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**The American University in Cairo**  
**School of Global Affairs and Public Policy**

**YOUTH PERCEPTIONS AND MOTIVATIONS TOWARDS  
ENTREPRENEURSHIP IN EGYPT AND THEIR POLICY  
IMPLICATIONS: A QUALITATIVE STUDY**

**A Thesis Submitted to the  
Public Policy and Administration Department**

**In partial fulfilment of the requirements for the degree of  
Master of Public Administration**

**By**

**Yara Ali Moustafa Ali Hassan**

**Fall 2022**

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Yara Ali Moustafa

The American University in Cairo  
School of Global Affairs and Public Policy  
Department of Public Policy and Administration

YOUTH PERCEPTIONS AND MOTIVATIONS TOWARDS ENTREPRENEURSHIP IN  
EGYPT AND THEIR POLICY IMPLICATIONS: A QUALITATIVE STUDY

Yara Ali Moustafa Ali Hassan

Supervised by Professor Ghada Barsoum

Abstract

*Entrepreneurship is one of the key driving forces for economic development. The entrepreneurship ecosystem in Egypt has been growing exponentially whereas a large number of public and private institutions have been established to support young entrepreneurs to start their own business. Despite of the growing attention towards entrepreneurship, few studies have investigated the real motives of Egyptian youth who decided to join the entrepreneurship field. Thus, this study aims to advise policy makers through studying youth perceptions and motives towards entrepreneurship and the underlying factors that shape their perceptions. The study has been conducted using a qualitative approach and purposive sampling has been applied during the data collection process. Research data has been collected through face to face and phone interviews and was analyzed to generate thematic findings. Three themes have been conceptualized to explain perceptions and motives of Egyptian youth towards entrepreneurship. Findings showed that entrepreneurship is viewed by youth as a “new social trend”, “an alternative to the limited employment opportunities in the labor market and a means of “utilizing market opportunities that comes with a number of cultural, financial, and legal challenges”. Based on research outcomes, some key recommendations have been provided for the consideration of implementers and policy makers such as integration of hands-on experience in the entrepreneurship trainings, inclusion of entrepreneurship education in the general education system and facilitating access to finance for small startups.*

**Keywords:** *Entrepreneurship-Youth-Egypt-Ecosystem-Perception-Motivation-Economic Development*

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## List of Acronyms

Abbreviation	Definition
ALMPs	Active Labor Market Programs
AUC	The American University in Cairo
BUE	The British University in Cairo
CEO	Chief Executive officer
COP	Conference of Parties
EFC	Entrepreneurship Framework Conditions
FEPS	Faculty of Economics and Political Science
GDP	Gross Domestic Product
GEM	The Global Entrepreneurship Monitor
GIZ	The German Development Cooperation
GNP	Gross National Product
GUC	The German University in Cairo
HRM	Human Resource Management
IRB	Institutional Research Board
ICT	Information Communication Technology
ITIDA	Information Technology Industry Development Agency
KPIs	Key Performance Indicators
KSA	Kingdom of Saudi Arabia
NES	National Expert Survey
NGO	Non-governmental Organization
SMEs	Small Medium Enterprises
TIEC	Technology Innovation and Entrepreneurship Center
TVET Egypt	The Technical and Vocational Education and Training Reform Program
UAE	United Arab Emirates
USAID	United States Agency for International Development
VC	Venture Capital

## **Chapter One: Introduction**

Entrepreneurship is one of the core driving mechanisms of economic development (Thurik & Wennekers, 2004). It plays a vital role in fostering the competitiveness of local economies and opens a window for innovation and creativity within communities. Entrepreneurship as a “concept” has been introduced in the classical literature of economics; however, the interpretation of entrepreneurship as the catalyst for economic growth has evolved over the years. Classical economists, like Adam Smith, viewed no real relation between entrepreneurial activities and economic development. He believed that the ability to save money and invest in the country is the steering power for economic growth; whereas enhancing one’s ability to save comes primarily from the increase of productivity for which a defined system of labor division must be in place (Smith, 1977). In addition to Adam Smith theory, John Wood conducted an assessment for similar interpretations of the dynamics of economic development such as the Ricardian theory which defines economic development as the direct outcome of capital formation resulting from profit generating activities (Wood, 1991). The classical conventional definition of entrepreneurship and its positioning in relation to economic development has in fact witnessed a substantial change with the new economic trends which were massively introduced by the industrial revolution. The new era came with a wider room and urgent need for innovation which could not happen without exploring and investing in new economic opportunities with an entrepreneurial vision and mindset.

The industrial revolution revealed the need for productive entrepreneurship where innovation and creativity are the core bases for the new industrial age. The invisible hand of the classical economists was proven to be not enough to advance the economy. Modern studies explained that it is not enough to have the conditions of the economy “right” but rather a dynamic force to look into the existing untapped opportunities in the market is needed to achieve economic development

(Holcombe, 2006). With the economic success achieved during the industrial revolution, the coherent relation between entrepreneurship and economic development became unnegotiable.

## **1.1 Role of Entrepreneurship in Enhancing Economic Development**

Entrepreneurship has been identified as the catalyst for economic development. Scholars have identified different formats/consequences of entrepreneurial activities which contribute to the enhancement of the growth rates of a certain economy. One of these consequences is what (Cohen & Levinthal, 1989) called “Knowledge spillover mechanism” which explains the process of transferring knowledge and technology from one firm to another. According to Levinthal, entrepreneurship facilitates adopting new technologies which have been developed externally in other firms while benefiting from the return on investment as a result of applying such a new technology (Cohen & Levinthal, 1989). An additional value added of entrepreneurship is that it contributes to the creation of new organizations and firms creating by that a healthy environment for economic competition. Unlike the classical economics point of view, competition here does not only refer to competition among firms but rather includes the competition in the provision of new technology which paves the way for more innovative business ideas to emerge in the market (Carree & Thurik, 2005). Other important forms of enhancing economic development through entrepreneurship are

- Creation of large-scale employment opportunities: with the increasing unemployment rates especially in the developing countries, entrepreneurs create high numbers of direct and indirect job opportunities in the market for the youth who are most likely unable to find jobs in the traditional private/public sector entities. The entrepreneur does not only employ him/herself but also employs others (Dhaliwal, 2016).

- *Increasing Gross National Product and per capita income:* Since entrepreneurs usually look for new opportunities, opt for the rational use of resources and introduce new products, they contribute in increasing GNP as well as individuals' income (Shrivastava, 2013).
- *Introduction of innovation and new technology:* given the fact that entrepreneurs are the ones who utilize market imperfection to turn it into an opportunity, new innovative ideas then have to be integrated in the process which creates a positive environment for creativity and innovation (Shrivastava, 2013).
- *Redistribution of Wealth and enhancement of marginalized communities:* Startups contribute in redistributing wealth by making it accessible to more segments of the society other than big businesses and large private sector corporates. It also facilitates channeling wealth to the marginalized groups of the population who are less likely to take part in scalable economic activities (Nagarajan & Selvan S.C.B, 2020).
- *Promoting country's exports capacity:* as mentioned before, entrepreneurs mainly aspire for the long-term growth of their businesses and therefore they invest in enhancing their capacities to export to external markets to have better access to foreign funding which in return enhances the export capacity of the country as a whole (Hessels & van Stel, 2011).
- *Creation of new businesses and tackling social problems:* With the promising innovative ideas that entrepreneurs bring into the economy, lots of social problems are tackled with many innovative and cost-effective solutions being introduced by the young entrepreneurs (Lynn, 2010).

## **1.2 Entrepreneurship as one of Active Labor Market Programs and its Role in Mediating the Unemployment Challenge in Egypt**

Active labor Market Programs (ALMPs) are defined as programs that aim to improve employment prospects among participants and enhances their chances to find a decent employment opportunity (OECD, 2007). They are mainly divided into 4 main categories: *Training Programs* (which include different types of trainings such as on-job training, mentorship, in-class training), *entrepreneurship promotion programs* providing young entrepreneurs with different support schemes , *career counseling services* providing youth with career advice and job placement programs and *services in the context of wage subsidy and public works program* (Kluve et al., 2017). Interventions respective to entrepreneurship promotion aim to support the emergence of small businesses through facilitating access to finance to small and medium enterprises in addition to providing technical support and mentorship programs for young entrepreneurs (Kluve et al., 2017).

With entrepreneurship being a core component of ALMPs and one of the main driving forces for economic development, it was viewed by the Egyptian government as a means to alleviate the pain of the rising unemployment rates. According to the most recent data by the Central Agency for Public Mobilization and Statistics (CAPMAS), unemployment rate in Egypt is 7.2 % in 2022 (El Gundy, 2022). More and more efforts have been dedicated therefore to promote entrepreneurship among the large segment of youth who are estimated to be approximately 60 % of the total Egyptian population (Abd Al Tawab, 2022). The expansion of the entrepreneurship ecosystem has been heavily supported by the Egyptian government through allocating more funds for small and medium enterprises. One of the main government institutions supporting young entrepreneurs is Egypt's Micro, Small, and Medium Enterprises Development Agency

(MSMEDA) which dedicated around 32.2 billion EGP for financing micro-sized and small enterprises over the past 7 years (A.Moniem, 2021). Other manifestations of the expansion of the entrepreneurship ecosystem in Egypt is indicated by the amount of venture capital funds plugged into the ecosystem. According to the report published recently by Startup Genome<sup>1</sup>, the size of venture capital (VC)funding has increased by 60% over the past 5 years and in 2021, the ecosystem witnessed an increase of 156% of total VC funding compared to 2020 (Adikwu, 2022). In fact, the appetite of the different investment entities to enlarge the Egyptian entrepreneurship ecosystem has encouraged a large segment of the Egyptian youth to start their own business. According to the Population Council survey, over half of the interviewed youth (58%) aged between 15-29 expressed their interest in starting their own business rather than working for pay (Sieverding, 2012). Thus, the main objective of this research is to investigate the different perceptions and the underlying motives behind youth decision to start their own business along with the different factors which shape their perception. This research also aims to guide entrepreneurship promotion policies in Egypt and support the formulation of new policies that correspond to the needs and aspirations of young entrepreneurs.

The findings of the research summarizes the most prevailing perceptions and motives of the Egyptian youth towards entrepreneurship under three main themes. The first theme explains youth perception about entrepreneurship as a social trend while clarifying the contribution of the different entities of the entrepreneurship ecosystem in framing entrepreneurship as a “trend”. The second theme presents a discussion about entrepreneurship being viewed as the only available career option due to the lack of employment opportunities in the labor market. The third theme explains

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<sup>1</sup> Startup Genome is a leading policy advisory and research organization for public and private organizations committed to accelerating the success of their startup ecosystem.

entrepreneurship as an opportunity-driven activity that comes with a number of challenges faced by young entrepreneurs in Egypt.

### **1.3 Research Problem**

Even though entrepreneurship as a concept is considered to be a “recent economic trend”, it has in fact gained a wide popularity and support among the different economic actors in the Egyptian Economy. According to the Global Entrepreneurship Monitor (GEM) report published in 2021, the percentage of the adult population who are either in the process of setting up a new business or those who have already started a business and they are currently in the very early stage is higher than the percentage tracked during the years from 2015-2019 (Ismail, 2021). The entrepreneurship ecosystem in parallel has witnessed a substantial growth not only in the number of institutions providing different types of support to the new businesses but also in the diversity of these institutions. A wide range of public, private and nonprofit organizations are providing services such as entrepreneurship awareness programs, incubation and acceleration programs, financial support schemes as well as entrepreneurship training and education (Ismail, 2022). In fact, the expansion of the ecosystem and the increasing appetite of many Egyptian youth to start their own business has made it important to investigate the prevailing perceptions and real motives of youth towards entrepreneurship to support entrepreneurship promotion policies. Despite of the growing attention by state institutions towards entrepreneurship, young entrepreneurs are still facing many challenges which hinder their business continuity. They also get influenced by many factors within the ecosystem that affect the way they manage their business. Therefore, a closer look into the main perceptions and motives of youth towards entrepreneurship is indeed the way towards a more supportive environment and more accommodating policies to the needs of the Egyptian young entrepreneurs.

## 1.4 Research Objective

With the expansion of the Egyptian entrepreneurship ecosystem, many research studies have been recently conducted to investigate the different aspects that came along this rapid expansion. Some of these studies provided an extensive analysis of the economic conditions required for the emergence and continuity of entrepreneurial activities. Other studies conducted by different institutions in the entrepreneurship ecosystem such as Egypt Network for Integrated Development<sup>2</sup>, and Egypt Innovate<sup>3</sup> gave a special focus to the barriers which hinder the growth of startups and small businesses on legal, cultural, economic, and social fronts. Research efforts have also been extended to the production of many policy briefs providing recommendations and policy advocacy for different state institutions to overcome the existing barriers facing young entrepreneurs. Despite the respectable research efforts done so far in the field, very limited research has been conducted to study youth perceptions, and real motives behind their choice to pursue the path of entrepreneurship. Although one may think that the answer to the question of “why did you decide to start your own business?” is clear enough to understand entrepreneurs’ motives, the fact is that youth motives to start their business are influenced by many intertwined factors that shape their perception about entrepreneurship and hence direct their decisions.

Few studies presented analysis about the perception, and motives of Egyptian youth towards entrepreneurship. The two main studies which focused on youth perceptions in Egypt are the survey published by the Population Council in 2012; titled “Survey on Young People in Egypt” as

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<sup>2</sup> The Egypt Network for Integrated Development (ENID/El Nidaa) is an initiative that was established in April 2012 as a project of UNDP under the umbrella of the Ministry of Investment and International Cooperation

<sup>3</sup> Egypt Innovate is the online innovation hub owned by TIEC (Technology Innovation and Entrepreneurship Center)



well as the annual Global Entrepreneurship Monitor <sup>4</sup>(GEM) report, whereas most of the conducted research is presented in a more of a statistical format.

This research paper, on the other hand, follows a qualitative approach where youth thoughts, aspirations, and fears have been thoroughly analyzed and systematically connected to their motives to start their own business. Thus, this research paper contributes in filling the literature gap in analyzing youth perceptions and motives towards entrepreneurship in Egypt. The findings of this study are aimed to shed the light on the shortcomings of the current efforts to support entrepreneurship and provide recommendations for policy makers to better introduce entrepreneurship as a viable career option to the Egyptian youth.

## **1.5 Research Questions**

### **1.5.1 Main Research question**

As mentioned in the research objective section, the main question of the research paper is aimed to explore youth perceptions and motives towards entrepreneurship in Egypt and the underlying factors that influence their understanding of entrepreneurship. Thus, the main research question is:

- How do some Egyptian youth perceive entrepreneurship? And What are the underlying factors that shape their perceptions and motives towards entrepreneurship?

The question includes analyzing the different motives behind the choice of the entrepreneurs to start their own business, the different economic, social, and cultural aspects that have any influence on youth decision to take on an entrepreneurial activity, the impact of the current economic crisis

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<sup>4</sup> GEM is a worldwide study on entrepreneurship that was first conceptualized in 1997. This year's report includes results based on 50 world economies. GEM countries in this survey cover 68% of the world's population and 86% of the world's GDP. It's considered the most authoritative and informative study on entrepreneurship in the world today, with most regions of the world represented in the GEM study.

on youth willingness to start their business and the role of the different institutions in the ecosystem in defining entrepreneurship in the society.

### **1.5.2 Specific Research Questions**

- What are the main reasons that encourage/motivate youth to start their own business?
- How are the current economic conditions (high inflation rates) affecting youth perceptions/motives to start their business?
- To what extent are the different institutions in the entrepreneurship ecosystem effective in supporting young entrepreneurs? And What role do they play in forming youth perceptions and motives towards starting a new business?
- How does “culture” influence youth perceptions and motives towards entrepreneurship?

The aforementioned questions are aimed to connect the dots between the different socio-economic as well as cultural variables that shape perceptions of the Egyptian youth and their motives towards entrepreneurship. The findings and results of this research paper are applicable to the Egyptian context and cannot be applied to other countries.

## **1.6 Research Outline**

The research is divided into five main chapters. The first chapter gives an introduction about the research topic and some general insights on entrepreneurship being a key driving force of economic development and one of the Active labor Market Programs along with the research problem and the main research question. Chapter two introduces a comprehensive review on the existing literature about entrepreneurship including the different types of entrepreneurship, the characteristics of an entrepreneur, and examples of entrepreneurship experience in other developing countries. It also presents different models of mapping the entrepreneurship ecosystem

in Egypt as well as an assessment of the effectiveness of the ecosystem. The chapter is concluded with some background information on the existing literature on youth motives and perceptions towards entrepreneurship in Egypt. The third chapter covers the conceptual framework, methodology and design of this research. The fourth chapter demonstrates the analysis of the research data while presenting the main findings under three main themes illustrating the different perceptions and motives Egyptian youth have towards entrepreneurship. Finally, the last chapter provides a summary and concluding remarks on the topic of the research. It also presents a number of recommendations for policy makers and implementers.

## **Chapter two: Literature Review**

This section of the research provides an overview of the existing literature about entrepreneurship and its main attributes. It starts with presenting the various definitions of entrepreneurship provided by different economists as well as the different categorizations of entrepreneurial activities. It also introduces the characteristics identified by different scholars of the successful entrepreneur who is capable of spotting and meeting market needs while bringing new innovative business into the economy (K. Miller, 2020). The second part of this section provides two mapping approaches for the Egyptian entrepreneurship ecosystem in addition to providing an assessment of the effectiveness of ecosystem performance. The assessment is followed by a review of the main challenges which face new entrepreneurs at the early stages of initiating their business and the impact of these challenges on their business continuity. Similar experiences from other countries is also presented with the objective of highlighting the common economic, legal, and cultural challenges which hinder the growth of new business across developing economies. The last part of this section provides an overview on the existing data about youth attitudes towards entrepreneurship in Egypt which shall be complemented with the main findings of this research.

### **2.1 Definition and different types of Entrepreneurship**

Defining entrepreneurship has undergone different developments over time. These developments are very relevant to the evolving significance of entrepreneurship as the change agent and the Steering power for economic development. Some of the definitions explained the unique characteristic of entrepreneurship for “making a change” in the economy and “*creating value*”.

According to Barot, “entrepreneurship is an autonomous practice that starts with action and creation of a new organization” (Barot, 2015). (Chang & Wyszomirski, 2015) defined the management process of entrepreneurial activities as “a process based on creativity, autonomy, capacity for adaptability, and creation of artistic as well as social and economic value”.

The added value of entrepreneurship and the creation of new organizations have been further explained by Davidsson whereas he indicated that new organizations mean the creation of new ventures and firms (Davidsson et al., 2012). Further development of the definition of entrepreneurship entails the inclusion of the concept of *innovation* in effective entrepreneurial activities. (Burch, 1986) explained the different forms of innovation as the introduction of new products or services or the improvement of the quality of the existing products; introducing new processes that enhances productivity; exploring a new market to increase exports; obtaining a new source or raw material and the creation of new organizations. Thus, the creation of new organizations/firms and the utilization of innovation and creativity are the core forces to achieve economic development. Entrepreneurship importance is therefore manifested according to a number of elements: 1) identifying and assessing the existing business opportunities in the market 2) creating new firms and organizations and adopting a dynamic management style 3) driving the economy forward through innovation, job creation and enhancing the wellbeing of the society as a whole (Cuervo et al., 2007). Despite the fact that literature lacks a unified universal definition of entrepreneurship, the common attributes that can be summarized from the previous definitions of entrepreneurship are *value creation, innovation and utilizing market opportunities*.

**With regards to types of entrepreneurship** and similar to entrepreneurship definitions, economists have introduced different classifications of entrepreneurship. Some economists differentiated between 2 main types of entrepreneurship as *(opportunity-based entrepreneurship*

and *necessity-based entrepreneurship*). The former is explained by (He et al., 2020) as an economic activity or venture that has been started due to the emergence of a new opportunity in the market. On the other hand, (Barot, 2015) defined necessity-based entrepreneurship as an economic activity that was started by an owner who has no other option to earn his/her living. In this case, taking on an entrepreneurial activity is in fact not out of choice but rather a compulsion. Similar classifications have been introduced following the same differentiation between those who chose to start a new business out of free will versus those who started a business out of need. The two categories are called “*The Push and Pull entrepreneurship*”. As for push entrepreneurship, it describes the status of an entrepreneur who was literally pushed to take the entrepreneurship track due to frustration in his/her personal life. Examples of the frustration could be losing one’s job or uncomfortable working conditions. In this case, an entrepreneur might be left out with no choice other than starting his own business (Brockhaus, 1980). On the other hand, (Krueger, 1993) defined “pull entrepreneurship”, as an economic activity by those who were pulled to the entrepreneurship track out of exposure to additional knowledge or a new business which avail new opportunities to exploit. An additional classification of the different types of entrepreneurship has been introduced by different studies dividing businesses into 3 categories (*high growth*, *technology enabled*, and *venture capital backed*) (Welter et al., 2017). As for the high growth businesses, these are businesses with a potential for future scalability and rapid growth whereas the second and third types indicate businesses which utilizes new technology, create wealth, and provide the society with vast number of new jobs (Welter et al., 2017).

## **2.2 Characteristics of an “Entrepreneur”**

Since entrepreneurship is mainly about exploiting the available opportunities in the market and creating new services and products that would enhance the wellbeing of the society, an

entrepreneur has to have special characteristics that would enable him to perform this function. Different interpretations have been introduced regarding the traits one should have to be an entrepreneur. The dictionary definition for the French verb “entreprendre” means to undertake or perform an activity. The term was mainly associated with specific characteristics such as risk taking, innovating, responding to incentives, and creating new ventures which is now what we call an entrepreneur (Jonsson, 2017). The classical description of the entrepreneurial character was mainly associated with merchants who are willing to take risks. The risk was mainly defined as the process of purchasing a product at a certain price and while being uncertain about the price at which these products will be sold (Gutterman, 2016). Other economists such as (D. Miller, 1983) and (Knight, 1921) defined an entrepreneur as the person who has the ability to manage innovation, risk taking and proactiveness. He also ought to deal with a high level of uncertainty and to have the imagination to create new opportunities out of the existing market imperfections. An entrepreneur therefore looks at market deficiencies with an innovative spirit to “explore” not only to “exploit” opportunities (Knight, 1921).

Modern definitions of the characteristics of an entrepreneur added more dimensions to the entrepreneurial character. One of these dimensions is the notion of the value added of the business created by an entrepreneur. For some of the modern economists such as Stewart and Roth, one of the main characteristics of an entrepreneur is his desire not only for profit but also for “business growth”(Stewart Jr. & Roth, 2007). In fact, the analysis of the personal traits of an entrepreneur has taken different philosophical approaches. One of these approaches is the individual approach which gives the highest importance to a person’s character and mindset and makes it the core base for the success of any entrepreneurial activity. Another approach is the multidimensional approach which does not only analyze the individual but also the environment, the organization, and the

venture process(Chavez, 2016). Despite the slight difference of the two approaches, both of them gave a special focus to the characteristics of the “individual” as the driving force of any entrepreneurial process. According to Dollinger, when an individual starts a business, he brings on a set of human capital who should also have the same entrepreneurial spirit; thus, the added human capital becomes an enlargement of the entrepreneurial individual (Dollinger, 1995). Similar to the classical economists, modern scholars such as (Brozen, 1951) gave a great emphasis to “innovation” as one of the main traits of a successful entrepreneur. An entrepreneur has to have the capacity to be innovative to bring economic development to the country. He argued that in underdeveloped economies, some limitations such as lack of funding and lack of skilled labor might hinder the entrepreneurial innovation and hence create an entrepreneur who is most likely to be an “imitator” than an “innovator” (Brozen, 1951). Different formats of analyzing the entrepreneurial character have been introduced as part of the literature of entrepreneurship; however, the core traits which can be summarized from the above-mentioned definitions of an entrepreneur are (*ability to take risks, need for achievement, innovation, perseverance, self-confidence, autonomy, taking initiative, and proactive exploration of existing opportunities in the market*).

## **2.3 Entrepreneurship Experience in other Developing Countries**

### **2.3.1 India**

Likewise, most of the developing countries, India suffered from high unemployment rates which creates a burden on the economy and hinders any real attempts to enhance the welfare of the whole society. Statistics have shown that around 52 % of the Indian population are self-employed, 30 % are casual workers and only 18% have regular jobs (Kumar & Raj, 2019). The increasing number of the population coupled with inadequate jobs in the market resulted in high unemployment rates.



According to the Center for Monitoring Indian Economy, unemployment rates jumped to 8% in Nov.2022 compared to October rate of 7.7% while urban unemployment rates increased to 8.96% in November compared to 7.2% in the previous month (Gautam, 2022). Here comes the vital role of entrepreneurship; mainly to create jobs and contribute in alleviating the economic impacts of the high unemployment rates. According to the National Sample Survey conducted in 2016, SMEs have created around 111 million jobs in different sectors such as manufacturing, services, trade etc. in both urban and rural areas (Kumar & Raj, 2019). The increasing importance of entrepreneurship has pushed the Indian government to put in force some initiatives with the objective of enhancing the entrepreneurship environment and encourage more youth to start their own business. Examples of these initiatives are (Kumar & Raj, 2019):

- Startup- India: a government initiative which includes a number of services for the young entrepreneurs such as four-week online training, incubation services, mentoring, tax benefits and funding.
- Make in India: one of the big programs led by the Indian government which aims to turn India into one of the important global manufacturing hubs
- Digital India: one of the main government initiatives which aims to enhance digitalization of the Indian economy while enforcing the participation of the Indian people on digital financial platforms. The program also provides various services in a digital format to improve the status of the ease of doing business in India
- Atal Incubation Centers: Its main objective is to support innovative startups to be established and survive in the market

- Development of Entrepreneurship curriculum: To enhance entrepreneurship education in the country, the Ministry of Skill Development and Entrepreneurship has planned to integrate entrepreneurship curriculum in around 3000 colleges across the country.

Despite of the previously mentioned government efforts to enhance the Indian entrepreneurship ecosystem, there are some challenges hindering the expansion of the ecosystem. Competition with big companies is one of the main obstacles facing small Indian startups. While the news startups are still in the trial-and-error phase exploring the market and taking the first steps in their business cycle, big corporates have gain knowledge and established a big market share which makes it very challenging for the small businesses (Mehta, 2021). Another problem facing small business which is also related to the competition with the big companies is that the high turnover of their skilled employees due to their inability to provide an equivalent package of benefits compared to those offered by big corporates (Mehta, 2021). Access to finance is also considered one of the main problems facing entrepreneurs due to the long-complicated process of applying for a loan (Sahoo, 2022). Complicated regulatory systems are another challenge which makes business initiation process hectic and very time consuming (Nayar & Kiran, 2012). The analysis show that despite of the different programs initiated by the government to support a positive environment for entrepreneurship, more efforts have to be exerted to tackle the challenging conditions facing young Indian entrepreneurs.

### **2.3.2 Nigeria**

Entrepreneurship is one of the key forces in driving economic development in the Nigerian economy. It also contributes significantly to the business sector employing a large number of the population. According to statistics of the Nigerian National Bureau of Statistics (NBS), SMEs

account for around 50% of the gross domestic product (GDP) and 85 % of the total industrial employment in different sectors of the economy (Adeyemi et al., 2022). Another important aspects of the contribution of SMEs in the economy is that they bring innovation and social change in different sectors within society such as education and healthcare sectors. With regards to the status of the Nigerian startups, there are similar characteristics that can be traced for most of the Nigerian startups which give an indication on how effective the Nigerian entrepreneurship ecosystem is. Some of these characteristics are (Ogbo, 2012):

- Limited access to finance especially the long-term funds
- Overdependence on imported raw material
- High rates of business discontinuity especially in the first 2 years of the startups
- Weak sectoral interlinkages which hinder startups' ability to make use of the advantages of economies of scale
- Poor quality of the production output due to lack of use of advanced technology
- Lack of skilled labor due to low salaries
- Absence of research and development activities within the startups
- Weak entrepreneurial skills such as business management, financial literacy, etc..
- Very weak access to the international market
- High production costs due to weak infrastructure

As mentioned before, the status of the Nigerian startups gives lots of indications about the ecosystem and to what extent it provides the adequate support for the young entrepreneurs. In fact, the Nigerian ecosystem suffers from many problems which makes entrepreneurship a difficult choice for the youth rather than being an attractive one. Capital formation comes on the top of the challenges that face Nigerian entrepreneurs. Whereas most the startups at the beginning need a

certain amount of capital to start with, the Nigerian financial system is viewed as being biased for the favor of big corporates especially due to the high interest rates associated with business loans (Wangare & Simwa, 2022). Another challenge of the Nigerian ecosystem is the poor infrastructure of the country. For a successful production cycle, proper infrastructure has to be available including good roads, efficient transportation system and stable power supply. Unfortunately, the Nigerian infrastructure is in a deteriorating status and road networks do not exist in some cities which results in significant raise of the production cost for small businesses (Wangare & Simwa, 2022). In addition to capital and infra structure challenges, other problems such as administrative bottlenecks, inefficient administrative systems, discouraging tariffs system favoring imported products over locally made products, lack of access to the new technology, lack of innovation-support mechanisms and the widespread corruption of the regulatory system are considered to be among the major obstacles facing Nigerian entrepreneurs (Ogbo, 2012). Due to the difficult business environment in Nigeria, the country's ranking in the entrepreneurship measures is still far behind. According to the ease of doing business index, in 2019, Nigerian economy ranked 131 over a total of 190 countries as per the latest world bank annual ratings (*Ease of Doing Business in Nigeria*, 2022).

## **2.4 Entrepreneurship in Egypt: Mapping the Entrepreneurship Ecosystem**

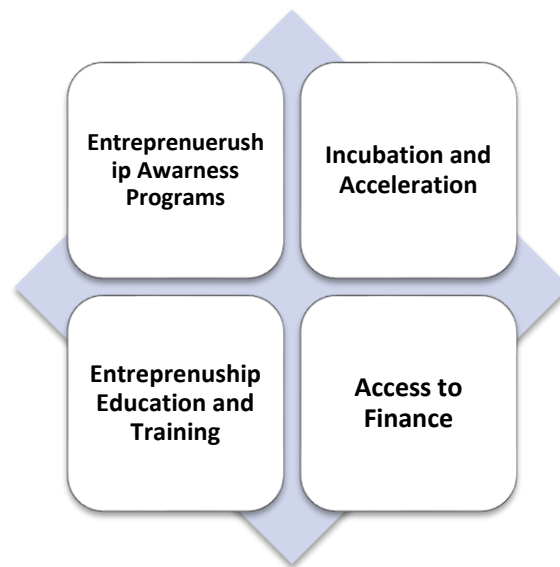
Entrepreneurship plays a very important role in the Egyptian economy, and it is considered to be a driving force for economic growth. The Entrepreneurship ecosystem has witnessed substantial developments over time whereas different institutions are now offering various types of technical and financial support encouraging more youth to start their own business. According to the statistics published by the Central Agency for Public Mobilization and Statistics (CAPMAS), Egypt has around 3-8 million micro- enterprises and around 67,000 small businesses which all

operate with 4.9 billion capital in 2020 (Naggar & El Said, 2021) . It is therefore important to start with an overall mapping of the Egyptian entrepreneurial ecosystem and frame the main actors and their contributions. In fact, respectable efforts have been exerted by a number of research entities to provide a comprehensive mapping for the Egyptian entrepreneurship ecosystem. In this section, two mapping models will be presented as follows

#### **2.4.1 Model (1) by the “Entrepreneurship in Egypt: Ecosystem Overview” Report**

The report has been issued by Dr. Ayman Ismail, Chair of Entrepreneurship and Associate professor at AUC. According to this mapping model, ecosystem can be divided into 4 main areas (Ismail, 2022):

**Figure 1: Entrepreneurship Ecosystem Mapping**



Source: Author based on ecosystem overview report (Ismail, 2022).

**2.4.1.1 Entrepreneurial Awareness Programs:** The main objective of the awareness programs is to introduce the concept of entrepreneurship to the youth as a potential career option. Most of the programs aim to include the participants in the entrepreneurship process for them to understand what it takes to be an entrepreneur. It also gives them a flavor of the different phases of starting a

small business starting from the ideation phase, building a team, developing business models as well as setting a clear marketing plan. The awareness programs also provide the young participants with the required knowledge for each phase. These programs are being offered by different entities as follows (Ismail, 2022)

- *Awareness Programs through schools and universities:* these are programs offered by students' activities in universities to orient students about the process of starting a new business. An example of these student activities are **Enactus** (<https://enactus.org/>) and **You Think Green** (<https://ytg.eco/>) which are international students clubs being very active in Egyptian universities and steering many entrepreneurship awareness programs
- *Awareness through Media:* These are awareness programs being presented in the form of pitching events and competition such as the famous TV show **Kelma Akhera**
- *Awareness through Summits and events:* There are a number of big entrepreneurship summit being held lately in Egypt such as **Rise Up** (<https://riseupsummit.com/home>) and **Techne Summit** (<https://alex.technesummit.com/2022>) where international speakers, investors and successful models of new startups find a platform for knowledge and expertise exchange
- *Awareness through Competitions:* A number of national and international competitions are being recently launched such as **Injaz Al Arab** (<https://www.injazalarab.org/>) and **Hult International Prize**

(<https://www.hultprize.org/>) where young entrepreneurs have the opportunity to pitch their business ideas and compete for seed funding.

#### 2.4.1.2 Incubation and Acceleration

The main objectives of the incubators and accelerators is to support startups develop their business plans through offering different mentoring and training services as well as co-working space and seed funding opportunities. There are different entities offering incubation and acceleration services to the young entrepreneurs as follows (Ismail, 2022).

- *Private Sector Accelerators/ Incubators:* These are accelerators established by private entities. One of the very prominent examples of private sector accelerators is **Flat6labs** (<https://www.flat6labs.com/>) which focuses on Tech startups. It has been expanding to extend its services to other countries such as United Arab Emirates and Kingdom of Saudi Arabia
- *University Based Accelerators/ Incubators:* This type of accelerator has been started with the launch of **AUC Venture lab** (<https://business.aucegypt.edu/centers/vlab>) which supported more than 300 startups throughout the past 300 startups through providing mentoring and networking services. Other examples of university-based accelerators are **Incubator of the Faculty of Economics and Political Science (FEPS) in Cairo University** (<https://fepsbi.net/>) and **Nile University Tech Space** (<https://nutechspace.com/>)
- *Government Sponsored Incubators. Accelerators:* There are different examples of the government-initiated accelerators such as **TIEC** (<https://tiec.gov.eg/English/Pages/default.aspx>) established by ITIDA of the

ministry of Communications and Information Technology focusing of startups working in the IT sector. Another prominent accelerator called **Falak** (<https://falakstartups.com/>) which was established by the Ministry of Investment to provide seed funding and mentorship programs.

- *NGO Supported Incubators/ Accelerators:* a large number of NGOs in Egypt have launched incubation programs for entrepreneurs through such as **EITESAL** (<http://www.eitesal.org/>) focusing on ICT startups and **AWTAD** (<https://www.awtad-egypt.org/>) which supports women entrepreneurs.

#### 2.4.1.3 Access to Finance

There are different entities in the ecosystem providing different formats of finance for the young entrepreneurs. It is worth mentioning that some of these entities are relatively new in the market as follows (Ismail, 2022).

- *Venture Capital Financing:* VCs are one of the new funding entities in the ecosystem which offer short term funding to small startups which are believed to have potential for growth. Examples of VCs are **IdeaVelopers** (<https://www.linkedin.com/company/ideavelopers/about/>) and **Algebra Ventures** (<https://www.algebraventures.com/>).
- *Angels Investment:* Angel investors are individuals willing to invest in startups at their early stages. A very prominent example is **Cairo Angels** (<https://cairoangels.com/>) which supported a large number of small startups.
- *Funding through Accelerators:* As explained before, some accelerators and incubation centers provide seed funding opportunities for small startups.



- Special Funding for SMEs: Some government initiatives have been launched to support SMEs. A very important example is the initiative launched by **Central Bank of Egypt** (<https://www.cbe.org.eg/en/Pages/default.aspx>) which mandated commercial banks to lend 25% of their portfolio to SMEs at subsidized rates. Other funds dedicated for small and micro-sized enterprises are offered by Egypt's Micro, Small and Medium Enterprises Development Agency (**MSMEDA**) (<https://www.msmeda.org.eg/>)
- Micro-finance: There are many companies and NGOs providing microfinance services to small startups. According to the report on ecosystem overview, a total of 3.5 million beneficiaries benefited from micro-finance services with a total of 27 billion EGP by the end of 2021.

#### 2.4.1.4 Entrepreneurship Education and Training

Recently, some of the educational institutes started integrating entrepreneurship knowledge in their curricula; yet most of the provided knowledge is led by private entities and/or universities. Some of these institutions are as follows (Ismail, 2022).

- Private Universities: Some universities such as **American University in Cairo (AUC)**, **British University in Cairo (BUE)**, **German University in Cairo (GUC)** and other private universities are giving great attention to the entrepreneurship education through providing special courses as well as networking events to enhance the entrepreneurship for college students
- Technical and Vocational Education: As part of the Ministry of Education Plan to reform vocational education, and with the support of international development organizations such as USAID, GIZ and TVET Egypt, entrepreneurship education has become an integral part of the school plan for a large number of technical schools.

Further trainings are offered to the vocational teachers to equip them with the skills needed for delivering entrepreneurship courses to the students

- **Bootcamps:** one of the emerging formats of sharing knowledge about entrepreneurship and the process of starting a new business usually conducted in the form of one day event/workshop with interactive knowledge exchange activities such as **Elre7la** ([www.elre7la.com](http://www.elre7la.com)) and **Spark** ([www.spark-ventures.com](http://www.spark-ventures.com))

## 2.4.2 Model (2) Mapping of the ecosystem by The Arab Entrepreneur House<sup>5</sup> (Shalbi, 2021)

**Figure 2: The Seventh Edition of the Entrepreneurship Ecosystem Map in Egypt**



Source: The Arab Entrepreneur House ([Arenho](http://arenho.com))

<sup>5</sup> The "Arab Entrepreneur House" is a consulting firm in entrepreneurship and SMEs development. Their mapping model was awarded "the best creative idea" by the International Council of Small Enterprises based in USA

According to this mapping model, the ecosystem can be divided into 5 main thematic subsectors based on the type of support provided within each division. The 5 main sub-sectors are as follows (Shalbi, 2021)

- Funding: In this part of the map, the most active public/ private entities providing financial support to the startups are mentioned. The map also provides a classification of the financial support organizations based on the type of funding ex. **Seed funding, Venture capital, Crowd funding, Private equity**, etc
- Support: Under the “support” part, most of the organizations which provide different formats of support to the new businesses are listed. Types of support vary from **legal support, general info. about startup business, accounting info, technical advice, Business mentoring, trainings and policy advice**.
- Growth: This section highlights the main entities providing technology-related knowledge which enables small businesses to achieve their growth plans. Examples of the knowledge spheres are **Research and Development organizations, Science and Technology Parks and Technology Training organizations**
- Connect: Since startups are required to have a very good understanding of their needs to be able to kick off their business, they have to be aware and connected to the different support organizations in the ecosystem to fulfill these needs. The map provides a list of the important organizations (public/private/NGOs) which organize various types of networking events such as **entrepreneurship competitions, knowledge sharing platforms as well as coworking spaces**.
- Talent: This section provides a list of the active organizations in the field of entrepreneurship education and training as well as awareness programs. The

programs are provided to enhance the concepts of **innovation and entrepreneurship culture**.

## 2.5 Assessing Effectiveness of the Entrepreneurship Ecosystem in Egypt

The Global Entrepreneurship Monitor Report (GEM) presents a national index including the framework conditions for an effective entrepreneurial ecosystem. The entrepreneurship framework conditions (EFCs) covers a total of 12 areas, as shown in table 2, with the objective of assessing the effectiveness of the support provided by the different institutions in the Egyptian ecosystem to youth who are willing to start their own business (Ismail, 2021). To assess the different areas of the EFC, GEM conducts what is called National Expert Survey (NES) through which a number of experts assess each area of the EFC on a scale from 1 to 10 whereas 1 is (insufficient) and 10 is (very sufficient). The assessments of national experts from the participating 45 economies representing different regions are then compared to generate a global average (ibid).

**Table 1 GEM Entrepreneurship Framework Conditions**

<b>1- Entrepreneurial Finance</b>	This factor assesses whether there is enough funding for youth starting their own business. It also measures the accessibility of financial markets with an economy including venture capital, bank loans, grants, crowd funding and government loans.
<b>2-Government policies: Support and Relevance</b>	This factor measures the level of support provided by national government to Entrepreneurship and small business including issuing policies to ease the process of doing business for startups
<b>3- Government policies: Taxes and bureaucracy</b>	This factor evaluates the burden of taxes on small businesses and whether it is affordable for new entrepreneurs. It also measures the bureaucracy in funding processes and the easiness of starting a new business
<b>4- Government entrepreneurship programs</b>	This factor measures the different programs offered by public entities to support young entrepreneurs such as incubators, mentoring programs, etc. It also looks into the status of public education and the degree of integration of entrepreneurship education in schools' system

<b>5- Entrepreneurship Education at School</b>	This factor evaluates whether schools are providing entrepreneurship subject as part of the school curricula and whether entrepreneurial skills are being taught at school
<b>6- Entrepreneurship Education at Post School stage</b>	This factor measures the inclusion of entrepreneurship knowledge in post school stage such as colleges, vocational centers, and business schools
<b>7- Research and Development (R&amp;D) Transfer</b>	This factor measures the transfer of R&D from research centers and universities to the market and the level of commercializing scientific data and bringing it into the market
<b>8- Physical Infrastructure</b>	This includes an assessment of the availability of infrastructure needed for doing business such as high speed internet, railways, advanced highways, ports and real estate ( land and buildings)
<b>9- Commercial and professional Infrastructure</b>	This factor includes the availability of supply and firms providing services for entrepreneurs such as consultants, lawyers and accountants to help them manage their business
<b>10- Internal Market dynamics</b>	This factor measures the degree of applying free market principles where supply and demand are the major factors steering the dynamics of the market
<b>11- Internal Market burdens and Entry Regulations</b>	This factor measures the state of the market in general and the level of ease of entering the market for new businesses
<b>12- Cultural and Social Norms</b>	This factor measures the acceptance of the society to entrepreneurial activities and how this is reflected on society's behavior and attitudes towards entrepreneurs

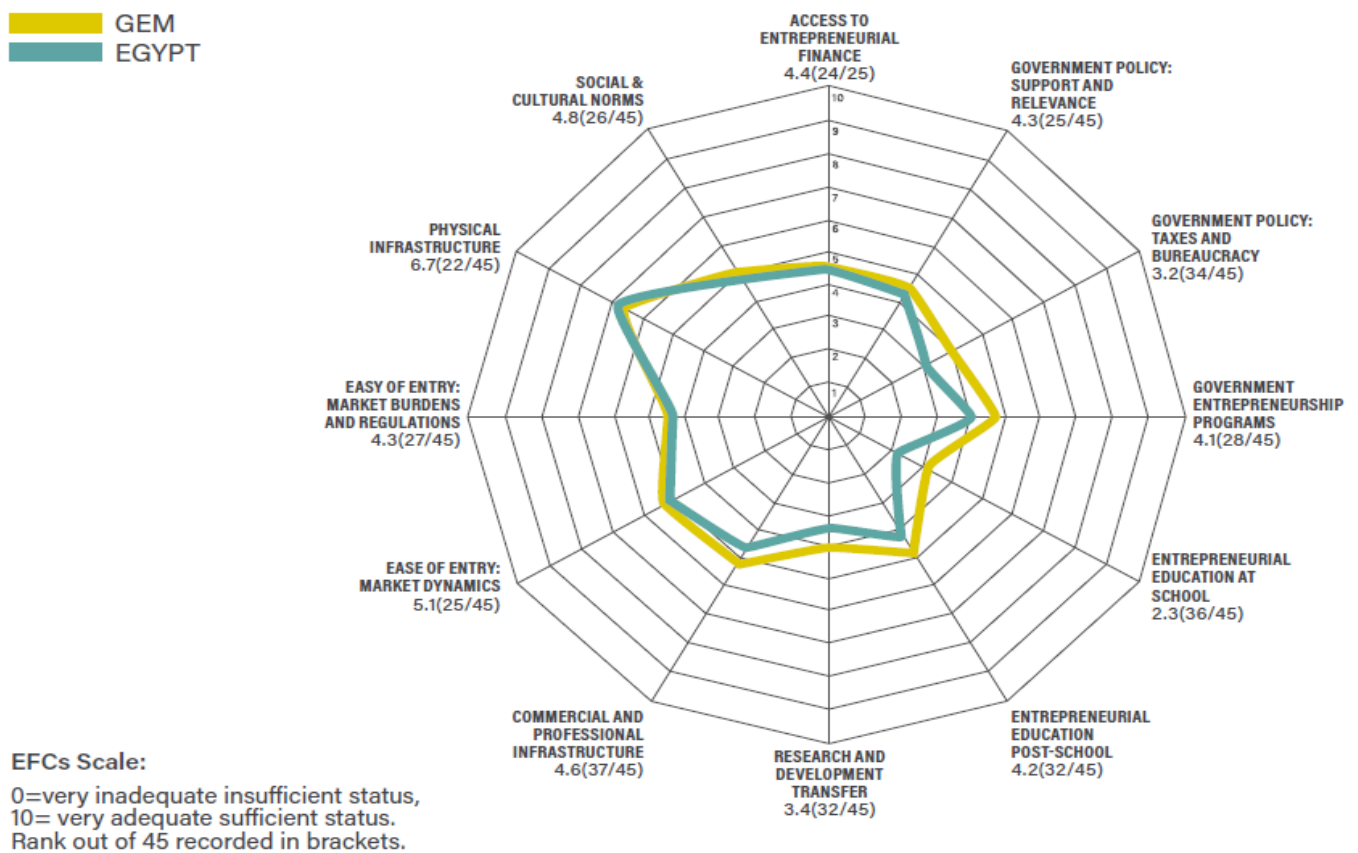
Source: Global Entrepreneurship Monitor (GEM) 2021

With regards to the Egyptian entrepreneurship ecosystem, GEM report involves a total of 76 experts in the NES to assess the different areas of EFC in relevance to the Egyptian context. The outcomes of the assessment is aimed to shed the light on the constraints and challenges facing young entrepreneurs for the consideration of policy makers. Figure (3) presents the score of the Egyptian entrepreneurship ecosystem based on NES results along with a ranking of the performance of the ecosystem compared to the participating 45 economies. As illustrated in the below figure, Egypt ranks low in some key areas such as research and development (scored 3.4/10), entrepreneurship education (scored 2.3/10) and taxes and bureaucracy (scored 3.2/10). The findings of the GEM survey highlights the main challenges facing entrepreneurs in Egypt where

lack of entrepreneurship education, and legal regulations come on the top of the list. With regards to the ease of market entry, Egypt scored 5.1/10 which is relatively a better score than the former scores; however, the assessment of this factor ranks Egypt low compared to the other participating economies (25<sup>th</sup> of 45 countries) which gives an indication that young entrepreneurs face various obstacles to start their own business. On the other hand, some factors had better scores such as the physical infrastructure (scored 6.7/10) which above the global average of (6.6) according to the data presented by the GEM report.

**Figure 3: Rating of Egypt's Entrepreneurship Ecosystem**

**Experts' Ratings of the Entrepreneurial Ecosystem in Egypt vs GEM Global Average in 2020**



Source: GEM Global Report 2020-21

## **2.6 Challenges of the Entrepreneurship Ecosystem in Egypt**

Despite the fact that the entrepreneurship ecosystem in Egypt is growing rapidly with many diverse support institutions being established, there are many challenges facing small startups which either hinder their emergence or their continuity in the market. According to the measuring indexes of entrepreneurship ecosystem, in 2019, Egypt score was 55 in the global competitiveness index and ranked 93 globally whereas in the same year, Egypt ranked 119 in the global innovation index. According to the ease of doing business index, in 2020, Egypt's score was 60 and ranked 114<sup>th</sup> globally (Ali et al., 2021). Although Egypt's ranking improves slightly over the years, the Egyptian ecosystem is still behind in so many aspects. According to the Global Monitor Report (GEM), Egypt has one of the highest rates in business discontinuity. Rates became even worse in the period after COVID 19 to reach 8.6% compared 5.6% at the time from (2015-2019) whereas the average global rate is 5.0 % (Ismail, 2021). In this section, some of the major challenges facing young entrepreneurs in Egypt are discussed with a summary at the end showing the overall picture of current opportunities and challenges of the ecosystem.

### **2.6.1 The Challenge of “Access to Finance”**

Access to finance is one of the core obstacles which face young entrepreneurs despite the different financing options offered by many public as well as private institutions in the ecosystem. In fact, the access to finance problem is multidimensional whereas some aspects of the problem lie within the mechanism of the financing system, and other aspects lie within the startups themselves and how they approach the financial institutions. As for system aspects, studies have shown that formal channels of funding such as bank loans, venture capital and special funds for SMEs seem to be unappealing to many startup founders who prefer to depend either on their own savings or to borrow from their family (Qotb, 2017). According to a Survey conducted by the Population

Council on the entrepreneurship ecosystem, only 4.4 % of the interviewed business owners had obtained micro loans from banks while the vast majority relied on funds from family and friends (Sieverding, 2012). The complexity of the loan system, the long time it requires to go through the loan application, and lack of trust from the banks side in the small businesses are some of the main reasons why startups are reluctant to use banking financial services for their business (*Egypt Entrepreneurship Study*, 2015). An additional problem is the unbalanced geographical distribution of the financial support institutions across Egypt. Most of the financial institutions are concentrated in Cairo whereas some regions like Upper Egypt have very little access to such services (Mansour & Apa, 2018).

Another important problem of the system highlighted by the GEM report is that most of the financing support methods are based on equity investment with considerably high-risk rates for startups; therefore, other low risk approaches are much more recommended such as crowd funding and revenue sharing (Ismail, 2021). On the startups side, there is a lack of knowledge when it comes to the requirements and formalities of applying for the different financing options. According to the overview report on the entrepreneurship ecosystem, most of the young entrepreneurs do not have adequate knowledge nor the skills to meet the requirements of the investment process which includes preparation of pitching deck, setting financial projections as well as negotiating term sheets and complex contracts (Ismail, 2022).

### **2.6.2 Weak Entrepreneurship Education System**

Reforming the Egyptian educational system has been a priority topic on the national agenda for many years. Different reform plans have been applied by the Ministry of Education; yet the Egyptian educational system is considered to be one of the weakest in the region at all levels of schooling (*Egypt Entrepreneurship Study*, 2015). Unfortunately, this weak structure of the



educational system does not provide a proper environment for entrepreneurship education. It is important to clarify that entrepreneurship education does only include acquiring the knowledge of the business initiation and business management processes; but also teaching students, at the early school years, the foundational entrepreneurial skills such as self- confidence, critical thinking, problem solving, innovation and financial literacy (Mani, 2017). Looking into the Egyptian context, and as discussed in the previous section, Egypt ranks low in the assessment of entrepreneurship education with a score of 2.3 compared to the global average of 3.2 (Ismail, 2021). In fact, entrepreneurship education in Egypt can only be traced as part of the higher education system in a few number of “private” universities. AUC comes on the top of the list for being the pioneer in integrating entrepreneurship in the university curricula and for launching the first university accelerator; namely “AUC venture lab” (Zamzam, 2017). Other universities followed the same approach such as GUC and BUE. On the school level, there is almost no entrepreneurship content being taught at the schools except for the recent initiative by the Ministry of Education in partnership with some international development organizations such as GIZ and USAID to include a subject on entrepreneurship in the vocational educational system (Ismail, 2022). Some of the substitute activities of the weak entrepreneurship educational system are the awareness programs being implemented by private as well as non-for-profit organizations to enhance youth awareness about entrepreneurship. Although such programs have proven positive impacts on spreading the culture of entrepreneurship among the youth, most of these activities are mostly concentrated in Cairo and targeting privileged segment of well-educated youth; leaving behind a large proportion of the Egyptian youth who are located in other regions outside Cairo (ibid).

### **2.6.3 Complexity of the Legal Regulatory System**

The complicated legal system and lengthy regulations and registrations process are also one of the major obstacles facing young entrepreneurs in Egypt. According to the doing business report by the World bank, Egypt ranked 114 on a pool of 189 countries in the year 2018 (Egypt Entrepreneurship Study, 2015). Despite the government efforts to reduce the cycle of formalities related to investment, the process is still very complicated and untransparent. Another problem of the legal system is the corruption of the process which creates an atmosphere of untrust and affects the willingness of the young entrepreneurs to start their own business (Attia, 2017). Another interesting finding which was highlighted by the Survey conducted by the Population Council is that not only the complexity of the rules is the main problem but also lack of clarity about the implications of such rules makes the whole process vague and unattractive. According to the survey, some young men in Upper Egypt were reluctant to start their own business since according to the Egyptian social insurance law, if someone receives a loan from the Social Fund for Development, it is almost impossible that he gets employed in any governmental position as long as he is running his business (Sieverding, 2012).

As presented in the last two sections, entrepreneurship ecosystem in Egypt has a plenty of opportunities but also many complicated and cumulative challenges. The next part of this section provides an overview on the Egyptian entrepreneurship ecosystem through a descriptive SWOT analysis highlighting the main areas of strength, weakness, opportunity, and threat of the ecosystem.

## 2.6.4 SWOT Analysis of the Entrepreneurship Ecosystem in Egypt

**Table 2: SWOT Analysis of the Entrepreneurship Ecosystem**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ Large growing ecosystem with more and more support organizations/ entities joining the ecosystem</li> <li>▪ Foreign investments are attracted towards the Egyptian entrepreneurship ecosystem</li> <li>▪ Egyptian economy is one of the largest in the region with very high potential to absorb startups and SMEs</li> <li>▪ High contribution of SMEs in the Egyptian economy</li> <li>▪ Overall positive connotation about entrepreneurship among youth</li> </ul>	<ul style="list-style-type: none"> <li>▪ Challenges in the current legal system and tax regulations</li> <li>▪ Corruption in some of the government systems makes the process risky and unattractive</li> <li>▪ Lack of entrepreneurship education in the general education system; especially on the school level</li> <li>▪ Fragmentation of the ecosystem and redundancy of some of the services provided</li> <li>▪ Challenging financing options with relatively high risk for small businesses</li> <li>▪ Weak financial literacy and business management skills within many startups</li> <li>▪ Inconsistent labor market information and conflicting data does not help startups take informative decisions</li> <li>▪ Relatively low participation of women as business owners</li> <li>▪ Large informal sector with some SMEs functioning in the informal sphere; not being properly tracked</li> <li>▪ Unequal distribution of the support organizations across Egypt with excessive concentration of services inside Cairo</li> <li>▪ Imbalanced support for the different sectors of the economy with excessive concentration on some and marginalizing others</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Rising awareness of entrepreneurship among youth</li> <li>▪ Strong political support from the Egyptian government and attempts to make further modifications of the investment legal system</li> <li>▪ Increasing attention of the research centers to map, evaluate and provide advice for the implementers and policy makers</li> <li>▪ Entrepreneurship could be a viable solution to the high unemployment rates</li> <li>▪ Large population with growing market needs/gaps opens the door for innovation and new technology</li> <li>▪ Exposure to international markets with high potential for exploring linkages with international supply chains</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increasing rates of business discontinuation due to COVID 19</li> <li>▪ Cultural beliefs against risk taking and instability of income</li> <li>▪ High inflation rates and economic recession increase the risk level of starting a new business making more youth unwilling to take on an entrepreneurial activity</li> <li>▪ Devaluation of the currency and the very complicated business environment with high uncertainty and inability to conduct proper planning</li> </ul>

**Source:** Author based on literature review: main sources GEM report(Ismail, 2021) and the Entrepreneurship in Egypt overview report (Ismail, 2022)

## **2.7 Background Statistics on Youth Perceptions and Motives towards**

### **Entrepreneurship in Egypt**

As clarified in previous sections, few studies in the literature have conducted an assessment for attitudes of the Egyptian youth towards entrepreneurship. The Global Entrepreneurship Monitor report provides quantitative analysis on different aspects relevant to youth entrepreneurial activity in Egypt including the readiness of youth to start a new business, the distribution of startups on the different sectors of the economy as well as some societal values towards entrepreneurship. According to the report, Egyptian youth show positive attitude and relatively high willingness to start their own business. Approximately 56.9 % of the non-entrepreneur participants taking part in the GEM survey reported their intention to start their own business in the coming 3 years (Ismail, 2021). Additionally, the number of established businesses increased as the statistics show that the number of individuals between the age of 18- 64 who started their own business has increased to 5.2% compared to 4.2% pre Covid 19 time; however, the rate is still far behind the global average which is 7.5% (Ismail, 2021). When it comes to youth perceptions, the GEM report showed that 71.5% of the Egyptians had positive views on entrepreneurship which was also reported by the surveyed youth as a good career option. Another important highlight of the report's findings is that the number of opportunity driven entrepreneurs was higher than the number of necessity driven entrepreneurs. With regards to the most appealing sectors to the young entrepreneurs, the report shows that most of the early-stage entrepreneurs are more concentrated in the consumer services sectors (54.1%) with less activity in the transformative manufacturing sectors (33.3%). The pandemic has also impacted the capacities of startups to create jobs in the market. Report findings show that 32.7% of the early-stage entrepreneurs did not expect to create any new jobs in the

market within the coming 5 years compared to a percentage of 10.8 % before the pandemic time (Ismail, 2021).

The following sections of this research try to provide more in-depth analysis to complement the findings of the existing literature on perceptions of Egyptian youth towards entrepreneurship while analyzing the different underlying social, economic, and personal aspects influencing youth motives to start their own business.

## Chapter Three: Conceptual Framework and Methodology

### 3.1 Conceptual Framework

The main objective of this research is to analyze youth perceptions and motives towards entrepreneurship while analyzing the impact of the different social, economic, financial, and cultural factors within the entrepreneurship ecosystem on shaping their perceptions. Accordingly, the conceptual framework of this study has been framed based on the following:

1- The focus of this study is to examine the impact of the different societal and economic factors on early-stage entrepreneurs which are defined by the GEM report as individuals at the age from 18- 64 including two main categories of entrepreneurs (Ismail, 2021)

- **Nascent entrepreneurs:** those who have taken steps to start their own business but have not paid wages or salaries for more than 3 months
- **New business owners:** Those who started their business and have been in operations for up to 3.5 years

\* The age range of the interviewed early-stage entrepreneurs in this study differ from the age range of the GEM report whereas interviewed participants were between the age of 20 to 45

2- The impact of the different factors within the ecosystem on early-stage entrepreneurs has been analyzed based on the conceptualization of “ecosystem factors” of the Isenberg model. An ecosystem comprises a dozens of different actors between which complex interactions take place. The complex interactions explain how entrepreneurship evolves within a society (Isenberg, 2011). Thus, the different factors of the ecosystem can be categorized under 6 main domains: namely policy, markets, human capital, finance, culture and support. The complex interaction of the different ecosystem domains explains how entrepreneurship ecosystem affects entrepreneurs’ perception, motives and success (Isenberg, 2011)

**Figure 4: The Isenberg Model**



**Source:** (Ali et al., 2021)

The first domain of the Isenberg model focuses on (Policy) which includes regulations and procedures set by the government to regulate the ecosystem such as legal system, taxation etc. It also includes the leadership element which covers social role in providing advocacy and support for young entrepreneurs. The second domain focuses on business friendly (markets) where products and business concepts can be proved and tested by early consumers (Ali et al., 2021). The third domain focuses on (human capital) in terms of the availability of labor as well as educational institutions which provides entrepreneurship trainings. The forth domain tackles the accessibility of funding and level of (financial support) for entrepreneurs (Morant-Martínez et al., 2019). The fifth focuses on (culture) and the perception of entrepreneurship within societies. It also looks into the social status of entrepreneurs and the visibility of success stories (ibid). The last domain presents the different (support institutions) within the ecosystem including infrastructure, support provided by non- governmental organizations and support professions (Ali et al., 2021)



3- With regards to the concept of motivation, this study follows Maslow's theory of motivation (hierarchy of needs). Motivation is the key factor that drives people's attitudes. It has been defined as "the reasons underlying behavior" (Guay et al., 2010). A broader definition of motivation was introduced by (Broussard & Garrison, 2004) as "the attribute that moves us to do or not to do something". Thus, to understand how young entrepreneurs interact and get involved in the entrepreneurship ecosystem, it becomes important to analyze their motives towards starting their own business. According to Maslow's hierarchy of needs, there are different levels of motivation which go in a hierarchal order; namely (physiological needs, safety needs, love and belonging, esteem and self-actualization". Humans therefore have an instinct need to achieve the 5 levels of motivation; however, they cannot move to a higher level until the needs at lower levels are satisfied (Robbins & Judge, 2013). Maslow also explained that the higher-order needs (belonging, esteem, and self-actualization) are mostly satisfied internally whereas the lower-order needs (Physiological needs and safety) are satisfied by external factors (ibid).

**Figure 5: Maslow's Hierarchy of Needs**

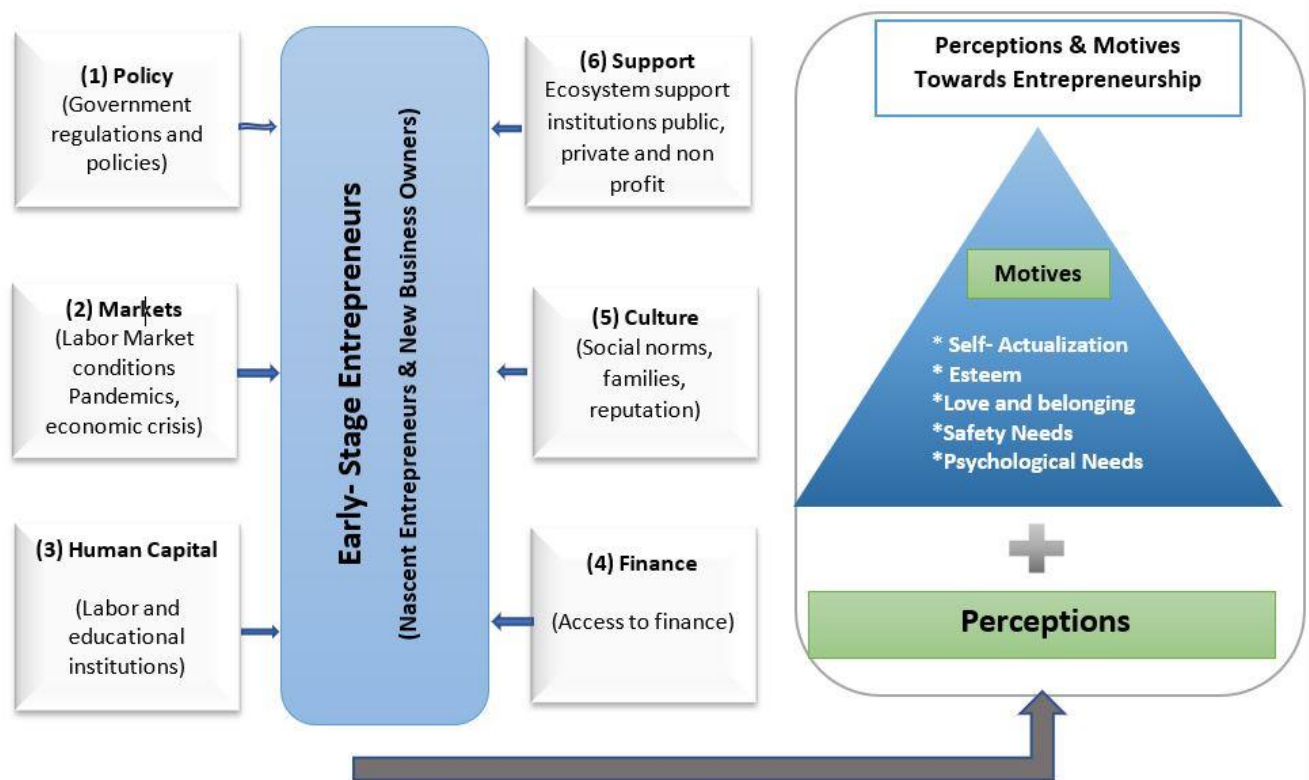


Maslow's hierarchy of needs

Source: <https://www.simplypsychology.org/maslow.html>

→ **This study examines** the impact of the complex interaction between different ecosystem domains on early-stage entrepreneurs in shaping their perception and motivation to start their own business. The following figure presents the conceptual framework of this study connecting the three discussed concepts based on which inputs of research participants have been analyzed.

**Figure 6: Conceptual Framework**



**Source:** Author based on (Ismail, 2021), (Isenberg, 2011) and (Robbins & Judge, 2013)

### 3.2 Design and Methods

This study has been conducted following a qualitative approach in investigating the real motives and perceptions of young entrepreneurs in Egypt. Since the objective of this research is not to merely summarize informants' reflections in numbers and graphs, but rather to dig deep and explore what is beyond their actions and perceptions, applying a qualitative approach is considered to be the most effective tool fitting these objectives. According to (Marshall & Rossman, 2006), qualitative research focuses mainly on the “human” and respects the different aspects of humanity. Additionally, the findings of the research evolve and emerge rather than being prefigured (ibid). During the research process, informants were not only given the space to express their feelings, fears, and frustrations, but also to reflect on their memories and the different incidents that contributed to their decisions to start their entrepreneurial journey. It is worth mentioning that both the participants and the researcher have explored new facts about personal motivations, the dynamics of the labor market as well as technical gaps in the entrepreneurship ecosystem that were quite new to both parties. Another important aspect of qualitative research is that it gives the flexibility to the researcher in designing the interview questions without being restricted to a certain format. In other words, there was always room to add or change some of the planned questions or even to change the wording of some questions according to the context, the background, and the flow of conversation between the researcher and participants. The research findings have been linked to the existing literature on entrepreneurship ecosystem in Egypt. The linkages availed common themes which are relevant to the existing studies on effectiveness of the different institutions of the ecosystem. Accordingly, and based on findings' analysis, the research provides a number of recommendations for policy makers and implementers to shed the light on

some critical gaps in the ecosystem which creates confusion and unclarity about entrepreneurship among Egyptian youth.

### 3.3 Sampling

Purposive sampling has been applied in this research whereas a pre-defined criteria for participants' selection has been set to serve research objectives. In order to reach a comprehensive understanding of the dynamics of the entrepreneurship ecosystem, the research sample included targeted participants from 2 main groups; the first is young entrepreneurs and the second is project managers who are responsible for managing entrepreneurship support programs. As for the former, and as clarified in the conceptual framework section, young entrepreneurs have been selected based on the stage/phase they are in whereas the targeted entrepreneurs of this study are the “early-stage entrepreneurs” as per GEM report classification. Since the main objective of the study is to explore entrepreneurs' motives to join entrepreneurship sector, early-stage entrepreneurs who are defined as new business owners are the best target given their “recent” participation in entrepreneurship ecosystem, and therefore they can easily reflect on the motives behind their decision to start their own business. On the other hand, interviewing project managers responsible for entrepreneurship support programs enriches research findings by adding the perspective of program implementers to the picture. It was also useful to have some of the program managers coming from an entrepreneurial background (ie. being entrepreneurs themselves at a certain point of their professional life) to have a sort of a wholistic vision about the dynamics between support institutions and startups. Another objective of the sampling process was to reach an acceptable rate of gender representation between the number of interviewed males and females. While the percentage of women participation among early-stage entrepreneurs is relatively lower than men (24.4 % for women participation compared to 75.6% for men) as per the latest GEM report, this

research paper gives the space for women entrepreneurs, who make up around 38% of the research sample, to express their views and concerns about starting a new business in Egypt. When it comes to sector diversity, the researcher tried to voice the opinion of young entrepreneurs from different sectors to ensure reflecting on motives and perceptions of entrepreneurs with different technical backgrounds. It was also an attempt to explore commonalities and variations within the different fields of the ecosystem. The number of participants in the research was not pre-determined whereas the researcher concluded the data collection process upon reaching saturation in information and inputs.

### **3.4 Data collection**

Research data has been collected through face to face and phone interviews. The interview process usually starts with an introduction by the researcher clarifying the main objectives of the study along with research confidentiality guidelines. Verbal consent has been obtained from all participants prior to conducting the interviews and all aspects related to research procedures and any potential risks have been clearly stated to all participants. A total of 16 interviews have been conducted according to the sampling criteria. Three participants out of the research sample work as project managers in well-known international development organizations providing different technical and non-technical support programs/interventions for young entrepreneurs. Some of the project managers have been involved in business setup processes themselves (being x-entrepreneurs) with very well-grounded experience in the field. 13 participants are “early-stage entrepreneurs” who started their own business recently and have been in operations for maximum of 3.5 years. The participating entrepreneurs come from different educational and technical backgrounds and work in different fields within the entrepreneurship sphere. Participants have established their businesses in various sectors such as e-commerce and logistics, online medical

services, agri-businesses services, marketing and communication, content creation in the education sector, handcrafts, and data analysis systems. Gender sensitivity has been taken into consideration in the interview process whereas a total of 6 female and 10 male participants have been interviewed. A proper setup has been established to ensure providing the participants with a convenient and safe environment to share their thoughts and ideas freely. Examples of the interview questions are what are the main reasons that encouraged/motivated you to start your own business? From your point of view, how do Egyptian youth perceive entrepreneurship? And why do they decide to choose the entrepreneurship track? Did the current economic conditions affect your motives to have your own business? If yes, how, and what other plans did you start to think of? How do you evaluate the effectiveness of the support institutions in the entrepreneurship ecosystem which you have dealt with? Other probing questions to verify participants' answers were asked such as what challenges did you encounter in your business initiation process? How do you see the role of "culture" in shaping youth perceptions and motives towards entrepreneurship? In your opinion, Did the recent developments of the ecosystem influence the traditional social perception about entrepreneurship? And why? Etc. During the interview, participants were given the freedom to express their ideas without limitations. They were also granted the right to refrain from answering any questions which they might view as critical or if they feel uncomfortable giving an answer to any of them. No recording has been used during the interviews to maintain a sense of security and stimulate openness during the discussion. Answers were transcribed verbatim in English language by the research and thoroughly analyzed through the data analysis process.

### **3.5 Data Analysis**

Research data have been transcribed and analyzed thoroughly using inductive reasoning to reach thematic conclusions out of participants inputs. Participants' answers have been coded to generate thematic findings which were supported by quotes from the conducted interviews. Research findings have also been linked to the available factual data and scientific evidence from the literature to complement the existing knowledge on the research topic. To ensure validity of the research findings, cross-checking has been conducted and several revisions and checks have been made by the research to ensure logical framing of the provided knowledge and recommendations.

### **3.6 Ethical Considerations**

Interviews have been conducted upon obtaining IRB approvals. All participants have been informed of the objective and the strategy of the study as well as channels through which this study will be used or reviewed, in advance. Participation in the research was on a voluntary basis while all participants were asked for a verbal consent prior to conducting the interviews. Confidentiality rules of the study have been clearly stated to all participants whereas sensitive data and real names have been replaced by pseudo names following the principle of "causing no harm" to the research participants. Requests from some of the participants to remove a specific part of their answers or to change any of the interview questions have been fully respected by the researcher.

### **3.7 Research Limitations**

Some of the limitations of this study is that the findings cannot be generalized on young entrepreneurs all over Egypt. While the research tried to diversify the sampling criteria by including some entrepreneurs from different governorates other than Cairo, reaching out to a large number of non-Cairo residents was a bit challenging due to distance as well as Covid 19 restrictions. Another limitation of the study is that some of the participants were trying to give “formal” answers at the beginning when asked about real motives to start their own business; however, after some probing questions and long discussions, the researcher was able to get them express their honest thoughts and views. Finally, the researcher tried to diversify the sectors in which early-stage entrepreneurs are working to have a broader overview of their motives to start their business; however it is important to clarify that the results of the study do not cover all sectors within the ecosystem.



## **Chapter Four: Findings and Discussion**

This chapter presents a thorough analysis of the research data investigating the different factors shaping youth motives and perceptions about entrepreneurship. As clarified in the conceptual framework section, multiple social, economic, and cultural factors play a big role in the making of entrepreneurship narrative in the Egyptian society whereas youth are influenced by the implications each of these factors impose on their lives. During the data analysis process, the researcher realized that it was almost impossible to separate between the impact of the different factors based on their broad classification (social, economic, cultural, etc..). It was rather more logical to explore the reality through investigating the complexity of the different factors and their collective impact on youth motives and perceptions following the Isenberg model as explained in the conceptual framework section. Accordingly, the findings of this study are presented under three main thematic areas and within each area, the intertwined social, economic, and cultural factors are being addressed and linked to the existing knowledge from literature.

### **4.1 Entrepreneurship as a Social “Trend”**

It was quite remarkable how many times the word “trend” was mentioned in almost 95% of the interviews conducted for this study. It was always one of the first thoughts that came to the minds of the research participants when asked about their views on the reasons why a large number of youth nowadays are willing to start their own business. The word “trend” is defined in the dictionary as “the prevailing tendency or inclination of the society members to behave in a certain way”. Participants, when referring to entrepreneurship as becoming a new trend in the society, explained it in a way that implies a sort of social conformity of many Egyptian youth to the idea of starting a new business. The statistics provided by the GEM report supported this fact stating that 71.5% of the Egyptians view entrepreneurship as a good career choice in 2020 which is above

global average of 68.5 % (Ismail, 2021). Looking into the figures, one may get a positive impression about the widespread of entrepreneurship culture among youth; however, the reality is not that simple. There are many underlying factors that determine the reasons for the emergence of any social trend as well as the direction towards which this trend is shaping society's culture and economy. The following analysis avail more information about the nature of entrepreneurship being a new trend in the Egyptian society.

#### **4.1.1 Role of Entrepreneurship in Changing Perceived Social Status**

Entrepreneurship has been viewed by many youth as a way to move up the social ladder and improve their social status. According to the GEM report, entrepreneurs are perceived with high social status by 75.7 % of the Egyptians whereas Egypt ranked 21 out of 43 countries on perceived social status of entrepreneurs (Ismail, 2021). While interviews with the research participants supported these figures, they also show the other side of viewing entrepreneurship as a means for social mobility.

“Although it is a positive thing to have more youth with an “entrepreneurial drive”, many young entrepreneurs are in fact encouraged to start their business for different reasons other than the value of the business created. They find entrepreneurship “sexy”, and this becomes the main drive for them to start their business. That is why for example you find too many “tech” startups these days. They want the “show” and to have their names on the cover of Forbes magazine! They do not look into what is behind the moment of success. They are not aware that starting a business is not easy and it needs full readiness on both psychological and technical levels”. It is not enough to have a good business idea. If your idea does not have a real value, your idea costs zero” (Nour, 2022).

In fact, what Nour is saying here reveals what is beyond the word “trend”. It is definitely a positive phenomenon when a large number of youth adopt a transformative economic practice that is proved to enhance economic development; however, it is also important to look into the actual “value” of the large numbers being added to the startup count every day. Nour in this quote supports this argument by criticizing some of the new entrepreneurs who are attracted to start their business not out of a deep belief of the value of what they are doing but rather for following the new trend of starting a business. He also clarifies that their decision comes from the desire for showing off which is accompanied with the lack of proper understanding of what it requires to start a new business on both personal and professional levels

“In the ecosystem, many of the young entrepreneurs whom I know started their business because they see it as a “cool” idea. The concept of being a CO of a company is very tempting and this is why they are motivated to have their own business. It puts them in a higher social status and moves them from the level of an employee to the level of a manager. The idea of not being employed at someone’s else company is also becoming trendy while the real value of some of these businesses is questionable” (Younma, 2022).

Younma in her quote adds to what Nour said about entrepreneurship being a trend among youth. She reveals one of the reasons why starting a new business is becoming an attractive idea which is mainly due to youth perception about the high social status of being a director/manager of a small business versus being an employee. This argument also presents more clarifications to the GEM data about the societal view of entrepreneurship as a preferred career option.

As there are many concerns regarding the value of some of the businesses being established nowadays, some of the interviewed participants pointed out the problem of misallocation of efforts of some of the young entrepreneurs.

“There is less effort being put in the development of the business idea or the solution that these businesses are offering to the community. Efforts are more directed to marketing and business development without investing enough time and effort in the core components of the business plan. That is why you find many “fake startups” where everyone has a big title, but no real value added of the business” (Hassan, 2022).

Whereas the previous quotes explained how and why entrepreneurship is becoming a fashion among youth, other quotes illustrate the impact of such perception on youth motives towards their business. According to Hassan, the implications of the excessive focus on achieving higher social status influences the way young entrepreneurs manage their business operations. One of these implications is putting more efforts towards external visibility than structuring the core of the business. Another participant adds to the negative consequences of the excessive focus on social status rather than the value of the business

“Many young entrepreneurs do not really have a vision about what they want to do. They think it is a nice thing to have, so they start a business and shut it down, then open another business and shut it down, etc.” (Doaa’, 2022).

Sustainability of businesses is a determining factor in their success whereas economic development cannot be achieved without sustainable economic activities (Sternfel et al., 2021). That is why what Doaa’ mentioned is very critical and it shows the reality of lost opportunities of creating unsustainable businesses with no real contribution to economic growth. It also complements the previous quote about the impact of youth perception about entrepreneurship on their motives towards starting a new business. Based on her point of view, the superficial understanding of the concept of entrepreneurship leads to the emergence of some entrepreneurs who are not really serious about starting a well-established business venture.

An additional aspect with regards to the impact of societal values on entrepreneurs' attitudes has been explained by another research participant.

“Some entrepreneurs believe that having a business is the way to get rich “quickly”. They only look to money as a reward; however, the reality is so different. Being an entrepreneur is a long-term process that needs resilience and perseverance, and it is not easy as some people may think” (Amr, 2022).

What we can see from the previous quote is that there is a tendency among youth to strive for “quick wins” whereas entrepreneurship is seen as an easy means for fulfilling short term materialistic objectives. In fact, the culture of quick wins and the strong desire to accumulate wealth in a very short time is becoming prevalent in many of the developing countries. The materialistic pressure on the young generations has influenced their behavior and attitudes towards concepts of “work” and “achievement”. Some research studies have proven that the aggressive consumer culture and the increasing materialistic trends among youth nowadays had impacted youth attitudes not only in the western economies but also in developing countries. The endless craving for materialistic needs have made it difficult for many youth to achieve self-satisfaction (Masood et al., 2017). This argument supports what some of the participants mentioned about the strong desire of young entrepreneurs to find the easiest and shortest way to get rich. It also clarifies how culture impacts people's attitudes and motives towards their professional goals and career aspirations. The researcher believes that further social research has to be done to identify the main roots of such a relatively new culture and to construct its impacts on societies' behavior.

#### **4.1.2 Role of the Ecosystem in creating the “#Entrepreneurship \_Trend”**

The first section of theme one introduced the linkage between entrepreneurship being a trend on one hand and youth aspirations for a higher social status on the other hand. In this part of the research, more in-depth analysis is presented focusing on the role of the different institutions of the ecosystem in feeding the perception of entrepreneurship as a “trend” among young entrepreneurs.

“I believe that some institutions in the ecosystem played a negative role in missing up the right perception about entrepreneurship. When you find many young entrepreneurs thinking about starting a new business only with the objective of being “trendy”, you should know it is because of what some of the incubators/accelerators have been doing for a long time. It is not a secret that many incubators have no criteria for the business ideas they are supporting and that is why you find so many repetitive ideas in the market with no real added value. You should also know that most of the incubators have quantitative “targets” for the number of startups they should support, and they have money that should be spent before the end of each year and therefore, they look more into quantity than quality” (Khaled, 2022)

The previous quote helps us understand the role of the support institutions within the ecosystem in presenting the concept of entrepreneurship to the youth. According to Khaled, some incubators contribute to the spread of the shallow understanding of entrepreneurship through the way they steer the ecosystem. The excessive focus on spending and achieving high numbers is reflected on the attitudes of young entrepreneurs towards starting a new business. Another participant provided more clarifications on this point

“There is no adequate due diligence being done before selecting the business ideas to be supported by the incubators. It is not enough to have a business idea that sounds nice and cool. The real impact is what should be assessed”, (Doaa’, 2022).

In addition to prioritizing quantity over quality, Doaa’ explains another pattern of the management style of some of the business incubators in Egypt. She explains that some of the support institutions within the ecosystem export the idea of entrepreneurship being a trend to young entrepreneurs through dedicating their support efforts to the ideas which sound trendy. She also highlights the problem of assessing new business ideas and the low emphasis some institutions give to the quality of the business model. An additional perspective has been presented by one of the project managers working in an international development organization supporting young entrepreneurs.

“There is a strong political support for SMEs and that is why everyone wants to have an incubator. Unfortunately, the quality of these incubators is not usually as it should be. You can see many weak and repetitive businesses ideas in the market, and it is coming from the poor performance of some incubators”, (Fathy, 2020).

Political support is also one of the factors which contributed into the booming of the entrepreneurship activities in the Egyptian society. The negative side of it according to Fathy is that some incubators misuses such support to establish weak incubators for the sake of catching up with the new trend. More views have been also expressed on the effectiveness of the ecosystem institutions by other participants

“We have had a very hard time accessing funds for our startup from the VCs. We never understood what criteria they applied to choose the businesses they support. Many VC heads are admitting this problem and rethinking their selection criteria these days, but it is too late!”, (Amr, 2022).

What we can see from the previous quotes is that there is a real problem in the way that some of the ecosystem institutions are portraying entrepreneurship to the youth whereas many of them give more attention to initiating more startups with “catchy” ideas without looking into the value of such businesses. The consequences of this approach causes a huge frustration to those who have a sound and a valid, but less trendy business ideas. It also leads to misallocation of the available resources in the ecosystem.

“Too many incubators in the ecosystem created a culture of laziness among some of the young entrepreneurs who became very focused on trendy business ideas because they know that this is the easy way to get funds. Prior to COP 27, many startups focused on the topic of “sustainability” all of a sudden! They did it because they all wanted to attend the conference and get funds. Look at them now, are they really functioning? This is the question” (Khaled, 2022).

In this quote, Khaled complements the previous inputs through explaining the implications of how support institutions define entrepreneurship on youth attitudes and behavior. The high attention that some incubators give to the trendy business ideas in fact pushes young entrepreneurs to start businesses in specific fields which are given the highest support by the funding institutions. The problem highlighted by the participant though is that these business are established on fragile bases; mostly relevant to the desire to acquire more funds rather than presenting a valuable business idea. Another participant commented on the idea of presenting a trendy business idea to the different funding institutions as a way to secure a good amount of funds

“I am the CO of our startup despite of not being the best qualified team member for this position. I have been chosen to take on this title because it looks nice when you have a women as the head of the business. It helps us get more funds since “women



empowerment” is on the top of the agenda of many funding institutions nowadays”, (Doaa’, 2022)

Doaa’ in this quote clarifies an additional impact of the management system of support institutions within the ecosystem on young entrepreneurs. The impact is extended to how some startups are being managed as a result of giving high attention to specific social trends. What we can also see in this quote is that some of the key management decisions, such as appointing the CO of the business, have been taken based on pure societal influences within the ecosystem with less attention towards the effectiveness of business processes.

While it is quite clear now how the different support institutions of the ecosystem contribute in shaping youth perceptions and motives towards entrepreneurship, the question is what determines the strategic direction of these institutions and to what extent their agenda is overruled by political considerations! A question that the official state institutions governing the entrepreneurship ecosystem should think of. What the researcher found out from the interviews is that the agenda of the support organizations influences the actions of young entrepreneurs and directs their behavior to a great extent. As explained by some of the research participants, when the incubators gave an over emphasis on trendy topics like women empowerment and sustainability, many entrepreneurs were somehow pushed to embrace these topics as part of their business models; only for the sake of getting more funds rather than believing in their value. Another important finding is the lack of quality assurance within the ecosystem whereas the creation of more startups is sometimes more important than assessing the impact these startups have on the economy.

#### **4.1.3 Lack of Awareness about What it takes to be an “Entrepreneur”**

The power of knowledge is what enables individuals to take “informed” decisions. That is why being aware of what it takes to be an entrepreneur plays an important role in instilling a clear

understanding of entrepreneurship in the minds of the Egyptian youth. In fact, many participants explained the link between being easily swamped with superficial ideas about entrepreneurship and the level of awareness young entrepreneurs have about the process of starting a new business. Awareness is usually obtained from the educational system as well as other institutions in the society mandated to enrich youth knowledge about a certain topic. When it comes to entrepreneurship education, many participants expressed their frustration about the lack of a proper entrepreneurship education in the Egyptian educational system.

“Many young entrepreneurs have very limited understanding of what it takes to be an entrepreneur. They look at the whole thing from a very superficial point of view. The problem is that almost all public universities do not have entrepreneurship curricula as part of their academic plan. Schools as well have the same problem. In my opinion, the role of education should not only focus on giving information about entrepreneurship but also equipping the students with essential entrepreneurial skills such as innovation and presentation skills with the use of innovative tools such as design thinking” (Nour, 2022)

Following the same line of thought of the superficial understanding of entrepreneurship for some of the youth, which was explained in the previous sections, Nour in his quote clarifies the role of education in equipping youth with the required skills and knowledge about entrepreneurship. In his point of view, one of the main reasons behind the superficial understanding of entrepreneurship is attributed to the weak educational system that does not provide the students with enough knowledge about what it takes to establish a successful business. Another participant commented on the role of education in preparing future entrepreneurs who are well equipped with knowledge and skills

“Entrepreneurship education is essential not only to understand what entrepreneurship is but also to learn how to steer your business. It is not enough to know how to start a business, but rather it is more important to know how to continue. Most of the young entrepreneurs learn by doing and too much time is wasted in trial and error. The whole process could have been more efficient, if entrepreneurs have the required knowledge about business management from the very beginning” (Maher, 2022).

Maher adds to the previous quote and explains the role of education in building the personality of the successful entrepreneur. He argued that education could contribute to the success and continuity of small businesses through providing youth with the required management skills which enable them to steer and sustain their business. He also clarified the impact of the lack of adequate information about entrepreneurship on the performance of the small businesses that leads to substantial waste of time and efforts.

It is a matter of fact that absence of entrepreneurship education is considered to be one of the main challenges of the entrepreneurship ecosystem. As presented in the literature review section, only few private universities provide entrepreneurship education which deprives a large segment of the youth from acquiring proper understanding of what entrepreneurship is. With regards to awareness programs provided by some of the support institutions in the ecosystem, some participants criticized their training methodology of not being effective enough to mentor young entrepreneurs.

“I was enrolled in a 6-month training program in one of the incubators. It was super hectic and the knowledge we gained was not worth it. The trainers lacked the practical knowledge of how to start a business and therefore the training was very theoretical” (Karim, 2020)

A similar point of view was expressed by a project manager who used to lead entrepreneurship training programs in entrepreneurship incubators.

“The problem is that some of the trainers do not have a solid practical experience to mentor the new startups. Some of them also do not know how to deal with new businesses and how to put them on the right track, especially in the very early stages of the business cycle. That is why you find no real knowledge gain for some of the provided trainings by some incubators” (Fathy, 2022).

The previous two quotes add an additional dimension to the entrepreneurship education scene within the Egyptian ecosystem as it provides an assessment of some of the educational programs offered to young entrepreneurs. Providing theoretical knowledge was a common concern highlighted by Karim and Fathy who believed that the practical side of some of the trainings provided by the ecosystem is still missing. The value of the practical angle of the training is that it brings young entrepreneurs closer to reality; mainly to support them to take informed decisions with regards to the different aspects of their business.

There is no doubt that proper education equips youth with the required knowledge and skills that enables them to take the right steps in their career life. The constructive impact of integrating entrepreneurship education in university curricula has been stated by many students who either got enrolled in entrepreneurship courses or participated in any of the activities of AUC venture lab. It was also stated that AUC approach was very successful in instilling entrepreneurship culture among the students and enhancing their knowledge about the entrepreneurship ecosystem (Mersal, 2022). Some attempts have been made to have a similar model in public universities and a good example could be the incubator established in FEPS, Cairo university; however more efforts have to be made to integrate entrepreneurship knowledge in the public educational system.

In this part of the research, the researcher tried to analyze the impact of some of ecosystem domains as identified by the Isenberg model on youth perceptions and motivation to start their own

business. The three main domains discussed under theme one are “culture”, “support institutions” and entrepreneurship education as part of the “human capital” domain. Analysis have shown that the three domains have contributed to portraying entrepreneurship as a source of social prestige and a way to gain societal appreciation and admiration. It is therefore a means to fulfill one of the higher-order human needs for young entrepreneurs; namely esteem and social recognition as identified by Maslow motivation theory.

## **4.2 The Choice of Entrepreneurship and Employment Limitations**

When you make a “choice”, it means that you have the freedom to choose between at least two options or possibilities, but when you are left with no choice, you are in fact “forced” to go for the only available option. In fact, some entrepreneurs were somehow forced to start their own business because they did not have a different option for earning their living. According to the statistics of the GEM report, 54% of the early-stage entrepreneurs in Egypt are necessity- driven; meaning that they decided to start their business because of scarcity of jobs in the labor market (Ismail, 2021). In this part of the research, more analysis has been conducted to explore the different dimensions of the “needs” that motivated or pushed some of the Egyptian youth to start their own business. The analysis also shows how entrepreneurship is perceived as a means to solve employment related challenges.

### **4.2.1 Lack of Motivation at the Workplace**

The relationship between motivation, job satisfaction and employees’ retention has been investigated by many studies. Results have shown that when employees are motivated and they have a high level of job satisfaction, they are more willing to stay at their jobs for a longer time. On the contrary, companies which provide less incentives to their staff are more likely to lose the good performing employees (Varma, 2018). Other studies in the field of Human Resource

Management (HRM) have proved that employees who have personal development plans within their work place and who are actively engaged in the work processes are expected to perform well and meet the objectives of their organization (Riyanto et al., 2021). According to the findings of this research, there is lack of motivation at the workplace in Egypt which eventually affects employees' satisfaction and forces them to look for an alternative employment option. Some of the participants have expressed their frustration of the limited growth potential of full-time jobs which makes entrepreneurship a more appealing career option

“After working in a full-time job for years, I realized that I have been doing the same thing every day. I am working according to a set of rigid rules and guidelines which are not subject to change. I am therefore not developing any new skills. At a normal full-time job, achievement has a ceiling. That is why I decided to quit my job and start my own business. Now, I have more space to learn and get exposed to different experiences; a thing which would have never been feasible in my former job” (Yasmin, 2022).

Motivation at the workplace can be enhanced by different means. Yasmin, in her quote, explains one of the main problems of some of the workplaces in Egypt which is the lack of learning opportunities. She refer to it as the main reason behind her frustration from the full- time job and the main motive to start her own business. Another important aspect clarified in this quote is that learning opportunities, as one of the motivation means, creates a sense of achievement without which people lose interest in what they are doing. Other participants have also expressed their opinion about the effect of the absence of motivation at the workplace on youth decision to start their own business

“Many of my friends decided to quit their job because normal jobs are not motivational. Young generations are not really aiming to stay at the same job for 30 years, but rather they want to enjoy their success and achieve something in life. Salaries are also becoming stagnant, so why should one waste his life in a full- time job ?!” (Sara, 2022).

Sara’s quote adds an additional dimension of motivation in the workplace which is career growth. According to her, some of the full-time jobs have a steady nature which does not allow for gaining new experiences within the workplace. She also clarified that the stagnant status of jobs and salaries and the lack of professional progress affects employees’ motivation and therefore pushes them to think of other employment options.

Additional aspects of motivation within the workplace have been explained by other participants

“I never had the chance to be innovative at my full-time job. My manager always dictated my work. Although I am an expert in my field, he would not listen to my recommendations. I also find a normal job very boring. I keep doing the same thing every day and I am not learning anything new” (Doaa’, 2022).

In addition to the lack of learning and career growth opportunities within some of the workplaces, participants have also explained the impact of the poor leadership skills of some corporate managers on employees’ motivation. According to the empirical study conducted by (Weaver & Yancey, 2010), there is a positive relation between high turnover rates of employees and poor leadership skills of some managers. They also explained that subordinates of bad leaders tend to have less commitment towards their organization (Weaver & Yancey, 2010). The findings of this study supports the previous quote which clarifies the impact of the suppressive attitude of the participant’s manager on her motivation towards her job. She therefore viewed entrepreneurship as the only alternative to satisfy her self-fulfillment needs.

Another participant complemented the argument on the impact of lack of the sense of achievement at the workplace on employees' motivation

“After working as a full-time employee for 7 years, I realized that I am not doing what I want to do. I am actually unable to make the change I am dreaming of. I see myself as a well-educated and a qualified expert in my field therefore, I can do much more than what I was doing in the normal job. When I started my business, I found my passion and I believe that my business has a positive impact on the community” (Younna, 2022).

Another angle of the lack of motivation in the workplace is underutilization of human capacities to achieve work objectives. Younna, in her quote, views herself as a skilled employee whose experience and qualifications are not being used nor developed. Her quote also shows the negative impact of underestimating youth capabilities on their commitment towards their job. She therefore perceives entrepreneurship as the only opportunity to capitalize on her skills and to achieve her professional goals.

In fact, the previous arguments about the importance of “motivation” are scientifically backed by most of the classical motivation theories. Looking into what most of the participants mentioned about being demotivated at the workplace, we can find out that most of them were unable to fulfill their need of “self-actualization”. According to Maslow, self-actualization is defined as the desire to become the most that one can be (Robbins & Judge, 2013) While most of the research participants viewed themselves as “experts” in their field, none of them believed that they are making use of their capabilities whereas others were overly dictated by a suppressive autocratic management style. The absence of other forms of incentives such as personal development opportunities, and a transparent plan for income increase were also among the main causes of demotivation for most of the participants. On the other hand, entrepreneurship was perceived as a



good alternative to satisfy the desire for self-actualization and goal fulfillment. It is also worth mentioning that almost all the research participants had a full-time job before starting their own business which emphasizes the interlinkage between low rates of job satisfaction (due to lack of motivation in the workplace) and the willingness of many Egyptian youth to become entrepreneurs.

#### **4.2.2 Limited Opportunities in the Labor Market**

A different angle of the necessity-driven entrepreneurship is the limited opportunities in the labor market. When asked about the main motive behind starting their business, some of the research participants have clarified that entrepreneurship was the only available employment option.

“I started my business because I do not have any job opportunity in the labor market. I am a graduate of the faculty of agriculture and as you know, there is no demand for the graduates from my faculty. I tried to make use of my educational background and come up with a business idea that contributes in filling a gap in the agricultural sector” (Khaled, 2022).

Lack of work opportunities is in fact one of the major problems of the Egyptian labor market. One of the studies conducted to examine the different aspects of unemployment within the labor market stated that skills mismatch, low wages and limited labor mobility are among the main reasons behind the limited employment opportunities (Hassan & Sassanpour, 2008). The study also explained the problem of the supply and demand of labor whereas the supply of the growing population is way higher than the demand of the slow developing economy (Hassan & Sassanpour, 2008). The problem presented by the research participant supports the findings of the study. It illustrates the problem of many graduates who come from different educational backgrounds which are not demanded by the labor market either because of the high supply or due to mismatch

between their skills and market needs as explained before. Another participant expressed a similar challenge of the lack of an employment opportunities in the private sector

“I am a graduate of Al-Fayoum university which is one of the underrated universities in Egypt. When employers get to know where I graduated from, they tend to reject my CV. They prefer to employ AUC and GUC graduates. I do not see myself less than those who graduate from private universities though, and I believe that I am more qualified than many of them. I decided then to have my own business as I am not aiming to have a corporate job”, (Sameh, 2020).

Sameh is another university graduate who suffers from the limited opportunities within the labor market. His inputs have several factors that contribute to the problem of not being able to find a good job. One of the factors could be relevant to the skills mismatch between education background and market needs. His input also reveals the discrepancy of market demand for the graduates of public versus private universities. Although it is difficult to construct a direct relation in this case between the different factors leading to unavailability of job opportunities, it is quite clear that limited employment opportunities has been the main motive behind Sameh’s decision to start his own business.

It was also interesting to follow the same line of thought and explore if the entrepreneurship ecosystem has a similar problem of limited opportunities for some of the young entrepreneurs. A number of insightful inputs by the research participants in fact gave us some indications.

“I believe that the ecosystem has some limitations faced by young entrepreneurs. The way you look, the university from which you graduated, the level of your proficiency in English language are all very important factors which determine your success as an entrepreneur. Other forms of limitations is that the application of some of the financial grants are only in

English which means that those who do not know English well are excluded by default” (Doaa’, 2022).

There are some similarities between what the participant mentioned about limitations within the entrepreneurship ecosystem and the previous quotes on limited opportunities in the labor market. According to the research participant, there are specific skills such high proficiency of spoken and written English which constitute a sort of limitation for those who do not have such skills. An example of the implication of these limitations is that those who do not have strong linguistic skills might not be able to obtain some business opportunities. This quote also supports the problem of skills mismatch between graduates’ skills and needs of the labor market which is apparently faced by most of the graduates who either seeks full-time employment or self-employment opportunities. Another participant has a similar perspective regarding the existing limitations in the ecosystem.

“I find it very difficult for public university graduates to access the available services in entrepreneurship incubators. It is simply because most of these services such as technical trainings are offered in English, so if you do not have the basic English language skills, you will not be able to compete with those who are well-educated with higher language proficiency levels” (Karim, 2020)

Karim’s input complements what Doaa’ mentioned about limitations within the ecosystem for those who lack some personal and professional skills. He explained that limitations within the ecosystem might be extended to the accessibility of the provided support services such as business trainings which require some skills such as English language proficiency.

In fact, the input of most of the participants revealed the relationship between their decision to start their own business and available employment opportunities. It was also worth investigating if similar limitations exist within the entrepreneurship ecosystem. Unfortunately, there are some

limitations within the ecosystem which affect the availability of business opportunities for some youth. It is therefore a matter of fact that the existing limitations of the different forms of employment (full-time or self-employed) leave those with limited options with almost no option!

#### **4.2.3 State Legal System and Youth Employment**

One of the reported motives of starting a small business by some of the male participants is the “obligatory military service”. The military service is enforced by law on all male Egyptian citizens with specific conditions for those who can get exempted. With regards to the relation between military service and employment, most of the private sector companies prefer candidates with clear military status (either completed or exempted) as per the conditions of the hiring process. The linkage between the 2 variables has some implications on the motives of some Egyptian youth who decided to start their business.

“The army service takes around 1.5 year including the application period. This means that I have a lot of free time that I can make use of. Since my chances to get employed in a full-time job are very limited due to the fact that no employer would accept to hire someone who is expected to start the military service very soon, the only feasible option I have at the moment is to start my own business” (Maher, 2020)

One of the important findings of this research is the impact of the obligatory military service on youth motives to start their own business. Maher gives more clarification on this point as he explained that starting a business was the only feasible employment option for him given his legal commitment towards the military service. His inputs also show the implications of some of state policies on youth employment potentials. Starting a business in this case was viewed as a transitional phase through which the participant can earn his living until, he joins the military

service. While his choice might seem like a solution for those who fail to find a full-time job in the labor market, it adds to the problem of business discontinuity of small businesses.

Another participant clarified the impact of the military service on his career planning.

“I had a very tough time doing my military service. When I finished it, I did not know what to do. I tried to find a job, but it did not work, so I thought why not to start my own business and be my own boss!” (Mohsen, 2020).

Mohsen is another participant who faced some problems finding a job due to the military service. He refers to the impact of the tough conditions he went through during the military service on his ability to pursue a normal employment opportunity. He therefore decided to start his own business as an alternative employment option.

Since the military service was one of the key words mentioned by some of the research participants when asked about their career choices, the implications of such legal regulations on youth attitudes towards employment are worth mentioning. Although it is quite challenging to have a clear understanding of the impact of such an intensive long commitment on the employment potentials of male graduates, we can assume that the disruption that many of the male graduates’ experience because of the military service motivates them to think of entrepreneurship as an alternative career option.

The analysis under theme two shows the impact of aspects relevant to three main domains of the Isenberg model of the entrepreneurship ecosystem: namely labor market, human capital and policy on youth perceptions and motives towards entrepreneurship. The main aspects discussed under the three domains are the challenge of lack of motivation in the workplace, skills mismatch and limitations within the labor market and some state policies such as the obligatory military service. Analysis have shown that each of the three aspects has an impact on youth motives to start their

own business. As for the lack of motivation within the workplace, youth find entrepreneurship as the only alternative that would enable them to satisfy their need to achieve “self-actualization”, as identified by Maslow theory of motivation. On the other hand, limitations of the labor market and the obligatory military service are among the main motives that push youth to start their business as a means to find an alternative employment opportunity. It is therefore a way to satisfy the basic need of “safety” for those whose chances to find a job in the market are scarce. Accordingly, and as per the above analysis, entrepreneurship is perceived by many youth as a “necessity” rather than a “choice”.

### **4.3 Exploring Market Opportunities through Entrepreneurship and the Associated Challenges**

One of the core economic values of entrepreneurship is that it helps fulfilling market needs and transforming challenges into opportunities. As explained in the literature review section, entrepreneurs are seen as risk takers who are able to make use of the market distortions and create a business opportunity out of them (Jonsson, 2017). Entrepreneurial opportunity is therefore defined as the point at which identifiable consumer demand meets the feasibility of the needed service or product (Lavery et al., 2020). The process of transforming a need into an opportunity starts with an entrepreneurial mindset of enthusiastic entrepreneurs who are attentive to consumer needs. The second step is to conduct a research to ensure the feasibility of turning the need into a viable business idea (Lavery et al., 2020). Utilizing available opportunities in the market has been one of the main motives for Egyptian youth to start a new business. According to the GEM report, 62.9 % of early-stage entrepreneurs in 2020 are opportunity- driven which makes “opportunity” the highest level of motivation among all other motives (Ismail, 2021). It is however important to clarify that there are some differences in the way the concept of “opportunity” has been defined

across the different studies. While some studies, as mentioned above, explain opportunity as the ability to turn market needs into viable businesses, other studies, like GEM report, define opportunity as the chance of gaining higher income and building great wealth (Ismail, 2021). In this part of the study, the researcher follows the first definition of “opportunity” since it goes in line with the entrepreneurs’ attributes presented in the literature review section.

“I have been working as a designer for some years in a well-known international development organization. I have noticed that there is a problem in the Egyptian handicrafts sector which is hindering its development. Imported products have been affecting the local production harshly whereas the Egyptian craftsmen cannot stand for the tough competition. There is also a threat of the loss of the local culture if these products disappear. Most of the private sector companies are not interested to pursue such a cause and that is why I was motivated to start a business which supports Egyptian craftsmen and promotes national products (Sara ,2020).

Sara is one of the young entrepreneurs who decided to turn one of the problems of the handicrafts sector in Egypt into a business opportunity. Through her experience in the field, she was able to spot a market need and develop a business model accordingly. She explained that the need to support local handcrafts was the main drive behind starting her business. She also clarified that the reluctance of the big corporates to support small craftsmen motivated her to pursue such a cause and develop a viable business idea. Another participant explained how his own personal experience inspired him to start his own business and solve a problem that many people face

“At a certain point in life, I was going through very tough conditions. Since I have a medical background being a pharmacist, I knew that I have depression and I need medical support. I faced a huge challenge of finding a trusted psychiatrist to approach. I also noticed

that it is the same problem that many people have. That is why I thought of starting a business which provides mental health services and guides users to the right means of support” (Nour, 2022).

Personal experiences are another source of inspiration for some of the young entrepreneurs. Nour clarified that his business idea came originally out of the difficulty he faced to find the right psychiatrist. He then thought to develop an online platform that advises users on how and where to find a suitable psychiatrist based on their psychological status and needs. A third participant also expressed how his professional experience enabled him to identify a gap in the market and provide a service that contributes in filling in this gap

“Since I have an extensive professional experience in the digital transformation field and specifically in the data analysis services, I was encouraged to start my own business which aims to democratize data analysis practices and enable the different institutions to have digital data analysis systems. Having such systems would eventually improve the decision-making process within public and private institutions and enhance organizations’ sustainability” (Maged, 2022).

Maged is another young entrepreneur who utilized his professional experience in the field of digital transformation to not only meet a market need but also to add value to the business operations of the public and private institutions. As explained in the previous quote, the lack of effective digital data analysis systems in Egypt encouraged him to establish a business that provides digital systems for big corporates which back their operations with systemized evidence-based decision-making process. In fact, Maged’s inputs support some of the concepts presented in the literature review about the role of “entrepreneurs” in adding value to the economy through innovative businesses.



The previous quotes demonstrate the linkage between the perception of an “opportunity” for some of the young entrepreneurs who look into consumer needs as a source of inspiration and their decision to start their own business. Successful entrepreneurs are also capable of capitalizing on the available resources, such as professional experience, educational background, personal experiences etc. to initiate their business and achieve their business objectives.

During the data analysis process of inputs on entrepreneurship and market opportunities, additional findings have been found to be very relevant. Most of these findings revolve around the “challenges” attached to market opportunities which constitute a real threat to the continuity of small businesses. The challenges were frequently mentioned after the keyword, “**but**” which always followed the positive inputs on how the different business ideas came to be. A wide range of challenges have been reported through the interviews whereas all of them were seen as obstacles hindering the growth of the new startups.

“Although I love what I do, I find a real problem in financing my business. Taking a loan from commercial banks is too risky. I would never do it. I hate loans and I would rather take money from my family than applying for a bank loan” (Younma, 2022).

Access to finance is one of the key challenges facing young entrepreneurs. As Youmna clarified, the high risk associated with bank loans make many youth resort to other alternative financing options such as borrowing from family or friends. Yomna’s input also supports the findings reported by the Population Council on youth tendency to avoid applying for bank loans and their dependence on informal financing options (Sieverding, 2012).

Another participant explained the same challenge of obtaining enough funds to run his business

“Fundraising is very challenging in Egypt. I do suffer when dealing with VCs. It needs too much effort to comply with their requirements which is too much for me to do; let alone the huge work load of running the day to day operations” ( Amr, 2022).

The long-complicated procedures of applying for funds is another aspect of the access to finance challenge. As explained by Amr, early-stage entrepreneurs are loaded with many operational responsibilities to initiate and set up their business. That is why the complex procedures of applying for funds puts more burden on their back and makes them unwilling to go through such a tedious process.

As explained in the literature review section, access to finance is one of the main challenges which was intensively presented and discussed by many scholars and implementers from the ecosystem. The harsh conditions of the banking loan system make the concept of loan acquiring very risky for small startups. That is why many of them prefer to borrow from family or friends as a safer alternative. Other challenges which were also discussed by some of the participants are relevant to the risk of income instability that come with starting a new business

“Depending on your own business to earn your living is something that is very risky. Although I started my business and I am happy with what I do, I cannot leave my full-time job at the moment. I will have to do both to ensure a stable monthly income” (Sara,2022).

The idea of income instability is one of the main constraints facing young entrepreneurs. Doaa in her quote explained her perception about entrepreneurship as being a risky source of income that cannot guarantee a safe living. The impact of her perception shaped her employment decision and pushed her to have a full-time job in addition to running her own business. A similar point of view was expressed by another participant supporting the idea of having a full-time job as a backup for income security

“The current financial situation has made it difficult for young entrepreneurs to live with the profit of their startups. The value for money is significantly decreasing and that is why an additional source of income is needed. I am currently looking for a full-time job besides running my startup as I believe this is the only solution to survive in these tough economic conditions” ( Doaa’, 2022).

The association between entrepreneurship and unstable income has become stronger due to the negative impact of the current economic conditions on young entrepreneurs and how they perceive the idea of starting a new business. High inflation rates, currency devaluation and the economic implications of COVID 19 have increased the sense of insecurity for the youth and consequently changed their priorities and plans. While entrepreneurship used to be perceived as an alternative to the increasing unemployment rates, the current conditions seem to change such understanding.

“Starting a new business these days is not the best thing to do. There is a high level of uncertainty in the market which makes it difficult to count on a startup for your living; especially if you have a family which puts lots of financial commitments on your shoulders” (Sherif, 2022)

Another participant explained the backshift by some of the youth to the conventional full-time jobs as a safe source of income

“Many youth nowadays are shifting their minds back to the idea of having a full-time job. It is more secure than having a business that is not guaranteed to succeed. It is also very risky to depend on a start up for a stable income especially if you have a family” (Doaa’, 2022).

Inputs of the research participants have been backed by the survey conducted by the GEM report about the impact of COVID 19 on expectations of business owners for the growth of their businesses. According to the report, 69% of the surveyed sample had low expectations regarding the growth rates of their business compared to one year ago. When asked about how easy it is to start a new business after COVID 19, 68% of the interviewed sample believed that starting a new business is becoming “more difficult” than one year ago (Ismail, 2021). Another important finding from the previous quotes is that family commitments put more pressure on early-stage entrepreneurs and increases the risk levels of depending on one’s own business as the main source of income. The reaction to such insecurities was explained by the last two participants in the form of a backshift to the traditional full- time jobs which provide a stable monthly income.

Legal regulations were also among the main challenges that face most of the young entrepreneurs in Egypt and which has been extensively discussed by many studies from the literature.

“The legal system is a critical obstacle for small businesses. There is too much bureaucracy that makes the whole process steady and exhausting. I find myself required to fill in too many papers, which is a lot of work for a small business. It was also weird when we were told that the system has been digitalized, then we were asked to print the online forms; fill them in by hand and upload them again on the system instead of filling them online right away!” (Sara, 2022).

The procedures of the legal system is viewed to be very complicated for young entrepreneurs. As Sara explained, she finds the process of submitting government documents very hectic. Another important highlight of her input is the shortcomings of the current digitalization efforts for government systems. According to her, there is inconsistency between new digital systems and the

old legal procedures. A participant who is leading one of the support programs for young entrepreneurs complemented the previous argument

“I believe there is a problem in the way the legal system deals with small businesses. The regulations do not differentiate between a big established company and a startup. Both of them are required to fulfill the same requirements and go through the same processes!” (Fathy, 2022).

The previous quote gives more insights on the root causes behind the legal complications that young entrepreneurs go through. According to Fathy, the problem comes from the way that legal institutions deal with small businesses. Applying the same regulations on both small and established business becomes therefore illogical and puts a huge burden on entrepreneurs who find it very difficult to fulfill most of the legal requirements.

In addition to the financial and legal challenges that entrepreneurs face, cultural and social perception towards entrepreneurship have also been mentioned as a challenge

“Many families are still against the idea of starting a business. The problem is that we “expire” after the age of 30 since most of the employers do not hire any candidate who is above this age. That is why families are afraid that their sons and daughters waste their time starting a new business whereas the older they get, the less employment opportunities they might find in the market” (Khaled, 2022)

The previous quote explains the impact of both market dynamics and society culture on youth perceptions about entrepreneurship. As Khaled explained, there is an announced age ceiling in the labor market which impacts society’s acceptance to the idea of starting a new business. This is one of the reasons why some families still discourage their children from starting their own business.

It is worth mentioning that the input of the research participant goes against the latest statistics reported by the GEM report about the positive perception of the society about entrepreneurship. This in fact shows the complexity of the interaction between different social, cultural, and economic factors and their influence on youth attitudes towards entrepreneurship.

There is no doubt that entrepreneurship has always been attached to the pursuit of new economic opportunities; however, many financial, legal, and cultural challenges are hindering young entrepreneurs from making the best use of such opportunities. Throughout the interview discussions, it was clear how the current economic conditions changed youth perceptions and motives towards entrepreneurship and affected their willingness to start their own business.

The third theme aims to analyze the impact of aspects relevant to the domains of “policy”, “finance” and “culture” on youth motives towards entrepreneurship. Although some participants illustrated that they perceive entrepreneurship as a means to utilize market opportunities, these opportunities come with complex challenges which hinder the growth as well as the continuity of small businesses. Examples of these challenges are legal constraints, access to finance and cultural resistance to the concept of business risk. Analysis have also shown that such challenges either demotivate youth to start a business or push them to start a business as an additional source of income to their full-time job. The high risk associated with entrepreneurship therefore becomes a threat to the basic human need of (safety) as per Maslow theory of motivation.

## **Chapter Five: Conclusion and Policy Recommendations**

### **5.1 Conclusion**

Entrepreneurship is one of the key driving forces for economic development. It is also one of the main pillars of Active Labor Market Programs which aim to enhance youth employability (Kluve et al., 2017). With the increasing unemployment rates in Egypt, the Egyptian government gave a big attention to the small and medium enterprises. Many efforts have been exerted to improve the different support institutions of the ecosystem with the objective of spreading entrepreneurship culture and encouraging more youth to take on entrepreneurial activities. Throughout this rapid expansion, youth motives and perceptions towards entrepreneurship have undergone many changes due to a wide range of social, economic, and cultural factors. The main objective of this study is to investigate the interaction between different factors relevant to society, culture, finance, and support institutions being the main domains of the Isenberg model of the entrepreneurship ecosystem. The impact of such interactions on youth perceptions and motives has been analyzed in the light of Maslow's theory of hierarchy of needs. Results therefore are aimed to inform policy makers of youth motives towards starting their own business as an attempt to support formulation of active policies which correspond to the needs and aspirations of young entrepreneurs in Egypt.

The qualitative approach of this study gave the researcher the space to dig deep into youth thoughts, fears, and aspirations. It also provided more data on the available statistics from the literature on youth attitudes towards entrepreneurship. Since numbers were never enough to explain the dynamics of human interaction with the surrounding environment, qualitative analysis of this study was aimed to avail the human side of youth interaction with the different actors in the entrepreneurship ecosystem.

Another objective of this study is to look into the large numbers of startups being established every day. Whereas the obsession of big numbers has become the norm of many development activities nowadays, this study aims to shed the light on the “quality” side of the equation. It is therefore an attempt to draw the line between the initial objectives of the efforts exerted in the ecosystem and the outcomes of these efforts. The study also aims to explore the diversions of the existing efforts and their impact on youth attitudes towards entrepreneurship.

The analysis of this study summarized the inputs of the research participants under three thematic areas. The first theme analyzes the impact of different factors relevant to culture, entrepreneurship support organizations and entrepreneurship education on youth perceptions and motives towards entrepreneurship. It also shows how the different institutions within the ecosystem contribute in defining entrepreneurship and framing it as a “fashion” which becomes one of the main underlying motives for youth to start their own business. The lack of a well-established system of entrepreneurship education contributes in spreading lots of superficial conceptualizations about entrepreneurship among the young generations which eventually results in the emergency of a large number of weak startups with no real added value to the economy.

The discussion under the second theme provides further insights on the concept of “necessity” for those who find themselves forced to take the entrepreneurship track due to several economic factors. Limited opportunities within the labor market and the obligatory military service for male citizens were among the top challenges which made entrepreneurship the only option for many Egyptian youth. The third theme introduces the concept of “opportunity” as one of the main motives for youth to start their own business. It also discusses the paradox between the attractiveness of the available business opportunities in the market and the different legal, cultural, and financial challenges which threaten the survival of small startups. When it comes to



employment aspects of entrepreneurship, there were different views about how willing Egyptian youth are nowadays to start a new business. Some participants believed that starting a new business these days is too risky due to the current economic conditions while others considered starting a new business as the only alternative to the increasing rates of unemployment. The two views show the reality of the struggle that many Egyptian youth are going through to find a stable and safe job opportunity whereas the harsh economic conditions made all options unattainable. Based on research results, the researcher presents in the next section a number of policy recommendations for the consideration of the different stakeholders of the entrepreneurship ecosystem.

## **5.2 Policy Recommendations**

As clarified in the findings of this study, youth attitudes and motives to take on an entrepreneurial activity or start a new business are highly influenced by different economic, social, and cultural factors. Thus, improving the conditions of the entrepreneurship ecosystem would enable the entrepreneurs to have a balanced understanding of what it takes to be a successful entrepreneur. It would also support the emergency of sustainable innovative businesses which play a vital role in fostering economic development. The following recommendations have been framed in the light of the analysis of the inputs provided by the research participants

### **1- Reviewing and Redesigning Training Programs Provided by the Entrepreneurship Support Institutions:**

One of the main problems identified by the research is the lack of professional as well as business management skills of many of the young entrepreneurs. That is why they find themselves unable to steer the different functions of their business such as operations, fundraising, etc. Throughout the interviews with some of the project managers of entrepreneurship training programs, the

participants clarified that most of the provided trainings are very theoretical with very little practical content. Accordingly, one of the recommendations of this study is to redesign the training modules delivered to the new entrepreneurs while making sure to provide an adequate practical knowledge on the hands of experienced entrepreneurs from the ecosystem. Other foundational skills are recommended to be part of entrepreneurship training programs such as negotiation skills, presentation skills, financial literacy, and strategic management skills (Ismail, 2022). While the problem of some of the young entrepreneurs is that they do not have a proper understanding of the requirements of establishing a new business, strategic management skills would enable them to identify such requirements and have a clear strategic plan for their business.

## **2- Inclusion of Entrepreneurship Education in the Public Education System:**

Education is one of the core means of shaping people's awareness. The way you think, how you analyze the surrounding environment and how you position yourself in the society comes primarily from school. As per the analysis of this study, one of the main root causes of the confused and shallow perception about entrepreneurship is the lack of a good entrepreneurship educational system in schools. As reported by research participants, most of the public universities in Egypt do not have a separate curriculum for entrepreneurship. It is therefore recommended to include entrepreneurship education in the general educational system starting school up to university levels (Ismail, 2022). If we are aiming to make any improvement in the awareness of the young generations in Egypt, a real reform of the educational system has to take place. Schools will have to adopt new and innovative teaching methods. Experiential learning has to be integrated into school curricula. Students should be encouraged to observe the surrounding environment and think of innovative business ideas that would improve their lives. Teachers' capacities will also have to be developed and most importantly all resources needed to perform such a reform have to be

provide (Zamzam, 2017). Following a bottom-up approach in designing the reform plan of the educational system is also a determining factor of the success of any structural changes of the educational system.

### **3- Enforcing Accountability between the Different Stakeholders of the Ecosystem:**

One of the major factors which influences youth perceptions about entrepreneurship is the work mechanism of ecosystem. In fact, the ecosystem is considered to be the compass which directs entrepreneurial attitudes in the society. We can clearly see such a relation from the responses of the research participants. When the ecosystem gives more attention to certain topics, a large segment of the young entrepreneurs get motivated to adopt their business plans accordingly. When more funds are pooled in specific sectors, most of the emerging startups come from the well-funded sectors. Therefore, the impact of the ecosystem institutions could be a double-edged weapon especially if the agenda of some of these institutions are overly governed by some political objectives. So, the question now is how can we ensure a proper steering of the ecosystem that provides fair and rational support to all young entrepreneurs? Well, a separate study might be needed to cover all aspects of the question; however, a simple solution could be assigning a neutral entity within the ecosystem a supervisory role over the different institutions to enforce accountability and ensure a proper allocation of resources within the ecosystem. The supervisory body shall also be mandated to enhance the cooperation mechanism between the different actors while prioritizing activities that go in line with the strategic objectives of the Egyptian economy. Jurisdictional limits of the authority of such an entity will have to be identified to ensure a collaborative and participatory governance system.

#### **4- Facilitating Access to Finance for Young Entrepreneurs**

One of the main challenges reported by research participants in the challenge of access to finance for small businesses. It was viewed as a threat to business continuity and a burden that small startups can not stand for. Since one of the main challenges of access to finance is the high risk associated with bank loans, it is highly recommended to offer special funding schemes for small businesses with lowers interest rates on more lenient terms (Ismail, 2022). It is also important to diversify the available funding sources to make it easier for young entrepreneurs to acquire small funds. One of these sources is the expansion of angel investment and provision of more early stage funding schemes(Ismail, 2021). It is also recommended to enhance access to banking credit systems and establishing credit and debt cap markets including credit rating (Ismail, 2021). Another important recommendation that came out of the discussion with research participants is to have a clear and transparent criteria for some funding programs such as VC funding. Accessibility to such information enables small businesses to have a better understanding of the funding procedures and makes it easier for them to be prepared with the required documentation that would facilitate their access to the available funds.

#### **5- Enhancing Coping Mechanisms for Small Startups**

COVID 19 pandemic had a serious impact on the survival rate of many startups. As discussed in the data analysis section, many small businesses went out of business due to the harsh financial and operational challenges which they could not stand for. Accordingly, different coping mechanisms are recommended to enhance startups' agility and adaptability. One of these approaches is the application of behavioral science-based methodologies. Behavioral science describes the study of human behavior through the use of systematic experimentation and observation. It is mainly concerned with understanding why individuals engage in certain

behaviors by examining the impact of different factors such as motivation, conscious thoughts, social influences, habits, and contextual effects. Behavioral science covers a wide range of other disciplines such as Anthropology, Cognitive Psychology, Behavioral Economics and Sociology (Britannica, 2020). The advantage of behavioral science methods is that they provide guiding practices which takes into consideration different economic, social, and psychological aspects. Providing tailored training programs for small startups is one of the highly recommended responses to the negative consequences of the pandemic. Training courses should be designed with the objective of enhancing startups' knowledge about the different operational as well as psychological coping mechanisms. According to some of the recent studies on behavioral science, a new set of trainings should target service providers especially those who interact frequently with customers to provide them with information about new modes and processes such as the use of online communication tools, and strategies of working with limited resources. Trainings should also include important topics such as mental health, self-efficacy and how to deal with uncertainty (Boudet et al., 2020). The recommended trainings can be integrated into the training programs offered by the different support institutions in the ecosystem. Raising awareness of the application of coping mechanisms can also be part of the entrepreneurship awareness initiatives as well as business networking events.

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- "Barriers to entry: Challenges facing youth entrepreneurs as they estab" by Roqaya Zamzam (aucegypt.edu)

## Annexes

### Annex (1): IRB Approvals

CASE #2019-2020-062



To: Yara Moustafa  
Cc: Menna Youssef  
From: Atta Gebril, Chair of the IRB  
Date: Jan 20, 2020  
Re: Approval of study

---

This is to inform you that I reviewed your revised research proposal entitled "Youth Perceptions on Entrepreneurship in Egypt" and determined that it required consultation with the IRB under the "expedited" category. As you are aware, the members of the IRB suggested certain revisions to the original proposal, but your new version addresses these concerns successfully. The revised proposal used appropriate procedures to minimize risks to human subjects and that adequate provision was made for confidentiality and data anonymity of participants in any published record. I believe you will also make adequate provision for obtaining informed consent of the participants.

This approval letter was issued under the assumption that you have not started data collection for your research project. Any data collected before receiving this letter could not be used since this is a violation of the IRB policy.

Please note that IRB approval does not automatically ensure approval by CAPMAS, an Egyptian government agency responsible for approving some types of off-campus research. CAPMAS issues are handled at AUC by the office of the University Counsellor, Dr. Ashraf Hatem. The IRB is not in a position to offer any opinion on CAPMAS issues, and takes no responsibility for obtaining CAPMAS approval.

This approval is valid for only one year. In case you have not finished data collection within a year, you need to apply for an extension.

Thank you and good luck.

A handwritten signature in black ink, appearing to read 'Atta Gebril'.

Dr. Atta Gebril  
IRB chair, The American University in Cairo  
2046 HUSS Building  
T: 02-26151919  
Email: [agebril@aucegypt.edu](mailto:agebril@aucegypt.edu)

A logo consisting of a yellow square followed by a dark blue rectangle.

Institutional Review Board  
The American University in Cairo  
AUC Avenue, P.O. Box 74  
New Cairo 11835, Egypt.  
tel 20.2.2615.1000

To: Yara Moustafa

Menna Youssef  
From: Heba Kotb, Chair of the IRB  
Date: 4/9/2022  
Re: Extension of CASE # 2019-2020-062

This is to inform you that this is an extension of the approval given previously on your research with the title: "Youth Perceptions on Entrepreneurship in Egypt" CASE # 2019-2020-062. Your proposal used appropriate procedures to minimize risks to human subjects and adequate provision was made for confidentiality and data anonymity of participants in any published record. I believe you will also make adequate provision for obtaining informed consent of the participants, in this extension. Please note that IRB approval does not automatically ensure approval by CAPMAS, an Egyptian government agency responsible for approving some types of off-campus research. CAPMAS issues are handled at AUC by the office of the University Counsellor, Dr. Mohamed Hamza. The IRB is not in a position to offer any opinion on CAPMAS issues, and takes no responsibility for obtaining CAPMAS approval. This approval is valid for only one year. In case you have not finished data collection within a year, you need to apply for an extension.

Thank you and good luck.

Dr. Heba Kotb  
IRB chair, The American University in Cairo 2046 HUSS Building  
T: 02-26151857  
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## Annex (2): Informed Consent Form



### Documentation of Informed Consent for Participation in Research Study

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**Project Title:** [Youth Perceptions and Motivations Towards Entrepreneurship in Egypt and Their Policy Implications]

**Principal Investigator:** [Yara Ali Moustafa – Email: [yaraa@aucegypt.edu](mailto:yaraa@aucegypt.edu) ]

\*You are being asked to participate in a research study. The purpose of the research is [to explore youth perceptions about entrepreneurship in Egypt and the underlying factors which influence their perceptions and motives to start their own business.], and the findings may be [*presented and/or published*].

The expected duration of your participation is [*1 hour interview*]

The procedures of the research will be as follows [ Interviews shall be conducted either face to face or via phone and the researcher shall run the discussion and ask a number of questions such as “why did you decide to start your own business? “What are the factors that influenced your decision? “how do you view the role of the different institutions within the ecosystem in shaping youth perceptions about entrepreneurship?” )

\*There [will not be] certain risks or discomforts associated with this research.

\*There [*will not be*] benefits to you from this research.

\*The information you provide for purposes of this research [*is anonymous and confidential*]. Study will not include any information that may cause harm to the participants. Requests by some participants to exclude certain inputs from their side are respected and applied.

\*[ "*Questions about the research, my rights, or research-related injuries should be directed to (Yara Ali Moustafa) at the above mentioned contact information.*" ]

\*Participation in this study is voluntary. Refusal to participate will involve no penalty or loss of benefits to which you are otherwise entitled. You may discontinue participation at any time without penalty or the loss of benefits to which you are otherwise entitled.

Signature

Printed Name

Date

## الجامعة الأمريكية بالقاهرة

### استمارة موافقة مسبقة للمشاركة في دراسة بحثية

**عنوان البحث :** تصورات الشباب ودوافعهم نحو ريادة الأعمال في مصر وانعكاساتها على السياسات

**الباحث الرئيسي:** يارا علي مصطفى

**البريد الإلكتروني:** [varaa@aucegypt.edu](mailto:varaa@aucegypt.edu)

**الهاتف:** 01006362774

انت مدعو للمشاركة في دراسة بحثية

**هدف الدراسة** هو استكشاف تصورات الشباب حول ريادة الأعمال في مصر والعوامل الأساسية التي تؤثر على تصوراتهم ودوافعهم لبدء مشروعهم الخاص.

**نتائج البحث** ستنتشر في (دوريه متخصصه أو مؤتمر علمي أو ربما كليهما).

**المدة المتوقعة للمشاركة** في هذا البحث (مقابلة شخصية لمدة ساعة)

**اجراءات الدراسة** تشمل على ( إجراء مقابلة شخصية إما وجهاً لوجه أو عبر الهاتف وسيدبر الباحث المناقشة ويطرح عددًا من الأسئلة مثل "لماذا قررت بدء عملك الخاص؟" "ما هي العوامل التي ساهمت في قرارك؟" كيف ترى دور المؤسسات المختلفة داخل النظام البيئي الداعم لريادة الأعمال في تشكيل تصورات الشباب حول ريادة الأعمال في مصر ؟ )

**المخاطر المتوقعة** من المشاركة في هذه الدراسة: لا توجد

**الاستفادة المتوقعة** من المشاركة في البحث: لا توجد.

**السرية واحترام الخصوصية:** المعلومات التي ستدلى بها في هذا البحث سوف تكون سرية وستكون هويتك غير محددة.

"أي أسئلة متعلقة بهذه الدراسة أو حقوق المشاركين فيها يجب ان توجه الى يارا علي مصطفى ، الموضح أعلاه معلومات الإتصال بها.)

إن المشاركة في هذه الدراسة ما هي الا عمل تطوعي، حيث أن الامتناع عن المشاركة لا يتضمن أى عقوبات أو فقدان أى مزايا تحقق لك. ويمكنك أيضا التوقف عن المشاركة في أى وقت من دون عقوبة أو فقدان لهذه المزايا.

الامضاء

التاريخ

اسم المشارك