of high rank and prestige, as the results show in the GEM, where Egypt ranked 2 out of 61 countries included in the study. When looking at entrepreneurship as a good career choice Egypt ranked 3 out of 64. Hence, these results show that entrepreneurship is perceived to be a good career choice and a prominent concept appreciated by Egyptians (GEM, 2017).
According to a report prepared by the Population Council (2015), 53.8% of youth aging from 15 to 29 years old stated that starting their own businesses is an alluring and preferred option. In addition, male youth scored higher where 61.4% preferred owning their own businesses in comparison to 44% of female youth (ibid). The social legitimacy and perception of entrepreneurship among Egyptians scored high which indicates how the entrepreneurial concept is accepted (Kirby & Ibrahim, 2012).

However, studies show that the percentage of youth actively trying to start their business is immensely lower reaching about 14% (Ahmad & Abdel-Aziz, 2015). According to the Population Council (2015), there is a discrepancy between youths’ opinion about the freedom and control that comes with owning one’s own business and the ability to actually proceed with the process. Hence, examining the number of youth aging 25-34 who are in their early stage entrepreneurship, Egypt ranked 20 out of 64 countries which translates into 17% of this age group (GEM, 2017).

Such a discrepancy in the results, between entrepreneurial intentions and actual entrepreneurial activity, highlights the poor performance of entrepreneurship in Egypt. Even though entrepreneurship is seen to be reputable and attractive opportunity, yet, such figures prove that several barriers hinder potential entrepreneurs (Ahmad & Abdel-Aziz, 2015; Hattab, 2014; Seif, 2011) Even though youth show interest in entrepreneurial activity, however, they are hurdled by the lack of supporting elements that threatens their success (Kirby & Ibrahim, 2012). The Doing Business Report showcases the requirements needed from entrepreneurs to establish their enterprises in Egypt. It helps explain the simplicity of the procedures to indicate the easy of doing business. The report covers 190
economies to help explain the performance of each country. Figure 1.2 shows the different factors affecting entrepreneurial activity and Egypt’s score in each when compared 190.

According to the Doing Business Report (2017), starting a business takes up to six days for men and seven for women, requires four procedures for men and five for women with a cost reaching 7.4% of income per capita for both women and men. The procedures include obtaining a certificate of non-confusion from the Commercial Registry to reserve the company name, an authorized Bank certificate, a certificate of incorporation and submitting documents to the Department of Companies while obtaining invoices and paying the necessary fees.
The Doing Business Report (2017) has shown that the process of registering a property by an entrepreneur takes 60 days and costs 0.5% of the property value, thus ranking Egypt 109th out of the 190 economies included. The procedure includes obtaining property tax statements from the Tax authority, requesting for registration, site inspection, and obtaining the Real Estate Registry’s approval of the contract.

The Doing Business report (2017), indicates that problems of infrastructure, facing SMEs in Egypt, mainly reside in lack of proper transportation system, electricity, and land acquisition (European bank, 2017). Based on the GEM report of 2017, Egypt ranked 35 when it came to physical infrastructure out of the 65 countries included. Moreover, it scored 6.5 which puts it below the mean (GEM, 2017). Hence, Loewe (2013) explains that the infrastructure and road quality is below average which forms constraints to entrepreneurs establishing their SMEs. When it comes to getting a warehouse connected to electricity by the local distribution utility, Egypt ranks 88 out of the 190 economies included in the study. Getting electricity requires 6 different procedures and up to 54 days with a cost reaching 244.9% of income per capita. In addition, the report includes the reliability of the supply and transparency index ranging from 0 to 8, with 8 indicating greater reliability of electricity and transparency of tariffs. Accordingly, Egypt’s rating included measurements of electricity frequency outages and monitoring which reached 4 points out of 8.

The report identifies the ease of land administration for entrepreneurs as well. In this section, the index ranges from 0-30 with the higher value representing a better quality of land administration system. Egypt ranked 7 in this index which indicates the poorly performing system of land administration. In addition, the reliability of infrastructure index
was ranked as 0 out of 8 which places Egypt at the bottom of the list in this criteria. When examining the transparency of information index, Egypt received 3 points out 6. In addition, Egypt received 4 points out of 8 when examining the land dispute resolution index.

Generally, Egypt stood at 162 when compared to 190 economies on the ease of paying taxes. According to the report in 2014, the law was altered requiring more taxes for companies through increasing the corporate income tax rate.

Based on the Doing Business Report (2017), Egypt ranked 82 when compared to 190 economies on the ease of getting credit. In addition, Egypt scored 2 out of 12 in the index measuring the strength of legal rights index. Such result indicates a poor performance. When examining the resolving insolvency criteria Egypt ranked 109 out of 190 countries included in the study. According to the report, resolving insolvency might take up to 2.5 years and would cost 22% of the debtor’s estate while the company is likely to be sold in a piecemeal sale.

Another important indicator of the ease of doing business is the entrepreneurship education. The deteriorating quality of education, however, has placed Egypt at the bottom of the list as one of the poorest worldwide when it comes to higher education and training (Abbas, 2017). The world Competitiveness Report of 2016 ranked Egypt 138 out of 138. Hence, it becomes clear that entrepreneurship education lags behind as well which adversely affects the ecosystem through which youth operate (El-Said, Al-Said & Zaki, 2014; Ahmad & Abdel-Aziz, 2015). Entrepreneurship education according to GEM results (2017) ranked Egypt at the bottom of the list when compared to other countries at school
stage and post school stage. Egypt ranked 65/65 which reflects the lack of entrepreneurial education offered (Fouad, 2013; Jochaud, 2013; Hamed, 2016). According to the GEM report of 2017, the availability of government entrepreneurship programs gave Egypt a value of 3.3 out of a highly efficient system of 9. In addition, Egypt stands at 57 out of 65 countries included in the study when comparing government entrepreneurship programs. Hence, it becomes clear that even government initiatives to incentive entrepreneurship education lag behind (GEM, 2017; Masri et al., 2010; Ahmad & Abdel-Aziz, 2015).

3.2 Law Reforms

The rules providing information on bankruptcy focus on the trust betrayal which as a result accuses the person himself and shifts the matter into a personal bankruptcy rather than a corporate one (Kandil, 2012; World Bank, 2007; Saif, 2011). In such a case, the entrepreneur becomes a criminal and is being judged personally. In addition, the process is believed to be multi-layered, dependent on several governmental offices especially the court which supervises the process from end to end. This leads to further delays which restrain entrepreneurs from acting freely or thinking of alternatives (World Bank, 2007).

According to the European Bank report (2017), there are two types of insolvency procedures in Egypt: Liquidation and Composition both aimed at reaching a solution between the debtor and lender. The composition, in most cases, results in a sale of the debtor’s assets just as in liquidation. The process of the sale includes putting the debtor's assets to a public auction resulting in few proceedings which do not cover all the debt amount.
A law was enacted in 2016 under the ministry of Justice to regulate bankruptcy and restructuring procedures. In addition, according to the European Bank report (2017), a new law governing Movable Assets, Law 115/2015, was drafted to increase creditors rights in case of insolvency. In addition, the law offers flexibility, transparency and efficiency when registering Collaterals. However, the law lacks implementation until today. Furthermore, an amendment to the investment law has taken place in order to enhance the scheme through which investor’s resolve disputes, however, implementation of the law remains a challenging aspect.

By 2017, alterations to the law 141/2004 were called for by the parliament. However, real changes have not been proceeded yet. The parliament called for a change in laws regarding license issuing, easing out the registration process and giving 25% form industrial land to MSMEs. Moreover, the law calls for allowing entrepreneurs to establish their businesses under the one-person company relations, however, without the risks that such an establishment might cause. Thus, under such an establishment the entrepreneurs would be treated as an independent legal entity on their own without having to incur costs in case of adversity. For example, if the company borrowed money and could not pay back the, company would get sued and not the person since they will be treated an independent entity. This law seeks to encourage youth to register their companies instead of fears of the financial liabilities that hinder them. However, such amendments to the law are pending any governmental and ministerial actions.

On the other hand, the Ministry of Trade and Industry released a strategy targeting Egypt Industrial Development. This strategy included measures to enhance the business environment of entrepreneurs. Such policies include provisions to ease access to finance,
human resources, and land infrastructure (Loewe, 2013). When exploring land provision, the Industrial Development Authority (IDA), planned to ease out cooperation between different industrial zones to form clusters depending on sectors, and inspect state-owned enterprises and provide land to entrepreneurs in these areas (Loayza & Odawara, 2010; Loewe, 2013). In additions, the Egyptian Parliament in 2005 passed many legal forms in support of SME promotion and enhancing their infrastructure facilities (Loewe, 2013; European Bank, 2017). However, such laws still lack the needed implementation to provide entrepreneurs with the healthy environment needed.

3.3 Governmental Initiatives

According to a report by the Ministry of Finance (MoF, 2007), the government’s commitment to developing SMEs was reflected in the initiation of the 141 law in 2004 which was framed to support and govern how SMEs run. Under this provision, a framework was designed through which the Social Fund for Development (SFD) was to be responsible of Micro, Small and Medium Enterprises (MSMEs). The SFD receives its funds from the government or other donors including, but not limited to, the Government of Egypt, the World Bank, the UNDP and the International Labor Organization. Such donations are used to start the needed initiatives or are used to partner with other organizations and NGOs in order to prove the necessary empowerment to entrepreneurs (Ahmad & Abdel-Aziz, 2015).

Accordingly, the SFD was placed as the main national body through which policies for the financial and non-financial development and support to SMEs would be provisioned (Loewe, 2013; MoF, 2007; Ahmad & Abdel-Aziz, 2015). A report by the Creative
Associates International (2014) indicated that such policy tools ranged from Microfinance, business establishment services, to providing a network of investors, and business support services. Loewe (2013) explains that the SFD’s non-financial services include consultancy opportunities to SME entrepreneur owners, training services on management, customs clearance, micro-finance and support to adopt new technologies. Ahmad & Abdel-Aziz (2015), also explain that the non-financial services offered by the SFD include business development, technical support, marketing guidelines, feasibility studies support and technical evaluations to help entrepreneurs develop.

In addition, the SFD funds selected incubators through its “incubator program” to ensure their functionality and effectiveness. On the other hand, the financial services provisioned by the SFD, included funds, micro-financial funds, credit failure and life insurances (Loewe, 2013; Ahmad & Abdel-Aziz, 2015; Hamed, 2016). According to a report by the World Bank (2007), the SFD became responsible of providing SMEs with low-cost financial services using, “...its own funds, government appropriations, and donor grants.” (World Bank, 2007, p.48)

The SFD also provides tax benefits and reductions for SME owners in the early stages of their development (Hamed, 2016; Hattab, 2014). Moreover, the SFD coordinated other business support centers (BSC) in order to extend their services and support SME owners (MoF, 2007). Such centers include Network of Egyptian Small Business Development Centers, Micro and Small business support centers, and Community Development Associations (CDAs) support program. These centers provide trainings, technical assistance, and other basic services to SME owners (Loewe, 2013; Creative Associates International, 2014; Hamed, 2016; Jochaud, 2013; MoF, 2007).
Another governmental initiative to improve the investment climate were the policies initiated by the General Authority for Investment and Free Zones (GAFI) under the Ministry of Investment (MOI) (Loewe, 2013). In its plans, GAFI was responsible of promoting SMEs through offering business development services, facilitating access to finance, and skills development (Ahmad & Abdel-Aziz, 2015; Loewe, 2013). The plan focused on high potential industries including agriculture, food processing and renewable energies (Loewe, 2013). In corporation with the Canadian International Development Agency (CIDA), GAFI started 18 service centers across Egypt named Bedaya that offer support and training to SMEs (Loewe, 2013; Abbas, 2017; Jochaud 2013). In addition, according to a report by the Creative Associates International (2014), GAFI helps entrepreneurs of SMEs to reach out to banks and acquire the needed loans. In order to not duplicate services provided by the SFD, an agreement was signed where GAFI would accommodate the needs of SMEs with profits under EGP 2 million. Both GAFI and the SFD established One-stop-shops that include representatives of distinct organizations to ease out the registration process of companies (Loewe, 2013).

Based on a report by the World Bank (2007), the government has also initiated several plans and policies in hopes of empowering youth hoping to start their SMEs. By 2014, Nabil El-Araby, the minister of planning, signed an agreement with the World Bank worth 300 million dollars targeted towards supporting SMEs. Several agreements were reached between Egypt, Canada, and France as well all to help finance and support SMEs (Moukhtar, 2015; World Bank, 2007).

According to Creative Associates International (2014), other public institutions that promoted SME development included the International Modernization Center (IMC), and
the Technology Innovation and Entrepreneurship Center (TIEC). Such institutions have supported in the development of SMEs through several initiatives aimed at easing out the licenses and registration processes. Other governmental services included guiding services that offers entrepreneurs clear explanations on necessary steps and procedures when establishing their SMEs. Such institutions provide consultancy opportunities to assist entrepreneurs as they develop their feasibility studies, legal framework, and marketing schemes (MoF, 2007; Jochaud, 2013).

However, multiple inefficiencies could be seen in the operational framework of such initiatives the influence their efficiency and application (Loewe, 2013). Despite being an organization that manages all that is related to SEMs, yet their centralization, lack of coordination and organization has made them inefficient in implementing their policies and initiatives (Loewe, 2013). Such organizations lack the needed accountability and organization which dooms their range of services insufficient and non-effective. Efforts are usually done without coordination between different offices which results in their duplication and disorganization. Moreover, the lack of a concrete vision shared by all stakeholders negatively affects how operations are handled in the organization (Mof, 2007; European Bank, 2017; Loewe, 2013).

The idea of one stop shops, for example, failed to address its aim given the lack of organization. One stop shops available were not able to assemble representatives of distinct organizations under one place which forced entrepreneurs to visit each governmental office separately to get all the paperwork and permits done. Hence, the lack of coordination in the SFD has forced entrepreneurs in repeating the same steps twice. This incompetence
affects how the initiatives are implemented and applied (European Bank, 2017; Loewe, 2013).

### 3.4 Non-Governmental Initiatives

Other non-governmental institutions that provide financial help along with the needed training are accelerators, incubators and facilitators. Such institutions provide help to entrepreneurs in different business stages in order to enhance their skills and prepare them to run successful enterprises (Cusmano, 2016; Jochaud, 2013). Some provide entrepreneurs with grants or seed funding in exchange of equity, while others help them develop a network in order to reach investors that could fund their enterprises (Jochaud, 2013; Abbas, 2017). In case such incubators are NGOs, the funding is provided from corporations as part of their Social Corporate Responsibility (Ahmad & Abdel-Aziz, 2015). Some of the key players in Egypt include:

1. Nahdet El Mahrousa, which provides support to young entrepreneurs to help them develop their ideas. It helps develop entrepreneurial culture through strategic partnerships to help promote and build a strong ecosystem that supports entrepreneurs (Abbas, 2017). Such partnerships include those with Sawiris Foundation for Social Development, and Misr ElKheir (Abbas, 2017; Jochaud, 2013). They also offer seed funding to youth who have a potential. In addition, it provides legal and logistical support by giving trainings to youth to help them understand how to better promote their businesses. (Jochaud, 2013; http://nahdetelmahrous.org)

2. INJAZ, which promotes entrepreneurial education, trainings and skill development through its workshops. It helps introduce the culture of
entrepreneurship into schools and universities across Egypt. They run start-up competition to stimulate the experience among young students and integrate into their systems the importance and merits of entrepreneurship. Such competitions are performed under partnership between INJAZ and the Ministry of high education and the private sector. (Abbas, 2017; Jochaud 2013). INJAZ is known to provide seed funding to promising start-ups who show the passion and have proved their skills in return for a 10%-15% share in the enterprise (Ahmad & Abdel-Aziz, 2015; World Bank, 2007; MoF, 2007; Jochaud, 2013; injaz.org.jo/).

3. Endeavor, which creates special advisory boards to help their entrepreneurs with mentorship and the needed training. Member entrepreneurs receive the needed training as long as they remain in the Endeavor network (Ahmad & Abdel-Aziz, 2015; Jochaud, 2013; endeavoreg.org/)

4. Other accelerators and incubators include Flat6labs and Venture lab. They provide support to newly established start-ups (Ahmad & Abdel-Aziz, 2015). Both institutions provide entrepreneurs with the necessary training in the field. They offer them specialized training to help them register their businesses, finish their legal requirements and establish themselves in the market (Jochaud, 2013; Cusmano, 2016). In addition, they expose them to a wider platform of potential future investors (Ahmad & Abdel-Aziz, 2015). They launch events where presentations are made to investors for an opportunity for youth to find funding. Flat6labs offers seed funding to its entrepreneurs in exchange for equity, while venture labs offer a grant that reaches a maximum of EGP 20,000 (Jochaud, 2013; https://www.venturelab.org/; www.flat6labs.com/). The report by Creative
Associates International (2014), explains that entrepreneurs receive business development services, entrepreneurship education, trainings, and services that help them to better accommodate their needs. They are assisted in developing a feasibility study, given training on needed documents for registering, equipped with proper management style and given a platform of network that can support their enterprise (World Bank, 2007; MoF, 2007; Ahmad & Abdel-Aziz, 2015).

These organizations offer financial and non-financial services to their entrepreneurs. However, they are criticized for the limited number of accepted applicants yearly. The limited capacity confines the benefit of the extensive trained offered to only few participants. (Jochaud, 2013). In addition, only few organizations have created a youth component into their programs. Of these in initiatives only 18% were found to focus on youth or integrate youth in their interventions (Jochaud, 2013). Hence, the probability of youth benefiting from such initiatives diminishes since it is not accessible to all. Such organizations that created a youth program and provided either grants or funds in return of equity, include INJAZ and Nahdet el Mahrousa (Jochaud, 2013; Abbas, 2017).

Furthermore, intervention programs aimed at promoting the entrepreneurial mindset have substantially increased in Egypt (El Dahshan et al., 2012; Abbas, 2017; Jochaud, 2013; Schoof, 2006). According to Jochaud (2013), 16 different organizations were identified to have a component in them to promote entrepreneurial mindset. Moreover, a total of 31 interventions were initiated in order to introduce and incentive entrepreneurial culture in Egypt. These organizations include, but not limited to, INJAZ, Endeavor, Nahdet el Mahrousaa, Enacts Egypt from the civil society organizations;
Egyptian banking institute, international modernization center from the public sector, and the American University in Cairo.

3.5 Banking Sector Reforms

In the banking sector, reforms took place in order to ease out the process of loan disbursement to SMEs (Poldermans, 2011; Moukhtar, 2015; El-Said, Al-Said, & Zaki, 2014). By 2008, the Central Bank of Egypt launched its second phase of the reform plan which was directed towards restructuring the framework and efficiently enhancing the Egyptian banking sector (Poldermans, 2011). Such a reform was reflected in how the SMEs finance and banking systems were enhanced as well (Poldermans, 2011; Creative Associates International, 2014; El-Said, Al-Said, & Zaki, 2014). These reforms resulted in increasing the loan-deposit ratio to reach 54%, the average loans-GDP ratio to reach 49.4% and average deposits-GDP ratio to reach 90% which signifies an improvement compared to the case beforehand (El-Said, Al-Said, & Zaki, 2014).

Moreover, the Central Bank of Egypt (CBE) pushed for banks to offer loans to SMEs in return of several benefits including low reserve requirements (Poldermans, 2011; El Kabbani & Kalhoefer, 2011). Based on the European Bank report (2017), The Central Bank of Egypt subsidizes lending for banks in return of obliging them to provide EGP 200 billion in loans to SMEs with a 5% interest rate. According to the Central Bank of Egypt (2017), an initiative was launched in support of the sector aiming at providing 200 billion EGP in loans to SMEs with interest rates as low as 5%. The CBE plan of enhancing the SME sector includes making the loan sizes increase to 20% of the total loan portfolio by
2019. The expected result is the creation of over 4 million job opportunities in the coming four years (CBE, 2017).

Hence, as a result of the initiative by the CBE, several banks provided a specific SME component in their loan provisions. They provide loans to SMEs in more favorable conditions in hopes to ease out youths’ financial restraints. These banks include the National Bank of Egypt which injected 8.5 billion EGP within the CBE initiative at an interest rate of 5% to SMEs, Housing and Development Bank which specialized 1.2 billion EGP representing 12% of the total bank loan portfolio, and the United Bank which injected 1.2 billion EGP representing 14% of its total credit portfolio. These banks are expecting to increase their activity to provide 20% of their total credit loan portfolio to SMEs by 2019 in order to be in line with the CBE initiative. Other banks that have taken the initiative include the Banque Misr, the Alex Bank, the Suez Canal Bank, and the HSBC (CBE, 2017).

In addition to offering incentives to banks that incorporate SMEs initiative to their portfolio, the CBE has provided training services to banks to better accommodate them into dealing with SMEs. According to a report by the European Bank (2017), in corporation with the Egyptian Banking Institute, training workshops for Egyptian banks were prepared where several topics were covered including SME risk management. Poldermans (2011) notes that the Central Bank of Egypt (CBE) is continuously trying to update its database to provide necessary knowledge and information on current SME profiles available in Egypt.

3.6 Non-banking Equity Financing

According to the report by Creative Associates International (2014), reform plans in the non-banking financial institutional sector has increased their outreach and
availability to youth. Hence, another source of financing that has gained popularity recently in Egypt is equity financing through venture capital or angel investment (Cusmano, 2016; Ahmad & Abdel-Aziz, 2015; El Kabbani & Kalhoefer, 2011).

Through private equity, wealthy individuals and investors participate in a high risk entrepreneurial activity with expectations of a higher rate of return (Schoof, 2006). Scholars agree that private equity investments are less risky than the stock market given that, “…trading doesn't have an impact on the asset class, as assets are held until maturity and valued on the basis of corporate fundamental rather than depending on market fluctuations.” (Cusmano, 2016, p.74) Hence, it is a more secured movement from investors that provides a possibility for a high return (Cusmano, 2016; El Kabbani & Kalhoefer, 2011).

As explained by Cusmano (2016, p.74), “…includes a broad range of external financing instruments, whereby the enterprise obtains funds from private sources in exchange for an ownership stake of the firm.” the investment is usually made through a period of 3-10 years and investors profit by exiting. They usually sell their shares, “through and IPO, a trade or buyback by other shareholders once the firm has increased its share value.” Venture capital is an equity investing approaching businesses in their early stage of growth. The funds from a venture capital are usually run by partners who chip in and invest as a group in a portfolio of companies with a high growth potential. Hence, they are interested a small pool of high growth potential companies that show the capacity of fast and growing returns (Cusmano, 2016). Venture capital firms in Egypt include Alfi and Sawari ventures. These venture capitals usually provide technical and managerial expertise along with the fund. Hence, entrepreneurs are usually supported with leading experts and given information on key
management planning strategies (El Kabbani & Kalhoefer, 2011). Thus, entrepreneurs, especially youth, seek venture capitalist for their expertise, contacts, networks and reputation. Even after exiting, attaching their name to a well-known venture capitalist adds to entrepreneurs’ trustworthiness and overall reputation (Cusmano, 2016).

Angel investors, on the other hand, are individuals, usually with a background in entrepreneurship, who invest their own money directly in return for stock in the companies they are interested in. Angel investors in Egypt include Cairo Angels, and KI Angels. After assuming profits, they usually exit by disposing their shares and re-investing their gains into new companies. Angel investors are known to finance business in their early stages of development, unlike venture capitalists who are more prone to finance later stages. Hence, angel investors are seen to provide the vital kick-start for youths wishing to begin their businesses (Cusmano, 2016). Moreover, since venture capitals are tied to gaining resorts for their investors, they are more likely to be strict when choosing what to invest in. They are more selective and concentrate on sectors that acquires greater returns in short periods of time. Angel investors are more flexible, taking decision based on intuition and experience, which broadens the portfolio and provides youth with enormous opportunities (Creative Associates International (2014; Cusmano, 2016).

Laws were initiated in order to incentive venture capital firms into expanding their workforce. Through granting venture capital firms tax redemptions, the government has hoped to increase their presence in the economy. Thus, by 2012 Egypt’s global ranking in terms of venture capital index reached 56th from 67th in 2009 (Creative Associates International, 2014).
3.7 Entrepreneurial Education

In order to promote entrepreneurship education, a number of initiatives were launched and implemented in Egypt. Under the 141/2004 Law, the SFD is entrusted with the full responsibility of all related matters to SMEs, thus training and entrepreneurial education falls under their umbrella as well. Among its responsibilities lies the important of establishing training centers to qualify entrepreneurs and prepare them to grow in the market. Such trainings give entrepreneurs the needed strategies, support, services and skills needed to manage their SMEs (Masri et al., 2010; MoF, 2007).

Moreover, the SFD has agreements with more than 800 NGOs that offer entrepreneurship education and training (Ahmad & Abdel-Aziz, 2015; Masri et al., 2010). Other partners in the public sector include Ministry of Production, and International Modernization Center. Such organizations include a component of youth in order to offer their services to your entrepreneurs who are willing to learn and develop (Jochaud, 2013). In 2009, a project named entrepreneurship Education in the Arab states was started by the UNESCO and UNEVOC International Centre for Technical and Vocational Education and Training-Bonn and the UNESCO Regional Bureau (Hamed, 2016). Moreover, Egypt jointly with the OECD and the EU launched another program to promote SME development and give the necessary entrepreneurial education. (Creative Associates International, 2014; Hamed, 2016; Jochaud, 2013).

In addition, few universities have integrated an entrepreneurial component to their educational system. Among them are the American University in Cairo, the Cairo University (CU), and the Nile University (Hamed, 2016). The AUC established the
Entrepreneurship and innovation program in 2010 along with an incubator, mentioned above, known as the Venture Lab. The aim of AUC’s venture lab is to help support and stimulate the growth of start-ups in the market. This was done through enabling entrepreneurs to develop in a variety of fields and give them the needed training, support, knowledge that is needed to develop (Abbas, 2017; Hamed, 2016). They raise their awareness, give them needed training in entrepreneurship and provide them with entrepreneurship education, and give them the needed knowledge on innovation and implementation. Such activities are planned together with the cooperation of the Technology Innovation and entrepreneurship Center (TIEC) at the ministry of Communication and Information Technology (MCIT), the ministry of higher education in Egypt, the Social Fund for Development (SFD) and local businesses associates (Hamed, 2016; Jochaud, 2013).

The Cairo University, on the other hand, established a center for entrepreneurship and small and medium enterprises (CESMEs) management. According to Hamed (2016), the program aims at promoting entrepreneurship education at the three levels including undergraduate, postgraduate and professional levels. They give workshops, sessions and trainings on entrepreneurship and its main components. In addition, seven in-class awareness sessions on entrepreneurship where given to students of the faculty of Commerce along with six elective sessions and a compulsory session in the master’s level. Moreover, a project between FCCU and Aalto University School of Economics (AUSE) provides training programs for educators on technology, innovation, and entrepreneurship education in order to be able to successfully educate students. Hence, more than 260

Other sources of education and training include civil society organizations such as Aga khan foundation, INJAZ, and Nahdet el Mahrous or incubators and accelerators such as Venture Lab and Flat6labs respectively. In such circumstances, entrepreneurs receive training sessions, educational classes, talks with professional in the field, and advisory services (Jochaud, 2013).

When examining the case of Egypt, results show that the system dramatically lacks the needed entrepreneurship education. The GEM study has shown that lacking the entrepreneurial orientation and training in the educational system is a major obstacle facing entrepreneurial activity in Egypt (Kirby & Ibrahim, 2012). As discussed earlier, the GEM 2017 report presents how Egypt lags behind as it was ranked last, among all included countries, in the contribution of entrepreneurship in the educational system (Herrington & Kew, 2017). In addition, the first recommendation given by the National Expert’s panel was an immediate reform in the education system (Kirby & Ibrahim, 2011) Hence, despite being the most prominent tool that shapes the mindset of student, yet an entrepreneurial component remains missing in the Egyptian educational system (Abbas, 2017).

To conclude, the increased awareness towards entrepreneurship along with the government intention to enhance the entrepreneurial ability is coupled with serious challenges that halt progress. Either due to lack of coordination, transparency, or proper implementation of the policies such reform measures are not fully optimized in the society which hinder youths’ ability to reach their full potential. This study aims at identifying the
challenges facing youth entrepreneurs in order to shed light on areas of improvement that could lead to drastic changes in the entrepreneurial activity and economy respectively.

Thus, exploring the Egyptian entrepreneurship ecosystem reveals the limitations that hinder the possibility of a healthy and prosperous entrepreneurial environment (Abbas, 2017). Ahmad and Abdel-Aziz (2015) in their study identified 13 barriers to entrepreneurship in Egypt some of which include financial capital, bureaucracy, business information, lack of transparency, inadequate infrastructure, change of regulations, lack of qualifications, cultural norms against risk taking, and bankruptcy issues. Others explain that despite having many initiatives promoting entrepreneurship, the lack of organization, coordination and transparency negatively affects their impact. It decreases the necessary supply needed to promote a healthy entrepreneurial environment (Abbas, 2017). Moreover, initiatives that offer duplication in tasks become inefficient since they prevent specialization (El Dahshan, Tolba, & Badreldin, 2012).
Chapter 3: Conceptual Framework

2.1 Entrepreneurship Ecosystem

Its ability to secure jobs, promote innovation, address local problems in the society, and create an added value has made entrepreneurship a vital aspect in the Egyptian economy. Based on this proposed definition and its importance, entrepreneurship has become like an ecosystem (Abbas, 2017). Entrepreneurs can be seen as living creatures that grow when supported and nurtured by their environment and surrounding - *The Ecosystem* (Wang, Walker & Redmond, 2007; Ahmad & Abdel-Aziz, 2015; Abbas, 2017; Jochaud, 2013). While some entrepreneurs possess the entrepreneurial qualities naturally, others learn to acquire such skills when the surrounding environmental conditions support them. Hence, the environmental conditions highly influence and impact the development of entrepreneurs and their capabilities (Abbas, 2017).

According to Ahmad & Abdel-Aziz (2015, p.19), the OECD defines the entrepreneurial ecosystem as, “...a set of interconnected entrepreneurial actors...entrepreneurial organizations (e.g. firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes (e.g. the business birth rate, numbers of high growth firms, levels of ‘blockbuster entrepreneurship’, number of serial entrepreneurs) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment.”
Isenberg (2011) explains that in the entrepreneurship context many elements interact with one another and influence the entrepreneur’s activity. Welter (2011), explains a broad framework named “institutional framework” that encompasses the different elements of the entrepreneurial ecosystem. This framework accounts for two main concepts known as the legal institution and the non-legal institution. These two concepts highlight the limitations in entrepreneurial ecosystem which reflect the challenges facing youth entrepreneurs. The below Figure 1.1 shows the Entrepreneurial Ecosystem and its composition.

**Figure 1.1**
Entrepreneurial Ecosystem Diagram

Source: Author’s compilation based on Ahmad & Abdel-Aziz, 2015; Hattab, 2014; Abbas, 2017.
A. The Legal Institutions

The legal institution as a concept is the rule of the game that formally governs youths’ activities in the market (Welter, 2011). It includes the rules and regulations set forth by the government towards entrepreneurship. It also includes the accessibility of funding which allows youth to implement their ideas in the market. It also embraces the education and training offered to entrepreneurs that helps them develop the necessary skills and receive the needed support to enter the market. In addition, it incorporates the necessary infrastructure that helps youths implement their ideas successfully. From these, one crucial concept arises that directly influence youths’ involvement in entrepreneurship. The concept of “laws and regulations” explains the way by which the government whether creates or restricts the environment available for youth entrepreneurs to grow and develop. Constructive and well prepared “laws and regulations” open the opportunity for youth to further expand and demonstrate their capabilities (OECD, 2012).

Moreover, the concepts of transparency, accountability, and equal opportunity are underlined through “laws and regulations” (Welter, 2011). Once the laws and regulations are adequately set, they ensure the existence of accountability and transparency in executing papers, and a proper monitoring and evaluation when implementing. In addition, equal opportunity ensures that all individuals receive the needed support, training and services to enter the market without nepotism, racism, or bias. Hence, “laws and regulations” encompass a set of sub-categorical concepts that are crucial in order to safeguard an encouraging and positive environment for youth entrepreneurs to grow and nourish (Welter, 2011).
B. The Non-Legal Institutions

The non-legal institution explains the norms of a certain culture that shape the attitudes and perceptions towards entrepreneurship (Welter, 2011). The idea of entrepreneurship cannot be studied without hammering on the societal viewpoint especially that one’s culture is integrated in every activity (Egypt Network for Integrated Development, 2016). Under “cultural norms” the concepts of societal support and entrepreneurial intentions, arise, which greatly influence youths’ involvement in the market (Welter, 2011; Schoof, 2006; El Dahshan et al., 2012; Ahmad & Abdel-Aziz, 2015; Masri et al., 2010). Under these concepts is family support which concludes that youth who are nurtured and morally sustained by their families are better encouraged to enter the market and take risks (Schoof, 2006; Kirby & Ibrahim, 2012). In Egypt, specifically, the culture of a bonded family constitutes a strong driving force that governs youths’ activity (Egypt Network for Integrated Development, 2014). Another element that affects both concepts is the ability to take risk which incorporates youths’ ability to understand the importance of failure as part of the learning process. Hence, entrepreneurial intentions and societal support are influenced by those factors which determine youth intentions, motivation, and ability to function and develop in the market (Masri et al., 2010).
Chapter 4: Literature Review

Research on youth entrepreneurship has been growing the past few years, with a focus on challenges that hinder youth’s development. The literature review has shown five important research areas. First, youth entrepreneurs have problems accessing the necessary capital in order to start their SMEs in Egypt. Second, the legal framework governing youths’ enterprises forms a major obstacle to the development and growth of their SMEs. Third, scholars present various arguments when assessing the correlation between infrastructure levels and enterprise development in Egypt. Fourth, poor entrepreneurship education and the inadequate provision of entrepreneurship training negatively affect entrepreneurial activity among youths. Lastly, cultural barriers against entrepreneurship influence youths’ intentions and ability to start their SMEs. The following sections will address the literature to shed light on different arguments.

4.1 Lack of Finance

Scholars agree that an efficient financial system is a crucial aspect in the progress of any economy. It plays a huge role in contributing to the development and growth of a country’s economy (World Bank & Nasr, 2007). Thus, the lack of a structured financial system along with the lack of funding is considered to be one of the biggest and ongoing struggles facing youth entrepreneurs when starting SMEs in Egypt (Rupeika-Apoga & Danovi, 2015; Schoof, 2006; Fouad, 2013; El Kabbani & Kalhoefer, 2011; Chigunta, 2002; Dominicé & Julia, 2013). Despite the many options offering financing solutions, however, such solutions are believed to be either short-termed, underdeveloped, unorganized, non-comprehensive or not reflecting the actual needed cash flow (Rupeika-Apoga & Danovi,
A well-developed financial system entails a coherent and effective portfolio of well-functioning banking and non-banking financial institutions (Dominicé & Julia, 2013). However, a report by the World Bank (2007) has shown that the financial institutions in Egypt remain underdeveloped. Moreover, scholars argue that the lack of a unified financial strategy that targets SMEs and youth enhancement in Egypt is a main obstacle that hinders their growth and development. Even when laws offering youth favorable SME financing solutions are enacted, the lack of a clear organizational plan deems the whole process ineffective and inefficient (Jochaud, 2013). The following section will cover financing challenges facing youth entrepreneurs.

A. Banking

Generally, banks prefer lending to large corporates that are considered less risky and trustworthy given their previous experience, stability, structured business plan, record of profit and huge presence in the market (El-Said, Al-Said, & Zaki, 2014). While on the other hand, government initiatives and international community programs are always believed to target micro businesses (El-Said, Al-Said & Zaki, 2014; El-Said, 2010). Hence, SMEs represent the “missing middle” where youth owners are left with few financing solutions. Such a gap is exacerbated by the fact that while SMEs take over a huge share of the economy; they still contribute minimally to the economy’s GDP. (Dominicé & Julia, 2013; El-Said et al., 2014) Thus, lack of funding faced by youth in their SMEs remains a pressing struggle.
One strand of literature focuses on the outdated methods used when approaching early stage SMEs which make the lending process complicated and inefficient (Chiguanta, 2002). As explained by Poldermans (2011, p.17), “Many Banks are using an old school mind-set in their management of SME banking - a mind-set that is steeped in Credit culture typical of corporate banking, and that avoids change.” In addition, lack of experienced SME consultants who share a unified and charismatic vision leaves the industry underdeveloped and limited in scope and effectiveness (Poldermans, 2011). This is because loans are revised by personnel who lack the needed experience to evaluate SMEs conditions and scope of action (El Kabbani & Kalhoefer, 2011). Hence, the financial institution itself hinders youth’s ability to access their financial needs.

A study in 2014 found that 53% SMEs do not deal with banks while 77% do not receive any facilities form banks (El-Said, Al-Said, & Zaki, 2014). Another study by Poldermans (2011) found that while more than 15 banks in Egypt worked with SMEs, yet “…they are not reaching the real SMEs, nor are they providing a wide banking service.” (Poldermans, 2011). Banks usually work with upper-end small and medium sized businesses that could be considered mid-caps. Hence, even with government initiates the rates of SMEs reaching out to banks remain minimal.

Saif (2011) argues that banks’ initiatives and policies go to waste for several reasons. First, banks lack the initiative to change their system which is reflected in how reluctant they are to implement such policies. As mentioned in a report by Creative Associates International (2014, p.14), “…incentives for banks to build SME portfolios are still weak (high cost, high risk, lack of innovation in products and services)” Hence, the underdevelopment of the SME sector in banks leaves youths unable to reach such
programs. Even under programs specified for SMEs, youth are still required to present documents out of their reach (Saif, 2011; Schoof, 2006; & Creative Associates International, 2014).

Second, scholars argue that banks offer SMEs standardized financing options that does not always fit with youth’s mindset and future plans. Few banks offer tailored services that are executed according to each SME preferences and needs (Schoof, 2006 & Chiguanta, 2002). The rigid schemes of lending force youth to follow certain paths that are not compatible with their vision and need. Thus, youth believe that most of their needs are not available due to the lack of diversity in the products made available by banks (El-Said, 2010 & Schoof, 2006).

Another strand of literature focuses on the high risk associated with such loans (El-Said, 2010; Schoof, 2006; & Chiguanta, 2002). Accessing loans from banks requires some procedures that youth find difficult to meet and complete. Their inability to provide self-sustaining resources, their lack of a complete comprehensive feasibility and business study, the absence of credit history or collaterals to secure their loans all hinders their ability to approach banks (Schoof, 2006). Given their limited knowledge and experience in entrepreneurship, youth are asked to complete documents that exceed their growth potential and know-how (El-Said, 2010).

Besides the cumbersome and complicated statements required, the high interest rates divert youths away as well (El-Said, 2010). Youth are faced with a disadvantage given their young age and the unavailability of sufficient credit history, collaterals, or experience to back up their business plan and needed finances (El Kabbani & Kalhoefer, 2011 &
Poldermans, 2011). Their young age and poor database disfavors their position as they apply for loans making them unfavorable for banks. (Chiguanta, 2002; Cusmano, 2016 & Dominicé & Julia, 2013) According to a study performed by the World Bank (2007), the unfavorable lending terms, especially collateral requirements that reach an approximation of 123% of the loan value, are a major turn off to youths who have little to offer in exchange of the fund. The inefficient lending without proper management of costs and risks disables youth from approaching bank loans (Creative Associates International, 2014).

Another problem faced by youth who seek financial assistant from banks is the long waiting periods. (Schoof, 2006; Kandil, 2012; ICD, 2014) Youth are required to present documents from various official offices that are considered time wasting and hectic given the high levels of bureaucracy. In addition, the bank decision to finance may take up to five months in some cases which hinders youths’ ability to start their businesses right away (El Kabbani & Kalhoefer, 2011). Hence, youths prefer financing options that could be made available right away (Schoof, 2006).

On the other hand, banks find youths and their SMEs to be less stable given their unavailable records and unclear information which are viewed to be risky. Incomplete business documents such as licenses, financial statements, registration permits, and the lack of a projection of future cash flows dooms SMEs as unattractive to banks (Rupeika-Apoga & Danovi, 2015; Chiguanta, 2002; Ahmad & Abdel-Aziz, 2015; El-Said, 2010). While banks try to guarantee their rights, youth fail to provide the necessary documents given their early phase of development. Hence, banks perceive youth to be unstable and risky which constraints youths’ ability to access bank loans.
Thus, lack of banks interest, unavailability of needed documentation, high interest rates and high risk along with the paperwork and long waiting time are all obstacles that hinder youth from accessing loans through banks (Kandil, 2012). Youth seek other financing options that would provide faster loans under lenient conditions without presenting a high risk in case of adversity (Dominicé & Julia, 2013).

B. Private Equity

The literature shows that an important non-banking financial assistance solution includes depending on investors (Dominicé & Julia, 2013; Rupeika-Apoga & Danovi, 2015; El-Said, 2010; El Kabbani & Kalhoefer, 2011). Youth usually seek investors through developing partnerships in order to be able to implement their ideas (Dominicé & Julia, 2013). Such non-banking financial institutions are believed to provide youths with the needed cash flow with less restrictive terms, lower risk and easier conditions (Rupeika-Apoga & Danovi, 2015; El-Said, 2010; Kandil, 2012).

Despite its various advantages, some scholars explain that youth seeking investors stumble across some obstacles in the process of accessing finance. Scholars believe that venture capital is equity investment that is supposedly sourced in the early stages (Creative Associates International, 2014). However, in reality the majority of venture capital firms intervene later when the investment has already partially established itself in the market (Cusmano, 2016; Ahmad & Abdel-Aziz, 2015). Given the high risk involved, investors usually expect entrepreneurs to have complete feasibility studies, valuation, business plans and marketing schemes prepared. Hence, “venture capital targets a small pool of high-growth potential companies with the capacity for high returns in a relatively short time
frame.” (Cusmano, 2016, p.79). The selectiveness of potential investors makes it harder for youths to find opportunities and finance their businesses (Jochaud, 2013; Ahmad & Abdel-Aziz, 2015).

Moreover, the high rate of return expected from SMEs forms a limitation to the entrepreneurs who seek profit and growth (Ahmad & Abdel-Aziz, 2015). Venture capitalists are known to require a high share of the business, given their investment, which disadvantages the youth since it decreases their profit margin (Jochaud, 2013). As a result, this makes youth reluctant to give up equity despite urgently needing financing options (El Kabbani & Kalhoefer, 2011; Creative Associates International, 2014). Furthermore, since they share equity, venture capitalists usually exert their control in the business which leaves the entrepreneurs with a limited capacity to implement their own plans (El Kabbani & Kalhoefer, 2011). Thus, venture capitalists, might “…exercise strong control on the management and even drive or impose changes in top management.” (Cusmano, 2016, p.78).

In addition, driven by high growth rates, venture capitalist and angel investors seek specific sectors such as technology. This as a result limits the pool for entrepreneurs who are left with lack of funds despite having good ideas in different sectors (Cusmano, 2016; El Kabbani & Kalhoefer, 2011; El-Said, 2010). Scholars argue that only few entrepreneurs would be able to acquire investors and reach agreements with them. Thus, it is believed that, “…only a handful of these entrepreneurs who are ready for investment from a major venture capital firm have reached the growth state that would qualify them for financing.” (Creative Associates International, 2014, p.28). Finally, the literature explains that investors are believed to be limited in number and occupancy. Hence, only a handful
number of entrepreneurs would be able to receive the needed funds given their underdevelopment in Egyptian market. (El Kabbani & Kalhoefer, 2011; Jochaud, 2013; Cusmano, 2016).

C. Non-Banking

Another financing option is through NGOs, government initiatives, competitions, incubators and accelerators. As mentioned earlier, NGOs, accelerators and incubators such as INJAZ, endeavor, and flat6labs respectively are business service providers that help young entrepreneurs grow their early stage businesses and develop their ideas through mentoring and training cycles (Jochaud, 2013). Moreover, some incubators provide entrepreneurs with funds at the end of each cycle either with a share of equity or without. The Technology Innovation and Entrepreneurship Center and the Social Fund for Development (SFD) are the main government-led incubators (Jochaud, 2013; El-Said, 2010; World Bank & Nasr, 2007). Such incubators provide entrepreneurs with the needed training and awareness to compete in the market accompanied with funding to help them start their SMEs (El-Said, 2010). NGOs and governmental programs give loans at very low interest rates or at some cases provide grants to SME owners which greatly supports their business. In addition, the SFD provides tax benefits to beginners which advantages their status and pushes them forward (World Bank & Nasr, 2007).

Despite their great support, yet such organizations are criticized for their limited participation and acceptance number. Such organizations have cycles or training programs that accept certain entrepreneurs with specific requirements which limits the pool for youth seeking recognition. Moreover, most tracks seek entrepreneurs with an established
business. Such organizations expect that youth to provide a well thought of feasibility plan or at least a year of experience in the market (Jochaud, 2013). Only few tracks accept entrepreneurs in their early stage, which signifies an obstacle to youth who lack all means of funding. The requirements to join such initiative usually exceed youth’s ability and know-how. Youth are unable to join, despite being in dire need of such trainings, because they do not fulfill the requirements. Hence, youth who have innovative ideas but are yet to implement it are excluded from participation (El-Said, 2010; Jochaud, 2013).

Few of such programs target youth specifically which minimizes their opportunities and limits their outreach (Chiguanta, 2002). A study performed by Jochaud (2013), found that other than banks, there are thirty-two governmental and non-governmental initiatives that were developed targeting financing entrepreneurs and enhancing their financial statements. However only 26% of such initiatives were particularly made to integrate youth and focus particularly on their needs (ibid.). Their failure to create a youth component in their programs have made such organizations inaccessible to the pool of youth available (Cusmano, 2016).

Moreover, support from such organizations is believed to be short-terms which does not guarantee sustainability of the business (Jochaud, 2013; El Kabbani & Kalhoefer, 2011). Hence, even though they might be beneficial to some, such organizations are considered a temporary quick fix with a limited outreach strategy (Jochaud, 2013). Organizations such as the SFD and the CGC, which are depended on grants, are considered to be unsustainable without government and donor cash flow. Hence, its continuity as a financing option is highly dependent on external factors that might shift at any point of time (World Bank & Nasr, 2007).
Studies focusing on governmental initiatives in Egypt note that only a few percentage of entrepreneurs join such programs given the lengthy processes and long period of waiting time (e.g. World Bank, 2007; Loewe, 2013). Having to wait for acceptance and the start of the program limits entrepreneurs seeking a quick implementation of their businesses. The SFD, specifically, is believed to be highly bureaucratic making the process of application lengthy and unguaranteed (Loewe, 2013).

Such organizations lack the needed accountability and organization which dooms their range of services insufficient and non-effective. Efforts are usually done without coordination between different offices which results in their duplication and disorganization. Moreover, the lack of a concrete vision shared by all stakeholders negatively affects how operations are handled in the organization (Mof, 2007; European Bank, 2017; Loewe, 2013). According to El Dahshan, Tolba, & Badreldin (2012, p.84), “…The main handicap of these organizations is the lack of coordination and the duplication in the tasks conducted, which is significantly inefficient and prevents specialization and scalability.”

Hence, the lack of organization, low acceptance rate, long waiting periods, limited reach and target, along with lack of youth components dooms such organizations as unfeasible and inaccessible (Jochaud 2013; El Kabbani & Kalhoefer, 2011). Scholars believe that given such circumstances and the limited reach to financing options have led youth to seek other informal sources of funding (Dominicé & Julia, 2013; El-Said, 2010; El Kabbani & Kalhoefer, 2011; Schoof, 2006). Such sources of funding might include savings, rotating credit associations (Gamaeyat), family and friends (Dominicé & Julia,
Youth perceive that such options provide the needed financing with flexible terms and better lending environment.

Informal lending presents a solution to the constant challenges faced by youth. It presents a safe platform through which youth can implement their ideas without fear of losing the money, equity, or going bankrupt. Moreover, the literature has shown that to guarantee a secured cash flow, youth tend to re-invest their profits along with other savings into the business (El Kabbani & Kalhoefer, 2011). Hence, to overcome long processes and complicated paperwork along with high risk financing solutions, youths opt for other sources such as informally borrowing (Creative Associates International, 2014).

4.2 Legal Framework

The literature extensively studies the legal framework associated with youth starting their SMEs. In that regards, scholars believe that the regulatory framework governing the process of opening a business in Egypt hinders entrepreneurs’ success and development. (Mof, 2007; World Bank & Nasr, 2007; Mansour, 2001; Schoof, 2006; Wienekte & Gries, 2011; Kandil, 2012; Saif, 2011; Creative Associates International, 2014).

Scholars explain that the administrative burdens faced by youth are enormous and affect their willingness and capability to open up their SMEs (Wieneke & Gries, 2011). Such burdens include, “…businesses registration, tax administration, obtaining investment approvals and business licenses, coping with copyright and patent regulations, competition law, access to work space and long-term leases, construction and building permits, customs clearances, utility hook-ups.” (Schoof, 2006, p.52).
A. Administrative Burdens

According to a report published by the Ministry of Finance (MoF) (2007), the process of opening a business requires 13 distinct procedures that take up to 43 days to complete. Youth are expected to visit over 5 different governmental offices to be able to finish their paperwork each requiring a different set of requirements and documents. In addition, youths are required to follow 18 different rules in a range of different governmental institutions to be able to register and issue their licenses. Such laws are often too complicated to comprehend by youth given their complex nature and references (Kandil, 2012; Schoof, 2006). Hence, the literature shows that the process of registering and finishing official papers is time consuming and requires a lot of effort which is believed to be unnecessary to youth (Mof, 2007).

Registration tasks are time and cost consuming for entrepreneurs especially youth who lack the needed experience in the market (Schoof, 2006). Moreover, the costs of opening up the business might exceed youths’ financial abilities (Wieneke & Gries, 2011; Kandil, 2012; Saif, 2011). According to Schoof (200), the cost of opening up a business in some cases might reach as high as over 13 times the annual income per capita. Loewe (2013), explains, “In addition to excessive amounts of time and money the main challenge of interactions with the state is the impossibility of assessing the true costs and outcomes.” The inefficiency in registering forms a challenge that hinders youth ability to smoothly open their businesses. SMEs are left insecure to the deficits in the rule of law (ibid).

Research has indicated that the lack of coordination between different government entities lengthens the duration of the process along with repeated visits to the same entities
due to unaccomplished takes, mistakes by employees, or extra needed papers that youth were not informed about (Makary, 2002). The lack of organization has a, “…a direct effect on lengthening the duration of the process and a more serious indirect effect on the lost productivity of the entrepreneurs.” (Makary, 2002, p.7). In addition to bureaucracy, a report by the MoF (2007) indicated excessive red tape as a major hinder to youth trying to establish their SMEs in the market.

On the other hand, scholars cite lack of transparency as a major obstacle facing youth (Mof, 2007; Mansour, 2001; El-Said et al., 2014; Saif, 2011). First, laws are not well established and known to all parties, as a result, confusion usually occurs between what youth know and what is actually needed. For example, according to a report published by the Ministry of Finance (2007), fees are not clearly posted on any widely accessible platform. Hence, youths find themselves paying additional processing fees that were not estimated in their budgets. The lack of a comprehensive and clear list of all rules and regulations governing SMEs hinders youth’s ability to understand the complete process and act in a planned manner. Loewe (2013), explains that SMEs specifically can be subjected to seriously hindering obstacles given the random application of the laws, prohibitions and restrictions. As explained youth, “…find the regulatory and institutional framework lacking transparency, inconsistent and inefficient, thus inhibiting further development, rather than acting as a mechanism for sustained growth.” (Mansour, 2001, p.7)

Another strand of literature focuses on the constant changes of the regulations that lead to lack of accountability and confusion (Schoof, 2006). As explained by Loewe (2013), “Especially for SMEs, the amount of quickly changing legislation creates legal
obscurity, while the overlapping responsibilities and competences of various authorities create ambiguities in bureaucratic regulations and sometimes lead to unexpected decisions.” The process of following up with the law that mandates how SMEs are managed is complicated and the information is dispersed among several governmental offices. Hence, it requires a lot of time, effort and experience that not all youth have the ability to perform (Schoof, 2006; El-Said et al., 2014; Saif, 2011; Makary 2002). As explained by Schoof (2006), the regulations in Egypt change constantly which result in, “…reducing young entrepreneurs’ planning reliability and putting their business at risk.” (ibid).

Organization such as incubators, accelerators, NGOs and other governmental programs do offer trainings to help youth register and finish the necessary paperwork. However, scholars argue that such organizations are too difficult to enroll into and serve a few number of entrepreneurs annually (Creative Associates International, 2014; Jochaud, 2013; Fouad, 2013). Hence, the problem persists and disadvantages the majority of youth who are trying to enter the market. Moreover, such organizations work without a nationally clear unified strategy which adds to the lack of coordination in the system and leads to duplications and repetitive trainings. Thus, the majority of youth are left to a system governed by lack of coordination and a unified strategy (Mansour, 2001; Makary, 2002; Jochaud, 2013).

B. Tax Administration

Another strand of literature focuses on taxes when exploring the legal framework youth operate in. Scholars explain that the high tax rates hampers youth from providing the
needed capital to start their businesses (Creative Associates International, 2014; Schoof, 2006; Saif, 2011; El-Said et al., 2014). High taxation halts youth from injecting the needed capital which, as a result, risks the sustainability of their business (Schoof, 2006; El-Said et al., 2014). Despite having tax reliefs from organizations such as the SFD, yet access to them is difficult and time consuming given the cumbersome paperwork and documents needed. Hence, tax relief and incentives require a long process that is not made accessible to all youth (Schoof, 2006).

Schoof (2006), explains that the problems of taxes and youth resides in the lack of experience and unavailable information. Since tax regulations are usually complex and require a complicated process to understand, youth become afraid something might go wrong. Hence, they are usually put off by the complex process that requires certain experience to understand (ibid). They are forced to hire accountants to assist them with tax administration to ensure their legal stance. However, they incur the cost burden despite their limited cash flow (Schoof, 2006; Mof, 2007).

On the other hand, Mansour (2011) explains that problems with taxes arise because small entrepreneurs do not always keep clear and updated accounting records given their lack of experience and knowledge (Creative Associates International, 2014). As a result, government authorities usually accord them arbitrary taxations that doesn’t signify reality and does not reflect a fair proportion to their profit (Mansour, 2001). As a result, there is inconsistency in the application of taxes which adds to youth confusion and hardships. The unclear guidelines that govern the process along with the lack of youths’ knowledge and bureaucratic procedures lengthen the process (Mansour, 2001).
C. Bankruptcy

Furthermore, another important challenge explored in the literature is the handling of entrepreneurs’ finances. According to a report published by the World Bank (2007), the laws and regulations governing the financial positions of entrepreneurs remains a great obstacle facing youth. Thus, unreasonable and severe action against business failure, “…can greatly impact willingness of young entrepreneur to engage in business.” (Schoof, 2006, p.54). The literature focuses on three main legal constraints that hamper youth’s access to finance which include the law on secured transactions, bankruptcy procedures and settlement of disputes (World Bank & Nasr, 2007). The lack of transparency in each of these prospects leads to prolonged procedures before settlement which discourages youth from keeping their enterprises legal.

As explained by the World Bank Report (2007, p.49), “Legal, regulatory, and institutional barriers include the conflicting policies and measures adopted by the line ministries and governorates engaged in microfinance and the general absence of a common and shared understanding of the sector.” Thus, a lack of coordination and transparency between governmental officials hampers possible services offered to the entrepreneurs. The inconsistency in the implementation of laws along with the harsh judgments accorded to an entrepreneur leaves youth discouraged to legalize their status.

Given the weak system governing bankruptcy and the low proceedings that come from liquidation, lenders are usually discouraged to participate (World Bank & Nasr, 2007). First, the law governing bankruptcy can lead to the jailing of entrepreneurs which shapes on of their foremost challenges. The law convicts entrepreneurs instead of seeing
them as a separate entity which leads to harsh proceedings against them in case of bankruptcy (European Bank, 2017; Loewe, 2013). Second, despite its impartiality and independence, however, the court system in Egypt follows a highly bureaucratic system which results in delays of the procedures. In some cases, civil cases can take up to 5 years in court which makes it harder to collect debt and reach solutions. Hence, loan recovery procedures are lengthy and time consuming. The lengthy duration of court cases and cumbersome procedures discourages the use of court to resolve issues (European Bank, 2017; World Bank, 2007). Hence, the issues in the legal infrastructure are key contributors to the unavailability of financing options to entrepreneurs. The framework that governs insolvency, creditor rights and bankruptcy lack adequate structuring which forms an obstacle to youth and banks as well (European Bank Report, 2017). Thus, the complex procedures along with lack of transparency and accountability have led to increased illegal activity. The process of depending on liquidation only has shown to be exhausting, time consuming and not efficient given the high cost and few proceedings. Thus, difficulty to exit from the market due to long bureaucratic procedures and the status of bankruptcy makes it harder for youth to take a decision to start their SMEs or legally register them (Kandil, 2012; World Bank & Nasr, 2007; Saif, 2011).

D. Perception of Corruption

The literature explains corruption as one of the main challenges constraining a healthy business environment in Egypt. According to the European Bank report (2017), Egypt was ranked in the 88th place out of 168 countries when measuring corruption and transparency index in 2015. Corruption has been cited as a significant concern and an ongoing struggle to youth as they start their businesses.
Wieneke & Gries (2011), argue that youths are encouraged to pay bribes to get important paperwork done and finish the registration process smoothly. They pay bribes to finish otherwise burdensome tasks. In addition, another example of corruption could be seen in registering property since it takes a lot of time and is considered costly. According to Schoof (2006, p.54), the, “… long procedures are often associated with high levels of corruption and favoritism and red tape.” Thus, youths with the lack of experience in the market pay uncalled for bribes to accelerate the process and be able to star their businesses. Loewe (2013) explains that tax officials might ask for bribes to reduce the tax demands. Hence the persistence of corruption and the lack of a rule of law makes it hard for youth to interact in the market without proper networks (ibid).

One the other hand, Loewe (2013), explores the widespread concept of favoritism in Egypt. People with a network or good connections are able to access the market and reap benefits unlike others. Mansour (2001), explains that policy incentives and exemptions from income tax and customs duties are usually given to large corporates with high capital investment. Given their big name in the market and networks, such large organizations are able to ensure favorable conditions for their businesses. As a result, youth who are in dire need of such provisions and benefits are the least to receive them (Mansour, 2001; Wienek & Gries, 2011). Due to the lack of transparency and accountability, “…some entrepreneurs find that the same rules do not apply for everyone, as licenses with import permissions are illegally traded and personal connections can affect the application of relevant laws” (Mansour, 2001, p.9). As a result, youth can sometimes face charges to import certain items while having others exempted from such costs. The lack of accountability has resulted in
corruption and unequal implementation of the law on all parties (Makary, 2002; El-Said et al., 2014; Mansour, 2001).

Moreover, the poor of enforcement when it comes to trademark, copyright and patent laws massively affects how youth interact in the market (World Bank, 2007). Since they have little information on the laws governing such rights they usually lack the needed information to protect their businesses. Hence, according to Schoof (2006, p.54), they find themselves, “…caught in litigation with companies in the same sector or industry for copyright infringement.”

As a result, youth tend to seek the informal market where such problems are nonexistent and can be easily surpassed. As explained by Mansour (2001, p.8), “Such pressure on small firms has had the double effect of discouraging people from starting businesses, and encouraging existing formal activities to practice informal operations or underground activities in order to evade the increased tax pressure.” With their lack of capital, and complicated registration process youth opt for the black market where such limitations become obsolete and easier to deal with (Schoof, 2006). In addition, the existing inefficiency and unsupported institutional framework encourages youth to stay unregistered since it diminishes the potential gains of being formal (Mof, 2007; Wiencke & Gries, 2011; Mansour, 2001; Saif, 2011).

4.3 Infrastructure

According to the Doing Business report by the World Bank (2017), lack of proper infrastructure that would support youth entrepreneurs in opening their SMEs forms an obstacle that affects their capabilities and sustainability. Scholars argue that lack of
infrastructure is one of the challenges facing youth as they access the market in Egypt (GEM, 2017; Loewe, 2013). An efficient system would ensure the availability of a well-functioning infrastructure along with an effective regulatory system (GEM, 2017; Loayza & Odawara, 2010; European Bank, 2017; Loewe, 2013). A study by Loayza & Odawara (2010), explains that improvements in the infrastructure levels of a country are positively correlated to increase investments and entrepreneurial activity.

Despite the significance of infrastructure and the challenges around the issue, the literature in Egypt inadequately examines the challenge of infrastructure. Few studies have been done that shed light on the importance of infrastructure and the problems facing youth from such a perspective. Most of the literature focuses on the problem of industrial land acquisition which impedes youths’ ability to start their businesses (Loewe, 2013; El-Shobery, El-Iskandarani, Hegazy, 2010).

The lack of clear industrial laws has impeded the process and provision of a proper infrastructure system. Bureaucracy slows down the path to any achievement and the decision making process is unpredictable and constantly changing which only confuses entrepreneurs. Hence, the ineffective administration and policy uncertainty negatively affects the provision of any policies and their proper and efficient implementation (Loewe, 2013; European Bank, 2017). The lack of transparency as well affects accountability and assessment measure. Since the evaluation is done by the implementing agency, clear guidelines that govern the monitoring process are not made possible (Loewe, 2013). Along with these problems, is the favoring of some sectors over the others. Hence a discrimination between sectors become apparent where the textile, food-processing companies receive privileges over other fields (Loewe, 2013).
A. Land Acquisition

The literature also explores the lack of affordable land as a main challenge facing youth entrepreneurs in the market (European Bank, 2017). Finding the needed land along with reliable infrastructure becomes a continuous struggle especially to youth of young age with little experience (Loewe, 2013, Schoof, 2006). According to Loewe (2013), even available land is inaccessible to both young entrepreneurs and workers. Hence, it is explained that either the land unavailable due to lack of connections, too small for the business plan or too pricy for entrepreneurs planned budgets (European Bank, 2017). Hence, Loewe (2013, p.74) explains, “…there are no infrastructure or services such as reliable utilities, rapid access to highway or railway lines to transport heavy products, adequate industrial zone management and maintenance, etc.”

Despite various laws to govern the process of land acquisition and the initiation of several policies to provide lands to investors, yet such policies and efforts were not always successful given the ineffective administration and perceived corruption (Loewe, 2013). Corruption levels have highly hurdled entrepreneurs from achieving any progress. According to Loewe (2013), entrepreneurs in 2010 identified corruption as the first and most struggle relevant to them. Paying bribes to ensure the release of the necessary licenses, get electricity, land and other facilities has been identified to be the norm (Schoof, 2006; European Bank, 2017; MoF, 2007). Business documents and deals are finished under favoritism and unfair judgments based on connections and networks (Kandil, 2012; Saif, 2011). Hence, the multiple inefficiencies of policies targeting infrastructure enhancement in Egypt have affected their successful implementation (Loewe, 2013; Kandil, 2012).
Furthermore, the European Bank explains that licensing and land allocation are lengthy procedures that involve a lot of paperwork and bribes. Not only are land distributed according to connections and on the basis of favoritism. Additionally, the lack of coordination is excessive that two different entrepreneurs could receive the same land without management from the government (European Bank, 2017; Loewe, 2013). Hence, since both have legal claims towards the land, they are forced to settle their arguments in court which might take months given the bureaucracy and high centralization. As a result, accessing affordable land with reliable infrastructure represents one of the greatest challenges facing youth entrepreneurs.

In addition, the informal market plays an important role in adding to the challenge facing entrepreneurs (European Bank, 2017; Schoof, 2006; El Dahshan et al., 2012; Saif, 2011). While entrepreneurs are forced to go through a hassle to finish the needed paperwork, pay bribes, wait for a long time just to acquire the needed licenses, other entrepreneurs working in the informal market skip all these procedures and are able to run their businesses right away (European bank, 2017). Hence, competing with an unregistered and informal companies reduces entrepreneurs’ profit margin and incentive accordingly (Schoof, 2006; European Bank, 2017).

B. Transport, Energy and Water Infrastructure

According to a report by the European bank (2017), the problems of the transport, municipal and energy infrastructure in Egypt reside in the fact that they are run by the state with lack of market-based mechanisms to ensure proper pricing and delivery of the services. These sectors are highly centralized with high domination of the state which leads
to tariffs being continuously regulated below the cost recovery levels. Along with the gas transmission sector which is fully set-owned the electricity sector runs under a double subsidy program (Loewe, 2013; European Bank, 2017). Hence, such regulations are financially unsustainable which negatively affects the incentives for their efficient use and provision. As a result of the lack of incentive and financial sustainability, the quality of services are degraded as well (European Bank, 2017). Given the lack of financial means, such sectors suffer from maintenance and investments which leads to a deteriorating service being provided. According to a report by the ICD (2014), electrical outages are reported to last between 2-3 hours.

In addition to these sectors, the water sector has been suffering as well leading to a deteriorating quality of service. With the weak governance, inefficiency and underinvestment the water supply and treatment has been deteriorating causing leaks, inefficient pumping and poor quality (European Bank, 2017; El-Shobery et al., 2010; Loewe, 2013). Thus, the overall service provision is being affected and the result is a poor functioning system that doesn't offer the needed tools to create a successful entrepreneur (European bank, 2017).

Another challenge explored in the literature is the lack of coordination between different productions in the same sector. Hence, one production phase ultimately depends on complementary activities in the same sector to be able to work efficiently (European Bank, 2017; El-Shobery et al., 2010; Loewe, 2013). According to Loewe (2013, p.56), “…The sector cannot develop unless someone coordinates all relevant parties and possibly supplies the missing components…Egypt, however, has hardly made any tangible efforts of this sort.” Hence, the lack of coordination between different productions of the same sector.
sector leads to delays that halt entrepreneurs’ activities. For example, investment in power generation could only work if coupled with investment in the transmission of power to those who need it (Loewe, 2013). In Egypt, however, such coordination is not taken into consideration which delays the provision of electricity to all places effectively and as a result forms a challenge to entrepreneurs.

Furthermore, scholars explain that the lack of transparency and accountability has led to the poor quality of services. The transportation infrastructure for example, suffers great insufficiencies given the lack of monitoring. Roads are inadequately paved given the lack of accountability and monitoring which directly affect the quality of the services performed. Services are poorly administered which affects youths’ production facilities and ability to sustain their businesses. Along with poor services, the lack of transparency highly affects entrepreneurial activity. In addition, the World Bank Survey (2015) report shows that instability, uncertainty, corruption and the informal market highly affects the provision of the infrastructure which raises the concerns of entrepreneurs and discourages them (European Bank, 2017). Hence, a survey by the World Bank (2015) has shown that entrepreneurs explain that informal payments are made in order to receive electrical connections, construction permits and operating licenses. The number of entrepreneurs who had to pay bribes amounted for 40.9%, 32.3% and 65% respectively of those interviewed. (European bank, 2017). Thus, entrepreneurs are forced to pay bribes to access such services and when done they are provided in poor quality that doesn't efficiently meet their expectations or needs (Loewe, 2013; European bank, 2017).

On the other hand, another strand of literature explains that services provision is above the average when comparing Egypt to other countries. Despite suffering from limited
capacity and other pitfalls, yet the transportation infrastructure is believed to compare favorably with other developing countries (Loewe, 2013). Egypt’s port and railway infrastructure are believed to be if fair in quality; offering sufficient services to investors. In addition, Loayza & Odawara (2010), explain that when examining the case of Egypt, the overall level of infrastructure is considered acceptable and consistence with its level of economic development. Hence, Egypt is believed to perform better than other countries with the same per capita GDP (ibid).

As shown, the literature covering the level of infrastructure faces counter opinions. While some scholars believe that the electricity and water municipality suffer from centralization that hinder any process of improvement. In addition, they cite corruption and lack of transparency as major challenges facing the provision of a proper infrastructure in Egypt (European Bank, 2017; El-Shobery et al., 2010). While on the other hand, another strand of literature explains that the level of infrastructure in Egypt and its performance is considered acceptable given the level of income and economic development in the country (Loayza & Odawara, 2010).

To conclude, the rise in the administrative hurdles and burdens faced to issue licenses has given rise to the informal market. Many youths find that such procedures hamper their progress; as a result, they seek the informal market where such obstacles become obsolescent. Despite offering unequal opportunities and disadvantaging those seeking legalized action, yet staying informal prevents youth from facing the hurdles of registering and administering the difficult licenses and governmental processes (European Bank, 2017; Schoof, 2006; El Dahshan et al., 2012; Saif, 2011).
4.4 Weak Entrepreneurial Training

Generally, when exploring entrepreneurial education, the literature offers two main strands of arguments. The First one focuses on education given to students during their schooling years, starting from primary school to university (Fouad, 2013; De Saá-Pérez, Díaz-Díaz, & Ballesteros-Rodríguez, 2012). While on the other hand, the second strand of literature focuses on the necessary trainings and skill enhancements given to youth entrepreneur as they develop their SMEs in the market (Li, Zhao, & Liu, 2006; Shipton, Fay, West, & Patterson & Birdi, 2005; Lau & Ngo, 2004; Valle, 2004).

A. School Entrepreneurship Education

The literature has shown the importance of entrepreneurial education given at the school level to students in order to develop their mindsets and enhance their innovative skills (Hamed, 2016; Fouad, 2013; De Saá-Pérez et al., 2012; Wang, Walker, Redmond, 2007; Hattab, 2014). Lackéus (2015), explains that entrepreneurial education in schools can be grouped into three main categories. The first includes teaching “about” entrepreneurship which is based on the theoretical framework that explains the meaning of such a prodigy. The second is teaching “for” which focuses on giving beginner entrepreneurs the needed knowledge, support and skills. The third approach focuses on teaching “through” which includes the practical experience as a learning process (ibid). However, scholars explain that some constraints hinder the process of including entrepreneurship education into schools in such a way. These include, but not limited to, cost, educators’ effectiveness, curriculum efficiency, and assessment challenges (Lackéus, 2015; Hamed, 2016, De Saá-Pérez et al., 2012).
Worldwide, governments have realized the importance of education in enhancing enterprise culture and entrepreneur ability to grow and develop (Kirby & Ibrahim, 2011). Hence, in many countries a strong drive has emerged to promote enterprise education in schools and universities. This is due to a direction that regards entrepreneurship as a way of thinking and behavior. (Kirby & Ibrahim, 2011; Hamed, 2016; Lackéus, 2015) As a result, it’s believed that such a behavior could be enhanced and developed through the years. This necessitates the inclusion of entrepreneurship education in schools, at an early stage, in order to give all students, the equal chance to develop their entrepreneurial skills and recognize their abilities early on (Kirby & Ibrahim, 2011; Lackéus, 2015).

The fact that entrepreneurship education is important stems from the belief that its benefits go beyond creating new jobs and starting businesses (Kirby & Ibrahim, 2012). Rather, it helps develop the capabilities and competences of individuals which enhances their decision making processes and mindsets (Ahmad & Abdel-Aziz, 2015; Kirby & Ibrahim, 2012). Moreover, the OECD defines entrepreneurship education as all the activities that enriches the human mindset and skills along with enhancing their innovation, growth and attitude (Ahmad & Abdel-Aziz, 2015). Entrepreneurship education goes beyond some course learning in school; it affects the individual as a whole, and it causes changes in the mindset and character of the person leading to radical changes ((Kirby & Ibrahim, 2012; Ahmad & Abdel-Aziz, 2015).

According to Lackéus (2015), there are many similarities between entrepreneurial competencies and what is regarded as “non-cognitive factors” that are also important for the development of any human being. Such factors include social and learning skills, self-efficacy and determination. The similarities between non-cognitive factors and
entrepreneurial competencies show that education on entrepreneurship goes beyond teaching students on how a business works. Instead it helps develop the student himself; his personality and traits. It shapes students and develops their minds and behavior (Lackéus, 2015; Ahmad & Abdel-Aziz, 2015; Hamed, 2016; Kirby & Ibrahim, 2012).

A study performed by (Hattab, 2014), has showed that students who studied entrepreneurship presented higher levels of entrepreneurial intentions and displayed a high desire to start their own businesses than those who were never exposed to entrepreneurship education. Masri, Jemni, Al-Ghassani, & Badawi (2010), explain that non-entrepreneur Egyptians who never received any entrepreneurship education were less likely to believe that they have the know-how to start a business. Another study confirmed the above results by showing that engineering students exposed to entrepreneurship education displayed increased inclination towards entrepreneurial behavior more than those who never studied entrepreneurship (Hattab, 2014). The weak promotion of entrepreneurship education affects the numbers of Egyptians who would start their own businesses. (Masri et al., 2010).

This, as a result, confirms the belief, among many scholars, that entrepreneurship education affects the entrepreneurial intentions of individuals which as a consequence predominates its inclusion into the schooling system (Hamed, 2016; Hattab, 2014; Ahmad & Abdel-Aziz, 2015; Lackéus, 2015). When students are given more information about entrepreneurship, they are more inclined to better understand the concept and appreciate it. (Hattab, 2014). Hence, according to Hattab (2014, p.14), “…dedicated course in entrepreneurship reveals education has significant positive entrepreneurial outcomes: students’ intentions towards self-employment increases.” Such education gives students the confidence in their capabilities and skills to engage in entrepreneurial behavior (Lackéus, 2015; Hattab, 2014).
The literature explains that there are basic skills that must be taught in schools to instill and enhance the students’ entrepreneurial abilities. According to Hamed (2016), such basic skills could be divided into five categories including: technical skills, technological skills, management skills, entrepreneurial skills, and personal maturity skills. However, such skills aren't included in the education system in Egypt (Abbas, 2017; Hamed, 2016, Hattab 2014). The educational system in Egypt lack courses in, “…skill-building courses in negotiation, leadership, new product development, creative thinking, and exposure to technological innovation.” (Hamed, 2016, p.706)

Thus, the main problem facing the educational system in Egypt is its lack of entrepreneurial enhancement and capacity promotion (Kirby & Ibrahim, 2011). The system does not ensure the development of innovative students who are capable of seeing an opportunity and efficiently taking advantage of it (Kirby & Ibrahim, 2012). Such a problem is exacerbated by the lack of awareness among the academic community towards the importance of such a phenomenon (Kirby & Ibrahim, 2011; Hamed, 2016). Educators represent a major challenge to the development of entrepreneurship education in the schooling system, since most of them are not equipped with the right mindset to enhance entrepreneurial skills within students. Additionally, teachers in Egypt lack the necessary information about entrepreneurship that is needed to pass on to students (Hamed, 2016).

As explained by Kirby & Ibrahim (2011, p.184), “…Not only does entrepreneurship education require a different set of instructional skill-sets, but it is labor intensive and costly, and very different from the traditional approach to education and learning found in Egypt, but particularly in the country’s large state universities.” Hence, the lack of awareness, human resources and funding for this type of education forms an
obstacle to instilling entrepreneurship into the school curriculum (Kirby & Ibrahim, 2011; Wang et al., 2007; Hattab, 2014; Kirby & Ibrahim, 2012).

As a result, a total change of the educational paradigm is needed to see such a change in the entrepreneurship education levels among students (Kirby & Ibrahim, 2011). The traditional way of teaching, thus, becomes incompetent and irrelevant of the concept of entrepreneurship. A pragmatic change, into an entrepreneurial teaching way, becomes necessary in order to witness a change in the behavior of student and ensure their benefit (Lackéus, 2015). However, such an approach is difficult to achieve given the low levels of education Egypt is currently witnessing (Kirby & Ibrahim, 2011). In additions, the lack of organization and coordination in the educational system adds to the hurdles and makes implementation harder (Lackéus, 2015). The over-centralized system and superfluous control over the curriculum dooms it impossible to introduce a new program or induce change (Masri et al., 2010; Ahmad & Abdel-Aziz, 2015).

Furthermore, the scholars explain that the number of universities giving entrepreneurship education remains very low compared to the number of graduates Egypt witnesses each year. In such universities entrepreneurship courses are given to the school of business students only which as a result limits the benefit to a privileged group only (Hamed, 2016). A study by Abbas (2017), has found that more than 95% of higher education in Egypt is provided through public universities. Despite such a high percentage, a huge gap exists where entrepreneurship education is rarely incorporated in the curriculum. (Abbas, 2017). Hence, entrepreneurship education has a domain and scope of influence when it comes to education in Egypt which indirectly affects individuals’
mindsets and their likelihood of engaging in entrepreneurship (Hamed, 2016; Lackéus, 2015; Abbas, 2017).

B. Training Programs and Initiatives

Training is considered an important cornerstone and pillar in the success of any entrepreneur (De Saá-Pérez et al., 2012; Li, Zhao, & Liu, 2006; Shipton, Fay, West, & Patterson & Birdi, 2005; Lau & Ngo, 2004; Valle, 2004). Accessing any form of training is believed to support the entrepreneur as they embark on their joinery (Li et al., 2006).

Youth, specifically, are perceived in dire need of entrepreneurial training in order to gain self-confidence and find solutions to their re-occurring problems (De Saá-Pérez et al., 2012). In addition, training is believed to contribute to innovation and stimulating creativity which leads to a systematic and efficient decision making process (Ahmad & Abdel-Aziz, 2015). It helps youth incorporate new technologies and latest updates in order to ensure enhancement of skills and sustainability of their SMEs (De Saá-Pérez et al., 2012). Moreover, training in fields that entrepreneurs lack knowledge can help them develop their positions and skills and effectively combat their problems. It offers a platform through which youth can enhance their knowledge, draw from the experience of others, network with other entrepreneurs and professionals, and acquire better techniques to run their businesses. (De Saá-Pérez et al., 2012; Valle, 2004; Shipton et al., 2005; Lau & Ngo, 2004).

However, when assessing the availability of proper training facilities in Egypt, the literature cites a gap in their availability and accessibility. Hence, the lack of business information and training is one of the most challenges facing youth entrepreneur in Egypt.
(Ahmad & Abdel-Aziz, 2015; Masri et al., 2010; Jochaud, 2013). One of the major problems of SME training in Egypt is the lack of coherence which makes it unplanned and short-termed (De Saá-Pérez et al., 2012). Scholars argue that examining the status of entrepreneurship training in Egypt shows that the government has intentionally provided it through non-formal approach. This has resulted in a case where educational and training programs are being in the hands of non-formal educational institutions (whether public or private, or non-formal programs and NGOs) (Masri et al., 2010; De Saá-Pérez et al., 2012; Ahmad & Abdel-Aziz, 2015). In addition, as mentioned earlier, the SFD was entrusted with the responsibility of managing all that is related to SMEs in Egypt (Masri et al., 2010; MoF, 2007).

Despite shifting the main players, the training facilities in Egypt still face major drawbacks that dooms them inefficient (Masri et al., 2010). Ahmad & Abdel-Aziz (2015), explain that the SFD inaccurately directs its efforts away from SMEs due to corruption and lack of organization. Hence, the corruption in the system disables SMEs from reaching such trainings and benefiting from them. In addition, the lack of transparency and highly centralized system hinders youth ability to approach such organizations. Masr et al., (2010) adds that the problem of these organizations include, “…the lack of co-ordination, wasted resources when very similar educational programs are designed and implemented, and the absence of objective monitoring and evaluation mechanisms.” (Masri et al., 2010; MoF, 2007, Ahmad & Abdel-Aziz, 2015). Hence, as explained by a report published by the MoF (2007), these organizations lack a unified national strategy and vision that guides their paths and training programs. As a result, the lack of an inclusive policy that governs the system makes it hard to achieve positive results (Kirby & Ibrahim, 2013). The lack of
monitoring leads to inadequate performances, along with the lack of coordination and increased bureaucratic obstacles the problem becomes exacerbated and such programs are doomed inefficient (MoF, 2007; Mansour, 2001; Kandil, 2012; Chiguanta, 2002; Masr et al., 2010).

Other scholars argue that the lack of coordination stems from the nature of the sector itself. As explained by Macdonald, Assimakopoulos, & Anderson, 2007, p.78), the SMEs sector is believed to be, “…huge, scattered, volatile, diverse – together with the range of problems it faces, make any single, uniform intervention unlikely to be successful. Indeed, so vast is the sector that gauging any impact of government intervention is always likely to be problematic.” Hence, it is believed that the lack of a clear systematic solution and plan is the reason behind why all the initiatives do not result in the expected success.

Another major problem faced by youth in the training field is the lack of awareness among youth entrepreneurs. Despite the growing number of organizations and institutions offering trainings to youths, yet they remain unnoticed (Masri et al., 2010). Youth are usually unaware of the existence of such programs and training courses. This is mainly due to the inconsistent advertising that makes youth unaware of the recent initiatives and developments in the field (Mansour, 2001; Hamed, 2016). Thus, Schoof (2006, p.58) argues that, “…In many cases, they are either not aware of the variety of public (and private) business support services or simply confused over the service provision.”

Additionally, scholars explain that youth entrepreneurs believe that such trainings do not offer hands-on training, through particle experiences that can actually stimulate situations they face in their daily working life. The theoretical approach is perceived to be
outdated and mundane, not reflecting what happens in reality (Mansour, 2001). Such trainings are not tailored to fit the needs of youth which discourages them from participating (Schoof, 2006; Masri et al., 2010).

4.5 Entrepreneurship Culture

The importance of the entrepreneur culture is unprecedented and can never be ignored when establishing youth’s ability to develop and grow in that field (Schoof, 2006). As the culture influences humans’ perceptions, traits and behaviors, they similarly affect the entrepreneurial activity along with the entrepreneurial norms within a space (MoF, 2007; Schoof, 2006; Creative Associates International, 2014; Kirby & Ibrahim, 2012). Furthermore, it is explained that culture plays an important role in promoting risks, tolerating failures both of which are important aspects that encourage entrepreneurship (Abbas, 2017; Masri et al., 2010).

According to a definition, proposed by Gibb (1988), Schoof (2006, p.24), explains that enterprise culture can be defined as, “…set of attitudes, values and beliefs operating within a particular community or environment that lead to both “enterprising” behavior and aspiration towards self-employment.” Thus, the cultural attitudes towards entrepreneurship influence how it is perceived in any country or among a group of people. An environment which sees the merits of entrepreneurship and regards failure as a learning experience will have a higher appreciation towards entrepreneurial activity which translates into a significant increase in its value and presence in the economy (El Dahshan et al., 2012; Schoof 2006; Jochaud, 2013; Elyachar, 2002).
As a result, the literature shows that the societal attitudes and perceptions have an important role in developing the entrepreneurial culture, with the positive and negative perceptions affecting entrepreneurs and influencing their potential, success and existence (GEM, 2017; Jochaud, 2013; Kirby & Ibrahim, 2012). As mentioned before, GEM (2017) results have shown that entrepreneurial activity is widely accepted and respected among Egyptians. The literature on entrepreneurial culture suggests that entrepreneurship is positively regarded in Egypt. The literature has shown that youth are encouraged to start their business given the high prestige given to entrepreneurship in the country (GEM, 2017; Jochaud, 2013; Kirby & Ibrahim, 2012).

Despite the fact that entrepreneurship and entrepreneurial activity encounters an increased popularity in Egypt, yet this growing trend is hindered by serious challenges (Hattab, 2014; Ahmad & Abdel-Aziz, 2015). Since its contribution to economic growth can never be undervalued or missed, such challenges become important in order to successfully combat and solve them.

Despite the good reputation and the social legitimacy given to entrepreneurship, yet they still suffer certain cultural barriers that hinders their development. Some scholars believe that Egyptians still prefer the stability and security that comes with a waged job (Hattab, 2014; Ahmad & Abdel-Aziz, 2015; El Dahshan et al., 2012). Being self-employed raises the risks and does not ensure a steady income which puts the person’s life at stake all the time. Thus, given the unstable political and economic conditions, some Egyptians still prefer to have a waged job instead. A study by CAPMAS (2015) showed that 62% of the interviewees still prefer being wage workers in comparison to 12% who prefer being self-employed (Ahmad & Abdel-Aziz, 2015).
The fear of risk becomes further objectified when exploring youths’ opinions towards entrepreneurship. Studies have shown that with their little to no experience, Egyptian youth believe that taking such a decision to be self-employed in a young age might lead to wrong consequences on the long run. Their lack of promptness might lead to further problems they are unaware of. Hence, literature has shown that self-employment is believed to be appreciated more at later stages when youth have developed the needed skills and experience (Jochaud, 2013; Schoof, 2006).

A study by the Population Council (2012) has shown that Egyptian youth tend to prefer entrepreneurship later in life when they are financially and professionally established (Jochaud, 2013). This shows that while entrepreneurship is appreciated in the culture, yet fear of taking risks hurdles youth form exploring their potentials (Kirby & Ibrahim, 2011; Schoof, 2006; Jochaud, 2013). Youth entrepreneurship is still believed to be risky and unattainable given the instability that comes with self-employment (Kirby and Ibrahim, 2011). Hence, failing to address the possibility of risk and understanding that failure is part of the learning process makes entrepreneur reluctant to implement their ideas (El Dahshan et al., 2012). Abbas (2017), explains that students tend to prefer going to multinational companies for their stability, and lucrative image that is promoted by the local culture. Thus, according to a study by the Swedish Trade and Invest Council (2015), the resistance to booming an entrepreneur stems from the fear of instability of an income along with the risk associated with it.

Another important cultural barrier that faces youth is the fear of failure. According to the GEM study of 2017, result have shown that Egypt ranks 51 out of 64 when compared to countries measuring the fear of failure criteria. A report by Creative Associates
International (2014) discusses that the fear of failure is a stagnation element that discourages youth (Jochaud, 2013; Tshikuku, 2001; El Dahshan et al., 2012). According to the report (2014) failure is not regarded as part of the learning process, instead it is seen to be shameful and an indication of inadequacy. Not only is the fear of failure affected by cultural norms, but also by the regulations in a country. Thus, according to the GEM report of 2017, the legal ramifications of business failure strongly discourages youth and threatens their peace and freedom. Moreover, with the barriers in exiting and the pressure coming from problems associated with bankruptcy, youth fear failure since they regard it to be a total loss (Jochaud, 2013). Since the laws in Egypt harshly dismisses bankruptcy, youth are afraid that failing would worsen their situation and hair them. Hence, the cultural views on failure along with the harsh governmental laws worsen the problem. (Creative Associates International, 2014; Jochaud, 2013)

The available literature on Egypt has shown that parents and family members are usually more supportive of entrepreneurial activity only when they themselves are entrepreneurs. According to a Policy Brief published by the Egypt Network for Integrated Development (2014), parents show their approval when there is a family heritage of owning business, however parents who work in distinct fields raise their concerns regarding entrepreneurial activity. When compared to science majors such as medicine or engineering, entrepreneurship remains undervalued (Schoof, 2006). Hence, Schoof (2006, p.26), explains that “…overall family background seems to play a more important role in the entrepreneurial attitude of students than general culture variables associated with the country.” Having a role model, either a parent or a family member, plays an important role
in forming the mien-set and increases youths influence towards entrepreneurship (El Dahshan et al., 2012; Kirby & Ibrahim, 2011; Schoof, 2006).

A. Market Dominance

According to the OECD (2016), another cultural norm that hinders youth entrepreneurs in Egypt is, “…market dominance by a handful of powerful businessmen.” (Abbas, 2017, p.23). This as a result leads to unfair competitive practices and the domination of the market in the hands of a few powerful key players (Masri et al., 2010). As the big firms control the market, leaving no space for youth to join or prove themselves, youth become discouraged to participate (Ahmad & Abdel-Aziz, 2015; El Dahshan et al., 2012). Loewe (2013), explains that dominance over the market has led to major distortions in competition where new entrants could be unequivocally prevented from participation. According to the report published by The Swedish Trade and Invest Council (2014, p.11), “…ineffective antitrust laws and regulations do not stop major companies from keeping out new and small competition.” As big firms take over most of the economic activity and exert their efforts to ban outer interference the results are horrific to youth who are still in their early stages. Youth are either discouraged and lose their entrepreneurial spirit or they are forced into the informal market in order to secure profits given the extra burdening costs (Masri et al., 2010).

In addition to the unsupportive culture created by big firms, the regulatory framework remains insufficient which fails to secure a place for all firms to compete. According to a document released by the European Bank (2017, p.15), despite the presence of policies to ensure competition, however, “…the enforcement capabilities of the Egyptian
Competition Authority remain constrained by a lack of clarity over its jurisdiction, limited technical and budgetary resources and a reliance on courts which may not have the relevant competencies to assess competition cases.” The regulations remain unclear, overlapping and poorly implemented which causes many distortions and ruins the competitive edge in the market. (European bank, 2017; Masri et al., 2010; Schoof, 2006). In addition, with a lack of collaboration, youth often find themselves working against market tycoons without any mentorship or support (El Dahshan et al., 2012).

The entrepreneurial culture in Egypt supports entrepreneurship in general. However, some obstacles still hinder the ability of youth to successfully prove themselves in the market. Such challenges include the norm of market control by superpowers, fear of failure, fear of taking risks, and lack of education and support among non-entrepreneurial families.

B. Women Entrepreneurship

While there is general agreement in the literature regarding the increased significance of entrepreneurship in the Egyptian environment with rising attention to policies and initiatives; however such improvements remain gender-blind. According to the report by the Ministry of Finance (2007), Egyptian culture fails to take into consideration the different challenges faced by women given the socio-economic barriers they face. Hence, they fail to regard the distinct consequences and their effect on women entrepreneurship.

There are several initiatives designed to promote women entrepreneurship to help them overcome biases and obstacles in the Egyptian context (MoF, 2007; Jochaud, 2013).
These include the National Council for Women established in 2000 which focuses on women economic empowerment. The Women’s business Development Center (WBDC) at the National Council for Women which enhances economic empowerment to female entrepreneurs through providing one-stop-shops that assist women with necessary skills to operate their SMEs. According to a Policy Brief by the Egypt Network for Integrated Development (2014), such organizations support women through offering technical assistance, trainings, introductions on market technologies, and necessary assistance (Jochaud, 2013; MoF, 2007; El Dahshan et al., 2012).

Along with the national initiatives, other internal donors offer support to women entrepreneurs through financial and non-financial services. The Canadian International Agency (CIDA) has offered funding to the Women’s Fund Initiative (WFI) to support women enterprises. In addition, the American university in Egypt (AUC) offers the Women entrepreneurship and Leadership program (WEL) in a partnership with Wharton School of the University of Pennsylvania in efforts to enhance and develop women entrepreneurship through programs, activities, training schemes and networking actives (Ahmad & Abdel-Aziz, 2015; Jochaud, 2013; Abbas, 2017). The program has a full range of modules aimed at developing skills and capabilities of women in every area of building an enterprise (Jochaud, 2013).

Despite the various initiatives that support women entrepreneurship in Egypt, yet youth women entrepreneurs suffer from gender specific biases that need to be re-examined and treated. According to the Asian Development Bank (ADB) (2014), the gender perspective remains missing when identifying issues related to youth entrepreneurs despite its significance and prevalence in the society. As a result, youth female entrepreneurs still
face major obstacles that are both inadequately dealt with or represented in the formal SME sector (MoF, 2007).

According to a report by the Creative Associates International (2014), women participation in the rising entrepreneur’s ecosystem is considered lower than expected when compared to men. According to their study, the early-stage entrepreneurial activity rate for men reached 13% while that for women reached 2.4%. Moreover, 86% of early-stage entrepreneurs in Egypt are owned and led by men which showcases the limited channel for women to enter entrepreneurship in Egypt. While only 14% is represented by women in the early-stage entrepreneurial activity. (The Swedish Trade and Invest Council, 2015; Creative Associates International; 2014). The world Economic Forum in 2015 ranked Egypt the 136th of 145 countries in the study when examining the Gender Gap (European Bank, 2017).

One of the major drawbacks that women face is the socio-economic constraints against them building up their own enterprise. Women often find themselves ridiculed for wanting to open their own business (ADB, 2014). It is seen to be risky and against the cultural norms, hence such an obstacle adds to the other challenges already existing in the system (The Swedish Trade and Invest Council, 2015). While both males and females face difficulties understanding the legal framework to register their business, yet the cultural constraints against women adds to the already prevalent obstacle. The unsupportive institutional framework, the unorganized structure, lack of transparency, unavailability of data are all problems objectified when looking at the female perspective given the cultural constraints against them (MoF, 2007; The Swedish Trade and Invest Council, 2015).
Another constraint facing women in Egypt is the reluctance to take female entrepreneurs seriously (MoF, 2007). They are seldom taken seriously and are perceived to be less equipped than their male counterparts. According to (Jochaud, 2013), gender gap in Egypt is tremendous, where for every woman entrepreneur, there are two male entrepreneurs. Despite the initiation of laws against discrimination, yet they are not implemented or taken seriously. (MoF, 2007) Such discrimination is reflected in the hardships faced when borrowing from banks especially that the rate of loan acceptance rates is much lower when compared to men (Schoof, 2006; El Dahshan et al., 2012).

The report published by the MoF (2007), has shown that women in Egypt depend on their savings or inheritance to start their own businesses. This, “…is due to the inequitable lending schemes in place, and to the fact that banks view women as unstable borrowers, unlikely to repay loans.” Hence, even though entrepreneurs in general face obstacles when trying to approach financing options, women are harmed even more given the restraining cultural context, male-oriented and dominated networks of financial support (Jochaud, 2013). According to the MoF (2007), when trying to receive loans women are usually interrogated with private question regarding their marital status, family size, and husband agreement to the loan forms. In addition, women experience other gender biases in the delay of the application process, high denial rates, higher collateral and requirement of a co-signer (Jochaud, 2013, ADB, 2014).

Another strand of the literature focuses on harassment, whether verbal or physical, that women entrepreneurs are subjected to on a daily basis (ADB, 2014; MoF, 2007). As women try to finish the necessary papers and complete their documents they are usually faced with unsettling situations where harassment occurs and can rarely be spoken about.
Since such cases can never be officially proven convictions or accusations are seldom taken seriously in the community (MoF, 2007; European Bank, 2017).

Finally, since women are always perceived to be weaker and less influential than men, they have harder times forming a network that could support them later on. Their lack of presentation and established networks prevents them from voicing their needs and reaching policymakers (MoF, 2007; ADB, 2014). Thus, working in isolation stops them from being able to reach other associations or access vital information on policies and requirements which hinders their growth and sustainability. Along with the other problems mentioned above, the journey becomes harder on women entrepreneurs who are trying to establish their SMEs in Egypt.
Chapter 5: Research Methodology

For this topic, an applied research method was conducted through a qualitative approach to offer the needed exploration of the challenges facing youth entrepreneurs.

5.1 Sample Selection

For this qualitative research, a purposive sample was chosen to ensure the presence of certain characteristics that are meant to be studied (Babbie, 2013). The sample constituted of emergent youth entrepreneurs based on the proposed definition by Chigunta (2002). The research covered emergent youth who are between the age of 26 and 29 and who are either successfully running or have recently closed their business in the Egyptian economy. It is worth mentioning that the sample selection is theoretically informed. This sample was chosen to provide insights into the challenges facing skilled youth, who have gained experience in the field and who have developed a strong know-how in the market, yet still face hurdles in execution (Chigunta, 2002). The other types of youth entrepreneurs, which according to Chigunta (2002) include pre-entrepreneurs and budding entrepreneurs was excluded from the sample in order to focus the research on those who developed the skills from life and experience from work, yet, are still challenged by the environment.

The sample included 16 emergent youth entrepreneurs who opened businesses in Egypt after the 25th of January 2011 revolution. The thesis specifically focused on challenges post revolution in order to avoid the confusion that might arise in the data analysis phase. Since the economic situation has been greatly affected post revolution, this
might be resonated in the challenges faced by youth entrepreneurs. As a result, focusing on post revolution challenges helped provide a coherent and reliable study.

Eight of sixteen interviews took place with youth entrepreneurs who have opened and sustained the growth and success of their businesses. While the other eight interviews were conducted with youth entrepreneurs who have struggled in maintain their SMEs but were not successful. This selection aided in presenting results with reliability and confidence. The information collected helped demonstrate the challenges faced by successful and unsuccessful youth entrepreneur models.

The respondents were selected according to the snow-bowling technique, which is based on a nonprobability sampling. In such a case, existing respondents were used to recruit the future study subjects from their acquaintances. This provided for a larger platform of respondents, through depending on a network of youth entrepreneurs, that helped enrich the study (Babbie, 2013). As the sample increases, enough data was collected to ensure usefulness and adequacy.

5.2 Data Collection

In order to collect the data, semi-structured one-on-one interviews were held to gather in-depth information on the topic being studied. The interviews were the primarily source of information because they provide comprehensive understanding of the challenges facing youth entrepreneurs. The semi-structured interviews were conducted with the sixteen emergent youth entrepreneurs using the same set of questions to ensure consistency and cohesiveness. Additionally, each interview lasted between 40-60 minutes. Through the interviews a comprehensive understanding of the challenges facing youth entrepreneurs
was discovered and explored. Questions asked included the difficulties that they have faced when opening their SMEs, the foremost hinders to their SMEs development, and the ways through which they were able to handle the situation.

Diversity of the data collection was ensured through interviewing youth entrepreneurs from different sectors. This was done because this research does not intend in offering the challenges faced in a specific sector, instead it investigates the general hurdles facing youth entrepreneurs when entering the market. The societal, psychological, legal and other unobserved challenges were examined irrespective of the industry to offer a comprehensive explanation of what negatively influences youths’ ability to become entrepreneurs. Finally, the data was collected through a time period of four weeks.

The privacy of the interviewees was respected and protected throughout the researcher process to ensure credibility. Rapport was built with participants to ensure their comfort and relief while conducting the interviews. Moreover, pseudonyms were used throughout the study to maintain secure and anonymous presentation of participants involved.

5.3 Data Analysis

Initially, the conceptual framework was based on two main themes: the legal institutions (law and regulations that entail accountability, transparency and equal opportunity and govern the access to finance, registration, infrastructure and education processes) and the non-legal institutions (culture norms that entails family support and taking risk that govern societal support and entrepreneurial intentions). For the data analysis, coding was in accordance to the findings based on these two broad themes and
their sub-categories. However, as the fieldwork progressed the coding expanded to include the newly emerging themes. The coding was further enhanced as the data was collected to provide deeper insights on the challenges of youth entrepreneurs. The coding took into account all youth entrepreneurship challenge related themes in order to allow for comprehensive analysis.

5.4 Limitation and Delimitations

The limitations from this research included the impact limitation. The focus on emergent youth entrepreneurs in Egypt can limit the study’s applicability to other places and age groups. Being population-specific allowed for coherent and thorough understanding of emergent youth challenges, however, it lacked the necessary impact given the restrictive sample structure. Moreover, self-reported data formed another limitation given that participants might have biases that rise through: selective memory, attribution, or exaggeration. Participants’ own beliefs might directly affect the internal validity of the study which poses a threat to the research (Babbie, 2013).

The delimitations of the study are reflected in the fact that the study is country and sample specific. The research studied Egypt solely to provide a thorough explanation of the factors that affect youth and to provide challenges that might be exclusive to this area only. Another delimitation is the type of entrepreneurs interviewed; the study focused on entrepreneurs who are urban, who have received university education and who are youth both female and male. The research excluded other types of entrepreneurs, of different ages, to be able to focus on understanding the challenges youth face after they have accumulated experience in life and work.
5.5 Ethical Considerations

This study does not intend on posing any direct harm to any of the interviewees selected. Their confidentiality and privacy was ensured throughout the entire research to ensure credibility. Pseudonyms were used to guarantee the anonymous participation of interviewees. Consent forms were shown and signed to all people who partook in this research and the research questions and purpose were fully explained. In addition, detailed understanding of what, why, and whom is being studied was be made available to all participants. If any participant wished to terminate the interview at any point, during or after it has been conducted, they were granted their wish immediately without need of explanation. A permission was taken from all participants prior to taping to ensure complete integrity. They were notified of the recordings or any other tools used to keep track of the interview. These tools were important to maintain and ensure the bias-free of the study and to make all data reproducible. Finally, all participants were notified that the information gathered during the interviews are for the sake of this study only. In addition, it is worth noting that approval from the Institutional Review Board (IRB) was granted prior to starting this research.
Chapter 6: Data Analysis

The 25th of January revolution affected the Egyptian economy and its course of action. The aptitude of influence has affected distinct sectors of the economy with a rising trend towards entrepreneurship. Interviews have shown that the spotlight has been magnified on entrepreneurial activity with a significant rise in its prominence and distinction. Since the revolution is believed to have started from youth and by them, respondents note that such attention has given youth the ability to express their opinions vigorously and more openly. They have become more encouraged to voice their ideas and initiatives. As a result, a rise in youth entrepreneurship has vastly grown in Egypt with a special focus on its promotion and youth empowerment in the field.

The attention given to youth has influenced the entrepreneurial activity in Egypt. After the revolution, youth have become more prone to implement their innovative ideas. The attention given to youth encouraged them to follow their dreams and boldly express their perspectives. As a result, media attention increased along with initiatives that support and incorporate youth entrepreneurs in their programs. The augmented governmental and non-governmental direction towards promoting entrepreneurship goes unprecedented when comparing the initiatives pre and post the revolution. Despite the rising trend and increased attention, youth still suffer from several pitfalls that hinder their ability to pursue the development of their SMEs.

The entrepreneurial environment suffers from serious impediments that hinder youths’ entrepreneurial ability in Egypt. This thesis aims at providing a general overview on the challenges facing youth as they open their SMEs in Egypt. Hence, the study focuses
on the hinders that influence youths’ entrepreneurial activity. While the literature has shown some of these aspects, this study aims at adding to the literature by providing a new human face to the perspective. The following sections will showcase the challenges facing youth through interviews done by youth entrepreneurs who have started their SMEs in Egypt after the revolution in several sectors. Results from the analysis have shown that youth are challenged by their lack of capital to finance their SMEs. In addition, youth face constraints when it comes to the legal environment governing SMEs activities. The analysis has also shown that youth suffer from the lack of training services, poor infrastructure and unfair competition which all hamper their ability to prosper. In addition, a new perspective to the challenges has been added, after analyzing the interviews, which focuses on the lack of specialization. This section describes how the lack of specialization has led to general drawbacks in the system and has led to several inefficiencies that directly affect youths’ ability to run their SMEs in Egypt. Finally, by exploring such challenges, the study aims at providing a platform through which the prospective challenges could be determined, amplified, and studied to efficiently approach and solve them. Thus, this helps create and effective system that promotes a healthy environment for all youth entrepreneurs to grow and develop.

6.1 Lack of Finance

Research on financing options to youth has shown that the avenue remains limited and greatly underdeveloped. The access to finance shapes a great challenge owing to the limited outlet of funding options, unorganized and inefficient lending schemes, and the associated high risk. Hence, this section further explains the problems facing youth entrepreneurs as they approach financing options to develop their SMEs.
A. Financing from Banks

The latest developments in the Central Bank of Egypt have accorded a percentage of its lending portfolio to accommodate the needs of SMEs in Egypt. Such policies have encouraged other banks to develop an SME component and offer 5% loan on its lending programs. Despite being specialized to cater for the needs of entrepreneurs seeking SMEs, yet interviews have shown that the policy still lacks appropriateness dooming it inefficient and non-encompassing.

As explained by the majority of the respondents the loans do not usually incorporate all needed funding elements. They find that such loans only accept entrepreneurs with certain projects or ideas which limits the pool to a few number of applicants. The rigid and non-tailored services offered in the loans pushes potential entrepreneurs away forcing them into thinking about alternatives.

As explained by Hossam, a 26 year-old working in the Food and Beverages sector:

“I approached one of the reputable banks with a business plan, feasibility study and all the needed paperwork only to find that they have nothing to offer for that sector. They seek entrepreneurs working in the technology sector which makes it harder for me to prove that I am worth the loan.”

Limiting their loans to specific sectors forms an obstacle to others entrepreneurs with great ideas that are trying to implement them in the market. This confirms what others have noted that banks usually offer standardized options lacking diversity which barely fits with ideas in entrepreneurs’ minds (e.g. Schoof, 2006; El-Said, 2010).
As explained by Laura, a 27 years old Fashion designer and a shop owner:

“Why would I risk being on debt to the bank only to be limited with a very narrow scope of activities offered. If I would take such a big loan with all its possible consequences, then the least I expect is to have it fit my vision and what I want to achieve. Limiting me to certain criteria is not an option because I want to be unique and successful. I am not risking my entire business to be ordinary.”

Entrepreneurs seek difference and creativity which predominates how their businesses are handled and executed. However, bank loans seldom cater for such plans given their strict financing options and rigid criteria. On the other hand, ordinary loans, that do not fall under the SMEs 5% advantage, provide another risk to entrepreneurs. The high collaterals required to guarantee paying back forms a great challenge to entrepreneurs and threaten their wellbeing.

Assem, a 29 year-old furniture and wood manufacturer explains,

“The price of not paying the bank, no matter what your excuse is, equals prison. I would never, under any circumstances, put my freedom at stake in such a way. The system does not protect us [entrepreneurs] or the banks. It is you on your own against the system. If you fail, you incur the blame and cost with no mercy.”

Respondents explain that going bankruptcy in Egypt can lead to prison and liquidation of assets. The debtor’s belongings are usually sold in a public auction with few earnings to the bank that sometimes barely cover 20% of the actual loan. Without a proper guarantee, banks feel obliged to require high collaterals to be assured in case of adversity.
This results in a system with lack of trust between the lenders and borrowers which exacerbates the problem.

Samir, a 28 years old fitness academy owner says:

“In case of bankruptcy I can easily go to jail treating me as a convict rather than a youth who had a great idea but faced some challenges. It is as if the system does not have any trust in us to begin with. How are banks going to trust us then, if the system itself is not being supportive? They do not offer any solutions that way either because my future is ruined and the bank does not even get half their debt back.”

Through liquidation or imprisonment, the system does not offer the right consolidation to banks which forces them to guarantee their rights by requiring high collaterals. This case is important especially for new borrowers such as youth who have no credit history that ensures their trustworthiness and ability to pay back. Banks, as a result, might require high collaterals, interest rates or reject projects to secure their rights (Kandil, 2012). This resonates with the literature describing that the bankruptcy laws disable youth from applying to bank loans (World Bank, 2007; European Bank, 2017).

The high collaterals that youth can barely afford constitute a major drawback to entering the market. Respondents explain that the cost of credit is too high when compared to their abilities.

As explained by Alia, a 26 year-old Media Planning Consultant:
“As a youth about to start in the market how am I supposed to provide the necessary papers to prove that I am worthy of the loan. I don’t have such property but I do have a great idea. It is too cruel to ask for such collaterals when you know we have nothing to offer but our mind and labor.”

The lack of experience in youth’s profiles, along with low returns in case of bankruptcy, increases the risk to banks and dooms youth as uninteresting calibers. As explained in the literature, the insufficient credit history disadvantages their position which affects their possibility of receiving the needed loans (El-Said et al., 2014; Poldermans, 2011; 2011; El-Said, 2010; El Kabbani & Kalhoefer, 2011). A report by the European Bank (2017), explains that banks do not apply the standards credit risk and cash flow analysis given the jeopardy associated with lending to SMEs. As a result, they rely on collateral requirements that are too difficult to achieve by youth entrepreneurs. The unfavorable lending terms are out of youths’ ability to provide or handle. Respondents explain that the lack of existing strong accounting systems affects their probability of receiving loans.

Alia adds:

“It is ironic how we, youth, the most in need of loans are faced with such obstacles. When I applied for my car to be a collateral they refused because it did not match their criteria. Even when we give up everything and compromise it is not enough.”

Youth’s poor credit history forces banks to require documents that exceed their abilities and know-how. Despite being in dire need of the loan, youth are usually denied funding given their weak profiles. The cumbersome paperwork and required documents are another challenge faced by youth as they approach bank loans.
As explained by Hossam:

“I was asked to finish more than 30 documents from different governmental offices—places I have never heard of before. I visited more than 8 different governmental officials, signed countless of papers just to get denied for a lack of sufficient guarantee. It took me six whole months of back and forth visits to different offices around Cairo to prepare my portfolio. I had to pause all my activities for six whole months. In that time, I could have implemented the idea and already starting making profit. Instead I was stuck in a cycle of finishing unnecessary papers just to be asked for more.”

The lengthy procedures and plenty of required documents disables youth from efficiently reaching out to banks. They are forced to present documents and provide signed papers from a number of governmental officials that adds to their burden and confuses them as they embark on their journey. In some cases, due to mismanagement, youth are forced to visit an office twice due to a missing signature or document. As the literature has shown, such requirements form a continuous challenge to youth approaching banks (Schoof, 2006; El-Said, 2010).

In addition, respondents have explained that among such documents are full feasibility studies and completely binding business plans. However, such documents are difficult to prepare in such an early stage.

As Alia says:
“I understand that Banks will not just give their money out, but some of the requirements remain unnecessary and extremely challenging. As someone who’s yet to start into the market how will I be able to present a full feasibility study, all my licenses and all such documents when I am just beginning? I have seen managers with three years of experience in the market facing a hard time developing them, what about us [youth]?”

Respondents note that they seek loans in the beginning of their journey right before having a full accounting system, business plan and feasibility study. Such documents are fully prepared at later stages after securing the necessary capital to kick off the business. However, being denied the needed loans hinders their ability to prepare such plans. The required documents along with the long waiting time make it hard for youth to seek loans from banks. With their little experience, youth often find that the needed documents are hard to produce and comprehend. The process is a challenge in itself given the complex and unorganized system. Their inability to finish the required documents weakens their position and makes it harder to present them as trustworthy and capable of paying back (El Kabbani & Kalhoefer, 2011 & Poldermans, 2011).

Morsy, a 27 years old hardware importer and distributer explains:

“The bank requirements are adding to our already existing problems. I am facing problems in registering my property, acquiring the licenses, and getting my imports’ documents together, and now I have to add on top of all that the bank and its documents. I am not saying it should be easy, but again it should be at least doable. Last time I tried to apply, I was required to submit not less than 10
documents from different offices. It would have taken me months to finish the requirements and I was not even guaranteed to get accepted. It such a hassle and the time wasted could be used benefiting the business.”

The bank requirements are time consuming which adds pressure onto youth. Instead of focusing on their plans and implementing their ideas, they find themselves stuck trying to get the paperwork done. Youth believe that time wasted waiting for their application to be accepted could be spent starting up the business and growing it.

As a result, respondents note that banks are too difficult to deal with; they are risk averse towards SMEs and youth who are still beginning in the market. As explained in the literature, the complicated procedures, high cost of credit, different needed documents and the long waiting period for a loan are all reasons that push youth away and discourages them from apply in the first place (Rupeika-Apoga & Danovi, 2015; Chiguanta, 2002; Ahmad & Abdel-Aziz, 2015; El-Said, 2010).

B. Approaching Investors

Approaching an investor is a rising trend in Egypt, where youth seek them to finance their SMEs and implement their ideas (Cusmano, 2016; El Kabbani & Kalhoefer, 2011).

As explained by Mariam, a 27 year-old Confectionary Manufacturer:

“The investor will never put his money in a losing business. If he sees a potential in you, he will invest his money. That is exactly what I want; someone who believes
that my idea is worth it. Someone to trust that I have got what it takes and is willing to risk it all just like me.”

Investors shape an increasing trend given the lack of other financing options available. Moreover, once the entrepreneurs pitch his/her idea and it is approved, the money is made ready for immediate use. This suits the needs of youth who seek fast implementation of their projects. Their added input, through advising and mentoring, supports youth who lack the necessary expertise in the market.

Hossam adds:

“The best thing about having an investor is the continuous support to my SME. Investors are usually people who invested in plenty of projects before mine. They know how to develop and support the business to advantage themselves and my idea as well. Their connections and wide networks combined with their experience in the market is a great addition to me. Their expertise can greatly affect youth and benefit them as they enter the market.”

As explained by several respondents, investors come with many benefits to the business. This resonates with the literature that explains the investors’ ability to nurture youths and help them develop their entrepreneurial skills as they grow their business (El Kabbani & Kalhoefer, 2011).

Despite their expertise, connections and readiness to lend, yet investors still form a challenge to youths that keeps them hurdled. Investors usually offer their money in return for equity or shares of the business that might disadvantage youth on the long run.
Morsy explains:

“The problem with investors resides in the fact that they require high shares of my own business. High shares mean that I lose control over my own idea and my own vision. With such power in the hand of the investor, they control the business and it can get hard sometimes to exert your influence and work the way you see fit.”

Respondents explain that requiring such shares forces youth to lose part of the control over their business. The management is transferred into the hands of someone else who might share a different vision. Hence, they are allowed to comply, which restricts their ability to execute and manage their own idea.

Ahmed, a 34 years old lawyer further explains:

“Investors deserve to have such power, at the end of the day, it is their money. Instead of investing it, they could put in a bank and receive 20% profit rate. They invest because they are expecting high rates of return. However, the big shares forces you to compromise – something that not all entrepreneurs understand especially youth who vigorously believe in themselves and their ideas.”

Investors usually invest in two or three projects per time. In such a case entrepreneurs pitch their ideas and the winning cases receive the necessary funding. According to Ahmed, from 70% to 90% of starting businesses fail to sustain themselves over a year mark. As a result, to guarantee their profits investors usually require high equity and invest in a portfolio of projects to cover the costs of inflation and the risk of losing the money. They expect the business to make 3-5 times the investment made by the
investors in 3-5 years (Ahmad & Abdel-Aziz, 2015). The investment is made with an expectation that only one project will boom reaching a high rate of return. To secure their profits they require high shares from each investment in hopes of reaching their profits from at least one project.

Assem adds:

“The high equity consolidates for all the money they know they will never get back from other investments made. They expect one project to kickoff, from all their portfolios. They will require high shares from all with hopes of reaching jackpot with just one.”

The high shares required, however, makes youth feel as if their idea and dream is in the hands of someone else. They lose control over their business and are forced to comply with the regulations of the investor despite how different their vision might be.

Samir says:

“I lose up to 40% of my own business with investors, but that is not the only problem here. Now I am forced to get approvals from all my plans; any decision making process must be under the supervisory of the investor. I do not see how this is supposed to be my own business that way. It feels like I am disappearing into the shadow of someone else – someone who controls me and restricts my movement and my own vision of what is best for my business.”
All respondents interviewed agreed that investors form a challenge given the loss of control over the business. The investor takes over the management, given the experience and their name, making youths feel less accomplished. This resonates with the available literature that explains, the high shares required by investors which makes youth less in control of their business. They are not free to take decisions without consulting or approval from investors, which restrict them (Ahmad & Abdel-Aziz, 2015; Jochaud, 2013).

Another challenge facing youth is the risk of never getting accepted. Youth usually approach investors in big events such as Rise Up or Techno Summit that take place annually in Egypt. Youth apply, present their pitches and wait to get accepted. However, given the high risk, large pool of applicants and few investors, they can never guarantee such type of funding.

Samir explains:

“There are thousands of youth fetching for funding to start their businesses. They are being served by tens of available investors. This misstructure in the supply and demand only ensures that few receive their needs. Those with a high potential for growth, an exceptional idea and an enduring nature will be accepted. Others will have to find alternatives.”

Unless youth present an opportunity to the investor, their ideas will not be expected. While this should not form a challenge, however with the low number of available investors
and other funding sources this negatively affects youth’s chances. The lack of available investors leaves youth waiting for months to implement their ideas. Since investors seek businesses that are well-established or have shown high growth potential, youths that qualify are handful and represent few of the many who need financing.

Assem adds:

“I tried approaching investors several times, through different events and my family connections as well, but it never worked out. They have too much on their plate already. The demand is high so they pick and choose freely.”

The lack of investors increases the competition and lacks the venue for youth. Cusmano (2016) and Ahmad & Abdel-Aziz (2015), explain that the unavailability of investors in Egypt leaves them inaccessible and unattainable by many youth seeking funding.

Another challenge facing youth entering the market is the later stages required by investors. Ahmad & Abdel-Aziz (2015), explains, “Getting angle-investing requires a start-up that has probably passed the very early stages, and has already validated its idea and explored its market.” Hence, investors are usually more prone to investing in the later stages, when a business has matured. Entrepreneurs are expected to have a validated idea and a working mechanism in the market that seeks development. This type of investment is usually made to further expand a business, rather than funding it to develop.

As Hossam explains:
“Investors are not interested in looking at your papers and your projections of the future; they want a solid evidence of your success. They invest in already well-established businesses that seek further expanding and development.”

Respondents note that investors usually interfere at later stages when the entrepreneur has shown signs of accomplishment and a high potential for growth. However, such an option limits youth who lack the necessary funding to even start their businesses. Youth who have difficulty accessing the necessary seed funding remain unwanted by investors. They are not believed to provide the high rate of returns that investors opt for. Thus, this type of financing is believed to cater for those who have a well-developed model, and a full-fledged business plan with an on-going business.

Finally, venture capital forms another challenge given that on their way out investors usually sell their shares to a bigger company. In such a case, a bigger company usually acquires the youth’s business. Despite offering the youth a great potential for exposure and growth, yet not all youth demand such a sellout.

As explained by Alia:

“When the venture capital is done, the business is usually acquired by a bigger company. However, it is not always the dream, what if I want my business to remain mine. What am I left with?”

Thus, the unavailability of investors, the high equity required by them along with the less control over the business are usually the most challenges faced by youth as they
approach such a financing option. As a result, youth opt for other alternatives that could provide them with the needed funding, yet without forgoing their control over the business.

C. Financial Support from Governmental and Non-Governmental Organizations

Organizations, whether governmental, incubators, NGOs, accelerators, or facilitators all provide youth with the option of financing through giving them grants or acquiring equity in the business. Along with the financing, youth are provided with trainings to prepare them with the needed skills to enter the market. Such an option was highly appreciated by the interviewees given the many advantages that come from within. First, such an option allows youth to start their business with the needed training and funding.

As Laila, a 24 years old worker in one of the incubators, explain:

“We provide entrepreneurs with trainings in all fields to prepare them for their journey. They receive courses on how to deal with the market, legal issues, funding, and all that is needed. We also provide them with a place to work and plan their businesses. We prepare session where professionals give them the needed trainings and information. At the end of their cycle, investors are made available so they could pitch their ideas and seek their funding.”

Such organizations allow for a full supporting system to entrepreneurs which cater for their needs.

Moshira, a jewelry designer and shop owner, explains:
“It is a great idea because you receive hands-on support from people who know exactly what they are talking about. They offer you what you need and give you the basics that will help you sustain your business later on.”

However, such organizations suffer some shortcomings that affect youths’ ability to join and prosper. First, most of such organizations require an early stage development of the business. However, youth usually seek funding before they start.

As Mariam explains:

“Youth want the funding early on, before they start the business, they do not have enough money to ever start up. Incubators usually require feasibility studies and other plans, which are unavailable in an early stage. They want you to prepare a full-fledged business plan and have a prototype. This misses the initial idea of such organizations – I would not approach them if I had such documents prepared. I am approaching them because I lack the funding and the experience to prepare a prototype.”

Respondents, as a result, have noted that such organizations accept youth with a development plan and a working prototype, which, just as banks, forms a hurdle to them. They explain that very few of these organizations offer programs that cater for those who have an undeveloped idea seeking recognition. The later stages of the business required does not fit with the needs of youth seeking early stage help and support. The problem with such organizations is that youth seeking early stage help would never be accepted given their unfinished papers and incomplete requirements. Respondents believe that such organizations fail to target youth in their early stages of development. They believe that
these programs do not take into consideration the need of entrepreneurs as they enter the market. Instead, they seek entrepreneurs who have a semi developed idea with a working prototype and investment plan. This resonates with the literature explaining that such organizations require well-established documents that are difficult to prepare by youth (El-Said, 2010; Jochaud, 2013).

Respondents also explained that such organizations accept a few number of applicants each year. In addition, very few offer a youth component in their programs, which limits the available spots.

As Assem explains:

“Only few applicants are accepted annually, each incubator would accept a maximum of 15 entrepreneurs which does not comply with the available demand. The shortage creates an unbearable pressure on youth who have limited options as a result.”

The unavailability of enough programs to cater for the needs of entrepreneurs, along with the few options available for youth makes it harder for all applicants to secure a place. These organizations offer much needed services, however, their few numbers decrease the acceptance chances of youth. They fail to serve the needs of all youth with their limited outreach and complicated requirements.

During the interviews, respondents have agreed that another problem facing them is the low grants given to participants at the end of the cycle. Organizations that do not require a share of the business provide grants that fail to cover the costs of starting a SME.
The funds given barely cover one third of the costs required to register SMEs in Egypt. Hence, such organizations target start-ups mainly with few involvements of SMEs in their programs. This problem is exacerbated by the fact that such organizations require applicants to commit full-time. Hence, youth are forced to quite their sustaining jobs in return for a low grant that does not cover the needed costs.

Samir explains:

“I was asked to quit my job in order to get accepted. I did because I really believed in my idea and I won and received a grant of 20 thousand EGP. This grant did not even cover the cost of registration and finishing the necessary papers. I was left without any source of income to finance my livelihood let alone my business. We are expected to risk our own well-being with no guarantee of finding an investor by the end.”

While such organizations usually hold events to connect investors with applicants, however, not all youth find investors to fund their businesses. The cycle might end with youths lacking the necessary funding and a stable job to sustain themselves.

Hossam adds:

“What if I fail to acquire an investor, what happens now? Yes, I have benefited from the training, but what comes next. You are left searching hopelessly for any source of funding or anything that compensates the wasted time. I am 26 and I have my own family, I cannot afford being unemployed with a failing business.”
The risk of not finding the necessary funding along with the low grants offered from such organizations leaves youth unconfident to apply. Their stability is threatened which leaves them confused over whether such an option represents an added value or not.

The governmental organization, specifically, have been noted to require a lot of paperwork and tremendous effort given the high levels of bureaucracy.

As Laura explains:

“The process is so long and it requires patience to be able to take it all in. The amount of stamps and signed paper is out of question. It seems unnecessary, until you are asked to visit an office twice just to get another paper. The bureaucracy kills any progress and makes you lose hope of ever finding a way out.”

Adding to the already existing problems of such institutions, governmental organizations burden youth with many requirements that are out of their capabilities. The problem of bureaucracy affects even the normal processes and makes them harder to accomplish. Respondents have noted that the SFD lacks the necessary mechanisms to offer a smooth application process. The lack of transparency in the needed papers makes the system inefficient and inaccessible to many. This resonates with the literature that explains that the lack of coordination and organization makes such institutions unable to offer proper services to youth (Loewe, 2013; El Dahshan et al., 2012).

The limited availability of such organizations and the low funds made available constitute a major problem to youth approaching such a source of financing. Given the lack
of other available options such as crowdfunding, leasing and factoring, youth are left with informal lending options.

As Samir explains:

“Unfortunately, Egypt has not developed a system where various financing options are made available to entrepreneurs. Crowd funding is extremely popular among youth abroad, however in Egypt it failed miserable. We have limited options and then hurdles to access even these inadequate sources of financing.”

Respondents note that the financing sector is underdeveloped with few options to choose from. Crowdfunding is not highly acceptable in Egypt due to the cultural barriers against the notion of making donations in return for a share in a business (Ahmad & Abdel-Aziz, 2015). The absence of the necessary infrastructure and regulatory framework to govern how crowd funding works in Egypt lags behind, which discourages people from participating in the process. As a result, youth seek few outlets that are all limited in scope and activity and difficult to access. They are forced to comply with constraining regulations given the lack of other funding options. Otherwise, they are forced into the informal lending market where the process is easier and convenient.

D. Informal Lending

Respondents note that most of the financing solutions available in Egypt cater for the needs of already existing and partially developed businesses. However, those who have an idea but lack the means of implementation are forced out of the system given their weak propositions. Youth are found to depend on the informal lending methods, especially as
they start their businesses, given their lack of the needed requirements from other formal sources. Respondents explain that in the beginning, when they lack the means to prove that they are worth the funding, they rely on informal sources. The unavailability of funds to support their early phases forces them to informally seek financing options. The pressure that comes with the formal sources is usually unbearable and unattainable given their lack of information and experience in the market. Such sources require papers, collaterals, and other documents that youth find hard to prepare at this stage. Moreover, most of the formal financing solutions cater for later phases of development that youth have not yet reached. As a result, they are more prone to depend on their parents, family and friends for financing.

As Hossam explains:

“I sold my car, my other friends borrowed money from their parents and together we financed our idea. Without our parents’ we would never be able to start the business in the first place. This option was the best because we had nothing to lose except for our parents’ money – which is ours at the end of the day. If anything goes wrong, we can handle it.”

The benefits that come with borrowing from family members leave youth confident and allow them to be self-assured while taking the risk. Respondents agree that parents’ support is reflected in granting them the seed funding to their business with no pressure or a return date. They never require shares, interest rates, or profits.

As Laura explains:
“They want to see you happy and successful. Once my parents saw how excited I was about my business, they could not do anything but give me the needed money. They were not involved in any aspect related to my business. They trusted me enough to leave me handle all my matters without burdening me with excessive questions or expectations.”

The assurance and confidence that comes with borrowing from immediate family members, leaves youth more capable of handling their businesses and gives them a push forward. Even when giving the borrowed money back, there is always less pressure over a due date. The conditions are usually informal and lenient which gives youth the space to reach stability before thinking of paying back loans.

Morsy explains:

“I borrowed from my uncles, who own another business, but I gave back the money two years later when I was well established in the market and making profit. There is a sense of freedom that comes with borrowing from your family that no one will understand unless they appreciate family bonds as much as we [Egyptians] do.”

Respondents note that the Egyptian culture allows for such a dependency on family given the societal norms that predominates nurture, care and family bonds. The support received from family members can be extended beyond advice to borrowing money without shame or fear. Hence, youth ultimately find themselves depending on such a source to finance their businesses and implement their ideas. This resonates with the available literature stressing on informal lending methods as an alternative to the hardly attainable
formal sources (Dominicé & Julia, 2013; El-Said, 2010; El Kabbani & Kalhoefer, 2011; Schoof, 2006).

Thus, respondents believe that the limitations from the formal lending institutions drive them into the informal market. They explain that the hard process, complicated requirements, and complex terms from banks are hard to comprehend in the early phases. On the other hand, the limited availability of investors, along with the high shares required discourages youth from approaching investors. In addition, the later stages of development required before youth could apply for funding from organizations and investors forms a great challenge. As a result of the inadequacy of the financing options to early stage youth entrepreneurs, they have come to depend on informal lending. All respondents note that they have depended on their families, relatives or friends for financing in the early stages of developing their businesses. As the proceeded in the market, they were able to make enough profits to re-invest in the business and slowly pay back their debts.

6.2 Legal Challenges

The legal framework governing all matters related to entrepreneurs and SMEs in Egypt suffers from several shortcomings that hinder youth’s ability to develop their businesses. Results from the interviews have shown that the lack of a clear unified strategy that governs matters related to SMEs in Egypt have left youth confused on how to run their businesses. The excessive bureaucracy, along with the changing laws, the increased corruption and the inconsistent application of laws has made the legal framework hard to comprehend. The unavailability of a clear monitoring system has made it difficult for youth to track their performances and ensure accountability. Hence, the legal framework gives
rise to many obstacles that hinder youths’ ability to efficiently function in the system. The following section will cover the problems facing youth when it comes to legalizing their SME status in Egypt.

A. Inconsistent Change of Laws

Respondents note that the constant change of laws is the main obstacle facing them. They are left with mixed information, unclear requirements which confuse them and wastes precious time. Laws covering the process of registration and legal documents usually changes without any announcements. Respondents explain that the inconsistency leaves them raddled and constantly checking to make sure they are up to date with all requirements. The lack of clarity forces them to spend extra time checking the status of their businesses.

As explained by Shady, a 29 year-old working in the manufacturing sector:

“I have had my company for over two years, just a month ago I was finishing one of the workers’ social security papers and after sending them I was told that they were missing a signature from one of the governmental offices. You can never fully depend on the information you know even if you have done the same procedure hundreds of times. I have learned the hard way that every time I want to finish any government related paper I will have to ask for the exact requirements. You cannot think you know – you will be surprised. Now I send one of my workers to get me all the requirements before I apply for any government related document.”
The obscurity in the required documents along with the constant changes of laws makes youth confused and lost in the process. Respondents explain that the process changes constantly, where finishing a document requires different papers each time. Entrepreneurs are forced to continuously ask about the needed requirements each time they want to issue a document. Officials might ask for a paper that was never required before which adds to the confusion of entrepreneurs. In addition, such changes occur without giving prior signaling or informing affected parties. The inconsistency and unclear requirements leave entrepreneurs baffled and make it harder for them to process their needs on time.

As Mariam explains:

“We are still beginning and it’s an SME, it cannot be treated like the big corporates. When registering my company, I was asked for some papers that took my over three weeks to prepare. Afterwards I was baffled because they told me I had incomplete documents. It took my 34 days to finish all the requirements and get the registration process done.”

Respondents explain that the unclear procedures make it difficult to understand the system or how it works. There is never a straight path that leads to the same result. Loewe (2013), explains that SMEs are randomly exposed to bureaucratic obstacles in distinct forms including fines, fees, rejections that can hardly be anticipated given the lack of organization in the system. The problem is aggravated by the fact that such SMEs lack the means to adjust themselves to the changing laws unlike big enterprises. SMEs do not have the capacity to undergo severe and sudden changes in the system; the constant changes are
hard to adjust to given their small structure. The quickly changing regulations along with the overlapping requirements make the legal system obscure and hard to deal with especially for SMEs. The ambiguities and bureaucracy intensify the issue as youth are unexpectedly required to present documents and other extra official paperwork. The sudden change of laws along with the bureaucracy makes it harder to register the property.

As Mansour, a 26 service provider and marketing consultant explains:

“I first went to an office where I was told that my service cannot be registered because it does not fit the criteria. I was sent to another office that again refused my papers. After five full days of continuous begging to know any information I was referred to a fourth office. There, I was required to fill different forms, present another papers and then I was told to come back later. It took me three whole weeks to get all my papers together and be able to register.”

The lack of information available on the registration process along with the bureaucratic system hinders youth and disables them from knowing the exact process. The changing laws and unclear requirements have resulted in a system led by lack of transparency, coordination, and efficiency. Youth, as a result, find the process to be lengthy, unnecessary and time wasting.

Alia adds:

“It’s hectic – just thinking about it gives me nightmares. I submitted my papers in one office and found that they were never sent to their designated place. I revisited the place, took the papers myself, got the signatures, and resubmitted them to
another office. It is a hassle and it is not made any easier by the level of bureaucracy you are expected to work with. I had to visit seven different desks in the same office to get one paper done.”

Not only are laws constantly changing without any available platform developed to announce such alterations, but the process itself is difficult to handle given the high levels of bureaucracy and centralization. The chaotic procedures add to youths’ burdens and make it harder for them to register. In addition, the cost of finishing such papers is usually unforeseen adding to youths’ struggles.

Mansour adds:

“Even If I can put up with all the unnecessary requirements and get it over with, I never know how much it will cost me. I had my business plan ready and my investments made to point. I made sure to include all the registration fees, but I was astonished with extra costs that ruined all my previous plans. Working with the government in Egypt means that you must always have alternative plans and then expect to even change that.”

The extra costs incurred by youth as result of the unclear procedures add to the lack of coordination and organization. This confirms what has been explained in the literature where the system is governed by unavailable information, extra costs, complex process, duplicated requirements given the lack of synchronization between different governmental offices (Mof, 2007; Mansour, 2001; El-Said et al., 2014; Saif, 2011). Loewe (2013), explains that the not being able to estimate the true costs and possible outcomes is a major challenge facing small firms. These multiple inefficiencies form one of the most challenges
facing youth trying to establish their SMEs in the market. In order to overcome such obstacles, youth are forced to depend on consultant for advisory services.

As Shady says:

“At the end I hired a lawyer to finish all the papers, I simple could not understand it myself and I had other responsibilities to take care of. I could not waste more time without accomplishing anything new. Of course, I had to pay more than I expected and my feasibility study was totally altered, but at least I got it over with.”

The costs of hiring a consultant are usually too high and exceed youth’s budget limits. However, as respondents explain, it is the only way to ensure a quick preparation of the needed requirements. Shifting the responsibility onto an expert helps youth focus on their business and developing it to succeed.

Another rising trend in Egypt is registering the company abroad or in any other governorates to skip the hassle and save the long processes. Youth find themselves more prone to register in Dubai or the US in tax free zones, where the costs are minimal, the process is straightforward and clear with no extra requirements or unforeseen costs.

As Alia explains:

“I have heard about registering in the US, there are companies now specifically working on that matter. They handle all your papers on your behalf and they require 500 dollars overall. I have thought about it so much because I am so tired of visiting the same office every day for a week for nothing.”
The benefits of registering abroad go unprecedented when comparing the same process in Egypt. The requirements are clear, easy to finish and considered cost effective as opposed to Egypt. Respondents have all heard about the trend of registering abroad and they consider it an easier option given the complicated process.

Moshira, a 26 jewelry designer added:

“Even if you are afraid to register abroad, you can always seek neighboring governorates. I registered in Dahab, in less than 7 days, and it was the best decision I ever took. I was able to find an affordable place to rent, prepare all the needed documents, and finish the papers right away. When I tried approaching the offices in Egypt, I figured it would take me at least two months, so I decided to find an alternative. Now I receive the orders online, but work on the designs and manufacturing in Dahab.”

Respondents explain that the rising alternative is a response to the ineffective and inefficient system in Cairo specifically. Youth think of conventional options and seek other opportunities to register their businesses and legally bind their SMEs. This trend solves the several problems faced by youth while at the same time ensuring they stay legal in the country.

B. Imports

The inconsistent and unclear changes of the law are resembled in the mandates governing imports and exports. In 2016, the import law was altered several times confusing youth and making the process harder to complete. The laws governing imports in Egypt
have tremendously changed during the past three years alone. Despite various efforts to manage and handle the matter, yet such trials have left youth confused and unaware of the recent updates.

Morsy explains:

“I used to wake up every day trying to reach anyone in the government from my friends to know about the latest changes in the imports law. They would announce a list of banned import items and the next day I would find that new items have been added to the list.”

The list of banned items from imports has been growing ever since 2016 with continuous additions monthly or even weekly. The unclear guidelines governing the process, however, left youth unable to plan ahead. With new items added to the banned list on a regular basis, youth lose control over the production process. They are unaware of the next steps given the vague application of laws and their continuous change, which disables them from efficiently planning and managing their business.

Shady adds:

“The law would change and a new banned item would be added to the list. My partners and I had to start thinking of alternatives right away just to keep the production going. The problem here is that such changes keep you indulged in thinking of your basic needs - like how we [entrepreneurs] will acquire the raw materials - instead of innovatively trying to grow our business. Instead of helping
youth mature in the market and provide an added value to the economy, the system traps them in a vicious cycle trying to survive a day by day.”

The problems with imports hamper youth from being able to creatively develop their business. As they are stuck trying to update their working conditions to fit the chaining laws, they find little time to focus on other important aspects of the business cycle. Respondents note that handling the change of laws and trying to find any consolidation to what goes missing in the market, leaves them unsure of the status of their business. This resonates with the literature explaining that constant changes in the law keeps youth continuously restrained trying to understand instead of focusing on the development of their projects (Poldermans, 2011; Saif, 2011; El-Said et al., 2014; El-hawary, 2010; Fouad, 2013).

Lobna, a 26 years old working in the manufacturing sector, explains:

“Sometimes I go to bed not knowing if tomorrow I will be able to run my business. If today works fine, tomorrow might not. I have no idea what is coming next, the fast pace of change is way out my own capacity and I have tens of other things to take care of. Keeping track of the imports alone is draining all my energy.”

The uncertainty that comes with the import laws leaves youth unable to properly handle their businesses efficiently. In addition, respondents explain that given the structure of SMEs, it becomes difficult to absorb the unpredictable changes and fluctuations in the market.

As Lobna adds:
“This is too much for an SME, a small enterprise cannot handle such vagueness and inconsistency. Small enterprises are usually too fragile to combat such irregularities.”

Respondents note that the implication to such changes negatively affects the flow of their work. Since the structure of SMEs is different than other big enterprises, sudden changes significantly affects their course of action. Small incidents lead to a ripple effect and a big influence on the status of youth’s SMEs. Slight changes have great consequences and are sometimes unmanageable given the small scale structure and limited productivity.

As Hossam explains:

“We are working under severe conditions; the business is already small for such sudden and constant changes. The unclear laws and the various revising of the laws all impact SMEs greatly. Such a small enterprise cannot handle the market fluxes and instability.”

Respondents note that the implication to such changes negatively affects the flow of their work.

As Mariam explains:

“I have a chocolate factory and the ingredients must be stored under certain conditions, such as temperature and packaging, to ensure its usage. The last import I made was stuck at the port because apparently there are new testing rules that must be made before I can receive the order. I finished all the required licenses and paid my dues, but somehow at the time of delivery I was told that the order must
be tested using a new technique. I have been waiting for two months now and nothing happened, every time I ask they tell me it is still being tested. I am pretty sure that by now the package is ruined and does not satisfy my measurements of production. I will have to throw it away and lose thousands of pounds just like that.”

Respondents have noted that the change of laws does not only influence their working conditions, but it also affects the products they have to work with. Many of them had to deal with losses due to improper implementation of the laws, or unawareness of the requirements. Just as Mariam explains, a new testing technique has made her shipment inviable given the lack of information given to her. Other respondents note that the unanticipated laws affect the whole production process and burden them with extra costs they can barely meet.

Hossam adds:

“The problems we face at time of receiving our shipments are troublesome. Sometimes the shipment passes in no time, while other times I am told to wait for a couple of weeks with no expectations to what will happen. Why is it different every time? Instead of asking these questions I have learnt to work with what I have and accommodate myself to it.”

Not being able to predict how their shipments will be dealt with upon their arrival has left youth handicapped and unable to effectively run their businesses. They are left obstructed and restrained form performing the basic tasks to ensure a smooth flow of their activities. This resonates with the literature explaining the conflicting regulations and the
absence of a common ground that governs the system (World Bank, 2007; European bank, 2017; Loewe, 2013).

Another problem not mentioned in the literature, yet forming a great challenge to youth, is the unavailable alternatives offered to accommodate the banning of items from imports.

Mariam explains:

“At the end of the day, it is a good step from the government because it forces us [Egyptians] to start manufacturing locally. I am sure that such laws, when properly applied and implemented, will positively boost the economy. However, until then what are the alternatives? Many of the items have been banned without any clear instructions to any consolidation plans. Everyone was left on their own and the local market is still underdeveloped to cater to our needs.”

As a result of the bans on imports, many items were not made available to youth. Respondents note that they have failed to find the high quality they have always ensured with their imported items.

Mariam also adds:

“The problem with banning of imports is that not all elements of the production process are available in Egypt. For example, I used to import the packages of the chocolate. They were made of high end materials that fit the product I was offering; however, when these packages were banned I could not find any alternatives. The packaging in Egypt is very poor and the materials are very cheap, they easily break.
They do not fit with my expectations and they definitely do not go with the vision I aim at promoting.”

The lack of the concept of clustering has affected the production processes of many youth seeking growth in the market. The clustering concept, as available in China, amid at making all parts of a production process available in one district. Hence, it caters for manufacturers’ needs since all their essentials are met in one specific area. However, in Egypt’s case, youth have found that parts of the production process were incomplete given their lack of manufacturing in Egypt. With the restrains on imports, many respondents were not able to complete their productions and were restricted. In order to makeup up for such a gap, respondents are either forced to accept a decline in quality or halt their production altogether.

As Hossam explains:

“I used to import certain materials of high quality to ensure the phenomenal service offered to my clients. With the ban on imports, I discovered that such productions cannot be provided anymore. I was either going to produce it locally and incur extra charges that exceed my profit or accept the poor quality we have locally.”

As a consequence, to the import ban, youth are forced to accept a deteriorating quality of their productions given their limited outlets. The unavailability of other options, have forced many youths out of business. Since the local market does not offer their requirements, they are left with either a declining quality or have chosen to stop their productions all together.
On the other hand, respondents who continued producing under such circumstances were forced to deal with the illegal market as a result of the lack of management in the government and the unavailability of alternatives.

Maha, a 28 year-old importer of fashion garments and manufacturer explains:

“When they banned imports from China, I thought it was a good step because honestly we are capable of producing such items locally. However, given the lack of coordination and capabilities I was lost in the process. At first, I started seeking small shops in the governorates such as Sohag. Even though the quality was deteriorating, I still thought it was a good step since I am helping the economy. But the problem is that such shops work illegally. They are not registered and do not pay for their licenses, electricity or social security to their workers.”

Respondents explain that the lack of organization in the system has produced a parallel economy, where they are forced to deal with the illegal market to get the job done. The ban on imports, without providing alternatives, has given space for the creation of the informal market. The poorer workers are functioning under the informal market to provide for the needs of manufacturers in the legal market. Despite creating jobs for a pool of available labor, yet such a condition inhibits full capitalization of the resources and limits growth of the economy.

As Maha adds:

“Now that I am forced to get the necessary elements of my production, I am left to deal with the informal market on a regular basis. This is not translated in the
economy because they never pay for their productions. They usually operate from their houses, using illegal sources in the production process. I have found an alternative and I am providing a job for many unemployed people in Egypt. However, they are not governed by a legal system. At the end of the day, they take the profits and I am the only one who incurs the costs. This system, unfortunately, does not benefit the economy as well. The ban on imports has only made it harder for us [entrepreneurs] to produce efficiently with the same quality and quantity.”

Respondents explain that the lack of a unified strategy has resulted in a system where youth entrepreneurs are stuck with few options. They are either functioning under the given circumstances which gives rise to the illegal market or they have decided to halt their activities until the conditions improve. Youth looking for alternative options do not always find their requirements, as a result they opt for low wage workers who can provide them with their needs informally. Others, who refuse to work under such conditions, have decided to freeze their activities and limit their businesses until the laws become clearer.

As Morsy explains:

“I found that working with the informal market was unnecessary and hectic, so I decided to close down a branch of my business that depended on imports until I could think of a better solution. For now, I work with what is made available, even if that means down-scaling my business.”

Respondents explain that downscaling has become a common trend given the rising uncertainty in the market. As the price of acquiring an import license increase, youth entrepreneurs have become more discouraged to participate in the market. Instead of
dealing with the constant changes and arbitrary implementation of the law, youth choose to work with the limited space and more secured profits until condition in the market become more stable.

C. Taxes

The procurement of taxes forms another constant challenge facing youth and their SMEs in Egypt. The main problems reside in the bureaucratic system that delays government officials from efficiently finishing their paperwork and assigning taxes to entrepreneurs.

As Adham explains:

“I want to pay my taxes, but it seems like people in the government are too apathetic to perform their jobs. Every time I visit their office, I find that they have not looked at my papers yet. It takes them months to make the calculations and provide me with the needed payments. I end up with overdue payments from a year ago, even though I repeatedly visit their office, just because they do not perform their tasks on time.”

The lack of structure and organization is reflected in the delays to prepare the required tax payments to youth. Respondents note that officials fail to present them with the needed payments regularly, which lead to the piling of overdue charges and confuse youths’ budget plans.

As Shady explains:
“The delays force me to keep all my papers longer than needed and then I am obliged to hire an accountant because I cannot handle these calculations on my own. They are months’ worth of payments that I could never calculate alone. Because of the government’s inefficiency, I end up paying extra costs by hiring an accountant and wasting two or three days.”

Respondents explain that the government’s delay in setting a clear taxation plan leads to many adverse consequences. First, the accumulation of tax payments leaves youth confused over the amount due. Second, they are forced to hire accountants to help in the process which leads to unforeseen costs on their business. Finally, such delays hinder youth from completing a clear and coherent budget plan.

As Assem explains:

“I do not mind the amount, I will pay whatever they require, but at least tell me periodically so I can keep my accounts clear and comprehensible. It baffles me why they never come on time and provide the amount due. There is always some sort of delay; I had to pay 2015 taxes with 2016 just because they failed to provide me with the necessary charges.”

Hence, the governmental bureaucracy and lack of delegation makes it harder for youth to keep their records clear. They are forced to comply with the system which lags behind and inefficiently affects how they run their business. Additionally, the lack of organization has led to taxes being charged arbitrarily.

As Hossam explains:
“The problem is that even if you do accept such delays, the costs become incomprehensible. They do not keep accurate records of payment; as a result they set costs randomly.”

Respondents note that taxes are based on subjective views of the government official handling the case. Hence, each entrepreneur receives their taxes with no clear guidelines of how the charges were set. The procedure of setting the taxes to each entrepreneur remains ambiguous and based on the case.

As Shady explains:

“There is no framework through which taxes are settled. One year I receive taxation items that were never available before, and then the following year the taxation is totally different and these items are missing. It depends on the person handling your papers; you can never know what you will be taxed on and the amount due.”

Despite the availability of a general framework governing how taxes are charged under the Egyptian law, yet respondents note that government officials seldom follow the rules. Hence, the taxes are set on a case by case basis with no clear indication of their establishment. This resonates with the literature explaining the arbitrary taxation accorded to youth (e.g. Mansour, 2001). Loewe (2013), notes that youth entrepreneurs in Egypt continue to suffer from taxation problems that take excessive time and random costs.

On the other hand, respondents complain about the rising tax rates that are charged to youth entrepreneurs. Since access to finance is a major drawback hindering youths, all
their savings and revenues are usually reinvested to provide sufficient cash flow into the business. However, the increased tax charges hinder their ability to sustain their businesses.

As explained by Taher:

“The taxes have increased to reach 22% which is a very high rate compared to the amount of business I do. It is greatly affecting my spirit to work, because I know I will have to suffer. I have to pay monthly wages, licenses, and then incur the taxes as well. This leaves me with minimal profits.”

Respondents note that the high taxes have pushed my entrepreneurs to proceed with their businesses illegally. They believe that under such circumstances, the informal market allows them to run their businesses without having to incur the increased tax rates. As a result, respondents who legally administer their papers find themselves competing with an unequal system. They are forced to pay taxes, while their competitors illegally make extra profits by not registering their businesses. This resonates with the literature explaining the lack of clear guidelines that govern the process of taxation and leads to entrepreneurs keeping their business informally running in the market (Mansour, 2001; Mof, 2007).

D. Bankruptcy

According to the European Bank Report (2017), the Ministry of Justice has announced the drafting of a new law to govern and regulate bankruptcy and restructuring procedures in 2016. However, insolvency procedures remain hurdling and significantly inefficient (European Bank Report, 2017).

As Adham explains:
“Bankruptcy in Egypt leads to prison; we are treated as criminals and jail is a justified action against our business loss. It does not only affect our incentive to start the business, but it keeps us constantly worried to face such charges.”

The fact that bankruptcy is punishable by prison according to the law doubles the pressure on young entrepreneurship and threatens their freedom. The laws against bankruptcy are a major drawback in the system and constitute a key hurdle in youths’ ability to start their own businesses.

According to Assem:

“Such a process puts excessive pressure on youth who try to innovate and creatively implement their businesses. It threatens their freedom and stability which discourages them from participating in the market.”

The difficulties present when exiting from the market, makes it hard for youth to decide on entering in the first place. With their freedom at stake, youth find it very risky to own their businesses especially with the instability in the market. This confirms the literature exploring the challenges facing youth when it comes to the laws governing bankruptcy (Kandil, 2012; European Bank, 2017).

In addition, to the punishment of bankruptcy, respondents explain that the laws governing the problem of insolvency lack transparency and are time consuming.

As explained by Taher:
“You can stay in court for years to be able to finish all necessary trials. The court system is dull, inefficient and highly bureaucratic. It takes forever to proceed with you papers and solve your issues.”

Respondents explain that the problems with the law go beyond their drafting. Apparently, the laws are complex and difficult to process and understand. Rules regarding the implementation are time consuming and follow a bureaucratic procedure. In addition, respondents explain that since judges are not always aware of the banking transactions and services, in some cases that has led to inconsistencies between judgments and implementation of the law (World Bank, 2007).

According to the lawyer Ahmed:

“The laws are not always consistent in their application process. Judges follow different rulings based on their understanding and knowledge. This has led to different ruling according to the judge which is not always fair to all entrepreneurs.”

Hence, along with the complication of laws and the lack of implementation such challenges have created an environment where lenders are afraid and borrowers face a lot of hurdles to access finance. This resonates with the literature explaining the inefficiency in the court system that governs how laws are issued and implemented (European Bank, 2017; World Bank, 2007).
E. Perception of Corruption

Respondents note that administrative corruption is in every governmental entity. The corruption in Egypt is unprecedented and constant through all institutions. Loewe (2013) explains, “…entrepreneurs in Egypt continue to suffer from such problems as licensing, taxation, customs clearance, inspection and public tendering – as well as competition, corruption and the protection of property rights.” The deficits in the rule of law affect the standard producers and allows for corruption to continuously penetrate the system. For example, respondents explain that lengthy governmental procedures along with bureaucracy are only solvable when bribes are paid to officials.

As Taher explains:

“We pay to get it all over with; otherwise it is a never ending process. Unless you make your peace with it and provide your bribes you would not be able to finish the needed licenses.”

Respondents explain that under such circumstances, establishing a SME becomes difficult without finding the right network of connections to support you. This resonates with the literature explaining the necessary informal payments that are crucial to get important paperwork and licenses done (e.g. Mansour, 2001; Wieneke & Gries, 2011; Loewe, 2013).

In addition, respondents explain that paying bribes is necessary in order to avoid incurring extra charges. For example, tax officials have the power to charge entrepreneurs excessive taxation if they fail to bribe them.
As Alia explains:

“They can charge you with hundreds of thousands of Egyptian pounds; a number that exceeds your profit margin. Your only way out is to pay them bribes so they could change the papers and readjust the amount due.”

Respondents conclude that without paying bribes, they could face extra unreasonable and unjustifiable charges. This proves what the literature shows about paying bribes to officials in order to get important licenses issues and to avoid being unreasonably charged with taxes (Loewe, 2013).

As Assem explains:

“Someone I know was asked to offer bribery to avoid paying a humungous amount of money to taxes. To lower his taxes, he was forced to abide by their requirement and pay the bribe. He had no other alternatives; if he was to object then he would have definitely faced other challenges that are beyond our capability to handle.”

Respondents, as a result, believe that the system is governed by lack of accountability that has given rise to bribery and corruption to occur and increase.

As Hossam explains:

“If you refuse to pay bribes, you could easily be accused of any catastrophe that can threat your whole business. Sometimes the only option is to pay; otherwise the consequences can be unbearable.”
Respondents explain that refusing to pay bribes can lead them to falsely face accusation. They can face charges, of allegations they have not performed, for refusing to pay bribes. Hence respondents explain that the uncertainty of the governmental policies, the continuous and unreliable change of laws, the lack of transparency, red tape and increased bureaucracy all make it difficult for youth to understand the laws. The bribery required to administer accurate taxation, issue necessary licenses and finish required paper has become a commonly occurring matter in Egypt. In addition, well-established entrepreneurs can dominate the sector through their connections. In such a case, they use their connections to receive important information beforehand and act accordingly before anyone else in the market. In addition, because of their connection they are able to secure their needed licenses and paperwork.

As Shady explains:

“Big names in the market get what they want immediately, only because they have a network and get whatever they need done. If they want to get a license for example, it is just a phone call away. They have the right connections to support them, unlike us [youth entrepreneurs] who are still establishing themselves in the market.”

Well-connected entrepreneurs are able to finish their papers instantly without an ongoing hassle given their wide networks. This presents a challenge to youth who lack such approaches given their early phase development. As a result, youth entrepreneurs are presented with an unequal opportunity as they waste time trying to finish the legal procedures while their competitors are not as challenged. This resonates with the literature.
explaining that the inefficient rule of law forms an insecurity to SMEs (Loewe, 2013). As big enterprises can easily finish their papers, make profits and continue their productions normally, SMEs are constantly challenged by the legal system (Ibid).

Respondents note that to ease out the process and ensure the finishing of their papers, bribes must be paid and connection must be formed. Otherwise, the process becomes hectic and impossible to complete efficiently. Legal procedures are lengthy and expensive unless you know the right people and pay your bribes. This resonates with the literature explaining that bribery and high cost of finishing registration and licensing issues, inconsistent application of laws, fear of failure and bankruptcy along with high tax rates and unforeseen costs all hinder youth from opening their SMEs (Wieneke & Gries, 2011; Mansour, 2001; Saif, 2011). In addition, corruption hurdles youth accessibility to prompt legal services (Loewe, 2013).

6.3 Infrastructure

The problems with the infrastructure in Egypt, has been cited by respondents as a major challenge to sustainability of their businesses. The research has shown four basic problems in the infrastructure which will be covered in the following section.

A. Land Acquisition

The problem of industrial land acquisition is an ongoing struggle to youth who are trying to establish their businesses in the market. The struggle can be tackled from different perspectives given the complex nature of owning land in Egypt.
First, respondents have noted that the process is troublesome and requires lengthy procedures given the highly bureaucratic system. As mentioned before, youth spend plenty of time trying to acquire the necessary licenses and finish their paperwork to prove their eligibility of land. Issuing the license takes a long time to process which hinders their ability to start their business right away. Most notably, respondents explain that acquiring the licenses from the Civil Defense and Firefighting Authority represent the biggest struggle. Inability to present an operating license before the deadline, can lead to a termination of the contract and the loss of the land to the government. In addition, issuing a temporary license presents a yet challenging procedure due to the governmental routine. Even when presented, the temporary license must be renewed regularly which adds to the cost burdens of youth.

Adham, a 29 year-old exporter of pharmaceutical substances explains:

“The government gives you a deadline to issuing the license, without planning ahead to make sure that we [entrepreneurs] can ever meet the deadline. The delay is not from us, my partners and I have been visiting the offices regularly to try and finish the paper, but they keep dragging us into a hassle of continuous requirements. There is no coordination between the different offices. The government places the deadline and then fails to abide by it, but we face the charges at the end of the day.”

Factories on industrial lands are not allowed, by law, to start production without an operating license. Moreover, the government requires the license to be issued within a framework posted by officials. However, the bureaucracy and routine constitute a major drawback and hinder youth from acquiring the necessary papers to start operating. As
Taher, a 28 year-old cement manufacturer explain:

“I have paid a huge sum of money to able to get this land, and I want to start working right away to make profits and start covering the cost of production. It is not like I am advantaged when I am forced to shut down all operations, we are the victims here.”

Respondents explain that the unorganized governmental operations and lack of clear guidelines lengthens the process of finishing all requirements and add to their burdens. This resonates with the literature exploring the challenges of youth when acquiring land licenses (European Bank, 2017; Loewe, 2013).

Second, another challenge faced by youth entrepreneurs is the staggering prices of land made available to SMEs. According to respondents, SMEs are treated as equals to large enterprises despite the major differences in the capital, revenues and operational elements of each.

According to Taher:

“SMEs and Large corporations abide by the same rules even though they face different structural issues. We do not have the same capabilities or capital to sustain the same operations, however, the same requirements are expected from us [SMEs owners]. The prices of the lands are too high for us as youth, it becomes so much tempting to enter the informal market and avoid all these obstacles.”

The lack of a strategy targeting the needs of SMEs makes it harder for youth to acquire land. Since their budgets are limited given the small scale productions, youth often
seek affordable land that can produce efficient output. However, the prices of industrial lands are being controlled under mischievous circumstances that lack transparency.

As Mariam explains:

“According to the law, investors are required to build at least two stories before a certain time period to not lose the land. What happens is that investors, who have no intention of manufacturing or producing, buy the land and built the minimum necessary requirements and wait until there is a shortage in supply. They start increasing the prices tremendously and there is nothing we could do but compromise and buy land at such atrocity. The law does not protect us at all.”

The problem with the prices of land lies in the lack of policies to ensure equal opportunity. The lack of transparency and monitoring leads to slippages and extra costs that can hardly be incurred by SMEs in the market. Investors take advantage of the situation and provide the land at an increased cost that is not affordable by youth and their easily stage enterprises. While Big enterprises have the capability to keep up with the market changes and unequal opportunities presented, SMEs lack the competence to sustain their activities under such circumstances.

As Mariam adds:
“Big corporates can accommodate themselves to the changes, they can buy land in industrial zones and later sell them if they wish, but we cannot afford to do this. We can barely meet our production needs; we do not have the privilege of wasting capital that way. All our capital is invested and reinvested into the production.”

The problem of land acquisition resides in the lack of transparency which leads to making industrial land available at high prices out of the reach of young entrepreneurs. In addition, land is inaccessible given its acquisition by powerful gurus in the market who leave not place for others to join and reap the benefits. While big enterprises have the necessary networks to ensure accessibility of land at affordable prices, youth on the other hand are left to incur the high prices with limited availability. As the Loewe (2013), explains, the unequal opportunity presented to youth hampers their ability to acquire needed land at a reasonable price.

With their lack of finances, youth are pushed into the informal market, where factories are cheaper and easier to access.

Assem explains:

“There are plenty of factories available for purchase or rent in the informal market with much reasonable prices. As you dig deeper and start forming connections you can even get much cheaper prices.”

The problems of land prices and lack of control over the process of buying and selling forms an ongoing challenge to youth who lack the finances and capacity. Their inability to handle the increased prices disables them from owning land and reaching their
full potential. They are forced to compromise and limit their productions given the struggles and unsupportive operating environment.

B. Electricity and Water

The governmental routine and lengthy procedures affect all matters related to SMEs and hurdles their progress in several aspects. Hence, acquiring electricity and water licenses again forms a struggle to youth in the market.

Maha explains:

“It is so hard to reach someone to help you with the necessary papers to get an electricity connection. Most of the entrepreneurs I know illegally use electricity from nearby outlets to avoid the trouble of getting the license issued.”

The struggle resides in the poor performance of the government that lags behind and leaves applications for months at a time before reviewing them. The process takes too long and necessitates several steps that are hard to complete given the bureaucracy and red tape (World Bank, 2017). The high levels of bureaucracy make it harder for entrepreneurs to administer the necessary licenses.

As Hana, a 27 year-old entrepreneur working in the catering business explains:

“Issuing the license for an electricity outlet in Egypt is one of the main problems currently facing many entrepreneurs. The government has a very long process with redundant requirements that usually take forever to complete. You would think that you are ready once you get the cash flow, machinery and all needed
supplies, but unfortunately finishing the license might take much longer than any other needed preparations.”

Respondents explain that issuing the license takes several months which wastes time and hurdles them from starting right away. Waiting for the papers to be signed and approved requires several visits to the governmental office and regular check-ups which is considered burdensome for many entrepreneurs. The raged and irregular procedure challenges youth as they try to start their businesses in the market.

Another challenge facing youth is the outages that occur which negatively affects their ability to run their business. While the frequency of the outages has immensely decreased in the past year, yet some youth complain that they still occur.

As Hana, a 27 years old entrepreneur working in the catering business explains:

“My entire business depends on electricity for operation, execution and storage of the food. However, when the electricity goes out three hours, whole patches of food must be thrown away and repeated. I have had to repeat an order several times because of the lack of infrastructure.”

The problems with the water and electricity stretch out to industrial lands as well, where entire factories fail to operate on their full capacity given the repeated occurrence of outages.

As Mariam adds:
“The machine I have must produce a certain amount daily so I can start making profit, but with the outages happening I fail to reach the target and I incur the losses solely. Not only that, but when the electricity goes out in the middle of processing I am forced to dispose of the allotment and start the production all over again.”

Despite explaining that outages rarely occur nowadays, however, youth prefer having an alternative in case of adversity. Respondents feel obliged to have a backup and other sources to depend on to ensure reaching full capacity of their productions.

As Taher says:

“I have had to place a generator just to safeguard my production. The neighboring factories, as well, are always working on their generators to secure their production and avoid any mismanagements or sudden collapses. Again, we are the one suffering the extra cost, but it is either this or a continuous unexpected drainage of our output.”

Respondents note that looking for alternative solutions has been the only way to thwart of any risks and ensure a smooth production process. Working with generators, has been noted to be effective, despite the extra costs, to make sure their production is being fully optimized. According to respondents, the potential risks decreases and youth gain the confidence that a backup plan is always available in case of adversity.

Results from the interviews contradict what Loayza and Odawara (2010), explain in their paper. They explain that electricity connections are at an acceptable range in Egypt given the economic development in the country. However, results from the interviews have
shown that youth entrepreneurs suffer the electricity blockages and poorly structured system. Respondents explain that poor infrastructure impedes their progress and their ability to reach a full production process. Hence, it becomes apparent that the poor infrastructure does in fact hamper youth’s ability to optimize their capacities and progress in the market.

C. Transportation

A major drawback in the infrastructure of transportation utilities is the unavailability of proper roads that operate under the laws of safety and protection. The lack of organization has led to major logistical drawbacks.

As explained by Adham:

“The roads are unsafe for the movement of my products, there are no proper signs, paved roads or street lamps to drive safety. Transportation is the most fundamental need in my business, and I still have to fear the loss of my entire work every time there is a shipment.”

The lack of road infrastructure makes it difficult for the back and forth movement of final products from one area to the other. The infrastructure in industrial zones remains poorly administered and lack proper structure. This poses a challenge to youth as they board their final products onto the unsafe roads. Respondents from different sectors note that the unsafe roads form a challenge to them. Those working the food and beverages sector fear the loss of their daily productions as it is delivered to the designated restaurants and clients. Respondents transporting raw materials fear the loss of their products due to
accidents given the poor infrastructure. Other respondents working in Jewelry, manufacturing, and productions such as furniture fear the breakage or ruining of their materials and tools given the poorly structured roads. Hence, respondents explain that the unsafe roads make it difficult for them to process their daily orders.

As Hana, offering a catering service adds:

“Every time I am delivering and order, I must acknowledge the fact that anything might go wrong because of the poor infrastructure. I go through the same fear daily and I have to handle the consequences of the unsafe roads.”

Some respondents explain that their whole profit depends on sales from the transported items. As a result, any losses during the transportation are solely incurred by the entrepreneurs. In the case of Hana and others, their whole production is transferred from the factory to clients. If anything goes wrong in the process, they will have to take full responsibility. Hence, with the poor roads’ infrastructure, the possibility of disasters increases which negatively affects entrepreneurs’ willingness to invest.

Furthermore, respondents have noted that the underdevelopment of roads threatens the safety of their workers as they journey from and to work daily. They are endangered given the lack of infrastructure and the poor quality of transportation available in the industrial areas. The poor quality of infrastructures services offered to entrepreneurs, as a result, hampers their day to day activities which increases their uncertainty and affects their incentive to operate under such conditions (Loewe, 2013).

As Mariam explains:
“Workers have always complained of the road unsafety and the unavailable transportation means because of the underdeveloped roads in the remote areas around the factory. Despite it being located in an industrial zone, the roads around the factory are still unsafe and finding transportation there is near impossible. My only solution was to allow them to sleepover during the weekdays and ride back home in the weekend.”

Given the deficiency of the roads and the unavailability of proper transportation, workers struggle to commute daily. The roads are not fully developed which discourages busses and microbuses from driving nearby. As a result, workers are seldom able to reach their designated working areas. Respondents note that such a problem has led to workers quitting their jobs given the circumstances. However, others have allowed workers to sleepover and commute once weekly during their days off.

The ongoing fear adds to the burdens of youth who have nothing to do but use the unsafe roads given the lack of other options. Respondents note that monopoly over trucks as means of transportation has hampered the development of any other developments. Commercial freight is almost exclusively shipped by road with other options being severely underdeveloped or impossible to use.

Adham explains:

“We have others means of transportation such as the railways or shipments from boats through the Nile. However, monopoly has stopped the growth of these sectors because the beneficiaries prefer if all manufacturers depended on one source of transportation.”
The improvement of roads has been substantially weak given the lack of government intervention and implementation of the laws to ensure safety of all drivers. In addition, the usage of trucks predominates the sector, and monopoly has stalled the development of other outlets. Respondents fail to find alternatives and are forced to use the underdeveloped roads to be able to transport their products.

Taher explains:

“Why not develop the railway and offer a safe and cheap way for youth seeking growth in the market. The full dependency on one source of transportation increases the risks and does not offer a healthy working environment. The sector is being controlled by profit seekers that offer poor quality in return of high cost.”

Hence, respondents explain that other sources of transportation are not being fully utilized. Along with the poor road infrastructure, youth have to risk their businesses daily without any promises of compensation in case of calamity. The lack of alternatives constraints them, while poor law enforcement, hinders their ability to exploit the available options.

As a result, the lack of road infrastructure poses threats to the safety of workers and the delivery of finished products on a daily basis. This resonates with the literature exploring the deteriorating quality of services offered which affects how youth efficiently run their businesses (e.g. European Bank, 2017).
D. Qualified Workers

Respondents explain that the process of finding qualified calibers of unskilled labor in the market presents a challenge to entrepreneurs generally. Respondents working in the food and beverage sector have difficulties recruiting chef assistants, cleaners and waiters. While those working in the manufacturing sector explain that they face struggles when recruiting workers who can supervise the production process.

Maha, who seeks store seller persons, explains

“My only issue is finding workers who I can fully depend on. I feel there is a culture in Egypt that makes workers think if it is not their business they should not care enough. Even if their life depended on it, they would not work efficiently. They think because it is not their money, then why should they exert the extra effort. If I do not monitor them, or carefully revise all their tasks, the business would fall down. I end up doing my work and theirs.”

Respondents note that the lack of incentive is a drawback hindering their workers from accomplishing their tasks and reaching full potential. The lack of qualified calibers makes the working environment unstable as workers turn over increases. The unavailability of unskilled labor, despite the staggering unemployment, leaves youth entrepreneurs in difficult positions to find dependable calibers.

As Morsy explains:

“They simply do not care. They do not want to work and they do not care what happens next. Not matter how many times you raise their salaries, offer bonuses, or
reward them; they still do not perform as expected. They do not have any incentive to prove themselves to improve from their conditions. They live in dire conditions and are in need of any help, but they just do not care, I have no other explanation.”

All interviewed respondents have noted a problem with hiring workers in their SMEs. They have all explained that they lack the motivation, despite continuous efforts to promote a good working environment. The unavailability of labor, however, threatens the sustainability of the business as youth struggle to maintain the workforce.

As Hossam explains:

“There is an exceptionally high turnover, workers start and quit their jobs in less than a month. I have had over 11 different workers handle one position this past year. You can never fully depend that the worker will finish the task as required.”

The inability to accommodate the needs of the business, as a result, has left youth fearing the stability of their businesses. They are forced to keep hiring workers on the go to ensure a flow of their work.

As Mariam explains:

“I once had a worker quit because he was not allowed to smoke in the premises. They make the rules and do not appreciate the job opportunity. Because they are not skilled, they know any other place can accommodate them. They are not afraid of losing a promotion, a reputation or affecting their KPIs. They know they can easily find another job, so they simply give up with the first hardship.”
This type of unskilled labor is challenging for a rather high turnover rate, as their retention and loyalty to any organization is always fragile, volatile and unstable due to their price sensitivity. However, small any extra wage amount would be offered to them, it would immediately lead them to seek that opportunity and quit rather than sticking to their current employer. Since such type of employment and support function does not seek a career, they focus on the wages offered. Whenever a better offer comes along they are more prone to accept it and leave. This high turnover rate is not resulting from underpayment at current employers but it is a result of the price sensitivity and nature of the job itself.

The unsustainability that comes with the continuous adjustments of hiring labor makes it hard for youth to plan ahead and estimate their budget plans. They are unable to secure dependable and trustworthy workers which negatively impact their business measurements. The shortages in manpower forces youth to divert their concentration and handle all tasks at once which impedes their ability to focus on their business development.

E. Perception of corruption

Respondents note that the licenses to acquire electricity connections, proper water disposals and land are all governed by corruption and lack of transparency. They explain that without the proper connections and developed networks, such licenses will be difficult to process and obtain.

As Mirna, a 26 year-old entertainment center owner says:

“If it were not for my father’s connections, I would not have been able to get the electricity license done. I still had to go through a very hard time and never ending
paperwork to receive the approval. But I do not think they would have even considered my papers and looked at my application, if I did not know someone there who helped me out.”

Respondents explain that to consider an entrepreneurs’ application on time, they must either present a bribe or some sort of relationship to the officials there. Otherwise, the process might take months and the papers could easily get lost without any supervision. The normal procedure is believed to be hectic and impossible to complete without reaching out to someone who can handle the case.

Maha adds:

“You learn to form your connections and pay bribes whenever due to get the job done. There is no any other way to finish the papers. I know a friend there who I call whenever I need to renew my license, he takes me to the designated areas, I pay the bribes and have the paper completed. If I do not do that I will probably never finish my papers on time.”

The payment of bribes to finish required tasks is a known trend among all respondents to ensure an easy and smooth processing of their papers. This resonates with the literature that explains the informal payments necessary to access such services (European Bank, 2017).

Respondents have also noted that Land is given on basis of nepotism, where some people receive parcels even if they do not fulfill the necessary requirements.

Lobna says:
“I have seen people who have nothing to do with manufacturing receive lands and later on sell it for triple the price making humungous profits. The lands are first distributed to those with connections and the rest are made available to the public. I have seen four blocks of land owned by one family name. It is ridiculous when you think about it, but nothing can be done.”

According to Loewe (2013), connections and nepotism allows for powerful names in the market to receive information on available industrial land beforehand. Hence, they are able to buy the land at affordable prices and later resell it at a highly exaggerated price point. The problems related to nepotism and bribery have made it difficult for youth to establish their SMEs in Egypt. People with connections find it easier to access confidential information and exploit the opportunities before others can know about it (ibid). The unfair competition has led to substantial losses to youth who lack the necessary networks to acquire their basic needs such as electricity connections and industrial lands. The lack of a proper infrastructure has left youth paying bribes to acquire poor services (European Bank, 2017; Loewe, 2013). The unsustainability of service provision along with the poor quality offered continues to impede youths’ abilities to develop in the market. In addition, the inefficient regulatory system adds to the hurdles given the unequal opportunities presented to all (Loayza & Odawara, 2010).

6.4 Education

Respondents explain that providing entrepreneurial education and training is an important pillar in easing the way for youth to achieve their dreams. However, government initiatives remain highly bureaucratic and unorganized. On the other hand, non-
governmental programs are inaccessible to many youths given the difficult requirements of entry. As a result, youth fail to acquire the needed support to establish a sustainable business. The coming section aims at exploring challenges facing youth entrepreneurs as they access entrepreneurial training in Egypt.

A. The Lack of Training Services and Technical Support

Respondents note that entrepreneurship education is undertaken outside the curriculum, often with the aid of external private sector organizations. They believe that trainings on how to handle the business process are best offered in non-governmental organizations. While some governmental organizations, such as the SFD, offer trainings they still have major deficits in the programs that dismantle their benefits to youth. Governmental organizations are believed to be hard to access given the lack of organization and coordination between the different entities.

As Taher explains:

“Government initiatives are barely beneficial and they fail to cater for the needs of SMEs in Egypt. Even though many programs are designed specifically for SMEs and youth, yet they still suffer from lack of organization that disrupts the whole process. The bureaucracy and ineffectiveness influences the services and discourages youth from participating.”

Respondents believe that governmental programs are run in an old-fashioned way that does not complement their needs and expectations. They fail to recognize the needs of youth which makes them unable to understand their challenges and effectively support
them. This resonates with the literature that covers the lack of planning which affects the quality of services provided to youth (De Saá-Pérez, 2007). Ahmad and Abdel-Aziz (2015), explores the corruption in some governmental organizations that affects their efficiency and competence. Hence, the absence of clear guidelines, coherent services and continuous updates to match youth’s mindsets makes it hard for entrepreneurs to benefit from such programs.

When exploring the non-governmental programs, respondents explain that having entrepreneurship education supplied by incubators and other sources comes with its own problems as well. Such incubators provide their mentioning and training services as part of their program, which is given to enterprises that they have specifically chosen among many. Not all applicants are provided the trainings, however, only those who fit the criteria and have been admitted into the program.

As explain by Alia:

“I applied twice to two different incubators and got rejected because my business was not developed enough. Again it is ironic, I was in dire need of the training at that time, yet I was denied access because I was not developed enough. I was not accepted for the same exact reason why I applied. If I have the knowledge and skills why would I apply to an incubator in the first place?”

Respondents explain that they are left in a vicious cycle of needing the training but not completing the requirements in order to ensure their eligibility. Such organizations are
believed to have unnecessary requirements that hamper early stage businesses from receiving the needed help.

As Hossam explains:

“It took me weeks to able to finalize my feasibility study; it would have been much easier if one of such organizations could offer training services to support me. Instead I was asked to submit documents that exceeded my know-how at that time. Nothing is made available for youth starting in the market. Everyone wants a business that is already working and successful, but not wants to risk and teach to those who have great ideas but lack the proper implementation.”

The accepted applicants follow a rigorous cycle of training, mentoring, advising, technical support along with financial assistance. However, only accepted projected are privileged with such trainings which signify a low percentage of the population. Trainings are made available to those participating in the program which amount to few when compared to the number of youth actively seeking such technical support. This confirms what the literature shows about the lack of training services offered to youth entrepreneurs (Ahmad & Abdel-Aziz, 2015; Masri et al., 2010).

On the other hand, contradictions have risen regarding entrepreneurship trainings. While some respondents attest that trainings are necessary to complement youth and help them support their businesses, other respondents note that such trainings can never be taught in classes. Some respondents believe that learning and knowledge comes from what they face in the environment rather than formal classes. They believe in learning through
lessons of success and failure, contact from competitors, and daily working situations. Hence, entrepreneurial skills are believed to be acquired through entering the market and experiencing pitfalls firsthand.

As explained by Adham:

“Only when you fall, do you learn the right way. There are classes on how to manage your business, but you can never fully depend on them. In reality when you start facing the crises is when you learn how to maneuver. No amount of training will be enough to teach you how to face disasters; you will have to learn them the hard way.”

Respondents note that trainings will not compensate what entrepreneurs go through in real life. They believe that facing difficult situations is the only way to success.

As Mansour explains:

“Real life experiences make you tough. By the end of my first year I had two options whether to inject more cash flow from my own savings or close the business. All the books would have said that I should close down by now. The future was bleak and there was no way I was going to break even. But there is where your entrepreneurial instinct rises; I took the risk and it was the best decision I ever made. The business boomed, I was able to make profits less than a year after I reached rock bottom. This is something no one can teach you; you will have to learn it on your own.”
Some respondents believe that taking training goes against the entrepreneurial culture of being brave, stubborn and risky. Asking for help is against the qualities that an entrepreneur should acquire. Instead, they should depend on themselves and face the challenges and learn from their mistakes. Youth believe that some challenges can never be taught, rather they must be taught the hard way. Respondents believe that each entrepreneur faces challenges personal to them which makes it impossible to receive trainings that would sufficiently target their needs.

As Alia explains:

“My problems are definitely different than others in the same fields. How would we all find trainings that target each one’s personal struggles? I think it is impossible to develop a program that caters for all challenges faced by entrepreneurs. In some cases, the challenges are more personal, and they need independent intervention. Sometimes you have stage fright, other times you lack the skills to sell your idea. There are a wide range of grey areas that constitute entrepreneurs’ struggles; its each person’s job to know what they lack and work on it.”

The struggle of each entrepreneur differs according to their own culture, upbringing and perspective. Hence, not all trainings sufficiently cater for all entrepreneurs’ needs and expectations. While the concept is generally acceptable among respondents, yet they believe that one’s own development is crucial to be able to progress. Such development comes from realizing one’s shortcomings and working on them to grow and prosper. The ability to recognize one’s problems and effectively work to solve them is believed to be
the key behind real success. In addition, respondents cite that the type of mentors brought in by such organizations, are not equipped to solve youth’s problems.

As explained by Maha:

“They usually recruit geniuses in the business, like CEOs of multinational companies, but how can this help us [self-employed youth]. They do not understand our needs; we need someone like us, who went through what we went through. We seek comfort and reassurance; we want someone who understands the basic struggles of being an entrepreneur who can tell us it will be find at the end of the day.”

Respondents note that in such organizations, mentors are usually professors that lack the knowledge of the market. Given their young age and limited experience, youth entrepreneurs require a different treatment in terms of counselling. They seek older entrepreneurs who understand their challenges and can offer them the needed counselling to overcome their fears and struggles. Hence, respondents believe that few programs successfully design services and offer mentors that fit their needs at the early stage of development.

Generally, results from interviews have shown discrepancy among youth’s perceptions towards entrepreneurial training. While some believe that such trainings offer a cornerstone that helps youth acquire the basic skills necessary to mingle into the market, others believe that real life experience are more significant in developing youth capabilities. The literature on entrepreneurial education supports the former notion and
cites the importance of training in entrepreneurs’ cycle (e.g. De Saá-Pérez et al., 2012; Li, Zhao, & Liu, 2006; Ahmad & Abdel-Aziz, 2015). The literature also resonates with results from interviews stating the organizations offering trainings are inaccessible and unavailable to youth given the hard entry processes, complicated requirements and limited vacancies to youth (e.g. Ahmad & Abdel-Aziz, 2015; Masri et al., 2010; Jochaud, 2013).

### B. The Lack of Business Information

Respondents note that various sources are available to provide business information in Egypt, however they remain dispersed offering inconsistent information and help to youth entrepreneurs. The main problem with business information services is the lack of organization that confuses youth to which is the most reliable source.

As Samir explains:

“I can never find reliable information about my competitors or the sector itself. All I do is rely on my own networks to get the needed information. Unfortunately, there is not one consistent and trustworthy platform through which I can get information about other SMEs in my sector.”

Business information services remain inaccessible to youth given the lack of coordination and the low awareness. Advertising of the different governmental offices that provide such information remains low and insufficient, which leaves youth unaware of service providers. In addition, the information is not provided in one package, all at once, which adds to youths’ confusion as they search in more than one place to complete their database and receive the needed information. Respondents note that market information is
striking when exploring SMEs given the less attention given to them. Youth who need information about their competitors, the market, products, prices and suppliers cannot always find them effectively.

As Hana explains:

“Until recently, I did not know that such a service was available. I used to depend on my family and their connections to get the information I needed about suppliers and competitors in the sector.”

The unawareness of such services among youth stems from the inaccessibility and low advertising available. Finding the market trends and figures is challenging due to the poorly available and unorganized data. The government shares little information to the public which hinders youth’s ability to comprehend how their sector fully works. In addition, business information providers are believed to be unsustainable since they promote inadequate and incomplete data. Along with the limited outreach and accessibility, the business information provider services are believed to be incompetent. Hence, respondents who do not have a well-established network in the market, usually suffer the most since they are unable to receive such information.

The lack of a clear governmental policy and plan leaves the system without proper organization which opens the door for confusion among youths. Youth fail to keep up with the market changes given the poor information provided which negatively affects their productivity in the market. The lack of an enabling environment to entrepreneurial training and services remains a great obstacle that hinders youths’ ability to develop their SMEs.
6.5 Cultural Barriers

While the culture predominates the behavior and activity of all human beings, entrepreneurs believe that cultural barriers form the least challenges facing them as they enter the market. Interviews have shown that entrepreneurs should have the skills to defy the cultural obstacles. They should have the capacity to absorb the negative comments and use it as a source of inspiration to prove their capabilities and potential. The following section covers respondents believes and opinions when it comes to entrepreneurial culture in Egypt

A. Entrepreneurship and Risk Taking

Interviewed respondents explaining that owning SMEs, like any other activity, is perceived to be acceptable and normal in Egypt. This resonates with findings in the literature that explain the high regard given to entrepreneurs in Egypt (GEM, 2017; Jochaud, 2013; Kirby & Ibrahim, 2012). Respondents further explain that the main challenges facing them go beyond the societal norms which are endurable and easy to deal with. The fear of failure and an unsupportive culture are the least challenges youth consider when becoming entrepreneurs.

Moshira explains:

“If you are not working in the government, then any other opportunity in the market does not guarantee job security. I like to believe that entrepreneurs know exactly what they are going into, it is not rocket science. We know it is difficult, challenging and not all people are supportive. But that is how exciting it is. The taste of success
makes it all worth it, it revokes any negative vibes you get from the surrounding community.”

Respondents explain that any job comes with a variety of liabilities; however a real entrepreneur will have enough awareness to stop cultural barriers from affecting their incentive. The fear from failure, specifically, must be realized and accepted as a possible consequence, yet it should never impede progress.

As Hossam explains:

“Whole life is risky, whatever you do there is a possibility that it turns against you. I would not call “fear of failure” as a challenge because it is normal and healthy. It lets you think straight and take planned steps rather than arbitrarily proceeding into the unknown. Culture is important and awareness towards entrepreneurship is uncanny, but the will of an entrepreneur is much more significant. Your willingness to innovate, create and seize an opportunity will eventually transcend.”

Respondents explain that unsupportive societal norms does not form a challenge as much as an incentive to prove oneself. Whether the culture is supporting or not, it should not affect entrepreneur’s eagerness to implement their ideas. Instead it should be a driving force to showcase one’s abilities and solvency. The fear of failure is perceived to be normal and expected when embarking onto a new life experience.

Mirna, who was not encouraged by her parents given their fear of failure, said:

“If they are supportive then good for me, but if not it should not change anything. I have an idea, I believe in it and most importantly I believe in myself. I am capable
of achieving any dream I want to against all odds. Their support would mean the world to me, but if they cannot see what I see in myself then it is okay, I will have to do it on my own; they will eventually come around.”

Hence, interviews have shown that an entrepreneur’s ability to run a business should never be challenged by the cultural norms. Respondents believe that while cultural norms shape a country’s behavior, youth with an entrepreneurial intention should be able to overcome such hurdles and prove themselves.

Taher explains:

“It is never easy, but again nothing is really. Whether you are an entrepreneur or an employee working in the corporate life, people will always have something to say against you. You should not let the culture dictate what you must do. A real entrepreneur will only see one main goal and concentrate all the possible efforts towards achieving it.”

Mirna also adds:

“I have seen plenty of stories where parents stop their children from becoming entrepreneurs and force them into accepting normal jobs. However, I believe that a real entrepreneur will always prevail his/her eagerness to seize the opportunity. They will never give up no matter the struggles they face. When I was forced to get a corporate job, I used to spend my working hours preparing the feasibility study to my enterprise. It comes naturally, and no one can ever stop you from achieving your dream.”
This contradicts the literature that explains that an unsupportive entrepreneurial environment hampers youth from realizing their dreams (Hattab, 2014; Ahmad & Abdel-Aziz, 2015). On the contrary, the interviews have shown that cultural restraints against entrepreneurship only incentive youth to stand up for themselves and unveil their true passions. Fear of failure is believed to be a normal reflex to the huge responsibility they are undertaking. However, it should not restrain them from achieving their dreams. There was a common perception among respondents that entrepreneurs work against ordinary conditions. As a result, they should be able to conceive their ideas and promote their initiatives in spite of cultures conventional outlook to success.

As Adham says:

“Society, especially your family, wants to ensure your stability; they believe that a good job along with a car and a house are all you need to be successful and promising. Entrepreneurs, on the other hand, have something else in mind. Their vision, future and dreams are preoccupied with something not all can see or comprehend. It will definitely take those around you time to understand where you are coming from, but it should not affect how you progress. If you let it get to you, you will never amount to anything.”

Respondents believe that entrepreneurs come with a different set of preferences to what constitute success. The different cultural understanding, however, should not hinder
youths’ abilities to accomplish their dreams and prove their success. Failure is always expected and disapproval from surrounding community is not only limited to entrepreneurship. Hence, such difficulties can be overcome by the entrepreneurs’ willingness to demonstrate their eminence.

B. Competition

Respondents explain the laws governing competition lack the necessary implementation to ensure fair trade and equal opportunity. The market is being dominated by powerful investors, who make it harder for youth to access it.

As Samir explains:

“I am constantly being fought over by dominant investors who refuse to allow anyone else into the sector. They have their connections and they divide the business between them with no space for entries. They refuse to help or even acknowledge that I might have something different to offer that can better develop the sector.”

While competition is normal and healthy for a developing market, however respondents believe that the weak intervention of the government to organize how businesses run makes it difficult for them to promote their ideas. They are constantly being slowed down by big names in the market that deny them access to the needed resources and their rights to do business. Respondents note that in some sectors, the required materials for production are in the hands of few who decide who gets what depending on their connections and networks.
As Adham explains:

“I need necessary raw materials to complete my production process. However, they are made available to the gurus in the market first before we [youth entrepreneurs] can access them. It paralyzes me because I am not able to produce without my basic needs and they are not made available since powerful investors refuse competition.”

The unequal opportunities presented hampers youth from achieving their full potential in the market. Well established investors take over the market, while desisting SMEs their rights and benefits. The control over the resources, makes it harder for youth to acquire the necessary resources.

Moshira explains:

“Many of the materials I use are made unavailable just to stop my activity. I exert double the effort to be able to procure my basic production necessities. Competitors are afraid to lose control over the market, and law enforcement of laws and monitoring allows them to illegally deny us [youth] our rights to production.”

The unavailable protection of young entrepreneurs, along with the poorly functioning system, leaves youth competing with big names that have come to control some sectors in the market over time. This resonates with the literature that explains that some sectors in Egypt deny accessibility to new entrants (e.g. Loewe, 2013). The distorted competition hampers equal opportunity to all entrepreneurs and discourages youth from
promoting their innovative ideas. Youth, as a result, have formed their own platforms to provide support and nourish one another whenever possible.

As explained by Adham:

“We have created our own parallel track, where we constantly update one another and offer support to those who need it; it is the only way to ensure durability under such circumstances.”

The creation of a platform designated for the support of youths entering the market and establishing their SMEs is a rising trend. The rejection faced from powerful investors in the market has pushed youth to integrate their forces and incorporate their experiences to reinforce themselves and support one another.

As explained by Maha:

“What I love about my work is that we [youth] are fully aware of the challenges and we work together to face them. It is like we have all come together against the hulk; we have created our own system and we try as much as possible to create a co-working space where we appreciate our efforts and acknowledge our success.”

Respondents believe that the lack of nourishment and sustenance, has created a bondage between youth entrepreneurs in distinct sectors to make up for what the market inadequately offers. They have established their own networks, with one another, to offer the needed support.

Hana adds:
“Instead of forming another challenge, youth entrepreneurs realize that their linkage creates a stronger binding force. Acting as one makes it harder for others to thwart us off. We have created Facebook groups where we talk regularly and share our experience. We even meet on a daily basis; my competitors have become a second family. Their success does not belittle mine, and their opportunity’s does not cease mine. We are in this together and if the big names will not offer us the expected support, then we have each other.”

Respondents agree that support within the sector has helped them overcome hurdles and have given them the needed reassurance to continue in the market. Young entrepreneurs have created their own system of support, away from powerful investors, to ensure their sustainability and the growth of their businesses.

Hossam explains:

“We regularly check on one another, sometimes competing businesses offer me the guidance I need whenever I face a problem. I am sure it does not happen in all sectors, but it is safe to say that there is a growing trend where youth understand that one’s success does not stop others. The community is growing by the day, and we all genuinely care for each other.”

Whether it is through social media or the launching of events, youth have come to realize the stability and endurance that comes from creating a healthy competitive environment. As a result, in most sectors, they have worked together to offer support, training and services that helps them grow in the market together.
As Laura explains:

“We might not be able to get the big names to appreciate what we do, but we have each other to support and care for. We prepare events where we speak of our fears and struggles and whoever can help offers to. We acknowledge our dreams and appreciate the distinct approaches towards achieving them. Having such a supportive system from within, adds to your fierceness and incentive to work.”

They are aware of the strength that comes from being united against the big names in the market, hence, they have kept their forces together in order to combat their daily struggles. The literature has explained that laws against competition lack implementation and that market gurus inhibits youth from actualizing their plans (European bank, 2017; Masri et al., 2010; Loewe, 2013). In addition, big firms control the market and disable youth from successfully entering or establishing themselves (Ahmad & Abdel-Aziz, 2015; Loewe, 2013; El Dahshan et al., 2012). However, interviews have shown that youth have created a system where they offer the needed guidance and support to one another through several means. They are all connected over the social media, where they exchange ideas, plans and fears. They have created a parallel system to support one another and bequeath among themselves what the system has failed to offer them.

C. Entrepreneurship among women

Respondents note that generally, female youth face double the challenges based on their gender. Women are ridiculed for wanting to start their own businesses, and are usually encouraged to work as subordinates instead of solely entering the market.
As Salwa, a 25 year-old gallery owner explains:

“When I had the idea of my art gallery, the first thing I was told was do not do it on your own. My parents wanted me to find a male partner who can support me and handle all business matters. But when I insisted that it was my idea and I deserve to realize my own success, my dad asked if he could be my partner just in case anything goes wrong. I still resisted the idea and assured them that I will be able to stay in control.”

Female respondents explain that because of their gender they receive discouraging comments. They are perceived to be less capable of handling and dealing with business requirements. Hence, they are always offered support from their family and friends.

Alia explains:

“At first my dad totally refused my idea, he did not believe I would be able to manage the business on my own. They refused to acknowledge that I am a grown up and I can independently decide what is best for me.”

There is a common perception that women would not be able to handle business related work on their own. They are not taken seriously and are believed to lack the instincts necessary to help them survive in the market. The biggest challenge for women entrepreneurs is the lack of trust that comes within their social circle. Whether it is from parents, family members or spouses, women are usually bombarded with abrupt questions.
Their knowledge, experience and know-how are underestimated which affects their ability to implement their ideas.

As Moshira explains:

“Sometimes they are afraid because we are “women” other times they utterly believe we would not be able to do it because we are emotional and sensitive. They think we will get lost and fall down instantly. They have no idea that as women we are as capable as any man; we are headstrong and passionate about what we love.”

The surrounding circle lacks confidence in women entrepreneurs’ abilities, which forces youth women into exerting double the effort to prove themselves. While some women fight against such control, others lack the means and are forced to comply to the objections raised. Women have found themselves combating such fears with available alternatives until they can prove they are worthy the trust.

As Maha explains:

“We usually buy our raw materials from the local shops downtown of Cairo. These places are usually crammed with people from all walks of life. My husband insisted that I do not go alone because he was afraid of harassment, theft or any other danger. The first couple of times he used to accompany my partner and me. But then he was busy with work and could not join. I had to ask my partner to make the visits on her own until I can convince him otherwise. I am hoping that with time he could see how well I am doing in my business and would let go and allow me to act freely.”
The pressure to please their family leaves youth women unable to put all their efforts in the business. Respondents note that women are more strained than men when it comes to the normal daily activities which slightly hamper them. As women they are expected to not stay out late or regularly travel alone. In some cases, family members fear their safety which restricts their movement and ability to perform regular tasks freely. Some interviewed females have also cited that such lack of trust is shared among governmental officials who usually do not take them seriously.

As Maha explains:

“Generally, I get a feeling that sometimes governmental officials do not trust that we, as women, are capable of opening our own business. I was asked several times, when finishing the necessary paperwork, if it is my own business. I keep repeating ‘yes’ as if it is not normal for a woman to own a business.”

Female respondents note that governmental officials feel more at ease when working with men. They are more comfortable to find a male counterpart in the business and feel reassured when finishing procedures. The lack of confidence in women’s abilities influences how they perceive their capabilities and competences in the market. This resonates with the literature confirming that women are seldom taken seriously (Jochaud, 2013; MoF, 2007). They are believed to be less equipped and lack the necessary aptitude to survive harsh conditions in the market. In addition, they are faced with discriminations as a result of the lack of trust in their abilities. This confirms results from interviews that show how some governmental officials prefer dealing with men over women (El Dahshan et al., 2012; MoF, 2007).
6.6 Lack of Specialization

The previous sections aim at showcasing the several hinders facing youth as they approach the market in Egypt with their prospective SMEs. Interviews from respondents and data analysis have shown that a major impediment in the system remains concentrated in the lack of specialization in the different aspects related to doing business in Egypt. Along with the problems previously mentioned, such issues give rise to a general view about the lack of specialization that influences youths’ ability to progress in the market. Results from interviews show that inefficiencies from financing options, difficulties faced when finishing legal documents, and ineffective trainings services can be seen as a result of the lack of specialized, proficient, and qualified officials who understand the needs of entrepreneurs and how to approach them.

When examining the incompetence of the banking sector in providing viable loans, it becomes clear that officials lack the necessary experience and skills to deal with SMEs and youth entrepreneurs. Despite the fact the SMEs cover a huge portion of the economy’s GDP, yet Bankers lack the sufficient expertise to understand how to deal with small enterprises and youth that lack the means to provide complicated requirements. Banks usually deal with SMEs like other big enterprises that represent security given their credit history and the ease of providing complex paperwork and high collaterals. Youth, on the other hand, fail to provide such guarantees which disadvantages their position. Banks’ malfunctioning system towards SMEs forms a challenge as they become unaware of their distinct needs. The absence of specialization leads to officials who lack the ability to understand youth entrepreneurs’ mentality. The lack of specialized professionals who can
process regulations compatible with SMEs and youth forms an ongoing challenge that hinder youths’ ability from accessing loans.

The lack of specialization could be also noted in the legal environment governing SMEs progression in Egypt. The lack of a unified strategy targeting SMEs and youth has led to a series of changing laws, unorganized regulations, weak implementation and constant alterations that confuse youth and challenges them. Officials who regulate SMEs and youth entrepreneurs lack the necessary aptitude to design laws that promote and ease out the development of SMEs. Officials do not share a unified vision towards SMEs, in addition to the dispersed legislations; such regulations fail to target the needs of SMEs in the market. The regulations do not realize the dissimilar challenges faced by SMEs; as a result the laws are usually not inclusive and inefficient. The lack of specialized officials who comprehend the challenges faced by SMEs and youth has negatively affected the legal system through which entrepreneurs interact. In addition, it has given rise to corruption, where youth are forced to pay bribes or form their informal connections to get important paperwork done.

Finally, specialization is an important aspect that should be taken into consideration when focusing on a specific sector. When exploring SMEs and their developmental strategies, it becomes apparent that the lack of specialization has led to the disbursement of inefficient laws that poorly target their needs. The lack of specialization in the system has led to deficits in the provision of laws that govern SMEs which as a result negatively influences the entrepreneurial environment as well. SMEs are enterprises with specific characteristics that combine distinct features. Regulations should reflect these specific
needs while taking into consideration SMEs unique features. Failing to do so, amplifies the challenges and adds to youth inhibitions.
Chapter 7: Conclusion

This study aims at identifying the bottlenecks facing SMEs and youth entrepreneurs from reaching full potential in the Egyptian economy. The framework through which the thesis was presented is based on two main fundamental conceptions. The first included the legal institutions which incorporate the concepts of laws and regulations that govern how entrepreneurs access financing options, legal requirements, needed infrastructure and training services. The second included the non-legal institutions which include the concepts of cultural norms that govern how entrepreneurs are supported by their surrounding society to take risks and prove themselves in the market.

In order to add to the literature review and provide a coherent view on the challenges youth face as they approach the market, this study followed an applied research method through a qualitative approach. A purposive sample was used through the snow bowling technique to provide insights on the main hurdles emergent youth face. Sixteen semi-structured, one on one in-depth interviews were conducted with emergent entrepreneurs with ages ranging from 26 to 29 years. They represented entrepreneurs who have starting their SMEs post the 25th of January revolution and are either still operating or have closed down their enterprises. The research ensured the anonymity and confidentiality of all participants by using pseudonyms and by keeping information available upon request. In addition, participants’ privacy was protected throughout the research to ensure credibility.

Results from the data analysis has shown that the entrepreneurial activity and awareness has generally increased among youth. However, the environment surrounding
entrepreneurship still suffers several hurdles that impede youths’ ability to function in the system. First, results from interviews have shown that respondents believe that financing options remain severely limited. Along with their unavailability, financing options require complicated documents and lengthy procedures that are hard to be prepare in the early phase of an SME. Second, the inconsistency in laws and the imbalanced and unequal implementation of regulations confuse youth and add to their struggles. The lack of organization and corruption in the process of paying taxes, imports and issuing licenses leads to unfair competition which negatively affects youth in the market. Third, the poor road infrastructure along with electricity and water outages greatly impact the working conditions of youth. The poorly structured infrastructure forms a huge challenge to youth who seek maximized productions. In addition, the unavailability of a qualified and long term workers forms another challenge to youth entrepreneurs. Fourth, the lack of business information on the market and competitors is another obstacle facing youth. In opposition to the literature, some interviewed respondents noted that training services are not crucial to ensure skills development. Rather, real life experiences are more significant to improve youths’ skills and approaches towards doing business. Finally, respondents note that unfair competition and the blockage of new entrants from the market remains a challenging aspect to youth entrepreneurs who lack the necessary networks to proceed in the economy.

While the research aims at providing a platform through which challenges of entrepreneurs could be explored and studied, yet the study has several shortcomings. First, this thesis studies youth specifically with a special focus on emergent youth aging from 26 to 29 years. Since it focuses on a certain age bracket and profile, as a result, this affects how the findings can be generalized. The thesis focuses on a group of youth to coherently
provide an analysis of their challenges; however, results become confined to this group only. Second, as the thesis focuses on Cairo only, hence, results cannot be generalized to other cities in Egypt. Finally, the thesis tries to provide a coherent and general overview on the major challenges facing youth and their SMEs. In doing so, the research was not narrowed to studying a specific sector. While this has added diversity to the results, yet, sector specific challenges were not covered. As a result, research on a specific sector might be able to provide other aspects to the challenges facing youth that has not been covered in this research study.

7.1 Recommendations

There are several policy recommendations that could be taken to improve the conditions through which youth entrepreneurs run their SMEs in Egypt. Thesis include:

- Multi-stakeholder Inclusion: Forming an advisory board through which different stakeholders and professionals, from the public and private sphere, could contribute to the decision making process. Including those affected by the laws, allows for the provision of policies that are comprehensive and targets and meets the needs of entrepreneurs.

- Coordination: Providing a platform through which all rules and regulations governing the process of legalizing SMEs becomes crucial to ensure a smooth entry into the market. Sharing information on the latest developments, regulation changes, and law provision can greatly impact how youth run their SMEs. In addition, providing business information to entrepreneurs about the market can support youth as they build up their business plans. Promoting a
supportive environment through making business information available can help entrepreneurs as they gather the necessary data in order provide an innovative added value to the economy

- Incentives for governmental officials: The Egyptian government can greatly enhance the rule of law through providing incentives for governmental officials to comply with the laws and their implementation. Creating awards, bonuses or other appreciative techniques can incentive officials to work according to the placed ethics. In addition, establishing an accountable system through improving the monitoring apparatuses can greatly influence how officials perform their tasks.
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