

AGRICULTURAL INCENTIVES: ASSESSMENT OF THE RELATIONSHIP BETWEEN ECONOMIC STIMULUS PROGRAMME AND YOUTH ENTREPRENEURSHIP IN KENYA

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ABSTRACT

Youth entrepreneurship involves acquainting young people and students with the opportunities of small-business employment and ownership. To help reduce youth unemployment levels in the world, different Governments have come up with plans to promote economic growth which will promote youth entrepreneurship and reduce the reliance on formal employment by the youth. This paper looks at an example of this which is the Economic Stimulus Programme launched by the Kenya Government in 2010. This was created to encourage expenditure of public funds in the whole country through initiatives such as the construction of fish ponds to promote aquaculture. This research study employed the descriptive research design and a purposive sampling method was used to sample information from 127 respondents in Kajiado North constituency used in this study. Questionnaires were used as the main instrument of data collection. The data collected was processed and analysed using spread sheets, and the findings were presented graphically. The study results indicated that most of the young business owners were aware of the initiatives by the government but not many had access to them. The study also revealed that agriculture was not the major source of income to many. The main conclusion from the study was that Government of Kenya needs to sensitize the youth about products tailored for them. Young entrepreneurs should be encouraged by the government to form business associations in form of Sacco's or self-help groups to pull resources, share ideas, experiences and suggestions.

Keywords: *Unemployment, entrepreneurship, youth entrepreneurship, agriculture and economic stimulus programme.*

Introduction

Bornstein (2007) records that, entrepreneurship has no single definition. Richard Cantillon (1948) associated it with risk bearing, Schumpeter (1934) defined it as finding the use fit for an item, commercialization of commodities, creation of a new combination of products, markets, methods, sources for raw materials or creation of each of them single handily. Stewart Mill John defined it as the factor that brings together factors of production so as to create an organization. All the above contribute to the explanation of entrepreneurship summed up by saying that entrepreneurship is about business creation. (Kibuka, 2012).

Youth Banner (2009) defines a person in their youth as one in the age bracket of 15 to 35 years. Youth entrepreneurship can therefore be defined as business creation by those in this age bracket. This can therefore be taken as enterprises owned by the youth, who make the greater percentage of most populations globally (Youth Banner, 2009) This business creation contributes immensely in the growth of any economy may it be by design or spontaneous.

A government may seek ways and means to boost its economy, by encouraging consumers to consume goods, and also by encouraging the growth of businesses and the creation of jobs through investments in infrastructure, health, technology, research etc. This is an intention of stimulating the economy and is usually done through economic stimulus programmes.

According to International Labour Organization (ILO 2012) estimates, the global economic crisis increased world unemployment. The unemployment estimate was at 178 million in 2007 and shot up to 212 million in late 2009. “Nearly 75 million youth are unemployed around the world, an increase of more than 4 million since 2007,” ILO report (2012). In addition and according to ILO (2012), “By 2016, the youth unemployment rate is predicted to remain at the same high level.”

The scenario is not any different in Kenya where the employment challenge has been growing with the youth being the main casualty (GoK, 2008), the rate stands at 40 % from 12 % (ILO, 2012). Despite numerous policy efforts, reforms and other mitigations and four decades later, unemployment continues to afflict many Kenyans where millions of Kenyans especially youth and women remain unemployed (Omolo, 2010).

To help reduce youth unemployment levels in the world, different Governments have come up with plans to promote economic growth which will promote youth entrepreneurship and reduce the reliance on formal employment by the youth. A good example of this is the Economic Stimulus Programme launched by the Kenya Government in 2009/2010 Financial Year.

Globally, many countries such as United States of America (USA), Brazil, Japan, and China have come up with Economic Stimulus Programmes to spur youth entrepreneurship by catering for both the demand and supply side, supporting the entrepreneurial intentions.

Study's main objective

The main objective of this study was to find out how the Economic Stimulus Programme has contributed to the development of youth entrepreneurship in Kenya. The specific objective was to determine whether agricultural incentives contribute to youth entrepreneurship in Kenya.

Literature Review

Youth Entrepreneurship

According to Chigunta (2002), “Within the framework of potential efforts and strategies to boost employment and job creation, entrepreneurship is increasingly accepted as an important means and a valuable additional strategy to create jobs and improve livelihoods and economic independence of young people.” This can be seen as an innovative approach to

integrating youth into today's changing labour markets. Youth entrepreneurship involves acquainting young people and students with the opportunities of small-business employment and ownership.

Theoretical Framework

Theories of entrepreneurial intention include Ajzen and Fishbein's 1975 theory of reasoned behaviour, Shapero and Sokol's entrepreneurial event theory of 1982, Bandura's process driven theory of 1991 and Ajzen's theory of planned behaviour of 1991.

As cited by Fatoki&Chindoga (2011), "Ajzen and Fishbein's (1975) theory of reasoned action declare that behaviour is greatly influenced by one's intention to engage in that behaviour and intentions are influenced by attitude towards the behaviour. This implies that intention comes first before the actual behaviour. This can be related to the training facilities offered by governments and also availability of tailored entrepreneurship courses in school curricular."

This study focussed on Ajzen's (1991) theory of planned behaviour. In this theory, intentions by an individual determine the actual behaviour towards something. According to Ajzen's theory of planned behaviour, there is a relationship between the intention to be an entrepreneur and the act of becoming one. Thus one's intention greatly explains the behaviour. Entrepreneurial intentions are the first step in the evolving and sometimes, long-term process of venture creation. The underlying assumptions of this theory are that: Much human behaviour is planned and therefore preceded by intention towards that behaviour. Human beings are rational and make systematic use of information available to them when making decisions. Intention predicts planned behaviour

High youth unemployment is the result of demand-side factors, supply-side factors, as well as factors that mediate the demand and supply of labour. Demand-side factors in most countries include: low agricultural productivity; a low formal job creation in private sector; insufficient government spending on youth employment projects and programmes; a lack of credit and market access. When there are no efforts to stimulate the agricultural and private sectors, and increase government spending on interventions targeted at youth employability or labour market efficiencies will have limited impact. Supply side factors reducing the employability of youth include: low education and skill levels; skills mismatch and lack of work experience among others. The main factor affecting the mediation of supply and demand is the lack of information.

In the Kenyan context, addressing the demand-side factor is most crucial; there will be no incentive to invest in training and skills as well as education as long as the labour market does not reward such an investment. (Ombagi, n.d).

Empirical Review

Agricultural Incentives

According to Meijerink&Roza (2007), "In sub-Saharan Africa, 60 % of the population work in the agricultural sector and 53% of the total workforce in developing countries relies on income from agriculture" This means that there is potential for employment with the right economic and fiscal policies development and implementation. There is also a need to

promote agriculture by investing in reducing cost of farm inputs, access to input and output markets, transportation, research and development in agriculture, infrastructure among others so that the produce can reach the consumer especially when dealing with fresh produce.

Ministry of Industrialization (2012) records that agriculture is still a sector that the economy of Kenya is greatly dependent on. The aim however is to make the agricultural sector enticing to the youth because when approached as a business venture, this sector has potential of providing business opportunities for many.

Kenya is endowed with numerous aquatic resources with aquaculture potential. Farmers in areas across the country where fish can flourish are turning to fish farming as a way of producing high quality food, for the market, and as a way of earning income which the Economic Stimulus Programme also supports. Following the renovation of several government fish rearing facilities, promotion of research programmes to determine best practices for aquaculture, and an intensive training programme for fisheries extension workers, these are the incentives done to promote agribusiness especially among the youth.

Many countries especially in sub-Saharan Africa have experienced food shortages arising from declining farm productivity, which translates to drop in jobs in the agricultural sector, owing to low fertility levels, very high input costs and unreliable weather patterns in the face of a rising population. Weather unreliability which is experienced as an effect of climate change and the fact that most countries like Kenya, whose agriculture is heavily dependent on rain fed systems has also affected outputs. Due to the aforementioned, expanding land under irrigation has been touted as one of the important strategies to improve agricultural production, because in many locations rain-fed agriculture is no longer able to generate adequate crop yields. The Government of Kenya launched a Sh2.06 billion national economic stimulus package aimed at rehabilitating the collapsed irrigation projects for growing rice and maize. (Omondi, 2009)

Methodology

This research study used a sample from youth of Kajiado North constituency who own businesses. Given the youth population in Kajiado North who own enterprises is at 1270, the convenience sample then divided the youth in stratas of centres in the county, stratas of Ewaso, Ngong, OngataRongai, and Kiserian.

Results of the findings

Respondents noted that the Government should deal with the unemployment problem; this shows that though they are YE, they have not embraced entrepreneurship as a solution but as an alternative for formal employment. This in itself is a problem that needs to be looked into.

Also of concern to many was access to land; buying or renting land is very expensive in Kenya. The access to land is particularly cumbersome for youth making it challenging for these group to enter the agri-business sector.

The Government of Kenya is keen on boosting the agricultural sector as it has the potential of revitalizing the economy while at the same time being a centre of business creation among

the youth. However, as shown on Table 4:1, only 3% out of the 57% who knew about these initiatives have used the farm inputs that the Government has issued a subsidy on.

Table 1: Knowledge and Usage of farm inputs

Category	Frequency	Percentage
Know		
Yes	54	57
No	24	25
No response	17	18
Used		
Yes	3	3
No	75	79
No response	17	18
Total		95
		100

Though the Government has taken up these initiatives many respondents felt that agriculture is not a profitable area. Ministry of Industrialization (2012) recorded that the aim however is to make the agricultural sector enticing to the youth because when approached as a business venture, this sector has potential of providing business opportunities for many.

As for the fish ponds, as seen on figure 1, 2% had used them out of the 56% of those who knew about this development.

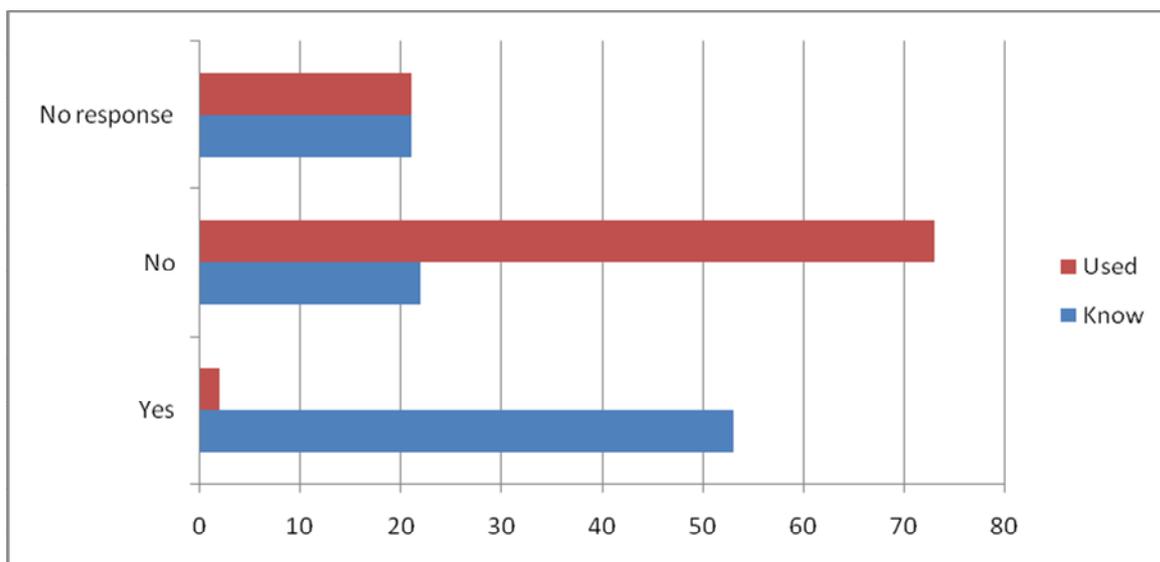


Figure 1: Knowledge and usage of fish ponds

The government has very good products and solutions for the youth to add onto available opportunities for business creation but the youth do not view them as a source of income. From the survey, most of the young entrepreneurs did not view selling farm products as a source of income with 46% stating that. 78% of the sample thought of opening an outlet for farm products as not being a profitable venture as seen on figure 2.

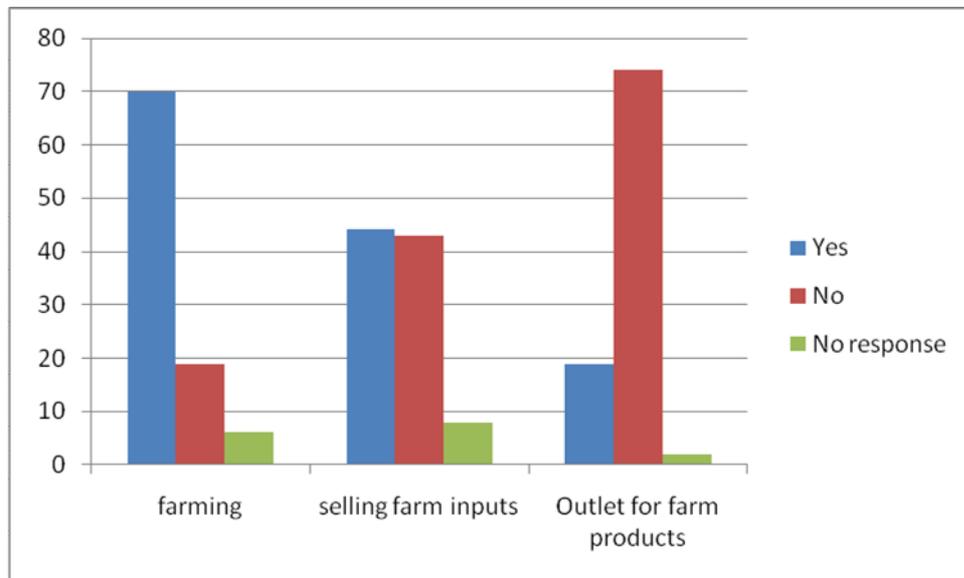


Figure 2: Source of income from agricultural incentives

From the total sample of 95 youth, 53% knew of the irrigation schemes that were initiated by the economic stimulus programme while 42% did not know about them. From the 53% who knew about them, none of the respondents had used the schemes or benefitted from them.

Table 2: Knowledge of Irrigation schemes

Category	Frequency	Percentage
<u>Know</u>		
Yes	50	53
No	40	42
No response	5	5
<u>Used</u>		
Yes	0	0
No	90	95
No response	5	5
Total	95	100

These findings collaborate with Ministry of Industrialization (2012) that sought to find ways to make agriculture enticing to the youth since it is evident the youth have not embraced the diverse sectors in agriculture as a form of business. Agriculture is not for poor people, not for uneducated people, it is for the new generation educated people, with interests in villages, rural areas and in exploiting the full potential of the land resources, deploys new business techniques, to identify markets and produce things for which there is an assured market.

Recommendations

From the findings, it is clear that the youth have not focussed their mind set to agriculture as a business venture; therefore the Government needs to then sensitize the youth on this and stress on the fact that agriculture remains the most important economic activity in Kenya (Anonymous, 2007).

There is need for feasibility studies to be carried out by the GoK to avoid supporting too many micro-entrepreneurs in the same sector to avoid risk of saturating the market; also they need to include extensive market opportunity awareness.

There is need to place more emphasis on developing networks, cooperatives and institutions to help access larger markets. This culminates to the need for youth policies and enterprise support programmes to build upon existing youth enterprise and other social networks as a basis for reaching out to young people and involving them in programme design and implementation.

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