ASSESSING YOUTH ENTREPRENEURSHIP IN OROMIA: ECOSYSTEM-BASED ANALYSIS OF CHALLENGES, OPPORTUNITIES, COLLABORATION, AND MIND-SETS

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Abstract

Entrepreneurship plays a critical role in driving economic growth and job creation, particularly among youth in developing regions. However, in Ethiopia's Oromia region, entrepreneurs encounter multifaceted challenges that hinder their success and sustainability. This study investigated the dynamics of youth entrepreneurship in Oromia National Regional State by focusing on challenges, opportunities, prospects, stakeholder collaboration, and entrepreneurial mind-sets through an ecosystem framework. The study employed descriptive research design. The study used a mixed-methods approach, combining quantitative data collected from 496 respondents through structured questionnaires with qualitative insights obtained from entrepreneurs and sectorial collaborating offices for entrepreneurship development through in-depth interviews, focus group discussions (FGDs), and key informant interviews (KIIs). The study followed an ecosystem approach to assess the maturity of the entrepreneurship ecosystem in Oromia. The study found deficiencies across several ecosystem pillars, including access to capital, infrastructure, access to market, access to mentorship and institutional coordination. However, there are opportunities, such as government initiatives, institutional support, and greater potential leveraging underutilized local resources and a moderate shift in cultural attitudes toward entrepreneurship. The study recommends developing a holistic and inclusive ecosystem for youth entrepreneurship in Oromia by implementing alternative financing mechanisms, enhancing entrepreneurial infrastructure, and nurturing talent through hands-on training and mentorship. It highlights the need to expand market access via digital tools and e-commerce platforms, strengthen policy and institutional support through dedicated councils and tax incentives, and promote accountability through independent monitoring systems. Furthermore, the study advocates leveraging local resources and cultural institutions to cultivate an entrepreneurial mindset, establishing collaborative innovation hubs, and integrating entrepreneurship into both the education system and community life.

***Keywords**:* Entrepreneurship; Ecosystem; Oromia; Youth; challenges; Opportunity; Collaboration; Entrepreneurial mindset.

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CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Youth entrepreneurship is increasingly recognized as a vital engine for economic growth, job creation, and innovation, particularly in developing regions (Fatoki, 2019). It contributes not only to economic development but also to social progress by enhancing civic engagement, leadership, and community cohesion (Boris & Parakhina, 2022). In Ethiopia's Oromia National Regional State, where youth represent a significant share of the population, entrepreneurship presents a critical opportunity to harvest a demographic dividend and address persistent challenges such as unemployment and poverty.

Despite governmental efforts to promote youth entrepreneurship, young entrepreneurs in Oromia continue to face substantial barriers. These include limited access to finance, inadequate infrastructure, weak market linkages, insufficient mentorship, and restrictive regulatory environments (Ahmed, 2021; Guji, 2018). These challenges are compounded by fragmented institutional support, weak coordination among ecosystem actors, and gaps in entrepreneurial mindset and capacity (Butnta et al., 2022). As a result, youth-led ventures particularly small, and medium enterprises (SMEs) struggle to sustain and scale their operations[1].

Empirical evidence from Oromia shows that despite nearly 30 years of government initiatives like vocational training and industrial parks, youth entrepreneurship faces major challenges. Over 70% of youth enterprises struggle with limited capital, skills, and market access, and only 37% of micro and small enterprises survive after three years (Butnta et al., 2022; Oromia Bureau of Labor and Skills, 2023). Less than 25% access financial support due to collateral and bureaucracy, while many lack awareness or face delays in key services such as finance and mentorship (Entrepreneurship Development Institute & Mastercard Foundation, 2023; MoLS, 2022). These gaps question the effectiveness of current strategies to sustainably empower youth in Oromia.

The entrepreneurial ecosystem framework provides a useful lens through which to understand these dynamics. It emphasizes the interconnectedness of various elements such as policy frameworks, financial services, human capital, culture, and networks in shaping entrepreneurial

[1] Although entrepreneurship programs aim to address high youth unemployment, studies suggest that successful entrepreneurs tend to be middle-aged with substantial social, financial, and intellectual capital, not to mention managerial practice. The policy implication is that promoting entrepreneurship need to be coupled with improving the general business environment.

success (Isenberg, 2010; Stam, 2015). From a theoretical perspective, the Resource-Based Theory suggests that access to valuable, rare, inimitable, and non-substitutable resources such as financial, human, and social capital is essential for entrepreneurial success (Barney, 1991; Newbert, 2007). In Oromia, the scarcity of these critical resources remains a core constraint. Similarly, the Eclectic Theory of Entrepreneurship underscores the importance of aligning individual capabilities, institutional support, and cultural norms to foster entrepreneurship (Dunning, 2000; Urbano et al., 2019).

Addressing the multifaceted challenges of youth entrepreneurship requires a coordinated, multi-sectoral approach rather than isolated policy interventions (Ahmed & Ahmed, 2021). Encouraging signs include emerging government initiatives, growing institutional engagement, and a gradual cultural shift toward entrepreneurship (Butnta et al., 2022). However, to fully leverage these opportunities, a deeper understanding of the existing entrepreneurial ecosystem is needed.

This study adopts an ecosystem approach to assess the maturity of youth entrepreneurship in Oromia, aiming to provide evidence-based recommendations for strengthening support systems, fostering innovation, and reducing youth unemployment.

1.2 Statement of the Problem

Despite the recognized importance of youth entrepreneurship for sustainable economic development and employment generation in Oromia, the region's entrepreneurial ecosystem remains underdeveloped (Ahmed, 2021).

The persistent scarcity of critical resources-especially financial and skilled human capital-undermines the growth and sustainability of youth-led enterprises, contributing to high rates of youth unemployment and underemployment (Guji, 2018). Furthermore, the lack of a shared strategic vision and effective collaboration among key ecosystem actors has hindered the development of a robust entrepreneurial environment in Oromia (Urbano *et.al,* 2019).

Although youth entrepreneurship is increasingly recognized as a critical driver of sustainable economic development and employment generation in Oromia, the existing body of literature remains limited in scope and depth. Several studies (e.g., Ahmed, 2021; Ahmed & Ahmed, 2021; Guji, 2018) have documented the challenges faced by young entrepreneurs, such as restricted access to finance, inadequate mentorship, and fragmented institutional support. While these insights are valuable, they often treat these barriers in isolation and do not examine

how they interact within a broader entrepreneurial ecosystem. As a result, the systemic and interconnected nature of these challenges remains underexplored.

Moreover, existing research tends to overlook the importance of stakeholder collaboration and the role of policy coordination in fostering a conducive environment for youth-led enterprises. There is limited analysis of how government agencies, private sector actors, financial institutions, NGOs, and educational institutions interact or fail to collaborate in supporting young entrepreneurs. In addition, few studies delve into the entrepreneurial mind-set of youth in Oromia, including attitudes toward risk-taking, innovation, and self-employment, despite the fact that such cognitive and cultural dimensions are crucial for shaping entrepreneurial behaviour.

This study seeks to fill these gaps by adopting a comprehensive ecosystem framework to assess the dynamics of youth entrepreneurship in Oromia. It aims to move beyond fragmented analyses by examining the interplay between structural barriers, institutional actors, and entrepreneurial mind-sets. Furthermore, it seeks to provide context-specific, evidence-based policy and program recommendations that can support the development of a more inclusive and effective entrepreneurial ecosystem. In doing so, the research responds to the need for a more holistic and integrated understanding of the challenges, opportunities, and prospects that define youth entrepreneurship in the region.

1.3. Objectives

1.3.1. General Objective

To assess the status of youth entrepreneurship in Oromia National Regional State by focusing on challenges, opportunities, prospects, stakeholder collaboration, and entrepreneurial mind-sets through an ecosystem framework.

1.3.2. Specific Objectives:

The specific objectives of the study are to:

1. Identify key challenges faced by youth entrepreneurs in Oromia.
2. Assess the opportunities and prospects for youth entrepreneurship in in Oromia.
3. Assess stakeholder collaboration within Oromia's entrepreneurial ecosystem.
4. Analyse the entrepreneurial mind-set of youth in Oromia.

5. Provide policy and program recommendations to strengthen youth entrepreneurship support systems.

1.4. Significance of The Study

This study holds critical importance for policymakers, development practitioners, and youth entrepreneurs in Oromia by providing a comprehensive analysis of the challenges and prospects within the region's entrepreneurial ecosystem. By adopting an ecosystem approach, the research identifies systemic barriers such as limited access to finance, weak stakeholder collaboration, and gaps in entrepreneurial mindset while highlighting untapped opportunities in key sectors like agriculture, manufacturing, and technology. The findings will contribute to evidence-based policy formulation, enabling targeted interventions to strengthen support systems, foster innovation, and reduce youth unemployment. Additionally, the study will offer comparative insights for other Ethiopian regions on entrepreneurial ecosystem, ultimately promoting inclusive economic growth and sustainable development.

1.5. Scope of the Study

This study is geographically confined to urban and semi-urban settings, specifically focusing on ten selected cities in the Oromia region of Ethiopia, namely: Adama, Bule Hora, Fiche, Jimma, Negele, Nekemte, Robe, Shashamane, and Sheger. Rural areas are deliberately excluded from the study due to the distinct nature of the challenges faced by rural entrepreneurs, such as limited infrastructure and restricted market access, which differ significantly from urban contexts.

Demographically, the study targets youth between the ages of 18 and 35, in line with Ethiopia's official youth policy. It also includes experts from various sectoral offices whose responsibilities are directly related to entrepreneurship development. Furthermore, both early-stage and established youth enterprises are considered within the respondent pool to ensure a broader understanding of the entrepreneurial landscape.

Methodologically, the research focused on primary data collected through surveys and interviews conducted with youth entrepreneurs and key ecosystem enablers.

1.6 Limitations of the Study

This research acknowledges some limitations that may influence the interpretation and applicability of its findings.

First, the study's geographic scope was confined to urban entrepreneurship ecosystems, which may limit the generalizability of the results to rural contexts. Additionally, as only ten cities are included, the results may not fully capture the diverse urban dynamics present across the Oromia region.

Second, the limited inclusion of private investors as a key stakeholder group in the research design may reduce the applicability of findings to large-scale business enterprises and investor-driven entrepreneurial ventures.

These limitations highlight the need for future studies to broaden geographic focus and engage diverse stakeholder groups to enhance the robustness and universality of insights into entrepreneurship ecosystems.

CHAPTER TWO

RELATED LITERATURE REVIEW

2. 1. Theoretical Literature Review

2.1.1. Resource-Based view Theory of Entrepreneurship

The Resource-Based View (RBV) is a foundational theory in strategic management that explains how firms achieve and sustain competitive advantage through the possession and strategic deployment of valuable internal resources (Wernerfelt, 1984). It emerged as a response to externally focused frameworks like the industrial organization model, shifting the emphasis to firm-level differences in resources and capabilities.

Barney (1991) defines resources as assets, capabilities, organizational processes, knowledge, and other attributes that are controlled by a firm and used to implement strategies. The RBV posits that resources must satisfy four key criteria to be a source of sustained competitive advantage: they must be Valuable, Rare, Inimitable, and Non-substitutable collectively known as the VRIN framework. Resources meeting these criteria can enable firms to outperform rivals over time.

The RBV also distinguishes between resources (as inputs) and capabilities (as the firm's capacity to deploy those resources effectively) (Grant, 1991). Capabilities often emerge from routines, organizational learning, and integration processes that enable firms to coordinate and apply their resources strategically. Intangible resources such as reputation, brand, culture, or know-how are particularly emphasized for their strategic importance and difficulty to imitate (Barney, 2001; Dierickx & Cool, 1989).

An extension of the RBV is the Dynamic Capabilities framework, which highlights a firm's ability to adapt and reconfigure its resource base in response to changing environments (Teece, Pisano, & Shuen, 1997). This perspective integrates the need for flexibility and innovation into the RBV by emphasizing sensing, seizing, and transforming capabilities (Teece, 2012).

2.1.1.1.RBV and the Entrepreneurship Ecosystem: A Theoretical Link

The entrepreneurship ecosystem is a conceptual framework that captures the external environment enabling or constraining entrepreneurship. It includes elements such as institutions, infrastructure, education, finance, networks, and culture (Isenberg, 2010; Stam, 2015). These components are interdependent and collectively influence entrepreneurial activity and regional innovation.

While the ecosystem model addresses systemic enablers and environmental conditions, the RBV complements it by offering a firm-level explanation of entrepreneurial success. The RBV provides theoretical clarity on how entrepreneurs leverage internal resources such as human capital, knowledge, and strategic routines to exploit external opportunities. The VRIN framework helps explain why some ventures thrive even when operating within the same ecosystem: their internal resources and capabilities differ in nature, quality, and strategic application.

Furthermore, the dynamic capabilities view reinforces this link by emphasizing that entrepreneurs must not only possess valuable resources but also have the strategic capacity to adapt and innovate within a changing ecosystem. This dual theoretical perspective underscores that while ecosystems set the stage, it is the entrepreneur's internal resource base and capability to act strategically that drive venture performance.

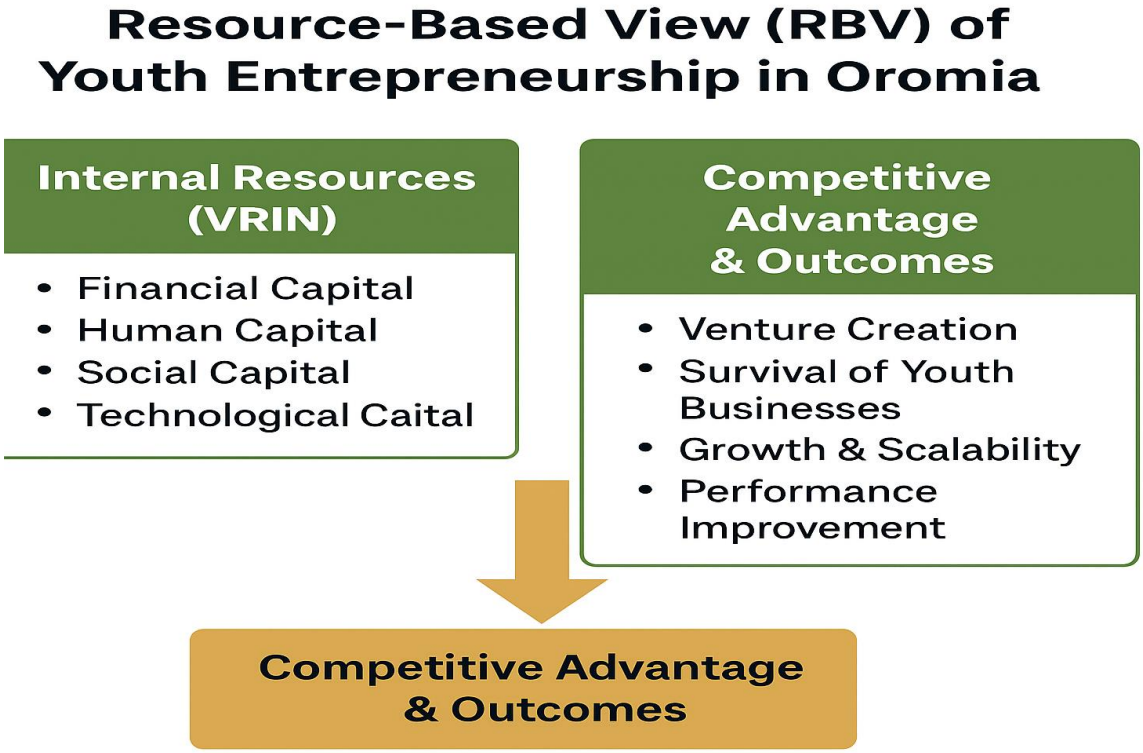

Figure 1: **Resource Based view (RBV) of youth Entrepreneurship in Oromia Region**

Source: Literature review, 2025

From the above diagram, The Resource-Based View (RBV) framework effectively illustrates how internal resources, specifically financial, human, social, and technological capital serve as critical determinants of entrepreneurial success among youth in Oromia. The diagram emphasizes that access to valuable, rare, inimitable, and non-substitutable (VRIN) resources

enables young entrepreneurs to gain competitive advantages necessary for venture creation, survival, growth, and enhanced performance. However, the persistent scarcity of these key resources, particularly financial and skilled human capital, underscores the structural constraints youth face. This insight supports existing empirical findings and reinforces the RBV as a robust theoretical lens for analysing the resource-driven challenges and opportunities within youth entrepreneurship in emerging economies.

2.1.2. Eclectic Theory of Entrepreneurship

The Eclectic Theory of Entrepreneurship draws from economics, psychology, sociology, and management sciences to explain the multi-dimensional nature of entrepreneurial behaviour and outcomes (Dunning, 2000). Unlike singular theoretical lenses that emphasize either personality traits or environmental factors, the eclectic approach asserts that entrepreneurial success emerges from the interaction of individual capabilities, institutional support systems, cultural norms, and external market conditions. This holistic view is particularly salient for analysing youth entrepreneurship in Oromia, where young entrepreneurs navigate a complex ecosystem marked by regulatory barriers, market inefficiencies, cultural norms, and institutional gaps.
Ahmed and Ahmed (2021) align with this perspective in their findings, emphasizing that Ethiopia's youth face a blend of challenges including unfavourable government policies, weak infrastructure, and a lack of business support services that collectively inhibit entrepreneurial initiatives. Their research shows that solving entrepreneurship barriers requires multi-sectoral collaboration rather than isolated policy reforms. This multi-faceted approach fits squarely within the eclectic framework, recognizing that piecemeal solutions (such as access to finance without market access) are unlikely to yield substantial entrepreneurship growth.

Additionally, Butnta et al. (2022) empirically examined determinants of youth entrepreneurial attitudes in Ethiopia and found that factors such as entrepreneurial training, access to finance, risk-taking propensity, family encouragement, and collaborative behavior significantly influence youth decisions to start businesses. Their study underlines that entrepreneurship is not merely a function of individual drive or opportunity recognition but is shaped by broader socio-economic and institutional ecosystems[2]. For example, even highly motivated youth may abandon entrepreneurial aspirations if regulatory environments are burdensome or if financial markets are inaccessible.

[2] After all, ecosystems strongly affect whether firms can sustain and scale. The entrepreneurial competencies of the youth themselves is crucial, but its importance pales in comparison to the role of the ecosystem.

Furthermore, Urbano, Aparicio, and Audretsch (2019) argue that ecosystem conditions such as regulatory frameworks, entrepreneurial culture, and availability of support services significantly shape entrepreneurial activities across different regions. This view is crucial for Oromia, where the development of an inclusive and supportive entrepreneurial ecosystem could substantially enhance the prospects for youth entrepreneurship. Thus, the eclectic theory aptly frames the multi-layered barriers and opportunities that characterize the entrepreneurial landscape for youth in Oromia.

2.1.3. Pillars of the Entrepreneurship Ecosystem: A Theoretical Exploration of Interconnected Elements

In recent years, the concept of the entrepreneurship ecosystem has emerged as a comprehensive framework for understanding the multifaceted conditions that enable and sustain entrepreneurial activity. This perspective emphasizes that entrepreneurship does not occur in a vacuum but is influenced by the dynamic interaction of various interdependent elements that collectively foster innovation, new venture creation, and economic development. This section presents a theoretical exploration of the eight foundational pillars of the entrepreneurship ecosystem: Capital, Talent, Infrastructure, Market, Policy and Regulation, Culture, Vision and Strategy, and Networks/Communities/Resources/Champions/Programmes as illustrated in the following figure

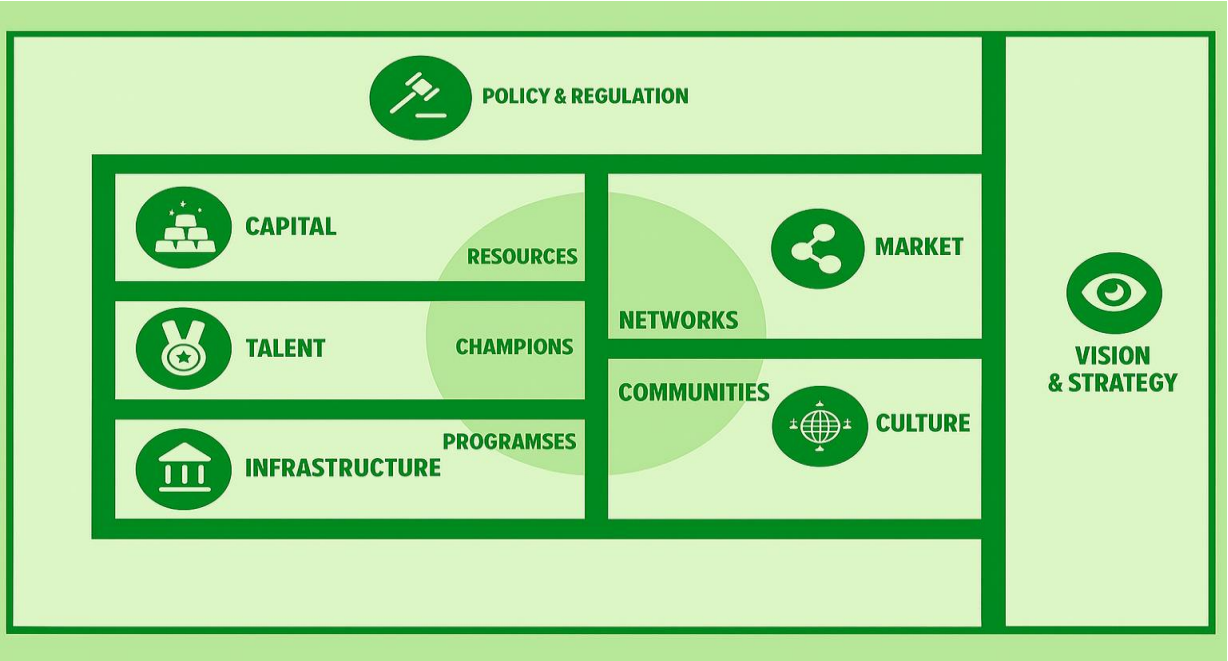

Figure 2 : Entrepreneurial Ecosystem Pillars

Source: adapted from Isenberg, 2011; reproduced in Alkaabi, Ramadani & Zeqiri, 2023).

According to the above figure, the entrepreneurship ecosystem (EE) is a complex, interdependent network of actors, institutions, and enabling conditions that collectively foster entrepreneurial activity within a given region or context (Isenberg, 2010; Stam, 2015). Unlike viewing entrepreneurship as an isolated effort, the ecosystem approach highlights systemic interactions among multiple elements essential for the creation, growth, and sustainability of ventures.

Key pillars widely recognized within the entrepreneurship ecosystem include Policy and Regulation, Capital, Talent, Infrastructure, Market Access, Culture, Networks, Communities, Resources/Champions/Programs, and Vision and Strategy. Each pillar uniquely contributes to ecosystem performance and dynamically interacts with others to produce a supportive environment for entrepreneurship.

Policy and Regulation establish formal rules, government initiatives, and institutional frameworks that reduce entry barriers and transaction costs, creating a predictable and efficient business climate essential for entrepreneurial activity (Acs, Szerb, & Autio, 2014; North, 1990).

Capital refers to the availability of financial resources such as venture capital, angel investment, and public funding. Access to capital not only fuels innovation and scaling but also signals ecosystem maturity and vibrancy (Brown & Mason, 2014; Lerner, 2010).

Talent represents the human capital crucial for innovation and business growth, including technical and managerial skills that drive competitive ventures (Florida, 2002; Wright, Siegel, & Mustar, 2017).

Infrastructure, both physical and digital, provides foundational services such as transportation, workspace, and connectivity, reducing operational friction and enabling startups to function effectively (Mason & Brown, 2014; Audretsch, Belitski, & Desai, 2015).

Market Access, locally and globally, is vital for validating business models, scaling operations, and ensuring economic sustainability, with strong demand attracting investment and policy support (Spigel, 2017; Isenberg, 2011).

Culture encompasses societal attitudes toward entrepreneurship, including risk tolerance and acceptance of failure, which can either catalyze or inhibit startup formation (Hofstede et al., 2004; Hayton, George, & Zahra, 2002).

Networks are relational linkages among entrepreneurs, investors, academia, and policymakers that facilitate knowledge exchange, funding access, and collaboration, essential for venture development (Stam & Spigel, 2016; Jack, 2005).

Communities provide informal social groups, mentorship, and peer support that nurture entrepreneurial identity and resilience (Feld, 2012; Neck et al., 2004).

Resources, Champions, and Programs include intermediaries such as incubators, accelerators, and influential individuals who connect startups to networks and offer structured services like training and funding, thereby operationalizing ecosystem initiatives (Cohen, 2013).

Vision and Strategy reflect shared goals and long-term commitment among ecosystem stakeholders, aligning efforts across sectors to avoid fragmentation and ensure coordinated, sustainable development (Autio, Nambisan, Thomas, & Wright, 2018).

Crucially, these pillars are not isolated but form a dynamic system characterized by mutual interdependence and feedback loops. Their interconnectedness determines overall ecosystem strength and effectiveness is mentioned as per the following table.

Table 1: Interconnection of Entrepreneurship Ecosystem Pillars and Their Effectiveness

Interconnected Pillars	Dynamic Role	Impact on Ecosystem Strength and Effectiveness	Reference
Capital and Talent	Mutually reinforcing; investors follow skilled individuals, and talent gravitates toward capital-rich areas.	Creates a virtuous cycle that enhances ecosystem vitality by attracting both resources and human capital.	Mason & Brown (2014)
Infrastructure and Market Access	Infrastructure facilitates efficient connections between startups and customers; market signals attract investment and policy engagement.	Strengthens ecosystem by enabling growth opportunities and reinforcing further infrastructure development.	Spigel (2017)
Culture and Policy	Co-evolve as policies shape cultural norms and societal demand drives policy reforms.	Promotes innovation and entrepreneurship by reducing barriers and encouraging supportive reforms.	North (1990); Hayton et al. (2002)
Networks and Communities	Act as social fabric for information flow, mentoring, and trust-building.	Amplify "hard" resources (capital, talent) through collaboration and support, enabling startups to thrive.	Stam & Spigel (2016)
Champions and Programs	Connect startups to networks, lend credibility, and foster systemic learning and innovation culture.	Serve as multipliers, accelerating growth and enhancing ecosystem impact.	Cohen (2013)
Vision and Strategy	Bind all components into a cohesive whole ensuring alignment and reducing inefficiencies.	Transforms fragmented efforts into a coordinated, high-functioning ecosystem capable of sustained growth.	Autio et al. (2018)

Source: from the reviewed literature 2025

2.2. Empirical Literature review

2.2.1. Challenges in Youth Entrepreneurship

In many emerging economies, the absence of a shared strategic direction has hindered the transformation of entrepreneurial intentions into viable enterprises (Autio *et al*., 2014). Within sub-Saharan Africa, fragmented policy frameworks and poor stakeholder engagement significantly constrain youth entrepreneurship (Chu, Benzing, & McGee, 2020). Naudé (2013) further contends that although entrepreneurship is increasingly championed as a solution to youth unemployment, its implementation is often siloed and incoherent, undermining long-term outcomes. In Ethiopia, similar deficiencies persist. Ahmed and Ahmed (2021) report a disconnect between national policy and the actual needs of youth entrepreneurs, noting that top-down programs rarely address fundamental barriers such as market access, financing, and mentorship. In Oromia, Bulessa (2019) observes that although policies such as land access and tax incentives exist, institutional fragmentation limits effectiveness and leads to resource inefficiencies. Mersha and Sriram (2021) argue that Ethiopia's entrepreneurial development remains incomplete due to the absence of a unified ecosystem strategy that includes the private sector and civil society.

Talent development systems in the region face systemic limitations, with young entrepreneurs frequently lacking both technical and soft skills, such as leadership and financial planning (Fatoki & Chindoga, 2011). In Oromia, Guji (2018) found that market-oriented training improved micro and small enterprise performance, though such programs are inconsistently delivered and underfunded.

Butnta, Gebeyehu, and Demelash (2022) highlight persistent gaps in entrepreneurial competencies especially financial literacy, digital skills, and business planning exacerbated by a formal education system that is largely theoretical. Compounding this is the lack of accessible entrepreneurial champions. Yimer and Sisay (2021) argue that Ethiopia lacks institutionalized or incentivized mentorship frameworks, unlike countries such as Rwanda and Ghana that actively foster such networks.

Severe infrastructural challenges further compound these issues. Bulessa (2019) reports that youth-led enterprises in Oromia face logistical hurdles, including poor roads, unreliable electricity, and limited ICT access. Ahmed and Ahmed (2021) find that many urban youth entrepreneurs lack essential infrastructure like affordable internet and startup premises,

impeding their capacity to scale or formalize operations. Asfaw and Getachew (2021) note that although entrepreneurship training exists within Ethiopia's TVET system, beneficiaries often cannot apply these skills due to a lack of industrial sheds, seed capital, and transport facilities. The gap between programming and infrastructure leads to fragmented, donor-driven initiatives that rarely achieve sustainable results (Yimer & Sisay, 2021).

Access to finance is another critical barrier. Youth entrepreneurs in Ethiopia face structural disadvantages, including lack of collateral, credit history, and financial literacy (ILO, 2015).

Ahmed (2021) conducted a large-scale study among 350 youth entrepreneurs across Ethiopia and found that limited access to finance remains one of the most significant barriers to entrepreneurial activity. They highlight that high collateral requirements, exorbitant interest rates, and bureaucratic hurdles in financial institutions often force youth to rely heavily on informal family or community-based funding mechanisms, constraining their ability to scale operations. Ahmed and Ahmed (2021) identify finance as the second most pressing constraint after infrastructure, citing high collateral requirements, limited loan ceilings, and bureaucratic delays. Asfaw and Getachew (2021) argue that loan programs such as the Youth Revolving Fund are hampered by inefficiency and low outreach. Financial institutions often view youth as high-risk borrowers, resulting in stringent screening and frequent rejections. Regional banks and cooperatives rarely design youth-friendly products, and without complementary support like training and legal assistance capital injections often fail to produce sustainable outcomes (Mersha & Sriram, 2021).

Market access and networks also present formidable challenges. Ahmed and Ahmed (2021) highlight barriers such as low product demand, fragmented supply chains, and limited market information. These issues are more acute in rural and semi-urban settings. Bulessa (2019) notes poor transport and communication infrastructure in emerging Oromia towns, which stifles innovation and competitiveness. Networking opportunities are similarly scarce. Youth often lack access to associations and business development services that facilitate mentorship and market insights. Isenberg (2010) emphasizes the importance of dynamic, trust-based networks for entrepreneurial success yet Mersha and Sriram (2021) observe that Ethiopia's weak support structures and limited inter-business collaboration hinder such development.

Cultural dynamics further shape youth entrepreneurship. Hofstede's (2001) cultural dimensions theory illustrates how high uncertainty avoidance and collectivism can suppress

entrepreneurial risk-taking. In Ethiopia, these traits combined with entrenched gender roles and age-based prejudice undermine youth participation in enterprise (Ahmed & Ahmed, 2021). Entrepreneurship is often seen as a fallback option, reinforcing stigma and discouraging ambition (OECD, 2017). Butnta et al. (2022) stress the importance of family and community support in fostering entrepreneurial behaviour. Youth with supportive environments show greater resilience and innovation, while those without often exit business prematurely. Additionally, fear of failure remains high. Mersha and Sriram (2021) report that the social stigma associated with business failure discourages experimentation, particularly among young women who face layered societal expectations and a lack of role models (World Bank, 2019).

Policy and regulatory barriers also weigh heavily on youth entrepreneurship in Oromia. Ahmed and Ahmed (2021) cite complex bureaucracies, cumbersome loan procedures, and unsupportive networks as major impediments. While policies such as tax holidays and land grants exist, Bulessa (2019) notes a consistent failure in implementation due to systemic inefficiencies and lack of coordination. Acs, Szerb, and Autio (2017) assert that entrepreneurial ecosystems depend on effective governance, while Naudé (2013) adds that policy inconsistency in sub-Saharan Africa creates instability. The World Bank (2020) finds that regulatory burdens often force youth into informality, stripping them of access to resources and legal protections. In Oromia, regional disparities are exacerbated by limited local government capacity (Berhanu & Gebremariam, 2020). Moreover, the study by Dagne (2022) indicated that the government practice at the low-level government structure remains as a deconcentrated administrative unit rather than being a fully autonomous local government. This weakens coordination among financial institutions, training centres, and regulators, undermining ecosystem functionality.

Lastly, the absence of central innovation hubs poses a critical challenge. Ahmed and Ahmed (2021) find that youth lack access to dedicated spaces for collaboration, training, and resource-sharing. Bulessa (2019) reports inadequate infrastructure in Oromia's towns, including working spaces and digital connectivity, which restrict entrepreneurs' ability to scale. Globally, Porter's (1998) concept of "clusters" illustrates how geographic concentration of firms fosters innovation, yet Oromia lacks such environments. Ndemo and Weiss (2017) show that hubs and incubators have driven entrepreneurial growth in Kenya and Nigeria opportunities that remain scarce in Ethiopia. Digital exclusion is another barrier. The International Telecommunication

Union (2022) warns that limited internet access restricts e-commerce and information flow, narrowing the competitiveness of youth-led businesses in a globalized economy.

2.2.1.1. Underutilization of Government-Built Business Sheds in Oromia Regional State

Over the past two decades, the Oromia Regional Government has invested in constructing business sheds, industrial clusters, and agro-processing facilities to promote youth and women entrepreneurship, reduce unemployment, and stimulate local economic growth. However, multiple reports and regional assessments reveal widespread underutilization of these infrastructures. A significant portion of business sheds in towns like Sebeta, Burayu, and Dukem remain unoccupied, misused, or informally sublet, largely due to poor site selection, limited beneficiary readiness, and a lack of integrated support services such as access to finance, market linkages, and mentorship (Girma, 2021; Addis Standard, 2023). These issues are compounded by weak coordination between implementing agencies and the absence of follow-up mechanisms to ensure sustainability.

The problem extends beyond small towns. For instance, a study in East Guji Zone identified logistical and infrastructure deficits as barriers to effective utilization of youth-targeted facilities (PUiRJ, 2023). Moreover, at the Bulbula Integrated Agro-Industrial Park a flagship regional investment only 5 of 43 invited investors had initiated pilot operations as of 2023, reflecting broader systemic inefficiencies in facility use and investor readiness (Trendsnafrica, 2023). Such patterns indicate that public investments in entrepreneurship infrastructure are not yielding their intended outcomes. Without reliable utilization data, centralized monitoring systems, and coordinated post-allocation support, these assets risk becoming dormant investments. Strengthening planning through data-driven needs assessments, aligning facility development with local economic contexts, and integrating business development services are critical to ensuring these infrastructures contribute meaningfully to inclusive and sustainable development across Oromia.

2.2.2. Opportunities and Prospects in Youth Entrepreneurship

A unified vision within an entrepreneurial ecosystem is crucial for fostering a vibrant and sustainable entrepreneurial environment. Scholars globally agree that a shared strategic vision, supported by government, private sector, academia, and civil society, is key to entrepreneurial success (Isenberg, 2010; Stam & Spigel, 2018). Isenberg (2010) describes entrepreneurial ecosystems as dynamic sets of interconnected actors and institutions, noting that alignment and

synergy across finance, support services, human capital, and regulatory frameworks are vital for entrepreneurship to thrive. Stam and Spigel (2018) further emphasize that ecosystems with well-articulated goals and coordinated strategies generate a self-reinforcing cycle of entrepreneurial activity, leveraging collective capabilities and reducing fragmentation. The World Bank (2020) similarly reports that a coherent ecosystem vision enhances accountability, aligns donor interventions, government investments, and private initiatives, and reduces uncertainty for entrepreneurs. In Oromia, the development of a coherent, inclusive, and localized vision for youth entrepreneurship is essential. This vision must be co-created by public and private actors, academic institutions, and youth themselves, so that it reflects the region's socio-economic realities. Only through such inclusivity and alignment can entrepreneurship serve as a catalyst for job creation, economic development, and social transformation.

Talent development and entrepreneurial champions are vital elements of a successful ecosystem. The Global Entrepreneurship Monitor (GEM) report by Bosma et al. (2020) stresses the role of entrepreneurship education, skill-building, and mentorship in fostering entrepreneurial capacity. Countries such as Israel, Singapore, and Finland have achieved strong youth entrepreneurial outcomes by integrating entrepreneurship into education, encouraging experiential learning, and building robust mentorship networks. Stam and Spigel (2018) note that entrepreneurial champions experienced entrepreneurs who mentor, invest in, and inspire others contribute to ecosystem resilience by serving as institutional bridges. These individuals connect emerging entrepreneurs with networks, resources, and markets, thereby building confidence and reducing the fear of failure (Spigel, 2017). In Kenya and Uganda, mentorship initiatives led by seasoned entrepreneurs have improved youth business performance and survival rates (Gonzalez-Pernia *et al*., 2015). Oromia's ecosystem must focus on implementing integrated curriculum reforms, strengthening academia-industry ties, and fostering mechanisms to identify and support entrepreneurial champions who can provide mentorship and investment to youth.

Infrastructure is another fundamental pillar supporting entrepreneurial activity. The World Bank (2019) highlights that reliable physical infrastructure such as electricity, internet, transportation, and modern financial services is indispensable for business operations. Equally important is soft infrastructure, including co-working spaces, incubators, accelerators, and innovation hubs, which provide support services, mentorship, and opportunities for

collaboration (Spigel, 2017). Examples from Silicon Valley and Nairobi's "Silicon Savannah" underscore how infrastructure can drive innovation-led entrepreneurship (Isenberg, 2010; Ndemo & Weiss, 2017). Rwanda's Kigali Innovation City similarly illustrates how targeted infrastructure investment can foster entrepreneurial ecosystems (UNDP, 2020). Oromia would benefit from a systemic approach to infrastructure development combining physical improvements with institutional capacity-building to create innovation zones that provide integrated services and entrepreneurial support.

Access to finance remains a critical constraint and opportunity. Beck, Demirgüç-Kunt, & Maksimovic (2008) emphasize that dependable financial access is a cornerstone of entrepreneurial growth. Butnta et al. (2022) found that microfinance services and startup grants significantly improve youth entrepreneurs' confidence and resilience. Successful international examples include Uganda's Youth Livelihood Programme (World Bank, 2020) and Kenya's Ajira Digital program (UNDP, 2021), both of which combine funding with capacity-building and market access. Oromia needs a holistic financial inclusion strategy that expands microfinance, introduces collateral-free loans for youth, creates incentives for venture capital investment, and promotes financial literacy to empower aspiring entrepreneurs.

Market linkages also play a crucial role in fostering sustainability and scale. Connecting young entrepreneurs with suppliers, customers, and value chains ensures business viability and growth. In Ghana and Nigeria, digital platforms, incubators, and networking events have improved youth access to markets and investors (UNDP, 2020). Oromia should harness mobile technologies to bridge these gaps while policy interventions prioritize infrastructure for digital commerce and market integration. An ecosystem-based approach that connects youth to local, national, and international value chains will increase competitiveness and long-term viability.

Cultural attitudes toward entrepreneurship must evolve to normalize and encourage it as a career path. In Kenya and South Africa, campaigns showcasing entrepreneurial success stories have reshaped societal attitudes and inspired youth engagement (UNDP, 2020). Oromia can adopt similar strategies, embedding entrepreneurship in school curricula and engaging religious, community, and cultural leaders to challenge stigma and foster an entrepreneurial mindset. While policy implementation remains a challenge, Oromia has the opportunity to create regulatory frameworks that are responsive to youth needs, reduce entry barriers, and offer targeted support. Isenberg (2011) supports the design of such policies to close institutional gaps and build trust within the ecosystem.

Lastly, infrastructure and connectivity gaps offer untapped potential for transformation. As Stam and Spigel (2018) argue, integrating entrepreneurship infrastructure into regional development plans is essential. Establishing co-working spaces, innovation hubs, and incubators in Oromia can address fragmentation, improve service delivery, and foster youth-led innovation. Investing in digital infrastructure will allow youth to reach broader markets and participate in the digital economy. These interventions have the potential to fundamentally strengthen Oromia's entrepreneurial ecosystem, enabling its youth to lead inclusive and sustainable economic development.

2.2.2.1. NGO Financing Practices and Support for Youth Entrepreneurship in Oromia

From 2023 to 2025, youth entrepreneurship in Oromia received notable NGO-driven financial support aimed at reducing youth and women's financial exclusion. Key practices include the NASIRA Guarantee Programme, which promotes collateral-free lending through risk-sharing with the Cooperative Bank of Oromia (European Union External Action, 2023), and the Silatech-Siinqee Bank initiative targeting over 100,000 unemployed youth with capital, skills, and financial literacy (Education Above All Foundation, 2023).

The Entrepreneurship Development Institute (EDI) partnered with the Mastercard Foundation and the World Bank to bridge financing gaps through SEED and WEDP projects (Mastercard Foundation, 2023; World Bank, 2024; EDI, 2024). In parallel, the Empower Youth for Work (EYW) scheme and the Michu Digital Lending Platform have expanded youth access to finance and training, with Michu disbursing over ETB 1 billion to more than 100,000 mostly young borrowers (Shega, 2023; Ethiopian Business Review, 2025). The EYE Project also supports 50 student-led ventures through mentorship and investor pitching (Mastercard Foundation, 2023). Despite these efforts, challenges persist due to short-term project cycles, limited rural outreach, inadequate gender data, weak youth-financier trust, and insufficient policy alignment, all of which constrain the long-term sustainability of youth entrepreneurship support in Oromia.

2.2.2.2. Success of Digital Lending for Youth in Oromia

Since their establishment, digital lending platforms in Oromia Regional State have shown significant growth and promising success in expanding financial access to youth entrepreneurs and small businesses. The Michu Digital Lending Platform, launched by the Cooperative Bank of Oromia in 2020, has disbursed over ETB 18.4 billion to more than 1.2 million clients by 2024, maintaining a high repayment success rate of over 90%. Its AI-driven credit assessment

and unsecured lending model have particularly benefited youth aged 18–35, demonstrating the potential of fintech innovations in reducing financial exclusion (Cooperative Bank, 2023).

Similarly, Dashen Bank's D-Birr mobile loan service, operational since 2018, has expanded nationwide with a notable presence in Oromia, serving around 500,000 active users by 2024. It boasts a repayment rate close to 87%, supported by mobile technology that enables quick, convenient loans to underserved populations, including youth entrepreneurs (Dashen Bank, 2023).

The Oromia Credit and Savings Share Company's (OCSSCO) e-loan system, introduced in 2019, has disbursed over ETB 2 billion in loans targeted at youth-led startups by 2024. With an approximate repayment success rate of 85%, OCSSCO has integrated digital platforms to streamline loan processing and broaden outreach to young entrepreneurs (OCSSCO Annual Report, 2024).

Despite these successes, challenges such as digital literacy, limited rural connectivity, and regulatory gaps have persisted, tempering the full potential of digital lending in Oromia (World Bank, 2023; Shega, 2024). Continued investment in infrastructure and capacity-building is necessary to sustain and scale these achievements.

2.2.3. Entrepreneurial Mindset

Youth entrepreneurship plays a critical role in fostering economic development, especially in developing regions such as Oromia National Regional State in Ethiopia. An ecosystem approach to youth entrepreneurship emphasizes the interdependence of various factors that contribute to the entrepreneurial mindset and success. This section explores the relationship between entrepreneurial mindset and the broader entrepreneurial ecosystem, focusing on challenges and prospects in Oromia, with insights drawn from global and local perspectives.

The concept of entrepreneurial mindset refers to the mental framework that individuals adopt to recognize and pursue opportunities, take risks, and innovate. This mindset is shaped by personal attributes, educational experiences, cultural perceptions, and the broader environment. According to Kuratko (2005), the entrepreneurial mindset involves traits such as self-confidence, creativity, resilience, and the ability to navigate uncertainty. A strong entrepreneurial mindset enables youth to overcome challenges and seize opportunities in the marketplace. However, cultivating this mindset is a multifaceted process influenced by both individual factors and external conditions, including the ecosystem in which youth operate.

The entrepreneurial ecosystem approach, first formalized by Isenberg (2010), provides a comprehensive framework for understanding the interconnected actors and institutions that influence entrepreneurship. This approach recognizes that entrepreneurship is not merely the result of individual actions but the product of a dynamic system where government, private sector, academia, and civil society play crucial roles. For youth entrepreneurs, an ecosystem that supports their mindset development is vital for sustaining entrepreneurial activity. Stam (2015) argues that the entrepreneurial ecosystem is a self-reinforcing system that can create conditions for individuals to develop and strengthen their entrepreneurial mindset through continuous interaction with other ecosystem actors.

A key feature of a robust entrepreneurial ecosystem is the presence of supportive networks, including mentors, peers, and industry experts, who can nurture the entrepreneurial mindset. Studies by Stam and Spigel (2018) highlight the importance of social networks in promoting entrepreneurial behavior. In the case of Oromia, mentorship programs and peer support networks can provide youth with the guidance, confidence, and skills needed to succeed. These networks help young entrepreneurs learn from others' experiences, access resources, and navigate the challenges inherent in entrepreneurship.

However, in Oromia, several challenges hinder the development of a strong entrepreneurial mindset. Access to quality education and training is one of the primary barriers. The Global Entrepreneurship Monitor (GEM) report (2019) suggests that entrepreneurial education is a crucial driver of youth entrepreneurship, as it equips individuals with the knowledge and skills to start and grow businesses. In Oromia, while there are some initiatives to promote entrepreneurial education, there is a significant gap in terms of comprehensive and practical training that aligns with the specific needs of the region’s youth. A lack of entrepreneurial education not only limits the development of essential business skills but also stifles the formation of an entrepreneurial mindset that is necessary to pursue opportunities in a competitive market.

In addition to education, financial constraints are a significant challenge for youth entrepreneurship in Oromia. Access to finance is essential for transforming entrepreneurial ideas into viable businesses. The lack of sufficient capital, coupled with the difficulty in accessing loans due to high collateral requirements, limits the ability of youth to take the first step in their entrepreneurial journey. Beck, Demirgüç-Kunt, and Maksimovic (2008) highlight that access to finance is a key determinant of entrepreneurial success, particularly for young

entrepreneurs. Without access to affordable and flexible financial products, youth in Oromia are often discouraged from starting businesses or expanding existing ventures.

Furthermore, cultural attitudes toward entrepreneurship play a significant role in shaping the entrepreneurial mindset. In many African contexts, including Oromia, entrepreneurship is often viewed as a last resort rather than a desirable career choice (UNDP, 2020). This negative perception can discourage youth from pursuing entrepreneurial ventures and undermine the development of a growth-oriented entrepreneurial mindset. Cultural factors such as family expectations, societal norms, and the emphasis on formal employment over self-employment contribute to these attitudes. The lack of role models and success stories in the local community further exacerbates this issue. The work of Spigel (2017) emphasizes the importance of role models in building confidence and inspiring new generations of entrepreneurs. In Oromia, the lack of visible entrepreneurial role models can hinder the development of a proactive entrepreneurial mindset among youth.

Despite these challenges, there are notable prospects for fostering an entrepreneurial mindset in Oromia. A growing recognition of the importance of youth entrepreneurship, both at the local and national levels, has led to the creation of various initiatives aimed at supporting young entrepreneurs. These initiatives include government policies, financial schemes, and private sector programs that provide training, mentorship, and access to finance. For example, the Youth Entrepreneurship and Job Creation initiative launched by the Ethiopian government aims to improve the entrepreneurial mindset of youth by providing training and resources to foster business creation and growth (World Bank, 2020).

Another promising development is the rise of digital platforms and mobile technology, which have the potential to significantly enhance the entrepreneurial ecosystem in Oromia. Mobile technology has already enabled entrepreneurs to access information, networks, and markets more easily, even in remote areas. Digital platforms can facilitate e-commerce, financial transactions, and business development services, helping youth entrepreneurs overcome some of the challenges related to infrastructure and market access. According to Ndemo and Weiss (2017), the availability of digital tools and platforms has transformed the entrepreneurial landscape, particularly in developing regions, by lowering entry barriers and enhancing opportunities for innovation and business expansion.

The presence of successful entrepreneurial champions is also a key prospect for fostering an entrepreneurial mindset. Entrepreneurial champions individuals who have succeeded in starting and scaling businesses can serve as mentors, role models, and sources of inspiration for youth. As noted by Stam and Spigel (2018), these champions play a vital role in linking emerging entrepreneurs to resources, networks, and markets. In Oromia, identifying and supporting entrepreneurial champions within local communities could significantly influence the development of a positive entrepreneurial mindset among youth. These champions can share their experiences, provide guidance, and create a culture of entrepreneurship that encourages others to take risks and pursue business opportunities.

Additionally, integrating entrepreneurship into the education system can be a powerful tool for mindset transformation. According to the GEM report (2020), countries with strong entrepreneurship education systems tend to have higher rates of youth entrepreneurship. By incorporating entrepreneurial thinking and practical business skills into school curricula, Oromia can cultivate a generation of youth who are not only prepared to start businesses but also equipped with the mindset needed to overcome challenges and innovate.

2.2.4. Collaboration Among Stakeholders

Collaboration among stakeholders is essential for fostering a vibrant entrepreneurial ecosystem, particularly in regions like Oromia National Regional State in Ethiopia. An ecosystem approach underscores the interconnectedness of various actors including government bodies, educational institutions, financial organizations, and civil society in creating an environment conducive to youth entrepreneurship. This approach emphasizes that entrepreneurship is not solely the result of individual efforts but the product of a dynamic system where multiple stakeholders play crucial roles (BIC Africa, 2023; Growth Africa, 2024).

In Oromia, several initiatives exemplify the power of collaboration in nurturing youth entrepreneurship. The Empower Youth for Work (EYW) program, implemented in partnership with local organizations and stakeholders, has been instrumental in linking youth groups with microfinance institutions, enabling them to access loans and start their own businesses. Similarly, the Ethiopian Youth Entrepreneurs Association (EYEA), in collaboration with the Mastercard Foundation, has been working to build the organizational capacity of youth-led

institutions, aiming to drive a mindset shift among young people and stimulate job creation (Mastercard Foundation, 2023; EYEA, 2023).

Despite these positive strides, challenges persist in fostering effective collaboration. A key obstacle is the fragmentation of efforts, where various stakeholders operate in silos without coordinated strategies. The BIC Africa ecosystem mapping report (2023) highlights the need for a more organized and collaborative ecosystem, emphasizing that increased funding and capacity building for Entrepreneur Support Organizations (ESOs) are crucial for enhancing their effectiveness. Additionally, the Ethiopian Entrepreneur Support Organizations Mapping and Insights report (2022/23) identifies mentorship gaps and funding shortages as significant challenges hindering the growth of youth entrepreneurship in the region (BIC Africa, 2023; Growth Africa, 2024).

Opportunities for strengthening collaboration abound. The establishment of innovation hubs and incubators, such as Ice addis and Adama Science and Technology University's Entrepreneurship Development Center, provides platforms for networking, mentorship, and resource sharing among youth entrepreneurs and ecosystem actors. These platforms facilitate the exchange of ideas and resources, fostering a culture of collaboration that benefits all stakeholders involved (BIC Africa, 2023; Growth Africa, 2024). Furthermore, public-private partnerships, like those facilitated by the KULEHE Project, are instrumental in advancing financial inclusion and creating an enabling environment for youth entrepreneurship. Such collaborations bridge the gap between the formal financial sector and youth entrepreneurs, providing access to capital and financial literacy training (Mastercard Foundation, 2023; EYEA, 2023).

2.3. Systematic Review: Job Creation and Youth Employment Strategies in Oromia Regional State (1994–2024)

Over the past three decades, Oromia Regional State has implemented various strategies aimed at creating jobs and reducing youth unemployment. These initiatives ranged from agricultural programs to industrial park development, entrepreneurship support, and vocational training. While each strategy had specific goals to boost employment and economic growth, their effectiveness was often limited by institutional, financial, and socio-cultural challenges. The following systematic review synthesizes the major government interventions, highlighting their scope, achievements, and weaknesses to provide a comprehensive overview of youth employment efforts in Oromia.

Table 2.1: Systematic review

Strategy/Program	Period	Objectives	Outcomes/Successes	Weaknesses/Challenges	References
Agricultural Development & Rural Employment	1994–2005	Boost rural employment via smallholder farming and cooperatives.	Improved rural livelihoods; increased agricultural productivity.	Limited diversification, poor access to finance & markets.	Oromia BoARD (2005); Ahmed (2010)
Industrial Parks & Manufacturing Development	2010–Present	Create jobs via manufacturing and agro-processing industries.	Established parks; some pilot operations started; job opportunities created.	Skill mismatch; poor infrastructure; weak SME integration.	MoIED (2016); Girma (2018)
Youth Entrepreneurship & Microenterprise Support	2015–Present	Promote youth startups with training, finance access, and incubation.	Increased awareness and startup creation among youth.	Fragmented implementation; lack of mentorship and market linkages.	Oromia Bureau of Youth (2020); Butnta et al. (2022)
Public Works & Vocational Training Programs	2010–Present	Provide temporary jobs and skill development to unemployed youth.	Short-term job opportunities; improved technical skills.	Temporary nature of jobs; mismatch with labor market demands; weak coordination.	World Bank (2017); Alemu & Tadesse (2019)

The table highlights that despite efforts spanning three decades, critical gaps remain in ensuring sustainable employment for Oromia's youth. Agricultural initiatives laid early foundations but lacked diversification, while industrial parks and entrepreneurship programs have yet to fully realize their job creation potential due to systemic issues. Vocational and public works programs provide important skills but lack long-term employment guarantees. Addressing these challenges requires integrated approaches, improved institutional coordination, and market-aligned interventions.

2.3. Literature Gap

The existing literature reveals significant gaps in understanding youth entrepreneurship in Oromia National Regional State when examined through an ecosystem lens. While studies have identified various challenges, they fail to provide a comprehensive analysis of how different ecosystem components interact within Oromia's unique context. A critical gap exists in understanding how strategic visions translate into coordinated implementation across government agencies, educational institutions, and private sector actors, particularly regarding conflicting priorities that create bottlenecks in youth entrepreneurship programs. The literature also lacks sustainable models for developing entrepreneurial talent and champion networks tailored to Oromia's contexts, including effective mechanisms for identifying local role models and scaling mentorship programs.

Market integration remains understudied, with insufficient research on viable models for connecting youth-led enterprises to urban commercial ecosystems or leveraging digital platforms to overcome access barriers. Financial system gaps persist, with no studies testing innovative financing mechanisms adapted to Oromia's youth entrepreneurs or evaluating existing programs' effectiveness. Infrastructure research fails to propose actionable solutions for urban entrepreneurial needs or examine how mobile technologies might compensate for physical limitations. While the absence of support hubs is noted, evidence-based models for their development and operation in Oromia's context are missing.

Policy implementation represents another major gap, with no systematic analysis of regulatory barriers specific to Oromia's youth entrepreneurs or frameworks for measuring policy impacts. Most critically, the literature lacks an integrated perspective connecting these ecosystem dimensions, particularly studies examining their interaction effects. Additional gaps include the absence of longitudinal research tracking ecosystem evolution, gender-disaggregated analyses of ecosystem accessibility, and strategies for leveraging digital transformation opportunities. This comprehensive gap analysis reveals the need for research that develops context-appropriate models while drawing relevant lessons from global ecosystem frameworks, ultimately providing a more holistic understanding of youth entrepreneurship in Oromia's unique regional context.

CHAPTER THREE

METHODOLOGY

3.1 Study Areas

The study was conducted across ten major towns in Oromia National Regional State, selected for their economic significance and entrepreneurial activity levels. These towns included: Adama, Bule Hora, Fiche, Jimma, Maya, Nagele Borana, Nekemte, Robe, Shashemene, and Sheger. The selection of diverse urban centres aimed to ensure the representation of various economic and geographical contexts within Oromia.

3.2 Research Approach

This research employed A concurrent mixed-methods approach, combining quantitative and qualitative data collection to provide a comprehensive understanding of youth entrepreneurship and the ecosystem in Oromia. The study focused on both MSMEs, and private business enterprises owned by youth, examining how the entrepreneurial ecosystem supports or constrains them. This approach allowed for triangulation of the study's findings.

3.3 Source of data

The study relied entirely on primary data, collected firsthand from the research participants.

3.4 Data Collection Methods

3.4.1 Quantitative Survey

A structured survey was administered to 500 youth entrepreneurs across Oromia, stratified by business sector and geography. To ensure comprehensive representation, the region was divided into six clusters, with one to three major cities selected from each cluster for data collection. The clusters and their respective cities are as follows: Central (Shagar, Adama, Fichie), East (Maya), Southeast (Robe, Shashamane), South (Bule Hora, Negelle Borena), and Western (Jimma, Nekemte). In each city, on average, 50 early-stage and established youth entrepreneurs was surveyed, ensuring diversity in responses.

The selection of 500 respondents aligns with Cochran's formula, which recommends a minimum sample size of about 385 for a large population. The sample size of 500 exceeds this threshold, providing robust coverage and reliable data for analyzing youth entrepreneurship patterns in Oromia, ensuring both representativeness and statistical reliability (Cochran, 1963).

When estimating a proportion (p) and the population is large or infinite, Cochran suggested using:

$$n_0 = \frac{Z^2 \cdot p \cdot (1-p)}{e^2}$$

Where:

- n_0 = required sample size
- Z = Z-value (e.g., 1.96 for 95% confidence)
- p = estimated proportion of the population
- e = desired level of precision (margin of error)

When no prior estimates are available:

Use p = 0.5, which maximizes the required sample size (most conservative).

At 95% confidence and ±5% margin of error:

$$n_0 = \frac{(1.96)^2 \cdot 0.5 \cdot 0.5}{0.05^2} = 384.16 \approx 385$$

The survey captured data on entrepreneurial challenges, ecosystem support, business outcomes, and ecosystem perceptions. It incorporated questions based on the Global Entrepreneurship Monitor (GEM) framework, assessing key ecosystem elements such as policy, finance, culture, and networks.

3.4.2 Sampling Technique

A purposive sampling technique was employed to ensure the selection of participants with relevant experience and knowledge of youth entrepreneurship in Oromia. For the quantitative survey, youth entrepreneurs were purposively selected across diverse sectors and geographic clusters to capture a broad representation of business types and maturity levels. In the qualitative component, key informants and focus group participants were intentionally chosen based on their roles, expertise, and influence within the entrepreneurial ecosystem. This targeted approach ensured the inclusion of rich, context-specific insights essential for understanding the systemic challenges and opportunities.

3.4.3 Qualitative Interviews

- **In-Depth Interviews**: In-depth interviews were conducted with a subset of survey participants. These interviews provided qualitative insights into the nature of the bottlenecks, prospect, and the effectiveness of existing support systems for entrepreneurs and startups.
- **Key Informant Interview (KII):** The key informant interview (KII) was designed to gather expert opinions and insights from individuals with specialized knowledge or influence on specific issues, policies, or communities. Its primary aim is to obtain informed perspectives on broader challenges. To achieve this, KIIs was conducted with a diverse group of professionals, including two middle- to senior-level officers from Labor and Skills offices, two experts from Trade and industry offices, three representatives from financial service providers, two professionals from TVT colleges, and two business mentors affiliated with enterprise development support organizations. These interviews focused on exploring deeper insights into ecosystem gaps, policy constraints, and the contributions of various stakeholders in shaping youth entrepreneurship.
- **Focus Group Discussions (FGDs)**: FGD engaged diverse participants to explore the challenges and prospects of the youth entrepreneurship ecosystem. These included youth entrepreneurs from various sectors, such as MSMEs, who could share their first-hand experiences. Representatives from Chamber of commerce, business incubators, accelerators, and financial institutions provided insights into support mechanisms and financial access. Educators from TVETs and universities contributed perspectives on skills development, while government officials from trade and industry offices highlighted policy and regulatory impacts. Civil society organizations and community leaders addressed inclusivity and societal barriers. The discussions aim to validate survey findings, uncover actionable insights, and foster collaboration among stakeholders to develop innovative solutions for ecosystem challenges.

3.5 Data Analysis

Quantitative Analysis: Survey data was analyzed using descriptive statistics (e.g., means, frequencies) and inferential statistics (e.g., ANOVA) to examine whether there is statistically significant mean variation of among the business sectors with respect to the ecosystem key pillars.

Qualitative Analysis: Verbatim method was used to transcribe audio data and then interviews and focus group discussions (FGDs) were analyzed thematically through narrative analysis, enabling the identification of recurrent themes, patterns mainly in the form of direct quotes with their respective codes (**see Appendix**), and insights relevant to the challenges, prospects, collaboration and mind set of youth entrepreneurship.

3.6 Validity

Multiple strategies were employed to enhance validity of the research. Firstly, the research utilized a mixed-methods approach, integrating quantitative data collected through structured questionnaires with qualitative insights gathered via in-depth interviews, focus group discussions (FGDs), and key informant interviews (KIIs). This triangulation of methods allowed for cross-verification of data and enriched the understanding of the youth entrepreneurship ecosystem from multiple perspectives.

Secondly, the research tools employed were meticulously designed based on the ecosystem maturity assessment pillars, ensuring that the instruments were both theoretically grounded and contextually relevant. The alignment with established ecosystem assessment frameworks contributed to the construct validity of the study, as the questions were directly derived from recognized determinants of entrepreneurial ecosystems.

Furthermore, two rounds of validation workshops were conducted to refine the research tools and findings. The initial validation workshop involved a team of experienced researchers who critically reviewed the tools and methodologies to ensure their rigor and appropriateness. Their feedback was instrumental in fine-tuning the instruments to better capture the nuances of the entrepreneurial landscape in Oromia. The second validation workshop was held in collaboration with the Entrepreneurship Development Institute (EDI) and stakeholders. This workshop served as a platform to validate the relevance and applicability of the tools, ensuring that the study accurately reflects the on-ground realities and stakeholder perspectives.

3.7 Reliability test

Table 1: Reliability test result

Category	Cronbach's Alpha	Number of Items
Vision and Strategy	0.833	7
Talent and Champions	0.821	6
Infrastructure and Programs	0.837	8
Capital and Resource	0.865	8
Market and Networks	0.820	6
Culture and Community	0.827	6
Policy and Regulation	0.869	8
Central Space	0.871	7

Source: Survey, 2025

The Cronbach's Alpha values for all constructs in the study range from 0.820 to 0.871, exceeding the 0.70 reliability threshold and confirming strong internal consistency. Key categories like Capital and Resource (0.865), Policy and Regulations (0.869), and Central Space (0.871) show particularly high reliability. With item counts ranging from 6 to 8 per scale, these results validate the survey instrument's robustness for data analysis.

3. 8 Ethical considerations

In conducting this research, strict ethical considerations were maintained to ensure the rights and privacy of all participants. Prior to data collection, informed consent was obtained from all respondents, who were assured that their participation was entirely voluntary and that they could withdraw at any time without consequence. The study utilized multiple data collection methods, including surveys, in-depth interviews, key informant interviews, and focus group discussions (FGDs), all of which were carried out with a strong commitment to ethical integrity. Confidentiality of the information provided was strictly maintained, with all data anonymized to protect participants' identities. The data collected were used solely for analysis and securely stored to prevent unauthorized access, ensuring that the privacy and dignity of all participants were respected throughout the research process.

CHAPTER FOUR

RESULT AND DISCUSSION

Introduction

This chapter presents the results of the study and includes a discussion aligned with previous findings from similar research settings. Specifically, the findings comprise both qualitative and quantitative results aimed at addressing the main objectives of the study: identifying challenges, exploring opportunities and prospects, assessing stakeholder collaborations, and understanding the entrepreneurial mindset within the framework of an ecosystem approach, in the context of the Oromia Regional State.

The chapter begins with a descriptive analysis of the respondents' profiles and an overview of the business enterprises, serving as a preliminary section of the results. This is followed by a detailed presentation of the main findings of the study.

4.1. Response rate

The survey achieved an exceptionally high response rate, with 496 out of 500 questionnaires successfully completed and returned, representing a 99.2% response rate. The questionnaires were distributed to a diverse group of entrepreneurs, ranging from those in the initial stage of business development to those operating at an established stage. This strong response rate enhances the reliability and representativeness of the data, providing a solid foundation for meaningful analysis and insights across different entrepreneurial stages.

4.2. Respondents profile

Table (2) presents the different categories of respondents in relation to the various qualitative data collection tools (in-depth interview, key informant interview and focus group discussion) used in the study. The data were collected from 10 selected cities in the Oromia region. On average, each city contributed approximately 9 participants for in-depth interviews, 11 key informants, and 7 focus group discussants.

Table 2: Respondents' distribution (qualitative data)

Category	In depth interview	KII	FGD	Total
Labor and skill office	-	19	15	34
Trade office	-	17	9	26
Tax office	-	10	4	14
TVET/PTC/university	-	19	13	32
OSSC	-	12	6	18
Chamber of commerce	-	5	3	8
Banks (Sinke and DBE)	-	15	8	23
Microfinance institutions (MFIs)	-	6	-	6
Community representatives	-	5	16	21
Successful entrepreneurs	45	-	-	45
Potential entrepreneurs	26	-	-	26
Successful entrepreneurs	23	-	-	23
Total	**94**	**108**	**74**	**276**

Source: Qualitative data, 2025

The data reflects a comprehensive engagement of key stakeholders in the entrepreneurial ecosystem of Oromia region, utilizing diverse qualitative tools to capture multi-dimensional insights. In-depth interviews predominantly focused on entrepreneurs (successful, potential, and unsuccessful). Key Informant Interviews (KIIs) targeted institutional actors such as labor offices, trade offices, TVET institutions, banks, and one stop services center (OSSC). Focus Group Discussions (FGDs) engaged community representatives, financial institutions, TVET institutions, Universities and sectoral offices, highlighting collective community dynamics. The inclusion of varied stakeholders from public sector entities to entrepreneurs and community voices ensures a holistic understanding of the ecosystem. This triangulation of tools and respondents strengthens the study to identify structural challenges and opportunities within youth entrepreneurship.

Table 3: Age and gender distribution (survey data)

		Gender		Total
		Male	Female	
Age	Under 18	10	3	13
	18–29	193	95	288
	30–45	108	67	175
	46–60	9	7	16
	60 and above	3	1	4
Total		323	173	496

Source: Survey, 2025

The finding shows that youth aged 18–29 make up the largest group of respondents (58.1%), followed by those aged 30–45 (35.3%), indicating strong potential for long-term entrepreneurial growth, energy, and adaptability. However, the gender distribution reveals a

noticeable imbalance, with males comprising nearly two-thirds (65.1%) of the total respondents shows less participation to women in the entrepreneurial activities. The result is consistent with the study by Ayalew and Kar (2019) and Tolera (2023). Hence, the ecosystem must take into account the age diversity and gender mainstreaming in its overall services to foster inclusive growth.

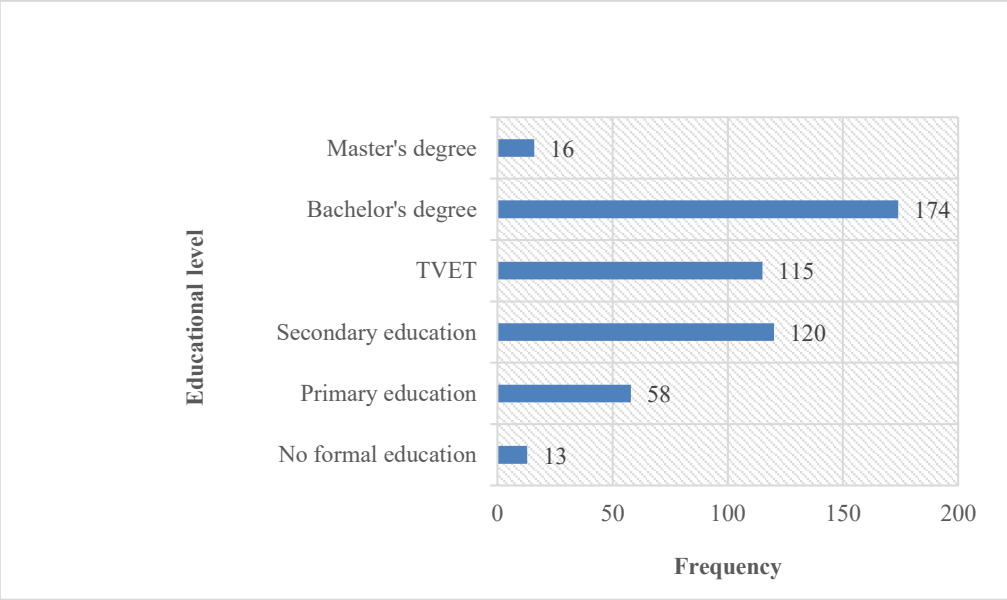

Figure 3: Educational level of the respondents

Source: Survey, 2025

The educational profile of youth entrepreneurs in Oromia, dominated by TVET and above constituting 61.5%, indicates a strong foundation for strategic thinking, innovation, and leadership within the ecosystem. However, the significant presence of entrepreneurs with secondary and lower educational backgrounds indicates the need for inclusive support structures.

4.3. Description of Business Enterprises

Figure 3 indicates the development stages of enterprises and the primary funding sources respectively.

4.3.1 Business development stage

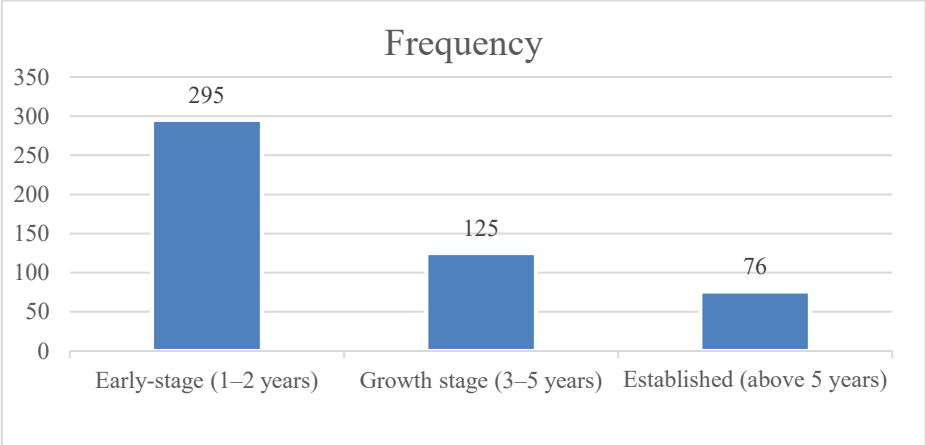

Figure 4: Business development stage

Source: Survey, 2025

The business stage data reveals that the number of youth-led enterprises is dominated by early stage (295) followed by growth (125) and established stage (76). This pattern indicates that as many young entrepreneurs in Oromia are in the early-stage business, the ecosystem continuous support to enable them to sustain has paramount importance.

4.3.2 Source of funds

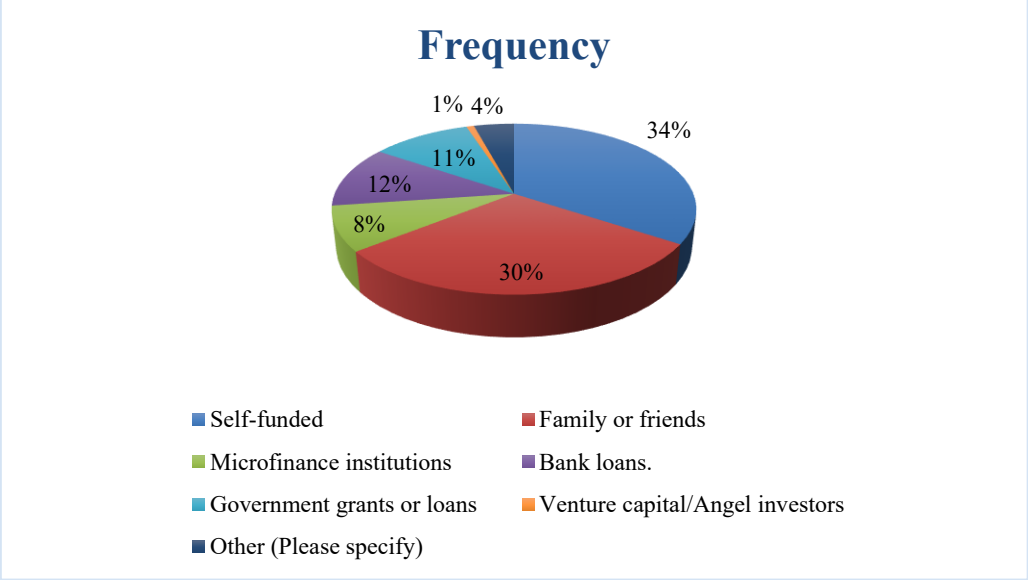

Figure 5: Primary source of funds

Source: Survey, 2025

The data reveals that youth entrepreneurs in the Oromia National Regional State primarily rely on self-funding (34.3%) and financial support from family or friends (30%), with smaller proportions accessing funds through microfinance institutions (8.5%), bank loans (11.7%), and government grants or loans (10.5%). Only a small percentage (0.8%) secure funding from venture capital or angel investors, and 4.2% use other sources. This implies that while personal and informal financial networks are the main funding avenues, there are barriers to accessing formal financing options like banks, microfinance, and government support.

4.3.3 Sector wise distribution of respondents

Table 4: Distribution of respondents across sector

Sector	Number of respondents	Percent
Agriculture	78	15.7
Manufacturing	113	22.8
Services	75	15.0
Trade	128	25.8
Construction	103	20.8
Total	496	100.0

Source: Survey, 2025

The data presents the distribution of respondents across key economic sectors, with Trade accounting for 25.8% of responses, Manufacturing representing 22.8%, Construction at 20.8%, Agriculture comprising 15.7%, and Services making up 15.0% of the sample. This distribution of participants from each sector ensures that there are comprehensive views of the respondents on the entrepreneurial ecosystem in Oromia. The result indicated that trade and manufacturing are dominant sectors, together comprising nearly half of the sample. This may be due to the fact that trade is easy to start with minimum effort and small capital, and that manufacturing is among the government's top priority sectors.

Analysis of Variance (ANOVA) was also run to check whether there is statistically significant mean variation of among the business sectors with respect to the ecosystem key pillars. Accordingly, the result of ANOVA indicates that none of the eight ecosystem pillars show statistically significant differences across sectors, as all values are above the commonly accepted threshold of 0.05. (**See Appendix 6**). The result implies that challenges and prospects in the context of youth entrepreneurial ecosystem are uniformly perceived across different sectors in the Oromia region. This consistency could reflect a shared experience or systemic

issues cutting across the ecosystem, requiring coordinated, multisectoral interventions rather than sector-specific approaches.

4.3.4 Sectoral share of Job opportunity

The table (5) indicates the contribution of sectors towards employment creation in selected Cities of Oromia regional state.

Table 5: Employment opportunity created across sectors

Sector	No of employees	Percentage
Agriculture	417	19.0%
Manufacturing	638	29.1%
Services	358	16.3%
Trade	308	14.0%
Construction	474	21.6%
Total	2195	100.0%

Source: Survey, 2025

The data highlight the distribution of employment opportunities created across various business sectors within selected Cities of Oromia National Regional State. Taking into account a snapshot of the 496 respondents as a sample of this study, the sectors of agriculture, manufacturing, services, trade, and construction collectively provided employment for 2,195 individuals. Among these, manufacturing (29.1%), construction (21.6%), and agriculture (19.0%) are the dominant sectors for job creation. This indicates that these business enterprises are contributing to employment creation across multiple sectors, thereby strengthening the region's economic ecosystem.

4.4. Descriptive statistics of entrepreneurial ecosystem pillars

Table (6) shows the descriptive analysis of 8 pillars of the entrepreneurial ecosystem in Oromia.

Table 6: Descriptive statistics of entrepreneurial ecosystem pillars

Pillars of entrepreneurial ecosystem	N	Mean	Std. Deviation
Vision and strategy	496	3.15	0.93
Talent and Champions	496	3.06	0.96
Infrastructure and programs	496	2.69	0.87
Capital and Resource	496	2.56	0.92
Market and Network	496	2.88	0.92
Culture and community	496	2.98	0.95
Policy and Regulations	496	2.89	0.90
Central Space	496	2.70	0.92

Source: Survey, 2025

Using the rule of thumb for interpreting a 5-point Likert scale suggested by Taherdoost (2019) (where 1.00–1.79 = very low, 1.80–2.59 = low, 2.60–3.90 = moderate, 3.40–4.19 = high, 4.20–5.00 = very high).

The finding on ecosystem pillars reveals that most aspects of the youth entrepreneurship ecosystem in Oromia fall within the moderate range, with only Capital and Resource scoring in the low range (mean = 2.5615). This suggests that access to funding and essential resources is a critical barrier. Themes such as Infrastructure and Programs, Central Space, Market and Network, Policy and Regulations, and Culture and Community reflect moderate but insufficient support. The relatively higher scores in Talent and Champions (3.0638) and Vision and Strategy (3.1515) indicate a somewhat more promising outlook in human capacity and future orientation, but still within a moderate range. Overall, the findings point to a partially functioning ecosystem with notable weaknesses, especially in financial support and infrastructure emphasizing the need for a holistic and targeted approach to strengthen the entrepreneurial landscape for youth in Oromia.

4.5. Main Findings of the Study

In this section, the results of the study related to recognizing existing challenges, examining available opportunities and future prospects, evaluating the level of stakeholder collaboration, and analyzing the entrepreneurial mindset within the ecosystem framework specific to the Oromia Regional State were presented.

4.5.1 The Challenges of Youth Entrepreneurship

4.5.1.1. Vision and Strategy

The study indicates that a clear vision and coherent strategies are crucial for the growth of entrepreneurship in Oromia region. However, there is no strongly shared vision among stakeholders in the entrepreneurial ecosystem. In addition, the entrepreneurial strategy implementation remains inconsistent and often disconnected from emerging entrepreneurs' realities. Moreover, inadequate alignment between various stakeholders and uneven support systems are seen as obstacles to achieving this vision.

Moreover, due to lack of shared vision, the interviewees noted there is inadequate follow up with some government programs like SMEs. DIDS4 (2025) mentioned, *"Regional leaders visit and are often surprised by what we've done. They praise our entrepreneurial efforts, but once they leave, no one returns to check on us."*

In addition, there is an implementation gap and bureaucratic inefficiencies observed in entrepreneur ecosystem across the region. The execution of strategies and plans such as SMEs development strategies and regional youth economic empowerment initiatives is hampered by sluggish implementation, lack of monitoring and entrenched bureaucracy. As one HIDS4 (2025) stated, *"It is useless to record the name of unemployed youths and put on the shelf since there is no coordination among stakeholders."*

Additionally, the persistence of manual process despite the availability of modern technology, coupled with imbalanced staffing and the absence of performance monitoring systems, undermines institutional efficiency.

The factors mentioned above collectively hindered service delivery, delay in critical interventions and reduce the overall responsiveness of the bureaucratic system. The participants noted that there is bureaucratic hurdles and slow implementation of strategic plans, "*… the SME strategy in the region is applicable and the main problem is on implementation."* (KKII1, 2025). Moreover, IFGD (2025) mentioned:

> *... the ideal situation at the top does not always translate effectively into implementation at lower levels. High-level strategies are often well-structured, but their execution at the grassroots level tends to be rushed and superficial.*

The finding also indicated that there is a rampant and exaggerated performance report in the entrepreneurial ecosystem across various stakeholders in the region. A majority of participants reported that many sectors are primarily focused on preparing reports by inflating the number of beneficiaries from the support system proved by the ecosystem instead of providing a true reflection of the actual performance on the ground. This gap not only impedes transparency but also hinders accountability and proper decision-making within ecosystem actors. KIDS1 (2025) stated:

> *The main problem with supporting the aim of micro and small business enterprises is that organizers often focus on making good reports, rather than considering their contribution to individual, city, region, and country development and realizing common vision.*

Additionally, as noted by IFGD, *"At the lower levels of government administrative structure, things often seem to be done just for reporting purposes."*

The finding of the study also shows that there is improper utilization of the existing resources due to absence of strong sense of shared vision among stakeholders. This exacerbates the

problems of optimal resource allocation and utilization, as resources are either misdirected or underused due to the absence of a strategic framework that aligns the efforts of all involved parties. In addition to the qualitative data analysis illustrated above, the descriptive analysis of vision and strategy key indicators are presented to supplement the result (Table 7).

Table 7: **Mean Value of Vision and Strategy**

Vision and Strategy	N	Mean
Shared vision among stakeholders	496	3.16
Agreement on key challenges	496	3.13
Agreement on key priorities	496	3.25
Effective collaboration among actors	496	3.20
Clarity in long-term strategy	496	2.92
Leadership alignment efforts	496	3.07
Actionable growth plan	496	3.33

Source: Survey, 2025

Both qualitative and quantitative (Table7) findings reveal systemic challenges in establishing a cohesive vision and strategy for entrepreneurship development in Oromia, with qualitative data highlighting fragmented stakeholder alignment, bureaucratic inefficiencies, and performative reporting, while quantitative results reflect low-to-moderate mean scores (2.92–3.33) across vision and strategy metrics. These issues align with recent Ethiopian-specific analyses, such as the Ethiopian Policy Study Institute's (2023) report, which identifies poor interagency coordination and "report-driven governance" as barriers to SME growth. Similarly, the World Bank's (2023) Ethiopia Entrepreneurship Review underscores how misaligned priorities and weak monitoring systems undermine strategy implementation, echoing participants' critiques of superficial grassroots execution.

4.5.1.2 Talent and Champions

The study revealed that there are a number of talent development packages in selected Cities of Oromia. Among those packages are soft skills and hard skills trainings; tailor made business development services such as mentorship and advisory services; incubation services and experience sharing from the champions and early adopters. However, they are a number of short comings observed.

Aspiring entrepreneurs struggle to access technical skills and mentorship tailored to specific business sector. CIDF1 (2025) stated, *"...business is not something that can be easily learned in the community. It is important to provide training or mentorship and guide entrepreneurs in gaining the necessary skills for success."* Training programs are inadequate due to their

theoretical focus, lack of continuity, and limited facilities. Local universities play a role in skill development, but businesses need more targeted support to compete effectively in the market and to contribute to meeting regional needs. Moreover, early-stage entrepreneurs report receiving necessary skills and advice but lack administrative skills. “unsuccessful entrepreneurs attribute their failure to a lack of skills and mentorship. *"..... When skills and desires are not balanced, it causes problems. Our skill is not so mature,"* BIDF2 (2025).

Entrepreneurs reported gaps in training quality, particularly in technical skills. The finding reveals that entrepreneurs face relevant skill gaps, particularly in technical areas like agriculture and manufacturing.

FIDP3 (2025) explained:

> *Our main challenge was lack of technical skill training concerning vegetable farming. As a result, so many times we want to get to hire one expert who has the experience of our work but we don't get such expert.*

Moreover, KKII11 (2025) reported that *"Most of the training delivery was theoretical, and there is gap on practical demonstration-based training."* While access to training exists, its relevance and sustainability are questionable. DKII6 noted, *"Skill-related service packages such as kaizen, technology, and technical skills are highly needed by entrepreneurs, but they are not fully effective."*

IFGD (2025) noted that *"There is a significant gap in translating training into practical outcomes. There is no concrete effort to turn what is learned in class into action and develop individuals into champions."*

When conducting training, most of the time, tailored training is not provided depending on the difference among the socio-economic status of the participants (such as youth, women, general public, startups or established) of the participants and nature of the business they need to engage in types of participants.

Even if trainings are provided, the training programs mostly lack follow-up mechanisms to assess impacts following training. As highlighted by IIDS1 (2025) *"TVET colleges provide training, but they do not follow up to see whether entrepreneurs are applying their skills in real businesses."* As a result, it would be difficult to identify to what extent the participants have achieved meaningful impact and innovativeness. While various organizations conduct training

programs, participants often imitate others rather than innovating. *"Success cannot be achieved merely by imitating the work of others; a transformation in mindset is essential,"* JKII3 (2025). Additionally, IFGD (2025) reported the lack of follow-up: *"Many people have received entrepreneurship training and certificates, yet they don't start their own businesses beyond receiving the training, there is no follow up."*

BIDF2 reported that:

> *.... when we fell, they came later and advise us. They wanted us because of their own affairs but they didn't want us to advise us either. They want us to get something from the SMEs, but we are not there*

The study revealed that there is lack of mentorship and role models; lonely few champions in sectors like dairy and restaurants. Mentorship is scarce, with entrepreneurs relying on family role models rather than formal business advisors. KFGD (2025) noting, *"There are a few successful entrepreneurs who mentor startups, but we need more structured programs to develop talent."*

Complimentary to the above qualitative findings, the table below shows that the mean value from the descriptive data analysis for the *Talent and Champions* pillar falls within the low to moderate range of the scale.

In addition, it is observed that there is absence of structured mentorship programs further exacerbates this issue, with HIDP3 (2025) noting, *"In this town, no one is willing to share his/her skills."* Moreover, EIDS2 (2025) shared, *"No champion in this city, no one that is considered as champion but me that struggle and pour all my efforts to materialize the aspired restaurant."* The lack of visible role models and structured mentorship further exacerbates. Besides, CIDS2 (2025) claimed that:

> *Finding skilled talent was difficult in the early stage of my journey, and I struggled to find an experienced person for my business. Few successful entrepreneurs serve as role models, partly due to employment offices not promoting them and fears of scrutiny.*

Lack of interest and negative attitudes from participants toward training programs are other challenges. Many prioritize immediate financial support over skill development, dismissing long-term benefits. Such problems among were cited as setback to entrepreneurial

development, DKII1 (2025) stating, *"Many university graduates are sitting idle, and it's difficult to convince them to become entrepreneurs. They want immediate returns than skill development."* Entrepreneurs rely heavily on traditional experience as formal training programs often fail to prepare them for real-world challenges. As an HFGD (2025) pointed out, *"Students believe only in their degrees, but they don't focus on developing their own skills."* The above result is supported by the descriptive findings on talent and champions presented in the table 8 below.

Table 8: The Mean Value of Talent and Champions

Talent and Champions	N	Mean
Sufficient talent pool	496	3.04
Educational institutions' role	496	3.07
Access to technical training	496	3.28
Transition to innovation skills	496	3.13
Soft skills development	496	2.86
Visible role models	496	3.00

Source: Survey, 2025

The findings from the study underscore significant gaps in the talent and mentorship ecosystem for aspiring entrepreneurs, particularly in Oromia's selected cities. Despite the presence of training programs and business development services, the lack of sector-specific technical training, inadequate follow-up mechanisms, and theoretical approaches to skill development remain substantial barriers. Entrepreneurs reported that training often fails to translate into practical, real-world applications, and the absence of structured mentorship programs and visible role models aggravates this issue. The descriptive analysis in table 8 also revealed moderate to low perceptions of talent availability, educational institutions' contribution, and access to technical training, signalling the need for more targeted and effective support. The study's findings align with existing literature on the challenges faced by entrepreneurs in Ethiopia, particularly in the Oromia region. Research indicates that micro and small enterprises (MSEs) often encounter obstacles such as inadequate technical training, limited access to mentorship, and a lack of practical application of acquired skills (Alemu, 2023)

Moreover, recent reports emphasize the importance of hands-on, practical training and the development of role models to inspire new entrepreneurs (World Bank, 2023). Moreover, a lack of interest in skill development, as seen in the preference for immediate financial returns

over long-term capacity building, is a critical challenge that further hampers entrepreneurial growth (OECD, 2024).

4.5.1.3 Infrastructure and Programs

Infrastructure plays a significant role in aiding entrepreneurs to run successful businesses. In the absence of adequate infrastructure, entrepreneurs can be exposed to high operational costs, delayed delivery and limited market access. The findings generally indicates that the hard and soft infrastructural deficiency in Oromia has brought a significant challenge to entrepreneurs.

Most respondents have mentioned that infrastructural shortage such as unreliable electricity, lack of water supply, inadequate workspaces, poor internet connectivity and lack of logistic significantly hinder business operations. KIDF2 (2025) described, "Frequent power outages disrupt operations, increasing costs for alternative energy sources stops us from operation." Moreover, GIDP3 (2025), a fattening enterprise owner, shared the devastating consequences of water shortages: "We had to travel and collect water from the river and water our cattle, as a result, many of our livestock died due to water shortages."

Respondents have also confirmed that the soft infrastructures, such as mentorship and knowledge-sharing platforms in Oromia are inadequate. CKII4 stated, "A well-developed entrepreneurial ecosystem provides mentorship…but our region's ecosystem remains underdeveloped." Moreover, there are some government-based initiatives such as cottage industry, cluster construction and shed provision, and entrepreneur trainings. However, most of them remain rhetoric and lacks uniformity in its implementation. HFGD participant mentioned, "*A lot of initiatives exist on paper, but their implementation remains a challenge*." Moreover, GFGD noted "What is on the ground differs from what is on paper."

Many entrepreneurs struggle to secure affordable and stable workspaces privately at high costs. HIDS3 (2025) highlighted, *"We started using rented workspace."* The inadequacy of workspace exacerbated by unfair distribution of the existing workspace has detrimentally affected business operations. IKII5 (2025) claimed, *"Government-owned working spaces meant for young entrepreneurs are often distributed unfairly."* The financial burden of infrastructure gaps is also noteworthy. In Maya city, for example, EIDS2 (2025) reported, *"Small to medium restaurants spend at least 660birr daily for purchasing water,"* and power outages disrupt business operations, with a bread manufacturer stating*, "We lost two million birr due to power interruption"* (EIDP2, 2025).

Government tried to solve the problem of workplace by building sheds specially for small businesses. However, as the demand of work premises is high, the number of sheds available does not fit the demand. Not only shortages, but also there is a mismanagement of sheds. For example, sheds usually owned by some enterprises for more than their stipulated period of years and this creates shortage of work place for new SMEs.

On top of this, in most towns, sheds have been demolished due to corridor development and this in turn exposed many SMEs to acute problem of work space. Additionally, lack of coordination among infrastructure providers, such as the Bureau of Construction and utilities, further complicates the problem of infrastructural facilities, as noted by EFGD (2025): *"While constructing corridor roads, the whole water pipeline was uprooted due to lack of coordination."*

The preceding result is supported by the descriptive analysis of infrastructure and programs provided in the table (Table 9)

Table 9: Mean value of infrastructure and programs

Infrastructure and Programs	**N**	**Mean**
Adequate access to infrastructure	496	2.62
Accessible distribution networks	496	2.62
Knowledge-sharing platforms	496	2.69
Infrastructure competitiveness	496	2.90
Access to accelerators/incubators	496	2.62
Accessible working spaces	496	2.59
Programs for innovators	496	2.80
Effectiveness of local programs	496	2.65

Source: Survey, 2025

Therefore, both qualitative insights and descriptive data (Table 9) underscore that inadequate infrastructure and poorly implemented support programs are significant barriers to entrepreneurship in the Oromia region. Entrepreneurs face persistent challenges such as unreliable electricity, water shortages, limited workspace, weak logistics, and insufficient access to knowledge-sharing platforms. These issues are compounded by poor coordination among infrastructure providers and inequitable distribution of government resources. Descriptive statistics reinforce these findings, with low mean scores across key indicators like access to infrastructure, working spaces, and program effectiveness. These challenges align with broader national trends, as Ethiopia ranked 48 out of 54 African countries on the African Infrastructure Development Index in 2022, reflecting poor infrastructure coverage and quality

that increase transaction costs and deter investment (ISS Africa, 2023). Furthermore, the lack of digital infrastructure and skills hampers the country's digital transformation efforts, limiting opportunities for innovation and economic growth (World Economic Forum, 2024).

4.5.1.4 Capital and Resource

Access to finance is widely recognized as a key enabler of entrepreneurial activity. The majority of participants in this study consistently reported that financial access remains one of the most formidable barriers to starting and sustaining businesses. Structural and procedural constraints within financial institutions create exclusionary mechanisms that disproportionately affect youth, women, and marginalized entrepreneurs.

Rigid collateral requirements were a common concern across interviews. One participant, KIDP2 (2025), clearly articulated the frustration: *"There are widespread financial problems; we are not given loans just because we cannot provide collateral."* This practice is further exemplified by DIDP2 (2025), who stated, *"Collateral such as ownership certificates of residential houses is required,"* reflecting how access to formal credit is limited to those with tangible assets. Similarly, DKII1 (2025) observed, *"Sinqe Bank requires collateral, but our unemployed people are poor, and their families are also poor."* These statements expose the systemic mismatch between the realities of emerging entrepreneurs and the conventional risk management frameworks of banks, which prioritize asset-backed lending over potential-based assessments.

Even when entrepreneurs attempt to navigate the formal financial landscape, they often face bureaucratic hurdles that add further layers of exclusion. Administrative complexity, unclear documentation procedures, and prolonged decision timelines diminish access. HIDS2 (2025) summed up this dilemma by stating, *"We needed money but couldn't secure a loan the process is complex, and collateral is a must."* The analysis suggests that while entrepreneurs are motivated to formalize their operations, the system's inefficiencies act as deterrents rather than incentives. As a result, many rely on informal financing or personal savings, thereby limiting scalability and increasing exposure to financial risks. Additionally, the descriptive analysis (Fig 4) shows that the major sources of finance for most enterprises (64%) are from personal saving and family/friends.

In many cases, even when all requirements are met, the promised support does not materialize. GIDS2 (2025) illustrated this reality: *"Financial support was simply not available. We had*

requested only a small amount of money, not a large one, but even that modest request was denied attributing to bank credit control practice." Such inconsistencies erode trust in financial institutions and discourage engagement with formal financial systems, which are supposed to serve as economic enablers.

While microfinance institutions provide an alternative to conventional banking, their limited loan sizes and high interest rates often fail to meet the capital requirements of scaling businesses. GKII7 shared that *"Microfinance institutions offer microcredit without collateral,"* suggesting progress in inclusive finance. However, scale remains a challenge, particularly for businesses transitioning from small to medium scale. The gap between initial support and sustainable growth financing remains largely unaddressed.

Due to these constraints, many entrepreneurs are forced to resort to informal financing. FIDP1 described this reality: *"I used the money I had and started working with my own money. I was asking for a loan and it wasted my time and I incurred lot of expenses."* This experience reflects a systemic failure to match financial services with entrepreneurial needs. The overreliance on personal or family savings not only limits business growth but also increases household vulnerability.

In addition, there is attitudinal problem from the side the borrowers. Most borrowers fail to consider diversified funding sources for their business.

> *the first major issue is a lack of awareness among young entrepreneurs. Many believe that the government should provide full funding for their businesses, which is a misconception. Entrepreneurs must contribute their own share by saving and seeking alternative funding sources, such as family, friends, or investors. Unfortunately, many young people lack a saving culture and expect the government to fully finance their businesses. (IKII3,2025)*

Besides, some borrowers have the tendency of diverting the loans they obtained from financial institutions to unintended purpose. The reasons for loan diversion as repeatedly raised by the participants include the size of loan, they actually obtained from financial institutions is far less than what they had requested. On top of this, the borrowers exhibit bad behaviour such as: moral hazard. As the result, they divert the loan and use for personal purpose which do not support their business. FKII7(2025) offered insights into the varied mindset among

entrepreneurs: *"There are the motives of expecting that government has to provide finance for them."*

In general, the current financing environment in Oromia restricts rather than supports entrepreneurial ambitions. Without significant reform in lending practices, fiscal policy, and institutional coordination, the region risks perpetuating a cycle where only the privileged few can access finance while the majority continue to innovate in the margins. Table 10 shows the descriptive result of capital and resources.

Table 10: Capital and resources

Capital and Resources	N	Mean
Access to capital	496	2.36
Resources for R&D	496	2.40
Financial institution engagement	496	2.63
Government funding effectiveness	496	2.66
Trade/investment opportunities	496	3.04
International funding accessibility	496	2.41
Fairness in accessing financial resources	496	2.48
Transparency in accessing financial resources	496	2.51

Source: Survey, 2025

The combined qualitative and quantitative findings table 10 emphasize systemic barriers to entrepreneurial finance in Oromia, where structural inequities, institutional rigidities, and borrower misconceptions perpetuate exclusion. Qualitative insights reveal that rigid collateral requirements and bureaucratic inefficiencies force reliance on informal financing (e.g., 64% depend on personal savings and family support), aligning with quantitative data showing poor ratings for capital access (Mean = 2.36) and government funding effectiveness (Mean = 2.66). These challenges mirror Ethiopia-wide trends: the World Bank (2023) notes that 80% of Ethiopian SMEs face credit constraints due to inflexible collateral policies, while microfinance institutions, though critical, remain inadequate for scaling enterprises due to low loan ceilings (AfDB, 2022). Borrower-side issues, such as unrealistic expectations of state funding and loan diversion, further compound barriers, reflecting findings by Abebe (2023).

4.5.1.5 Market and Network

The other central theme emerging from the qualitative data across multiple zones in Oromia is the persistent and multifaceted challenge of limited market access and weak business networking, which significantly constrains the growth and sustainability of youth-led

enterprises. This issue is not only widespread but also deeply rooted in systemic inefficiencies, policy gaps, and infrastructural shortcomings. Many young entrepreneurs expressed severe difficulties in accessing both local and international markets due to high tariffs, logistical constraints, and government restrictions. For instance, a chemical production entrepreneur lamented the challenges in importation:

> *We couldn't get market linkage with chemical suppliers; Importing of chemicals is expensive due to high tariffs and logistical challenges we don't have capacity to import chemicals from abroad.* (KIDP1, 2025)

Similarly, agricultural entrepreneurs are restrained by restrictive market regulations. As one poultry producer reported: *"The price of egg was fixed by the government and we are not allowed to sell outside of the town, because it is considered as a contraband."* (KIDS1, 2025). Such policy and logistical barriers may hinder the competitiveness and scalability of young businesses, especially those attempting to integrate into broader supply chains.

Youth entrepreneurs are often left to operate in silos, without access to structured market linkages or collective business networks. As CFGD (2025) stated: *"Everyone is moving on their own, which does not reflect a strong collective entrepreneurial spirit."* This fragmentation limits knowledge sharing, collaborative marketing, and resource pooling. Even where government or NGO-led initiatives exist, they often fail to create sustainable linkage systems. According to one focus group participant: *"Entrepreneurs who received training in past years have not been effectively linked to markets."* (IFGD, 2025)

Startup entrepreneurs are frequently exploited by intermediaries, due to the absence of structured supply chains. A participant revealed: *"Middlemen exploit them by purchasing their goods at low prices and reselling them for significant profits."* (IID3, 2025). Such exploitation discourages youth from investing in long-term production and disrupts fair market dynamics. Informal traders also disrupt entrepreneurs by undercutting prices affect adversely the formal trade *" ...the illegal trades are influencing the expansion of legal trade." HKII6 (2025)*

Start-ups and youth-run enterprises struggle to make their products visible to the broader market. There is a pronounced absence of retail spaces, showrooms, or distribution centers for young businesses. As one participant explained: *"We do not have sales outlets. Government has retail shops at the city center, but no one knows our whereabouts."* (DIDP1, 2025). Some senior entrepreneurs' resort to personal initiatives, as stated by HIDS3 (2025): *"We had to rent*

a shop in town to promote our workplace…." However, these efforts are often unsustainable for early-stage businesses with limited resources.

Entrepreneurs voiced dissatisfaction with institutional bodies meant to support them. Many pointed to the Chamber of Commerce as being disconnected from the realities of youth entrepreneurs and SMEs. *"Chamber of commerce is not considered SME as their members….* though *they have a direct and an important role. However, they are not playing their role up to expectation."* (FIDS3, 2025). There is a noticeable absence of practical and strategic coordination from public offices. For example, market-oriented planning is lacking: *"The skill and labor office is not working systematically designing strategic plan in resource sharing, information dissemination about conferences, bazzars, bids and other important networks." (JFGD, 2025)*

Ambitious entrepreneurs expressed a desire to scale their operations or explore international markets, but these aspirations are often hindered by lack of financial resources, business linkages, and institutional backing.

> *I used to send products to Dubai, but lack of adequate finance is a barrier."* (DIDS3, 2025) …. …..*"If you plan to export, you need to provide more details on how you will handle production and supply.* (GIDS4, 2025)

In addition, the lack of organized associations to promote local products globally is glaring. A participant pointedly remarked:

> *The city has coffee for example. There is no association organized on it. They are the owners. Is there anything that is being done to get the owners to be accepted in the world market?* (BFGD, 2025)

Entrepreneurs acknowledged that entering and sustaining in the market requires a deep understanding and strategy. As one participant emphasized:

> *To develop the job, one needs understanding. Training is needed, and a very deep understanding is required... Once he understands, this person needs to know where to move this market and where to expand it for growth* (GIDS1, 2025)

Others claimed that the rigor involved in production and marketing: *"It requires effort to turn a product into a marketable item and find customers... There is competition, but that is a good thing, it makes us stronger."* (GIDS4, 2025). Many young businesses operate in poorly

structured value chains, causing duplication of efforts and loss of potential. *"Many people do not know who produces what, where to sell it."* (GKII1, 2025) …*"They struggle with access to markets."* (GKII3, 2025)

Even where training and incubation are offered, such as by TVET, the absence of buyer networks limits outcomes, despite the solutions being described as *"practical and market-oriented."* (GKII6, 2025). The above result is supported by the descriptive analysis of market and networks in Table 11.

Table 11: Market and Networks

Market and Network	N	Mean
Domestic market support	496	2.80
International market access	496	2.43
Strong market networks	496	2.87
Stakeholder collaboration encouragement	496	3.01
Entrepreneur-ecosystem connectivity	496	3.18
Active formal associations	496	2.95

Source: Survey, 2025

Both qualitative and quantitative findings Table 11 emphasize systemic barriers impeding youth entrepreneurship in Oromia, where limited market access, fragmented networks, and institutional inefficiencies converge to stifle enterprise growth. Qualitative data reveal persistent challenges such as weak institutional coordination, which align with low quantitative scores for domestic market support (Mean=2.80) and international market access (Mean=2.43). These issues mirror Ethiopia's broader SME struggles, where World Bank (2023) notes that 65% of startups fail due to inadequate market linkages and policy bottlenecks. Similarly, the moderate of "entrepreneur-ecosystem connectivity" (Mean=3.18) reflects fragmented networks, consistent with ILO (2023) findings that Ethiopian youth-led firms rarely benefit from collective bargaining or shared resources.

4.5.1.6 Culture and Community

Culture and community norms play a decisive role in shaping the orientation, motivation, and resilience of youth entrepreneurs. In Oromia National Regional State, while there is emerging support for entrepreneurship, traditional cultural expectations, attitudinal barriers, and social practices still serve as significant impediments to the entrepreneurial ecosystem.

Besides, GIDS1 articulated the internalized fear in cultural terms: *"They are afraid of what others will say if they fail. The fear is in them"* CFGD supported this insight: *"Without strong*

institutional support, overcoming cultural resistance to entrepreneurship becomes even more difficult"

Another dimension of cultural resistance is the devaluation of vocational training. IFGD reflected, *"In the past, people had a low opinion of technical and vocational education, considering those who studied TVET to be inferior."* This stigma affects both the motivation to pursue such training and the public's perception of those who do. A clear example of social labelling was provided by a respondent who noted: *"If a student learns welding, they call him 'Tumtuu." (EFGD, 2025).* This derogatory naming illustrates the societal disdain for trades despite their potential in business creation.

The stigma attached to craftsmanship has gradually improved and as a result, positive change is emerging. A PTC staff member shared, *"Previously, the community perceives craftsmen negatively, but currently, the community is developing positive attitude toward these people." (EFGD, 2025).*

Cultural norms also limit women's entrepreneurial participation. HIDP3 reported, *"Some people question how a woman can run a large business this attitude needs to change."* The burden of gendered expectations adds an extra layer of challenge for female entrepreneurs, particularly in conservative communities. Moreover, the cultural narrative often promotes migration over entrepreneurship. HIDF1 described, *"Our local community prefers to go to Arab countries, dies there, and faces a number of challenges. I have a neighbour mourning right now as their family member died on the way."* These statements reveal a societal disillusionment with local economic opportunities and a belief in the superiority of external prospects even at extreme risks.

A recurring concern was the widespread khat addiction, which is consuming youth time, income, and productive capacity. What was once a stimulant for focused work has evolved into a time- and money-consuming practice. One participant explained, *"The youth spend like 500 or 1000 birr for chat and 80 Birrs for Shiro."* (EFGD, 2025). This was further elaborated with a generational comparison: *"The father ploughs land while the son sits and chews chat… The one works in the field is the father, and the one who sits at home and chewing chat is the son."* (EFGD, 2025). These habits are symptomatic of a shift from agricultural discipline to urban idleness, weakening community work ethics and economic participation.

In addition, lack of trust in young entrepreneurs remain systemic issues. As KKII9 revealed, *"Many SMEs fail to get loans due to lack of trust."* IKII3 shared a more concerning reality related to the fact that SMEs are less considered as lucrative economic sector: *"The general lack of respect for entrepreneurship as a viable career path discourages young people from pursuing it."* Trust gaps also manifest within businesses themselves. DKII7 stated, *"There is disagreement and misalignment among co-owners, leading to ineffective performance."* This reflects not only interpersonal conflict but also a weak culture of collaboration and shared ownership in emerging enterprises. The following descriptive result of culture and community is presented to support result of qualitative findings (Table 12).

Table 12: Culture and Community

Culture and community	**N**	**Mean**
Cultural encouragement for ventures	496	3.25
Widespread entrepreneurial culture	496	2.95
Representation of marginalized groups	496	2.75
Ecosystem diversity promotion	496	2.99
Active entrepreneurship community	496	2.91
Media promotion of entrepreneurship	496	3.03

Source: Survey, 2025

The findings reveal that culture and community norms in the Oromia National Regional State both hinder and, to a limited extent, support youth entrepreneurship. Quantitative data (table 12) indicates moderate levels of cultural encouragement (M=3.25) and media promotion (M=3.03), but lower ratings for widespread entrepreneurial culture (M=2.95), representation of marginalized groups (M=2.75), and ecosystem diversity (M=2.99), highlighting persistent systemic gaps. Qualitative insights further reveal these challenges: fear of societal judgment, stigmatization of vocational skills, and khat addiction undermine youth motivation and entrepreneurial engagement. Additionally, internal mistrust and the devaluation of entrepreneurship as a career choice aggravate institutional and interpersonal barriers. Recent studies substantiate these dynamics; for instance, the MasterCard Foundation (2023) emphasized that in Ethiopia, youth often perceive entrepreneurship as a last resort due to societal undervaluation and institutional constraints, while UNDP (2024) reported that limited community support remain structural challenges in local enterprise development.

4.5.1.7 Policy and Regulatory

Despite the effort of the government to design favourable policies for promoting youth economic empowerment and improved business climate there is implementation gap at the grassroot level. The findings from this study reveal a consistent pattern of policy-practice disconnect, excessive bureaucracy, inconsistent enforcement, and punitive taxation systems, all of which stifle entrepreneurial dynamism among the youth.

Participants across various cities in Oromia cited the mismatch between policy formulation and implementation as a core impediment to entrepreneurship. Although Ethiopia has introduced several entrepreneurship-supportive policies, their translation into practice remains inconsistent, fragmented, and in many cases, burdensome to navigate. As IFGD (2025) reported, *"High-level strategies are often well-structured, but their execution at the grassroots level tends to be rushed and superficial."*

This disconnect is exacerbated by bureaucratic hurdles, which often delay business registration, licensing, and access to critical government support. One entrepreneur complained, *"Getting one approval letter can take a week and sometimes requires illegal payments"* (HIDS2).

The current tax system presents significant challenges to entrepreneurship. Especially in the present situation, the equity principle of taxation is not being applied as Micro and Small Enterprises (MSEs) are assessed in the same way as larger business without considering their unique circumstances.

> *Previously, there was some level of consideration, but now that has been removed. Young entrepreneurs who graduate from colleges and universities and start their own businesses are given no tax exemption period, which creates a major obstacle instead of encouraging them. Legally, a person must obtain a business license six months before starting operations. However, from the moment a startup obtains its license, tax assessment begins immediately. Established businesses can navigate the system due to their experience, but startups, which may not have even started generating revenue, are forced to pay high taxes. This can lead to their collapse. To support startups, tax collection policies should revert to the more favourable approach used before 2005. Otherwise, startups will struggle to survive (IKII4,2025).*

Taxation emerged as a particularly pressing concern among youth entrepreneurs. Many participants reported that the tax system fails to account for the precarious financial position of

startups, often treating micro and small enterprises the same as large businesses. *"The revenue office taxes young entrepreneurs the same way it does wealthier business owners"* (IFGD). This one-size-fits-all approach disregards profit margins, cash flow constraints, and business maturity, resulting in unsustainable financial pressure.

In a poignant example, IFGD shared:

> *For example, in Shashemene Town, a woman borrowed 80,000 ETB to start a small business. Within six months, she was unexpectedly required to pay 70,000 ETB in taxes, almost the entire loan amount. Unable to cope with these financial pressures, she sold her belongings to repay the debt and eventually migrated to the Middle East.*

This illustrates how aggressive tax enforcement can derail entrepreneurial efforts and contribute to illegal migration, as young people lose hope in the domestic business environment. Similar concerns were raised by DKII9, who noted, *"Tax reform has not been made recently. The government is in high need of revenue, so tax incentives are not given to entrepreneurs."*

Entrepreneurs reported that tax increases were imposed without due consideration of business capacities. GKII1 (2025) stated, "This year, there was a 28.4% increase in Category C tax rates without any preconditions, and it discouraged the businessperson." Taxation, when not aligned with the realities of the entrepreneurial landscape, acts as a punitive tool rather than a developmental one. The requirement to upgrade business categories without support or consultation not only increases operational costs but also incentivizes informality as a form of survival.

The tendency of local authorities to meet collection targets through arbitrary assessments rather than fair evaluation was highlighted as another issue. HIDS4 explained, *"The tax authority requires payment beyond the revenue generated by SMEs. They intentionally impose excessive tax to meet the tax collection plan (target) of the town."*

On the other hand, some business owners evade taxes by using their tax knowledge. As it is noted by IKII4(2025), "*Many businesses disguise themselves as cooperatives to avoid paying taxes. Some interpret the tax regulations in ways that allow them to gain unfair advantages."*

Efforts to streamline business registration through digital platforms have also faltered due to infrastructural and capacity-related issues. As CKII1 remarked, *"The accessibility of banks'*

financial products always depends on policy," highlighting the connection between policy design and actual access to financial tools. Furthermore, poor internet connectivity and limited digital literacy hamper online registration and compliance processes, widening the gap between urban and rural entrepreneurs.

Compounding these issues is a lack of awareness and clarity around existing policies. Entrepreneurs noted that support programs are either poorly communicated or not implemented uniformly at the local level. IFGD observed, *"Policies and regulations designed at the top are not effectively communicated or enforced at the local level."* This miscommunication often results in conflicting requirements between regional offices, creating further confusion and inefficiency. *"...At the bottom government policies and regulations are not clear, consistent, and beneficial to the broader society… they rather serve individual interests"* (IFGD).

Corruption and preferential treatment further complicate access to government resources. Entrepreneurs alleged that access to land, loans, and public procurement opportunities is skewed in favor of politically or economically powerful actors.

> *The land administration prepares appropriate location that suits for investing on and harness profits out of it for those investors who are financially strong and be in a position to give some amount of money - as a bribe* (JIDS2).

Graduated SMEs, supposedly eligible for support such as land, market linkages, or extension services, often face significant challenges during transition to industry level as the necessary supports from the concerned office drastically decrease. The following descriptive result indicates the mean value of policy and regulations (Table 13)

Table 13: Policy and regulations

Policy and regulations	**N**	**Mean**
MSME-supporting policies	496	2.71
Public sector innovation policies	496	2.99
Public sector policy support	496	3.16
Government-ecosystem connections	496	2.96
Bureaucratic procedures efficiency	496	2.93
Tech regulations for startups	496	2.70
Intellectual property policies	496	2.83
Policymaker engagement	496	2.84

Source: Survey, 2025

The findings reveal a significant disconnect between Ethiopia's policy intentions and their grassroots implementation, undermining youth entrepreneurship in Oromia. Quantitative data (Table 13) show low to moderate mean scores across all policy-related indicators, with the lowest ratings for SME-supporting policies (M=2.71) and tech regulations for startups (M=2.70), signalling systemic inefficiencies. Qualitative insights substantiate this, pointing to bureaucratic delays, inconsistent enforcement, burdensome tax systems, and corruption as pervasive barriers. Entrepreneurs frequently encounter complex procedures, inequitable tax burdens especially on startups, often leading to business collapse or forced migration. The excessive tax levy, lack of startup incentives, and absence of localized policy communication and enforcement intensify the problem. These findings have consistency with recent reports, such as the Ethiopia Youth Economic Opportunities Review by the World Bank (2023), which underscores that regulatory complexity and institutional fragmentation significantly limit youth-led enterprises.

4.5.1.8 Central Space

A recurring and deeply entrenched barrier identified across diverse regions of Oromia is the absence of a centralized, networked space that brings together key actors in the entrepreneurial ecosystem youth entrepreneurs, service providers, investors, government agencies, and support organizations. This issue is not only structural but also symbolic of deeper fragmentation and inefficiencies in the current support system for youth entrepreneurship in the region.

One of the most cited concerns was the disjointed nature of one-stop service centres, which are intended to serve as foundational coordination points for job creation and entrepreneurship services. However, these centres are often only nominally functional. KKII8 observed, *"The current situation at one-stop service centres is not properly established, with some sectors not assigning employees permanently to the same service centre as job creation office employees."* This lack of consistent personnel and institutional commitment contributes to a limited-service environment, impeding synergy among service providers.

Across cities and towns, participants lamented the absence or underdevelopment of business incubation centres spaces essential for nurturing ideas, accessing mentorship, securing funding, and building business networks. CKII4 (2025) highlighted: *"A well-developed entrepreneurial ecosystem provides access to funding, mentorship, and markets, but our region's ecosystem remains underdeveloped."*

Even when such centres exist in name, their operational effectiveness is limited. The incubation centre at the Polytechnic Training Centre (PTC) was criticized for performative activity, activated only around annual events: *"The PTC bring together technologies just before the technology week... But the PTC didn't furnish the incubation centre with the needed materials beforehand."*

Perhaps the most profound consequence of this systemic fragmentation is the isolation of entrepreneurs. There are no formalized co-working spaces or networking forums where youth can learn from each other, collaborate, or co-create solutions. GIDS1(2025) noted: *"We never identify who is built and who is running their own business... But now, I am alone, he is alone, and we have no relationship."* Others shared a similar desire: *"There is no central space. I wish such a facility existed to help innovators and business startups."* (HIDS4, 2025) These sentiments reflect both the emotional toll of working in isolation and the practical barriers to scaling entrepreneurial efforts without peer interaction or advisory support.

While informal peer networks exist, they lack structure and sustainability. DIDS4 (2025) noted:

"There's no real connection between these sectors. We're all working for the country, but there's a lack of understanding." This absence of institutionalized forums was further emphasized during focus group discussions. IFGD (2025) participants remarked: *"There is no structured plan to consistently deliver entrepreneurship training... it feels more like it is done for a formality…forums that bring together all stakeholders within the entrepreneurial ecosystem"* are truly needed. Therefore, without formal hubs, both training and resource mobilization remain scattered and ineffective.

The lack of centralized spaces also negatively affects market access and business linkages. As FIDS1(2025) shared: *"Since there is no consultant here around, I don't have another business linkage partner."* This gap contributes directly to the failure of promising enterprises, particularly where exposure to networks and consultants is already limited.

The above result is supplemented by the descriptive analysis of central space provided in the table below (Table 14).

Table 14: Central space

Central Space	N	Mean
Connected resources/networks	496	2.67
Collaborative ecosystem	496	2.90
Strong support organization connections	496	2.74
Centralized collaboration platforms	496	2.65
Access to formal networks	496	2.67
Access to informal networks	496	2.57
Innovation hubs	496	2.68

Source: Survey, 2025

The findings from both qualitative and quantitative data (Table 14) reveal a critical gap in the entrepreneurial ecosystem of Oromia: the absence of a centralized, collaborative space that facilitates coordinated support for youth entrepreneurs. Quantitative results show consistently low mean scores (ranging from 2.57 to 2.90) across indicators such as access to networks, innovation hubs, and collaboration platforms, indicating entrepreneurial ecosystem inefficiencies. These figures are reflected in qualitative finding that emphasize fragmented services, less functional one-stop centres, and underdeveloped incubation hubs, limited mentorship, and inadequate business linkages. This lack of integration not only hinders innovation but also limits sustainable enterprise development. Recent Ethiopian policy reviews and development reports confirms these challenges; for instance, the 2023 World Bank report on Ethiopia's Jobs Compact emphasizes the urgent need for institutionalized, networked spaces that provide continuous entrepreneurial support, particularly in regional states like Oromia (World Bank, 2023). Moreover, the UNDP's Youth Entrepreneurship Report highlights the role of structured incubation and innovation hubs in driving inclusive economic transformation, advocating for strengthened ecosystem connectivity to maximize youth potential (UNDP, 2024).

4.5.2 Opportunities and Prospects

4.5.2.1 Opportunities in the youth entrepreneurship ecosystem

In examining the vision and strategic direction of youth entrepreneurship development in Oromia National Regional State, a pattern of cautious optimism emerges. There is evidence of progressive visioning, particularly in recent government efforts, infrastructure improvements, and stakeholder commitment.

Participants across cities acknowledged that a shift toward more structured support for entrepreneurship is underway. This is evident in regional initiatives aimed at establishing one-stop service centres, increasing infrastructure investments, and clarifying stakeholder roles. *"Every member of the stakeholder in the ecosystem has recognized the importance of playing his/her role to empower the youth economically,"* (*DFGD, 2025)* Moreover, "*Various stakeholders within the ecosystem tried to play a role in supporting SMEs individually, but coordination between stakeholders can be challenging*." (*KKII1, 2025)*.

Besides, an untapped yet important aspect of Oromia's strategic opportunity lies in the presence of individuals within institutions who are personally committed to entrepreneurship development. As HIDS2 (2025) noted: *"There are individuals in the labour and skill office who understand our situation and want to help."* This reflects an understanding among key actors that youth entrepreneurship requires multi-stakeholder engagement guided by a unified vision. The involvement of various bureaus, though fragmented, demonstrates that entrepreneurship is increasingly viewed as a policy priority.

The study result revealed the critical role and mandate of Technical and Vocational Education and Training (TVET) institutions, universities, and local training centres in building entrepreneurial capabilities. Participants recognized these institutions not merely as educational spaces, but as place for entrepreneurial action. *"… Since education institutions have the capacity, they can play a major role in building talent."* (*BIDP2, 2025)* In particular, *"The current TVET system can also play an important role in motivating graduates to create their own jobs."* (*FKII, 2025).*

If the depth, quality, and sustainability of training programs are enhanced, the current abundantly available training initiatives across the region can be considered as a good opportunity. *"An important aspect is changing the attitude of SMEs, requiring quality training rather than just one-day or half-day vocational training."* (*KKII7, 2025).* Despite these shortcomings, the volume of training programs already in place forms a solid foundation. If supported by mechanisms for follow-up, coaching, and peer learning, the region could see substantial returns from its current investments in human capital.

In addition to the educational and vocational training institutions, the active engagement of Labor and Skill office and EDI (Entrepreneurship Development Institute) symbolizes supportive role. These organizations help youth gain soft and technical skills, offering a variety

of programs with a focus on real-world application. This represents a significant opportunity for scaling entrepreneurship in the region. The ecosystem is rich in institutional players and training inputs, requiring only stronger alignment, follow-up, and mentorship structures.

Beyond financial capital, the availability of local raw materials and other resources such as timber, honey, cotton, livestock and cash crop can potentially present a significant opportunity for youth-led import substitution industries and localized value chains.

Several entrepreneurs reflected positively on the receptiveness of local markets to youth-led services and products. Local demand remains strong, especially when products are relevant, affordable, and well-presented.

Multiple respondents acknowledged the presence of supportive legal and policy structures aimed at facilitating entrepreneurship though the translation of policy into action remains uneven across regions and sectors.

Table 15:Opportunity in youth entrepreneurship ecosystem

Opportunity	**N**	**Mean**
Trade/investment opportunities	496	3.04
Educational institutions' role	496	3.07
Public sector policy support.	496	3.16
Access to technical training.	496	3.28

Source: Survey, 2025

The integration of qualitative insights and quantitative data (Table 15) show that there are opportunities to be exploited by the youth in the entrepreneurship ecosystem in Oromia, characterized by strategic institutional progress and moderate stakeholder optimism. While qualitative findings reveal a growing emphasis on structured support evidenced by expanding vocational training (TVETs), one-stop service centres, supportive legal and policy, untapped resources and quantitative results (mean scores: 3.04–3.28) reflect cautious yet tangible recognition of educational institutions' roles, policy frameworks, and technical training accessibility. Recent studies align with these observations, indicating Ethiopia's prioritization of youth entrepreneurship through TVET reforms and localized value chains to harness raw materials like honey and cotton (FDRE Ministry of Finance, 2023; World Bank, 2024).

4.5.2.2 Prospects of Youth Entrepreneurship Ecosystem

Participants recognized about the strategic role the Oromia Regional Government is beginning to play in steering entrepreneurship. BFGD participant remarked: "… the movement that is going on to entrepreneur and the direction from the Oromia Regional State is encouraging." This indicates a growing sense of direction, although in its early stages. From an ecosystem perspective, this reflects the importance of a centrally coordinating body in facilitating convergence across sectors, which is currently taking shape in Oromia.

The ongoing government-led infrastructure improvements such as road construction, electricity expansion and internet connectivity expansion are indicative of the future viability of youth-led enterprises. These investments are not only functional but symbolic of a longer-term economic vision. They suggest a shift from reactive, fragmented support toward more systemic and enabling interventions a necessary condition for ecosystem growth. Participants viewed these developments as steps toward an enabling environment where entrepreneurship can flourish.

The government of Oromia is making a strategic investment in infrastructure that can gradually transform the entrepreneurial landscape, especially in urban areas, by supporting cluster development, workspace construction, and utilities digitization. In addition, the government's initiative of cottage industry development presents a significant hope for community-based entrepreneurship in Oromia. Urban centers such as that of Adama have already begun to see of this initiative through the emergence of micro and small-scale enterprises in areas like textile production, leather works, and traditional crafts. These developments showcase the potential of leveraging local skills, agricultural resources, and urban-rural market linkages to drive inclusive economic growth and job creation across the region.

These efforts aim to make entrepreneurship more accessible for youth, with the integration of digital systems for public services such as utility payments streamlining daily business operations and reducing transaction costs *"Connectivity for utilities show improvement... Now, people can pay their bills from home"* (GIDS3, 2025). This transition to digital service delivery is not only improving the ease of doing business but also signalling a modernizing shift in public sector engagement with entrepreneurs. For young people, who are generally more technologically inclined, digital platforms are emerging as key enablers of market access, providing low-cost, scalable alternatives for marketing, selling, and client interaction.

Although these tools are not yet fully institutionalized, they represent valuable touchpoints between innovation and basic service access, highlighting the critical importance of digital literacy, infrastructure, and greater investment in digital marketplaces, mobile-based transactions, and online promotional tools.

Moreover, the adoption of digital technologies in business licensing emerged as a significant step toward improving efficiency and transparency. Cities in Oromia have begun streamlining bureaucratic procedures through digital services such as e-trade licensing**.** *"We digitalized the issuance of trade licenses, making the process more efficient."* (DKII*3,2025)*

These examples reflect a positive shift in state-led infrastructure support, especially for micro and small enterprises (MSEs). The planned construction of large number of sheds in different town of Oromia can be a promising initiative to mitigate longstanding challenges in accessing affordable, formal business premises. For example, construction of over 2,500 planned sheds in Jimma City is emblematic of this trend.

Despite different challenges, several participants pointed to positive shifts in the financial ecosystem, including the emergence of lease financing, NGO-supported funds, government-backed guarantees, and the entry of institutions like Sinqe Bank, EDI's access to finance program in collaboration with different development partners which provide specialized SME loan products.

Importantly, several interviewees emphasized informal resource-sharing and community solidarity as key coping strategies for overcoming capital barriers. These social mechanisms rooted in collective cultural values often serve as informal venture capital for the underserved. There is a saying, *"A tree becomes a shade for another tree,' meaning that one person helps another to move forward."* (*GIDS1, 2025).*

This illustrates the power of social capital in Oromia's entrepreneurship ecosystem. While not a substitute for institutional financing, such community-based solutions represent untapped potential for hybrid financial models especially when formal systems are inaccessible.

Many participants underscored the transformative role of networking events, trade exhibitions, and digital platforms in creating visibility and expanding market reach for youth-led businesses. There are initiatives that can potentially foster peer learning, collaboration, and

customer discovery, which are essential to early-stage entrepreneurial growth. *"We organize networking events, bazars and exhibitions, and panel discussions, free Sunday markets, providing market linkages."* (*KKII4, 2025).* Additionally, DIDS3 (2025) noted *"Participating in national trade exhibitions helped me expand my market reach."*

The finding indicated that there is gradual improvement in public awareness and community receptiveness toward entrepreneurship. This shift signals a growing understanding that entrepreneurship is not merely a survival tactic but a strategic path to economic development and personal fulfilment, especially when compared to prior doubt or passive attitudes toward private business. *‘‘Public awareness improved from time to time; people are good at working in an organized manner."* (*KIDP1, 2025).*

The finding also highlights a promising development: increasing gender inclusivity in traditionally male-dominated sectors. Women are not only participating more but doing so in technical and high-impact fields. *"Young ladies are now involved in woodwork, metalwork, and poultry farming."* (*DIDS3,2025)*. This represents that cultural biases are being challenged by community acceptance. Moreover, cultural change often begins with a shift in individual mindset especially in how communities understand and value risk-taking. Encouragingly, participants noted that some youths are now willing to face uncertainty, a critical trait in entrepreneurship. *".... Now, some people are willing to take risks."* (GIDS*3,2025)*

Table 16: Prospects in youth entrepreneurship ecosystem

Prospects	**N**	**Mean**
Transition to innovation skills	496	3.13
Cultural encouragement for ventures	496	3.25
Actionable growth plan	496	3.33

Source: Survey, 2025

The study findings demonstrate that the youth entrepreneurship ecosystem in Oromia is undergoing a gradual transformation, fuelled by strategic government initiatives, infrastructure investments, digitalization efforts, and shifting cultural attitudes. The qualitative insights indicate encouraging developments such as the expansion of digital service delivery, and enhanced social capital mechanisms, while the quantitative results (e.g., mean scores above 3.0 for innovation skills, cultural encouragement, and actionable growth plans) confirm a moderate but promising trend toward a more enabling environment (Table 16). Recent reports affirm that Ethiopia’s broader push for digital and infrastructure expansion under the "Digital Ethiopia

2025" strategy and regional initiatives like Oromia's urban development programs are beginning to create tangible opportunities for youth enterprises (UNDP Ethiopia, 2023). Moreover, the observed cultural shifts, including greater acceptance of women entrepreneurs and risk-taking behaviours, align with studies showing a growing entrepreneurial mindset among Ethiopian youth (World Bank, 2023).

4.5.3 Collaboration among stakeholders

Despite a growing policy in favor of entrepreneurship and institutional involvement across Oromia, collaboration among ecosystem stakeholders remains inadequate and fragmented dimensions in the youth entrepreneurship landscape. The finding reveals persistent structural silos, inconsistent engagement, lack of strong shared vision, and weak platforms for cross-sectoral synergy.

The respondents unanimously confirmed that there is fragmented support services and weak stakeholder coordination. Subsequently, the entrepreneurs are suffering from lack of adequate trainings, access to finance, delayed loan disbursement, and workspace, market networks and logistics as well as other necessary supports. DIDS1(2025) stated, *"Had there been support and collaboration from the stakeholders, many youths would have been able to establish and expand their businesses."*

Participants from key informant interviews, focus group discussions, and in-depth interview repeatedly emphasized the isolation in which offices and institutions operate. KFGD (2025) concisely stated, *"There is inadequate collaboration…, leading to a lack of understanding among sectors."* Similarly, CFGD (2025) highlighted the experience of many young entrepreneurs navigating the system alone: *"Everyone is moving on their own."* This fragmentation hinders the creation of a robust support system that can nurture entrepreneurial ambition, especially in a context where young people already face significant challenges accessing finance, training, and infrastructure.

One key informant, KKII1 (2025), emphasized the urgency of cross-sectoral efforts: *"Working in coordination with stakeholders involved in the ecosystem is crucial for improving service delivery for SMEs."* The problem is not only the lack of collaboration but also the absence of a shared understanding of roles.

Participant from Trade office pointed out that there is collaborative engagement with Sinqee Bank and various offices: *"We collaborate with Sinke Bank, labor and skill offices, and construction offices to address entrepreneurs' needs." (*DKII6, 2025). However, such efforts are not guarantee for structural disconnection.

A critical insight emerging from multiple voices is the absence of a centralized or structured platform to bring actors together regularly and systematically. Without such a mechanism, efforts remain scattered and uncoordinated. IFGD (2025) stated, *"There is a gap in joint efforts to provide the necessary support... stakeholders rarely come together to discuss these challenges."*

In addition, the weakness in collaboration manifests in the misuse of services and resources meant for the youth. Poor screening mechanisms allow individuals who are already economically active or even investors pretending as small enterprises to access youth-targeted support services. The finding shows that Kebeles give support letter to individuals without proper screening if an individual is jobless or not. This not only affects the integrity of entrepreneurship development programs but also diverts resources away from those who truly need them.

Gaps in collaboration also extend into the private sector. Workspace providers, for instance, have resisted alignment with government or ecosystem objectives and continue to charge high rents that deter startups. Moreover, the weak repayment culture of youth has created an adverse effect that limits access to finance for new credit applicant.

Table 17: Descriptive statistics of collaboration

	N	Mean	Std. Deviation
Collaboration	496	2.9166	.86597
Valid N (listwise)	496		

Source: Survey, 2025

Overall, the findings reveal that although there is growing institutional interest in supporting youth entrepreneurship in Oromia, collaboration among ecosystem actors remains weak and fragmented, a reality corroborated both by the qualitative insights and the quantitative mean score of 2.92, indicating below-average perceptions of collaboration among stakeholders. Structural bottlenecks, inconsistent engagements, and a lack of shared platforms continue to undermine efforts to build a vibrant entrepreneurial ecosystem, aggravating challenges related to access to finance, training, infrastructure, and market linkages. Consistent with previous

research, recent reports such as the Ethiopian Entrepreneurship Development Institute (EDI, 2023) emphasize that fragmented stakeholder coordination significantly limits the scalability and sustainability of youth-led enterprises, particularly in regional states like Oromia. Furthermore, the Ministry of Labor and Skills (MoLS, 2024) stresses the critical need for integrated, multi-stakeholder platforms to drive systemic support and accountability.

4.5.4 Entrepreneurial Mindset

Across cities and towns, respondents described a gradual evolution in how entrepreneurship is perceived and practiced yet emphasized that cultural resistance, undermining job, stigma, and fear of failure remain powerful obstacles to widespread entrepreneurial engagement.

Participants, especially those who have already embarked on their entrepreneurial journeys, have showed reasonable motivation, passion, and perseverance. As KIDS1(2025) stated, *"I went into the business because I had a passion…."* However, most youths develop positive attitude towards entrepreneurship after they start their business venture. For instance, FIDP1 mentioned, *"I didn't realize how beneficial entrepreneurship was until I started this work by myself."* This shows that there are respondents who preferred self-employment to salaried employment. DIDS1(2025) stated *that "I am not interested in being a government employee; I want to create my own job."* This reflects that there is a predisposition of ideological shift from dependence on formal employment to self-reliance.

Despite emerging resilience and motivation, a culture of risk aversion continues to suppress entrepreneurial potential. Many youths are reluctant to take risks, as IKII3 (2025) noted, "Many young people still hesitate to take risks due to fear of failure. Hence, a deep-rooted risk aversion continues to hinder entrepreneurial acceptance. For instance, GKII1 (2025) noted *"...many people still prefer job searching to creating."* Besides, as IFGD (2025) observed, *"Our society encourages individuals to seek government employment rather than create their own businesses."*

This fixed mindset leads to misplaced family investment strategies. BFGD (2025) participant noted, *"My father wants to pay more money to arrange the way for me to be hired than saving that amount of money for me to enter into my private business."* Many entrepreneurs reported that their initial aspiration was government employment. As FIDP1(2025) mentioned, *"Before starting my business, my main dream was to be employed and work in the government office.*

This is the view of many people." Moreover, there is minimal emphasis on practical skills, entrepreneurial mindsets, or real-world application. Consequently, students graduate seeking jobs, not creating them. HKII9 (2025) underscored another systemic flaw: *"Family support often ends after graduation, forcing students to seek immediate income through employment rather than building a business from scratch, which requires time and capital."*

Not only the youth, but also the family have a tendency of risk aversion. GKII4 (2025) claimed *"Fear of failure, especially among parents* as a top challenge."

Another barrier to collaboration lies in institutional culture. Some government offices perceive support for entrepreneurship as an extra responsibility rather than a core mandate. FKII7 (2025) admitted, *"We don't consider this work as our regular job performance rather we take as additional attentional responsibilities."* Such attitudes limit proactive engagement and responsiveness, which are vital in a rapidly evolving entrepreneurial ecosystem.

Many respondents advocated for early education on entrepreneurship as a long-term solution to shift cultural perceptions. IFGD (2025) emphasized, *"Entrepreneurship should be taught as a subject from an early age."* This shows the role that structured, early-stage entrepreneurial education could play in enhancing positive attitude towards entrepreneurship.

Additionally, doubt around training and awareness initiatives hinders their effectiveness. Some individuals view invitations to training programs as politically motivated, which undermines efforts to foster entrepreneurial capacity. This insight reveals a need to rebuild trust between institutions and the community.

Cultural values and traditions significantly shape entrepreneurial behaviour in Oromia. While some communities emphasize independence and self-reliance, others remain anchored in traditional practices. This limits the community to become entrepreneurial society. For instance, FKII1 sharply observed, *"Our culture prefers eating food together to working together,"* highlighting the need to transition from passive cultural practices toward active economic collaboration. This necessitates the cooperation the Oromo people have in their livelihood activities such as 'Daboo' should be applied in business context.

Table 18: Descriptive statistics of entrepreneurial mindset

	N	Mean	Std. Deviation
Mindset	**496**	**2.97**	**.89469**

Source: Survey, 2025

The findings reveal a complex entrepreneurial landscape in Oromia, Ethiopia, where a cautious evolution in mindset is underway but remains constrained by deep-seated cultural barriers and institutional challenges. While quantitative data (Mean = 2.97) reflects a moderate entrepreneurial mindset with emerging resilience and self-reliance aspirations among youth (Table 17), qualitative insights emphasize persistent sociocultural barriers, including risk-averse familial attitudes, institutional barriers, and a systemic preference for formal employment. This result is consistent with the World Bank (2022), which identifies Ethiopia's entrepreneurial potential as constrained by structural and cultural norms that prioritize job security over innovation. However, the inclination toward self-employment post-venture initiation suggests latent potential, consistent with Tsegaye et al. (2023) observation that experiential exposure can shift perceptions.

4.5.6 Discussion of the comparative analysis of Oromia's youth entrepreneurship ecosystem in relation to African and other Ethiopian regions.

The findings on youth entrepreneurship in Oromia reflect both common challenges and unique opportunities when compared with other Sub-Saharan African (SSA) countries, East African economies, and different regions of Ethiopia. While Oromia benefits from a youthful population and emerging institutional support, systemic barriers such as limited access to finance, weak infrastructure, and fragmented stakeholder coordination mirror broader trends across SSA (Acs et al., 2017; Bahrami et al., 2021).

Access to finance remains a critical constraint for youth entrepreneurs across Sub-Saharan African (SSA), with many relying on informal funding sources such as personal savings and family support (Abor et al., 2018). Similar to Oromia, studies in Nigeria, Ghana, and Kenya highlight that formal financial institutions impose rigid collateral requirements, high interest rates, and complex procedures, disproportionately affecting young entrepreneurs (Agyapong & Boamah, 2020). However, some SSA countries, such as Rwanda and South Africa, have introduced innovative financial mechanisms, including government-backed credit guarantee schemes and youth-focused venture capital funds (GSMA, 2023).

Infrastructure deficiencies in Oromia, including unreliable electricity, poor digital connectivity, and inadequate workspaces, are also prevalent in many SSA nations (World Bank, 2020). However, countries like Kenya and Senegal have made significant progress in digital entrepreneurship through mobile money (M-Pesa) and tech hubs (e.g., iHub), whereas Oromia's digital ecosystem appears relatively underdeveloped (GSMA, 2021).

Within East Africa, Ethiopia lags behind Kenya, Uganda, and Rwanda in terms of entrepreneurial ecosystem development (GEM, 2022). Kenya, for instance, has a more vibrant startup culture supported by incubators (e.g., Nairobi Garage), angel investor networks, and a stronger digital economy (Kariuki et al., 2021). Rwanda's government has actively fostered entrepreneurship through policies like the "Hanga Pitchfest" startup competition and streamlined business registration (Brixiová et al., 2020). Rwanda presents another model of success in East Africa, where youth entrepreneurship is mainstreamed through national development strategies, integrated entrepreneurship curricula in schools, and streamlined regulatory frameworks (Rwanda Ministry of Youth, 2022). Rwanda's emphasis on "entrepreneurship as a mindset" and strong government-led coordination. Oromia, by contrast, lacks a centralized coordination platform and shows weak vertical and horizontal stakeholder integration, limiting the scalability and coherence of its support structures.

Within Ethiopia, Addis Ababa, as the capital, benefits from better infrastructure, financial access, and a concentration of incubators (e.g., blueMoon, IceAddis) (Teka, 2020). However, Oromia's larger youth population and natural resource endowment provide untapped potential for agro-processing and manufacturing startups, unlike more urban-centric entrepreneurship in Addis Ababa.

Southern Ethiopia and Amhara regions face similar challenges in access to finance and infrastructure. Tigray, before the recent conflict, had a relatively stronger culture of youth cooperatives and microfinance penetration (Gebrehiwot & Gebresilasie, 2020). Comparatively, Oromia's natural resource base and growing TVET engagement provide unique advantages, but weak inter-regional coordination limits scalability.

In general, Oromia's youth entrepreneurship ecosystem exhibits both promise and systemic weaknesses. While the region benefits from a demographic dividend, growing institutional support, and natural resources, it lags behind leading East African economies in financial inclusion, digital infrastructure, and stakeholder coordination. Compared to other Ethiopian

regions, Oromia has potential but requires stronger policy implementation, public-private partnerships, and innovation in financing models to unlock its entrepreneurial capacity.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the key findings

This study, titled "*Assessing youth entrepreneurship in Oromia: ecosystem-based analysis of challenges, opportunities, collaboration, and mind-sets*" was conducted with the objective of comprehensively examining the multifaceted barriers and emerging opportunities within the youth entrepreneurial landscape of the Oromia region. Employing a robust mixed-methods approach comprising a large-scale survey (N=496, with a 99.2% response rate), in-depth interviews, focus group discussions, and key informant interviews the study provides an evidence-based analysis that offers practical insights for strategic policymaking and intervention.

5.1.1. Respondent Profile and Enterprise Characteristics

The majority of respondents were aged 18–29 (58.1%), highlighting the region's significant youth demographic dividend. Most held technical or higher education credentials (61.5%), suggesting potential for knowledge-based entrepreneurship. However, gender disparities remain prominent, with 65.1% of respondents being male, emphasizing the need for inclusive, gender-responsive policy frameworks.

Youth-led enterprises are primarily in early development stages, with 59.5% not yet reaching growth or maturity. Access to finance is a significant constraint, with reliance on self-funding (34.3%) and family support (30%), and minimal engagement with formal financial institutions. Enterprises are concentrated in trade (25.8%), manufacturing (22.8%), and construction (20.8%) sectors also associated with job creation.

5.1.2. Ecosystem Pillar Analysis

Assessment of the eight ecosystem pillars revealed a partially functioning support system. While domains like Vision and Strategy (mean=3.15) and Talent and Champions (mean=3.06) show relative promise, key pillars such as Capital and Resources (mean=2.56), Infrastructure and Programs (mean=2.69), and Central Spaces (mean=2.70) reflect critical deficiencies. A systemic and integrated ecosystem development strategy is urgently needed.

5.1.2.1. Key Challenges Identified

1. **Vision and Strategy** A fragmented ecosystem vision and weak institutional alignment hinder synergistic action. Though policies exist, their implementation is undermined by bureaucracy, tokenistic engagement, and poor inter-institutional collaboration.
2. **Talent and Champions** Training programs are often generic, theoretical, and lacking follow-up. There is limited mentorship, and visible entrepreneurial role models are scarce. Societal undervaluation of vocational skills further undermines youth engagement.
3. **Infrastructure and Programs** Youth entrepreneurs face inadequate physical infrastructure (electricity, water, workspaces) and digital connectivity. Government efforts like shed construction remain limited and poorly managed, diluting their impact.
4. **Capital and Resources** Access to finance is severely constrained by rigid collateral demands, procedural complexity, and youth-related risks such as moral hazard. Financial institutions are ill-equipped to support youth-friendly products or blended financing models.
5. **Market and Network** Weak value chains, limited market intelligence, and exploitative intermediaries constrain market access. The absence of structured platforms for networking, collaboration, and market linkage hinders enterprise growth.
6. **Culture and Community** Persistent sociocultural biases including stigma around failure, khat addiction, gendered roles, and preference for government jobs suppress entrepreneurial ambition. However, there are signs of gradual cultural shifts favoring entrepreneurship.
7. **Policy and Regulatory Environment** Although pro-entrepreneurship policies exist, their impact is undermined by inconsistencies, excessive red tape, burdensome taxation, and corruption. Youth-led startups are disproportionately affected by policy-practice gaps.
8. **Central Space and Institutional Coordination** The absence of central innovation hubs and weak functionality of one-stop centres limit ecosystem connectivity. Youth operate in isolation with minimal access to mentorship, networks, and institutional support.

5.1.2.2. Opportunities and Prospects

Despite the above challenges, the study identified several promising opportunities and prospects:

The study highlights significant opportunities within the youth entrepreneurship ecosystem in Oromia, driven by progressive government vision, increasing stakeholder involvement, and institutional support. Key opportunities include expanding vocational and technical training through TVETs and universities, availability of local raw materials for value chain development, and improved policy frameworks supporting youth enterprises. While stakeholder coordination and training quality remain challenges, the presence of committed individuals within institutions and strong local market receptiveness provides a solid foundation for growth. Quantitative data (mean scores 3.04–3.28) support these findings, reflecting moderate opportunities around trade, market potential, educational roles, policy support, and technical training access.

Moreover, the study reveals that the youth entrepreneurship ecosystem in Oromia is undergoing a gradual but promising transformation, driven by strategic government initiatives, infrastructure development, and digitalization. Key advancements include improved access to utilities and public services through digital platforms and increased support for micro and small enterprises (MSEs). Cultural shifts, such as rising public awareness, increased gender inclusivity, and a growing willingness among youth to take entrepreneurial risks, further support this positive trend. These developments indicate a promising ecosystem that is becoming more conducive to youth-led enterprises, which should be supported by systemic and cultural changes to become a viable entrepreneurial prospect.

5.1.2.3. Stakeholder Collaboration

Cross-sectoral collaboration remains fragmented and largely symbolic. The absence of permanent, accountable platforms for multi-stakeholder planning, monitoring, and resource-sharing impedes system-wide progress. The study recommends a unified regional coordination mechanism anchored by the regional government and co-owned by public, private, and civic actors to streamline ecosystem efforts.

5.1.2.4. Entrepreneurial Mindset

While attitudes toward entrepreneurship are improving, many youths still view business as a last resort. Experiential learning, rather than conventional awareness campaigns, has proven more effective in transforming mindsets. Early, formal integration of entrepreneurship education particularly at primary and secondary levels is critical to cultivating entrepreneurial aspirations from a young age.

5.2 Conclusion

This study offers a comprehensive analysis of the entrepreneurship ecosystem in Oromia National Regional State through an ecosystem approach, focusing on critical challenges, opportunities and prospects; stakeholders' collaboration and entrepreneurial mindset. By integrating qualitative and quantitative data and engaging diverse stakeholders including entrepreneurs, public institutions, and community representatives the research provides a multi-dimensional perspective on the state of youth entrepreneurship in the region. The findings of this study shows that the region holds a rich potential, untapped resources, and a growing institutional commitment to change. On the other hand, this potential remains largely underutilized due to various challenges.

Access to finance remains the most formidable challenge, with rigid collateral systems, underdeveloped and absence of innovative funding alternatives, and a mismatch between saving mobilization and loan disbursement. Entrepreneurs are further constrained by inadequate loan supervision, bureaucratic hurdles, limited loan sizes and high interest rates of microfinances.

The study concluded that Inadequate infrastructure has hindered entrepreneurial development in Oromia, marked by unreliable utilities, poor connectivity, insufficient workspaces, inadequate road and transportation facility, and insufficient digital platform.

Training programs lack practical base and customization by sector or entrepreneurial stage (one size fits all). The scarcity of visible role models, mentorship structures, and sector-specific champions weakens both the talent pool and entrepreneurial morale.

Cultural and societal factors also impose substantial limitations. The study highlights cultural resistance to entrepreneurship, fear of failure, and the societal preference of government employment or migration to business creation. The entrepreneurial self-identity among youth

remains underdeveloped. Moreover, corruption and false performance reporting dilute trust and motivation across the ecosystem.

The study concludes that the business enterprises in Oromia face barriers to market access and business networking, stemming from infrastructural gaps, inadequate logistics services, and institutional disconnection. Despite entrepreneurial ambition, limited domestic and international market integration, weak stakeholder collaboration, and lack of structured market linkage undermine business growth and sustainability.

There is disconnection between policies and their grassroots implementation, marked by excessive bureaucracy, and excessive taxation that disproportionately burdens startups. The current tax system, in particular, fails to consider the financial vulnerability of youth-led businesses, applying uniform rates regardless of size or profitability, which not only discourages formalization but also drives some entrepreneurs to illegal migration or informal practices.

There are emerging opportunities and promising prospects in Oromia, including increasing government-led infrastructure projects, the rise of digital service delivery, and the growth of training institutions like TVETs and EDIs. Additionally, the emergence of new government initiatives such as supports through one-stop service centres, cluster development and cottage industry along with abundant natural resources, offers reasonable potential. There is also a growing recognition of entrepreneurship as a policy priority and signs of cultural change, such as increasing female participation in male-dominated sectors and a shift toward greater community acceptance of entrepreneurial activities.

A central conclusion from the study is the absence of effective collaboration and fragmented institutional engagement. The ecosystem suffers from weak horizontal and vertical coordination among key stakeholders such as TVET institutions, universities, public offices, financial institutions, and business associations resulting in duplicated efforts, diluted accountability, and poorly integrated services. While some stakeholders are actively engaged in isolated initiatives, the lack of centralized innovation and entrepreneurship hubs, constrains learning, mentorship, and resource optimization.

The entrepreneurial mindset among the community remains underdeveloped, shaped by cultural stigmas, risk aversion, and a societal overemphasis on formal employment. Youth

often lack the confidence and social validation to pursue entrepreneurship, and families continue to prioritize job security over enterprise creation.

5.3 Recommendations

Recommendation 1: Enhancing access to finance for youth entrepreneurs

1. Formalize community-based financing systems

The government should formalize and expand indigenous systems like *idir* into structured Village Savings and Loan Associations (VSLAs) units. By drawing lessons from Uganda's VSLAs, these traditional groups can be integrated into the formal economy through basic financial literacy training, cooperative registration, and linkage to banks. Additionally, matching grants and seed capital programs should be used to evolve these groups into rural microfinance institutions or cooperatives (Model: Grameen Bank of Bangladesh by Professor **Muhammad Yunus**, a Bangladeshi economist and Nobel Peace Prize laureate). Moreover, a well-functioning VSLA with good track records will serve as a form of *social collateral* and members can collectively guarantee each other's loan.

2. Establish a dedicated grant fund for idea financing for early-stage innovators in Oromia

To bridge the financing gap at the idea stage, the regional government should establish a Startup Grant Fund that provides non-repayable seed capital to individuals and teams developing innovative business ideas. The fund should prioritize youth and women entrepreneurs, and be linked with local universities, technical institutes, and innovation hubs to ensure outreach and mentorship. The grants can support prototype development, market validation, and business model refinement critical steps to transition from idea to viable enterprise.

3. Enhance Financial Support Framework for Entrepreneurship and Startup Growth

To foster a flourishing entrepreneurial ecosystem, governments should expand the Challenge Fund for Entrepreneurship to incentivize high-growth startups, while establishing a dedicated Grant Fund for Startups to support early-stage innovators. Strengthening credit guarantee schemes will improve SME access to loans

by reducing collateral requirements and increasing guarantee coverage. Public-Private Partnerships (PPPs) should be leveraged to co-fund incubators, accelerators, and venture capital (VC) funds

4. Diversify acceptable collateral to unlock lending

The government in collaboration with the National Bank of Ethiopia and regional regulators has to mandate and incentivize the acceptance of non-traditional collateral types, including award letters, confirmed contracts, purchase orders, receivables and inventory as bankable securities. This approach has been successfully implemented in Bangladesh and Nigeria, helping informal entrepreneurs gain credit access without fixed assets (World Bank, 2021).

5. Tackle the loan allocation paradox and rebalance lending portfolios

To balance the skewed loan allocations that prioritize consumption or large corporate lending, the government should introduce inclusion quotas for youth-targeted financing within banks' SME portfolios. Dedicated youth loan products should be backed by a public guarantee fund, which can de-risk youth lending and crowd in private finance.

6. Ensure loan monitoring and size appropriateness

Instituting robust loan monitoring frameworks such as milestone-based disbursement, periodic site visits, and digital expenditure tracking will ensure responsible fund utilization. Furthermore, banks and MFIs should move away from rigid microloan caps and adopt demand-based lending tied to validated business plans. This guards against the "inadequate loan size trap" that stifles startup scalability.

Household deposits constitute a significant portion of total deposits in the banking sector, averaging around **40-50%** of total deposits mobilized by commercial banks (NBE, 2021) and a study by Bekele and Mersha (2020) found that only about **15-20%** of total loans disbursed by commercial banks are directed toward households, primarily for personal consumption, microenterprises, and housing.

7. Promote collateral-free and youth-friendly financial products

Oromia National Regional government should spearhead the introduction of collateral-free loan schemes targeted at youth, especially in rural and underserved areas. These

products should be tailored through microfinance institutions (MFIs) and banks with partial government guarantees, leveraging trust-based models such as group lending, mobile-based credit scoring, or digital footprint analysis.

8. **Establish a community-based agricultural cooperative loan scheme in Oromia**
   To allow smallholder landowners to use their land-use rights as collateral for low interest, government-backed microloans have to be offered. This effort may increase credit access to the farmers and complement the very good start of the Cooperative Bank of Oromia. These loans would fund local agribusiness startups such as food processing, beekeeping, seedling nurseries, or dairy cooperatives anchored in community ownership and local value chains. This model enhances land productivity, creates rural employment, and encourages sustainable use of land resources,
9. **Build entrepreneurial credit readiness and financial confidence**

   To make youth truly finance-ready, Oromia should roll out youth-centred financial coaching programs. These should cover credit scoring literacy, loan application training, and ethical loan usage.

Recommendation 2: Improving Infrastructure for Entrepreneurship

1. Ensure transparent and equitable allocation of workspaces

Government and urban planning authorities should establish clear, criteria-based systems for allocating sheds, kiosks, and business premises. Priority should be given to youth, women, and early-stage enterprises. A digital registry and e-application platform should be introduced to reduce favouritism, eliminate delays, and enhance transparency. By doing this, the government has to make sure that only the needy has to get access to workspaces.

2. Prioritize utility access in entrepreneurial zones

Entrepreneurial infrastructure should come with guaranteed access to essential services such as road, electricity, clean water, and internet. Public utility agencies should be required to coordinate with youth enterprise offices to establish “Priority Infrastructure Corridors” areas where infrastructure deployment is fast-tracked for youth clusters and startup zones.

3. Adopt market-driven infrastructure planning

Before investing in new entrepreneurship zones or sheds, the government should mandate feasibility and market studies to ensure strategic placement near suppliers, customers, and value chains. A business location criteria framework should be developed to guide regional planning and ensure that sheds are not built in economically disconnected or unviable areas.

4. Integrate sheds into broader entrepreneurial economic ecosystems

Youth workspaces and business sheds should not exist in isolation. Instead, they should be embedded into broader economic zones, industrial parks, farmers' markets, and logistics corridors. Such integration enhances supply chain efficiency and opens new markets.

Recommendation 3: Building Talent and Entrepreneurial Champions

1. **Develop Talent Need Assessment Tools to Select the Right Training Participants**

A standardized talent and training needs assessment tool should be developed to evaluate participants' aptitude, sector-specific skills, and entrepreneurial potential before enrolment. This tool will help filter out inappropriate candidates while ensuring training resources are allocated to motivated individuals with viable business ideas or growth potential. The assessment should incorporate business skill gaps analysis, and digital literacy checks, followed by tailored training modules (e.g., agribusiness, tech, or trade-specific upskilling).

2. Create innovation clubs and talent hubs in schools and universities

Entrepreneurial interest should be sparked early. Every high school and college should have Entrepreneurship Clubs hosting pitch nights, hackathons, and product showcases. These clubs should be supported by local SMEs and connected to digital platforms for talent discovery. Curriculum reform should also introduce entrepreneurship across disciplines, integrating it into agriculture, engineering, arts, and social sciences to nurture holistic, innovation-oriented thinking.

Roll out a mass media campaign under the banner **“Dhaloota Kalaqaa!” (Generation of Innovation)** to reframe youth identity from job seekers to innovators. This campaign should use:

- TV and radio mini dramas featuring youth entrepreneurs overcoming adversity.
- Social media influencers sharing real business stories.
- School and community wall painting with slogans.

3. Redesign training programs to be practical, sector-specific, and immersive

Entrepreneurship training in Oromia should shift from theory-heavy lectures to experiential learning. Training curricula should be aligned with market needs, business stages, and sector-specific contexts, incorporating real business case studies, simulations, and hands-on labs. TVETs and universities in Oromia should implement "Entrepreneur-in-Training" (EIT) programs that embed students in existing businesses, provide field immersion, and offer opportunities to build minimum viable products (MVPs).

4. Mobilize local champions and role models

To foster belief in entrepreneurship as a viable and honourable path, Oromia should elevate successful youth, women, and rural entrepreneurs as visible community champions. A "Faces of Oromia Entrepreneurship" media campaign should highlight their journeys via radio, TV, schools, and community events. Introducing an annual “Entrepreneur of the Year” Award at the regional and woreda level will institutionalize recognition and inspire replication.

5. Establish a regional entrepreneurial mentor network

Mentorship is one of the strongest predictors of entrepreneurial success, yet remains underdeveloped in Oromia. A Mentorship Matchmaking Platform accessible via radio, mobile apps, and youth centers should be launched to connect aspiring entrepreneurs with seasoned business leaders, retired professionals, and diaspora mentors. Peer-to-peer mentoring should also be encouraged within entrepreneurship clusters, linking young entrepreneurs who can learn from each other’s successes and failures.

6. Integrate champions into the entrepreneurial ecosystem

Successful entrepreneurs should not only inspire but also participate as co-creators of the ecosystem. Engage them in delivering trainings, evaluating startups, advising policy, and mentoring in startup centres. Establish a CSR-based incentive for large businesses to host youth entrepreneurs, create "Startup Classrooms", and provide business shadowing opportunities practices successfully applied in Chile's *Start-Up Chile* initiative and South Korea's Startup Campus model (OECD, 2019).

7. Strengthen post-training business development services (BDS) and continuous follow-up mechanisms

Training alone is not enough, sustained entrepreneurial success requires ongoing support. The government, in collaboration with the Entrepreneurship Development Institute (EDI), should establish structured post-training Business Development Services (BDS) units at the woreda and zonal levels. These units should offer tailored mentorship, coaching, access to finance facilitation, market linkages, and digital tools to support graduates of entrepreneurship training programs. Regular follow-ups, performance tracking, and business diagnostics should be embedded in the system to ensure that entrepreneurs receive timely, relevant, and responsive support during the critical early stages of their ventures. A national BDS platform integrating success stories, advisory forums, and virtual mentorship should also be developed to promote visibility, accountability, and peer learning.

Recommendation 4: Strengthening Market Access and Intelligence

1. Strengthen and make use of zone-level market opportunity mapping

The government should partner with universities, trade bureaus, and private sector actors to strengthen and make use of zone-level market opportunity mapping across Oromia. These studies have to identify local demand gaps, untapped product niches, and underdeveloped value chains with findings directly shaping targeted training programs, tailored financial products, and strategic startup support.

2. Integrate social media as a strategic market channel

The government and development partners should launch a "Digital Market Access Program" to help youth leverage platforms such as Facebook Marketplace, Telegram Channels, TikTok Shop, and WhatsApp Business. Training should include digital branding, e-payment integration, customer service, and content creation. Telecom companies and local influencers should be mobilized to host Digital Biz Bootcamps, offering real-time product showcases and training on viral digital marketing strategies tailored for rural and urban youth.

3. Promote market-driven entrepreneurship culture

Entrepreneurship education and support programs should pivot from passion-led to problem-solving and market-responsive models. Youth should be trained in basic market research techniques, surveys, price tracking, focus groups and supported with small grants and mentorship to validate their ideas before launch. Embedding "market validation modules" in all training initiatives will reduce startup failure and align youth creativity with local and global demand.

Recommendation 5: Strengthening Policy and Programmatic Support for Youth Entrepreneurship

1. Promote the Formalization of Family-Based Businesses

In rural and semi-urban areas of the region, many businesses are informally operated by families without legal recognition or protection. Rather than disregarding these businesses, the regional government should promote their formalization under existing legal entities which are suitable for family ownership and management.

To support this, the region can adopt a "Family Enterprise Support Framework" aimed at:

- Raising awareness about legal business structures appropriate for family-run enterprises.
- Simplifying the registration process for family businesses.
- Providing legal, financial, and tax advisory services tailored to family enterprises.
- Encouraging succession planning and internal governance within family businesses.

This approach reinforces the government's Rural Family Prosperity Initiative, which focuses on boosting household income, productivity, and resilience in rural communities through comprehensive and integrated livelihood support.

2. **Deploy Entrepreneurship Development Agents (EDA)**

Establish and deploy EDA at woreda and kebele levels to ensure families receive guidance on business registration; roles assignment on business operations; conflict management in business affairs and business growth. This model aims to improve business operations in rural Oromia by providing continuous business development services, thereby promoting rural entrepreneurship**.** These EDAs would guide families on business registration, assign clear operational roles, mediate business-related conflicts, and support business growth. Working closely with local government structures, cooperatives, and SMEs, the program should provide culturally appropriate tools, simplified training, and ongoing support ultimately fostering rural entrepreneurship and improving livelihoods through formalized and better-managed rural businesses.

3. Provide Tax Incentives and regulatory support system for start-ups

To reduce early-stage burdens and stimulate business formalization, Oromia in collaboration with the mandated authorities and ministries should implement a Startup Tax Holiday for newly registered youth enterprises offering a 2–3-year exemption from income tax. To support SMEs in Oromia beyond financial assistance, a robust regulatory framework should be established that includes simplified business registration and licensing processes, streamlined tax administration with clear compliance guidelines, and accessible legal and regulatory information tailored for small enterprises, recognizing this not as an expense but as a strategic investment in the next generation of entrepreneurs as SMEs are the backbone of job creation, innovation and economic resilience.

4. **Introduce entrepreneurship education in curriculum in Oromia**

To foster a culture of innovation and self-reliance among youth, it is recommended that the Oromia Regional Government, through the Education Bureau and in collaboration with the Ministry of Education, introduce entrepreneurial education across primary and

secondary levels. This initiative should focus not only on theoretical knowledge but also on equipping students with practical skills such as problem-solving, critical thinking, financial literacy, and business planning. Integrating entrepreneurship into the curriculum will help students identify opportunities, develop self-confidence, and prepare for both self-employment and job creation. The assessment and evaluation of the entrepreneurship course should not be like that of other subjects in which students sit for examinations to obtain grades or marks. Instead, it should be assessed through a practical Business Creation Exercise (BCE).

Recommendation 6: Enhancing Governance, Transparency, and Institutional Accountability

1. Establish an independent audit and monitoring unit

The government should create a dedicated Independent Entrepreneurship Audit and Monitoring Unit to verify the integrity of public-funded entrepreneurship programs. The government can develop an Entrepreneurship Integrity and Audit System (EIAS), a digital platform designed to independently verify the authenticity of publicly funded entrepreneurship programs. It integrates blockchain for securing beneficiary records, AI-powered tools for auditing performance reports, and geotagged monitoring for tracking actual infrastructure usage.

This unit should focus on verifying:

- The authenticity of startup beneficiary lists.
- The accuracy of performance report (Auditing false report)
- The impact of public training and financing programs
- The real use of infrastructure such as sheds or grants

Recommendation 7: Leveraging Emerging Opportunities for Sustainable Entrepreneurship Growth

1. Maximize Impact of Strategic Institutions: OSSCs and Enterprise Clusters

Government should strengthen One-Stop Service Centers (OSSCs) by integrating them digitally with key bureaus land, licensing, tax, TVETs, and finance. These hubs should evolve into true entrepreneurship gateways, reducing bureaucracy and delays for youth-

led startups. OSSCs should be equipped with trained personnel. Institutionalize and upgrade Cluster-Based Enterprise Zones to serve as industry, raw material supply chains, and logistics infrastructure.

2. Unlock local resources for youth-led enterprises

Launch a "Natural Resource Entrepreneurship Grant" scheme to incentivize youth to build sustainable ventures in agro-processing, eco-tourism, handicrafts, herbal medicine, and green technologies. Facilitate access to free lands, forest products, and locally available raw materials under a regulated, sustainability-driven framework. Conduct zonal resource-to-market mapping to identify viable products for value addition and commercialization, while protecting ecosystems.

Recommendation 8: Stakeholders' collaboration through multisector engagement

1. **Expand the scope and functionality of Regional Entrepreneurship Council (REC)**

   Oromia should strengthen its Regional Entrepreneurship Council as the central hub for entrepreneurial ecosystem coordination. This multi-stakeholder body including government, academia, private sector, civil society and youth entrepreneurs will align policies, monitor ecosystem health, propose reforms, and develop strategies. By fostering collaboration, the Council will harmonize support for startups while addressing gaps, driving sustainable economic growth through coordinated action.

2. **Enhance a stakeholder collaboration for betterment of entrepreneurship ecosystem**

   To strengthen Oromia's entrepreneurship ecosystem, enhancing multi-stakeholder collaboration is critical. The regional government should establish structured engagement platforms that bring together private sector actors, academic institutions, financial organizations, development partners and entrepreneur associations through regular policy dialogues, joint planning sessions and coordinated implementation frameworks. This collaborative approach will enable better alignment of resources, reduce duplication of efforts, and create synergies among ecosystem players. Co-working spaces. The collaboration fosters:

- Training and innovation.
- Market linkage.
- One-stop services.
- Mentorship and R&D support.

To ensure effectiveness, a stakeholder collaboration charter should be signed assigning roles and KPIs to actors such as TVETs, MFIs, Bureaus, and NGOs avoiding the accountability vacuum described by Bandura: "When everyone is responsible, no one is accountable."

Recommendation 9: Shaping an Entrepreneurial Culture and Mindset

1. Make use of religious and cultural institutions for entrepreneurial advocacy

Partner with religious leaders, institutions and Gada sytem elders (e.g., Abbaa Sa'a and Abbaa Bokkuu of the Gadaa system) to promote entrepreneurship as a moral, spiritual, and cultural responsibility. Train these leaders to deliver messages that elevate innovation, dignity in work, and enterprise as a tool for community wellbeing. Framing entrepreneurship as a service to family and society, not merely a path to income, can shift deep-rooted beliefs across generations.

2. Revive and promote indigenous innovation and craftsmanship

To cultivate a strong appreciation for craftsmanship in Oromia, it is vital to harness cultural values embedded in folklore, proverbs, and oral traditions that celebrate the skill and dedication of artisans. Regional campaigns should promote iconic Oromo crafts such as Tumtuu , Shammaanee and Faaqii while encouraging youth to innovate and adapt these crafts into modern, marketable products for both local and global markets. Schools and community centres can further reinforce this by organizing "Indigenous Innovation Weeks", where students, families, and local artisans showcase their projects, share knowledge, and highlight the historical significance of Oromo craftsmanship, ensuring its preservation and evolution for future generations.

4. Normalize business formation beyond unemployment

Entrepreneurship should not be portrayed as a fallback (secondary options). Instead, integrate startup development into schools, universities, and employment programs. Support part-time, side hustle, and weekend ventures even for students and employed youth, without negatively affecting their primary jobs through flexible incubation and microfinancing options.

This aligns with the Entrepreneurial University concept successfully applied in Finland and South Africa, where students run businesses as part of their academic experience (OECD, 2019). For example, launch “100 Birr Business Challenges" in schools and students start a business with 100 ETB and share results after 1 month. Promote these stories through radio and other media.

5. Utilize storytelling and community dialogues to shift mindsets

Host “Entrepreneurship Nights” in villages and towns, community events where elders, successful youth, and aspiring entrepreneurs gather to share stories, challenges, and victories. Incorporate “Business Storytelling Modules” into school curricula and youth centres to strengthen role-model visibility and narrative confidence.

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Appendix 1: Survey Questionnaire

Dear Participant,

Thank you for taking the time to participate in this survey. The purpose of this questionnaire is to assess the maturity of the entrepreneurship ecosystem in Oromia National Regional State. Your responses will help us understand the current strengths, challenges, and opportunities within the ecosystem and guide efforts to create a more supportive environment for entrepreneurs.

We are focusing on several key dimensions of the ecosystem, including vision and strategy, talent and champions, infrastructure and programs, capital and resources, market and networks, culture and communities, policy and regulation, and the central space that connects these elements. Your insights will be invaluable in evaluating these aspects and identifying areas for improvement.

The survey is structured as a series of statements or questions for which you will indicate your level of agreement or experience on a Likert scale, ranging from *Strongly Disagree* to *Strongly Agree*. The questionnaire is designed to take approximately 15–20 minutes to complete.

All information you provide will be treated confidentially and used solely for the purpose of this study. Your honest feedback is critical in shaping policies, programs, and initiatives that will empower entrepreneurs like you to succeed and thrive.

We greatly appreciate your participation and look forward to your valuable input.

Sincerely,

1. Participant Profile

1. What is the current stage of your business?

a) Early-stage (within 1–2 years of operation)
b) Growth stage (3–5 years of operation)
c) Established (more than 5 years of operation)
d) Other (Please specify): _____

2. What is your age group?

a) Under 18
b) 18–29
c) 30–45
d) 46–60
e) 60 and above

3. What is your highest level of education?

a) No formal education
b) Primary education
c) Secondary education
d) Technical/Vocational Education and Training (TVET)
e) Bachelor's degree
f) Master's degree
g) Doctorate or higher

4. What is your gender?

a) Male
b) Female

5. What sector does your business operate in?

a) Agriculture
b) Manufacturing
c) Services (transport, tourism and hospitality, education, health, etc)
d) Trade (retail or wholesale)
e) Construction
f) Other (Please specify): _____

6. What is the geographic location of your business?

Zone: _____

City/town: _____

Woreda: _____

7. What is the number of your employees? _____. Please write zero if you don't have any employee hired by your enterprise.

8. How would you describe your business's primary source of funding?

a) Self-funded
b) Family or friends
c) Microfinance institutions
d) Bank loans.
e) Government grants or loans
f) Venture capital/Angel investors
g) Other (Please specify): _____

9. Are you currently benefiting from any government or private sector support programs for entrepreneurs?

a) Yes, government programs.
b) Yes, private sector programs.
c) Yes, both government and private sector programs
d) No
e) Not sure

2. Likert Scale Items

Instruction

For each statement, select the option that best reflects your experience or level of agreement: 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree. ***Answer by circling the number of your choice.***

No.	Description	Scale				
		1	2	3	4	5
Category 1: Vision & Strategy						
	There is a shared vision among stakeholders for entrepreneurship.	1	2	3	4	5
	Stakeholders in the region agree on the key challenges for the entrepreneurship ecosystem.	1	2	3	4	5
	Stakeholders in the region agree on the key priorities for the entrepreneurship ecosystem.	1	2	3	4	5
	Entrepreneurs and ecosystem actors collaborate effectively to achieve common goals.	1	2	3	4	5
	There is clarity in the long-term strategy for entrepreneurship in the region.	1	2	3	4	5
	Local leadership actively works to align ecosystem stakeholders under a unified vision.	1	2	3	4	5
	The region has a actionable plan to foster entrepreneurship growth.	1	2	3	4	5
Category 2: Talent & Champions						
	The region has a sufficient talent pool to meet the needs of startups and growing businesses.	1	2	3	4	5
	Local educational institutions play an active role in fostering entrepreneurial talent.	1	2	3	4	5
	Entrepreneurs can easily access training programs to build technical skills.	1	2	3	4	5
	There are programs that help entrepreneurs transition from traditional skills to innovation-driven skills.	1	2	3	4	5
	Soft skills (e.g., leadership, entrepreneurial mindset, communication) are sufficiently developed among entrepreneurs.	1	2	3	4	5
	Role models (successful entrepreneurs) are visible and active in the local entrepreneurial ecosystem.	1	2	3	4	5
Category 3: Infrastructure & Programs						
	There is adequate access to infrastructure (e.g., internet, electricity, logistics) for entrepreneurs.	1	2	3	4	5
	Distribution networks are accessible for businesses.	1	2	3	4	5
	Knowledge-sharing platforms and mentorship opportunities are readily available.	1	2	3	4	5
	The region's infrastructure is competitive compared to other entrepreneurship ecosystems.	1	2	3	4	5
	There is adequate access to accelerators and incubators.	1	2	3	4	5
	Working spaces are easily accessible.					
	There are sufficient programs specifically designed to support innovators and startups.	1	2	3	4	5
	Local entrepreneurship programs are effective in addressing the needs of innovators.	1	2	3	4	5

Category 4: Capital & Resources						
	There is adequate access to capital for entrepreneurs.	1	2	3	4	5
	Entrepreneurs have sufficient resources to conduct research and development.	1	2	3	4	5
	Financial institutions actively engage in supporting startup businesses.	1	2	3	4	5
	Government funding programs effectively support entrepreneurs and startups.	1	2	3	4	5
	The region has opportunities for trade and investment that benefit entrepreneurs.	1	2	3	4	5
	International funding and grants are accessible for entrepreneurs.	1	2	3	4	5
	There is fairness in accessing financial resources for entrepreneurs.	1	2	3	4	5
	There is transparency in accessing financial resources for entrepreneurs.	1	2	3	4	5
Category 5: Market & Networks						
	The domestic market provides sufficient support for entrepreneurs to test and sell their products.	1	2	3	4	5
	Entrepreneurs can easily access international markets for exporting their products and services.	1	2	3	4	5
	The region has strong market networks that support entrepreneurs find business partners and clients.	1	2	3	4	5
	Collaboration between stakeholders is encouraged.	1	2	3	4	5
	Entrepreneurs feel connected to ecosystem players.	1	2	3	4	5
	Formal associations or organizations supporting entrepreneurs are actively engaged.	1	2	3	4	5
Category 6: Culture & Communities						
	The culture encourages entrepreneurial venture creations.	1	2	3	4	5
	Entrepreneurial culture spreads across all areas of the region.	1	2	3	4	5
	Marginalized groups (e.g., women, people with disabilities, pastoralists) are well-represented in the entrepreneurial community.	1	2	3	4	5
	The ecosystem promotes diversity among entrepreneurs.	1	2	3	4	5
	There is an active entrepreneurship community structure in the region.	1	2	3	4	5
	Local media and influencers promote entrepreneurship and celebrate its success stories.	1	2	3	4	5
Category 7: Policy & Regulation						
	There are sufficient policies supporting micro, small, and medium enterprises (MSMEs), trade, and finance for entrepreneurs.	1	2	3	4	5
	Public sector policies actively support entrepreneurship and innovation.	1	2	3	4	5
	The government has strong connections with the entrepreneurship ecosystem.	1	2	3	4	5
	Government programs and initiatives are tailored to the specific needs of entrepreneurs.	1	2	3	4	5

	Bureaucratic procedures (e.g., business registration, licensing) are efficient and entrepreneur friendly.	1	2	3	4	5
	Regulations around technology are favourable for startups.	1	2	3	4	5
	Policies regarding intellectual property are effective and supportive.	1	2	3	4	5
	Local policymakers engage with entrepreneurs to understand their challenges.	1	2	3	4	5
Category 8: Central Space						
	Resources, networks, and programs are well-connected and accessible to entrepreneurs.	1	2	3	4	5
	The ecosystem is collaborative and community driven.	1	2	3	4	5
	Connections between entrepreneurs and support organizations are strong.	1	2	3	4	5
	Centralized platforms for ecosystem collaboration exist and are widely used.	1	2	3	4	5
	Entrepreneurs have access to formal networks to grow their ventures.	1	2	3	4	5
	Entrepreneurs have access to informal networks to grow their ventures.	1	2	3	4	5
	There are dedicated hubs specifically designed for fostering innovation.	1	2	3	4	5

Appendix 2: Interview Guide (Entrepreneurs)

Category	Main Question	Follow up Question
Vision and Strategy	*What is your understanding of the entrepreneurship vision in Oromia, and how does it align with your goals?*	Do you feel there is a shared vision for entrepreneurship among stakeholders?
		Are you aware of any strategies or initiatives to support entrepreneurship in Oromia?
		What challenges do you see in aligning your personal vision with the broader ecosystem goals?
		Do you think stakeholders collaborate effectively to create a supportive ecosystem?
	How has the shared vision and strategy for entrepreneurship influenced your growth and decisions?	Have you observed changes or improvements in the strategic alignment of stakeholders over the years?
		Are there any visible gaps in the entrepreneurship strategy in Oromia?
		How do you perceive the role of government and private sector collaboration in shaping the vision?
		What strategic changes would you recommend to better support entrepreneurs?
Talent & champions	*Do you feel you have access to the skills and mentorship needed to succeed in your*	What types of skills have been the most difficult for you to develop?
		Have you found accessible technical or soft skills training programs?
		Are there mentors or role models who have helped guide your startup?

	entrepreneurial journey?	What role do local universities or institutions play in building entrepreneurial talent?
	How have talent and mentorship contributed to your entrepreneurial success?	Did you face challenges in finding skilled talent when you started your business?
		How do you mentor or support new entrepreneurs in your field?
		What role do you think champions and role models play in the ecosystem?
		Have you noticed improvements in talent development programs over the years?
Infrastructure & Programs	*How would you describe the availability and quality of infrastructure and programs for your startup?*	Are there adequate workspaces, internet access, or other essential infrastructure available?
		Have you participated in any entrepreneurship programs, and were they effective?
		What challenges have you faced in accessing mentorship or co-working spaces?
		How do you feel about the competitiveness of the infrastructure in Oromia compared to other regions?
	How has the infrastructure and available programs supported your growth and expansion?	What were the most critical infrastructure gaps you encountered when starting?
		Are there programs that were instrumental to your success?
		How has access to logistics or distribution networks affected your ability to scale?
		What would you suggest improving infrastructure for the next generation of entrepreneurs?
Capital & Resources	*What has been your experience with accessing funding and resources for your business?*	Have you received any funding from government, private, or international sources?
		Are financial resources (e.g., loans, grants) accessible and sufficient for your needs?
		What challenges do you face in securing resources for research and development?
		Do you feel investment opportunities are equally available to all entrepreneurs?
	How has access to capital and resources impacted the growth of your business?	What were the key sources of funding during your startup phase?
		Have you accessed foreign investment or participated in trade opportunities?
		Do you feel the financial ecosystem in Oromia has improved in recent years?
		What advice would you give to early-stage entrepreneurs regarding capital access?
Market & Networks	*How easy is it for you to access markets and networks to grow your business?*	Is the domestic market supportive of your product or service?
		Have you been able to connect with other entrepreneurs or business networks?
		What challenges do you face in exporting or reaching international markets?

		Are there formal associations or networks that you've found helpful?
	How have market access and networks supported the success of your business?	How did you build connections to expand your market reach?
		Have you benefited from innovation networks or collaborative partnerships?
		What role do formal associations or organizations play in your business?
		Do you see improvements in the ecosystem's ability to connect entrepreneurs with resources?
Culture & Communities	How supportive do you find the culture and community in Oromia for entrepreneurs?	How do people in your community view entrepreneurship as a career path?
		Are there regular events or forums that encourage entrepreneurship?
		Have you experienced inclusivity in the entrepreneurial community?
		What challenges do you face as an entrepreneur in building networks?
	How has the culture and entrepreneurial community in Oromia evolved during your journey?	Have attitudes toward entrepreneurship and risk-taking improved?
		Do you see more diverse participation (e.g., women, marginalized groups) in the ecosystem now?
		How have community events or initiatives impacted the entrepreneurial culture?
		What can be done to foster a stronger sense of community among entrepreneurs?
Policy & Regulation	*How do you perceive government policies and regulations impacting your business?*	Are policies regarding business registration and licensing clear and easy to follow?
		Do you feel supported by public sector initiatives for SMEs and startups?
		Are there any challenges you face with intellectual property, trade, or finance policies?
		How can policies be improved to better support early-stage entrepreneurs?
	How have government policies and regulations supported or hindered your growth?	Have policies around trade and finance improved over the years?
		What role has intellectual property and R&D policy played in your business?
		Do you feel there is sufficient public sector engagement with the ecosystem?
		How do you think regulations could be made more entrepreneur-friendly?
Central Space	*Do you feel there is a central, well-connected space to access resources and networks?*	Are you aware of any hubs, incubators, or centralized platforms for entrepreneurs?
		How connected do you feel to other ecosystem actors like mentors, investors, and peers?
		What challenges do you face in finding resources and programs to support your startup?

		What would make a central space more effective for your needs?
	How has the presence (or absence) of a central space influenced your entrepreneurial journey?	Were you able to leverage hubs, co-working spaces, or programs for growth?
		Do you think connections between stakeholders have improved over time?
		How has collaboration within the ecosystem evolved during your entrepreneurial journey?
		What additional elements could strengthen the centrality of the ecosystem?

Appendix 3: Key Informant Interview Guide Questions

Questions for Experts in Government Enterprise Development Services Providers (Labour and Skills Bureau)

Main Question	**Follow up Question**
What specific programs does your office implement to promote entrepreneurship?	How do these programs address the specific needs of startups and small businesses? Are these programs tailored for specific sectors or regions?
How effective are these programs in addressing the needs of entrepreneurs?	What metrics or outcomes do you use to measure the success of these programs? What challenges do you face in implementing these programs?
What do you consider the primary factors hindering entrepreneurship in your city?	Why do you believe these challenges are particularly significant in your region? What steps has your office taken to mitigate these challenges?
How does your office help entrepreneurs overcome challenges in starting or expanding their businesses?	Can you provide specific examples of successful interventions or support? What challenges does your office face in providing this support?
Does your office collaborate with private entities to enhance support for entrepreneurs?	What are the key outcomes or lessons learned from these partnerships? How do you ensure these collaborations meet the needs of startups?
What do you think are the top three challenges entrepreneurs face in your region or city?	How do these challenges differ between entrepreneurs at the early stages of their business and those with established businesses?" How do you think these challenges affect the formation of new enterprises and the growth of existing ones?
What would you recommend improving the entrepreneurial environment in your region?	Which stakeholders (e.g., government, private sector, NGOs) should play a role in supporting entrepreneurship, and what specific roles should they take on?

Interview Questions for Financial Institutions and MFIs

Main Question	Follow up Question
Does your institution offer financial products specifically designed for startups and entrepreneurs?	How accessible are these products for startups and small businesses? What feedback have you received regarding the usability of these products?
What are the most common challenges entrepreneurs face when trying to secure funding?	How significant are these challenges for early-stage businesses compared to more established ones? How do you address these barriers for startups?
What criteria or methods do you use to evaluate the loan readiness of startups and entrepreneurs?	How do you balance risk management with the unique needs of startups? Are these criteria flexible for early-stage businesses?
How do you assess and manage risks associated with lending to small-scale businesses?	What mechanisms have you put in place to minimize these risks? How effective have these mechanisms been in supporting new ventures?
In your opinion, what specific measures could improve access to finance for startups and entrepreneurs?	What role can policy changes play in improving access to finance? How could collaboration with other financial or support organizations help?
What do you think are the top three challenges entrepreneurs face in your region or city?	How do these challenges differ between entrepreneurs at the early stages of their business and those with established businesses? How do you think these challenges affect the formation of new enterprises and the growth of existing ones?
What would you recommend improving the entrepreneurial environment in your region?	Which stakeholders (e.g., government, private sector, NGOs) should play a role in supporting entrepreneurship, and what specific roles should they take on?

Interview Questions for Experts from other Business Development Services Providers

Main Questions	Follow up Questions
What are the most common services entrepreneurs request from your organization?	Which services are most in demand, and why? How effective are these services in addressing entrepreneurs' needs?
How do you collaborate with other stakeholders to improve service delivery?	Can you share examples of partnerships that led to improved service delivery? What challenges do you face in such collaborations?
What gaps do you see in the support system for startups?	How do these gaps affect early-stage businesses versus scaling ventures? What additional services or programs do you think are needed?

What do you think are the top three challenges entrepreneurs face in your region or city?	How do these challenges differ between entrepreneurs at the early stages of their business and those with established businesses?" How do you think these challenges affect the formation of new enterprises and the growth of existing ones?
What would you recommend improving the entrepreneurial environment in your region?	Which stakeholders (e.g., government, private sector, NGOs) should play a role in supporting entrepreneurship, and what specific roles should they take on?

Questions for Experts in the Chamber of Commerce

Main Questions	Follow up Questions
How does your organization promote entrepreneurship and innovation in your region?	What initiatives or programs have been the most impactful for local businesses? How do you measure the success of these initiatives?
What challenges do entrepreneurs report to you regarding market access and trade?	What specific sectors face the greatest challenges? How does your organization assist entrepreneurs in overcoming these barriers?
Are there programs or policies designed to help entrepreneurs scale their businesses?	How effective have these programs been in enabling business growth? What additional resources or policies would improve scalability?
What do you think are the top three challenges entrepreneurs face in your region or city?	How do these challenges differ between entrepreneurs at the early stages of their business and those with established businesses?" How do you think these challenges affect the formation of new enterprises and the growth of existing ones?
What would you recommend improving the entrepreneurial environment in your region?	Which stakeholders (e.g., government, private sector, NGOs) should play a role in supporting entrepreneurship, and what specific roles should they take on?

Experts in TVT Colleges/Universities

Main Questions	Follow up Questions
How effective do you think the TVET system is in producing graduates with entrepreneurial skills?	What specific skills do graduates gain that help them start businesses? What gaps exist in preparing graduates for entrepreneurship?
What role does your institution play in equipping	Are there particular training methodologies or programs that stand out as effective? How do you measure the impact of these programs?

individuals with skills needed for entrepreneurship?	
Do you have programs to help graduates transition into starting businesses?	How do these programs address challenges unique to new entrepreneurs? What success stories or challenges can you share about these efforts?
What are the common challenges entrepreneurs face after completing training programs?	How does your institution support graduate to overcome these challenges? Are there ongoing initiatives to address post-training obstacles?
What do you think are the top three challenges entrepreneurs face in your region or city?	How do these challenges differ between entrepreneurs at the early stages of their business and those with established businesses?" How do you think these challenges affect the formation of new enterprises and the growth of existing ones?
What would you recommend improving the entrepreneurial environment in your region?	Which stakeholders (e.g., government, private sector, NGOs) should play a role in supporting entrepreneurship, and what specific roles should they take on?

Interview Questions for Expert from the Office of Trade

No.	Main Question	Follow up Questions
	How would you describe the entrepreneurship ecosystem and its impact on ease of doing business?	What are the key challenges and opportunities for entrepreneurs in the current environment?
		Are there specific sectors or regions where entrepreneurs face unique difficulties?
	What requirements must entrepreneurs fulfill to obtain a business license	Are these requirements consistent across all types of businesses and regions?
		What documents or proof must entrepreneurs provide to meet these requirements?
		Are there specific challenges that entrepreneurs, especially small business owners, face in fulfilling these requirements?
		Have there been any recent changes or reforms to simplify the licensing process?
	What are the requirements that entrepreneurs must meet to officially close a business and return their business license?	What steps are involved in the business closure process, and how long does it typically take?
		Are there financial or legal obligations that entrepreneurs need to settle before returning their license?
		What challenges do entrepreneurs face during the closure process, and how does the office address these issues?
		How does the office ensure a smooth and fair process for business closure?

	What specific support does the Trade Office provide to entrepreneurs to enhance the ease of doing business at various stages of their business lifecycle (startup, growth, and maturity)?	What initiatives or programs are in place to simplify the startup process, such as expedited licensing, registration assistance, or access to initial resources?
		What steps has the office taken to ensure equitable access to these supports for marginalized groups, including women, youth, and entrepreneurs in rural areas?
		How does the office collaborate with other stakeholders to create a more business-friendly regulatory and operational environment?
		Are there mechanisms in place to gather feedback from entrepreneurs on the effectiveness of these supports and to implement improvements based on their input?
5.	What challenges do entrepreneurs face in complying with regulatory requirements, including licensing and closure?	Are there common misconceptions or areas where entrepreneurs lack awareness about compliance?
		How does the Trade Office address these issues through training or outreach programs?
		Are there penalties for non-compliance, and how are they enforced?
	What measures would you recommend enhancing the entrepreneurship ecosystem and support entrepreneurs more effectively?	How can the licensing and closure processes be made more entrepreneur-friendly?
		What additional support or incentives could foster entrepreneurial activity?
		How can the Trade Office improve collaboration with other stakeholders to enhance ecosystem development?

Interview Questions for Expert from the Tax Office

No.	Main Question	Follow up Questions
	How does the current tax system support or hinder entrepreneurship?	Are tax policies consistent across different industries?
		What specific challenges do entrepreneurs face in understanding and complying with tax regulations?
		Are there any ongoing reforms aimed at making the tax system more entrepreneur-friendly?
	What tax requirements must entrepreneurs meet when starting a business?	Are there specific tax incentives or exemptions available for startups?
		How accessible and clear is the process for new businesses to register for tax purposes?
		What common challenges do startups encounter in meeting their tax obligations?
		Are there mechanisms to educate or assist startups about their tax responsibilities?
	How does the tax system support or challenge entrepreneurs as their businesses grow?	Are there tax incentives or deductions for businesses that are expanding their operations or workforce?
		How does the tax system accommodate businesses transitioning from informal to formal status?
		Do entrepreneurs face difficulties with audits, reporting, or changing tax obligations as they grow?

		How does the tax office address concerns related to double taxation or other systemic issues?
	What are the tax implications for established businesses, and how do these affect their sustainability and competitiveness?	Are there tax relief programs or incentives for mature businesses facing financial challenges or stagnation?
		How do taxation policies impact decisions around reinvestment or diversification for established businesses?
		Are there any unique tax obligations or benefits for businesses operating at a larger scale?
	How efficient and transparent is the tax collection process for entrepreneurs?	What challenges do entrepreneurs face in filing tax returns or paying taxes on time?
		Are there common misconceptions or areas where entrepreneurs struggle with compliance?
		How does the revenue office address issues related to tax evasion or avoidance among entrepreneurs?
		Are there any penalties or incentives tied to timely tax compliance?
	How does the tax system ensure fair and equitable treatment of all entrepreneurs, including marginalized groups such as women, youth, and rural entrepreneurs?	Are there targeted initiatives to support these groups in understanding and fulfilling tax obligations?
		How does the tax system address challenges specific to small or informal businesses?
		Are there disparities in how tax policies are enforced across different regions or sectors?
	What improvements would you recommend making the tax system more supportive of entrepreneurs?	How can the tax office streamline processes to reduce the administrative burden on entrepreneurs?
		What additional training, resources, or outreach programs could help entrepreneurs better understand their tax obligations?
		How can the revenue office work with other stakeholders to create a more supportive entrepreneurial ecosystem?

Appendix 4: Focus Group Discussion (FGD) Guide Questions

Category	**Main Question**	**Follow up Question**
Vision and Strategy	How aligned do you think stakeholders in Oromia are when it comes to a shared vision for entrepreneurship?	What do you think is missing in terms of a shared vision for entrepreneurship?
		Are there any visible efforts or initiatives promoting a unified strategy?
		How do you perceive the willingness of stakeholders to collaborate on a common agenda?
Talent & champions	Do you feel that the available talent pool and skill development	Are there enough technical skills training programs in the region?
		What role do educational institutions play in equipping entrepreneurs with the necessary skills?

	opportunities meet the needs of entrepreneurs?	Are successful entrepreneurs and champions recognized and actively mentoring others?
		What gaps exist in transitioning traditional skills into innovation-driven activities?
Infrastructure & Programs	How well do the existing infrastructure and programs support entrepreneurship?	Are physical infrastructures like workspaces, internet, and logistics adequate for entrepreneurs?
		How accessible are soft infrastructures, such as mentorship and knowledge-sharing platforms?
		Are there any programs or initiatives that stand out in supporting startups and innovators?
		What challenges do entrepreneurs face in distributing their products or services?
Capital & Resources	What is your experience with accessing funding and resources for entrepreneurship?	Are government funding initiatives or programs effectively reaching entrepreneurs?
		How accessible are private investors, banks, and financial institutions to startups?
		Do you feel resources are equitably distributed across different types of entrepreneurs?
		What challenges exist in attracting international funding or foreign investment?
Market & Networks	How effective are markets and networks in supporting entrepreneurial growth?	Is the domestic market receptive to new and innovative products or services?
		How easy is it for entrepreneurs to connect with international markets?
		Are there enough formal associations or networks to support entrepreneurs?
Culture & Communities	How would you describe the entrepreneurial culture and community?	Are people generally supportive of risk-taking and entrepreneurship?
		What role do communities and events play in fostering entrepreneurship?
		Is the ecosystem inclusive, especially for women and marginalized groups?
		How can the entrepreneurial culture be further strengthened in the region?
Policy & Regulation	How supportive are government policies and regulations for entrepreneurs?	Are policies on intellectual property, R&D, and ICTs effectively implemented?
		How easy is it to register and license a business in Oromia?
		What improvements would you recommend for SME, trade, and finance policies?
		Do you feel policymakers are actively engaging with entrepreneurs to address their needs?
Central Space	Do you feel there is a central, well-connected space for entrepreneurs to access resources,	Are there dedicated hubs or spaces specifically for innovation and entrepreneurship?
		How well connected are entrepreneurs to key ecosystem players like investors, mentors, and support organizations?

	networks, and programs?	Are there platforms that foster collaboration between stakeholders?
		What additional resources or spaces could strengthen the centrality of the ecosystem?

Participant Profile

Name: _____

Organization: _____

Current role: _____

Year of experiences: _____

Appendix 5: Mean value of ecosystem pillars' item (Ascending order)

Item	N	Mean	Std. Deviation
Access to capital	496	2.36	1.217
Resources for R&D	496	2.40	1.240
International funding accessibility	496	2.41	1.276
International market access	496	2.43	1.268
Fairness in accessing financial resources	496	2.48	1.266
Transparency in accessing financial resources	496	2.51	1.276
Access to informal networks	496	2.57	1.195
Accessible working spaces	496	2.59	1.326
Adequate access to infrastructure	496	2.62	1.317
Access to accelerators/incubators	496	2.62	1.216
Accessible distribution networks	496	2.62	1.270
Financial institution engagement	496	2.63	1.302
Effectiveness of local programs	496	2.65	1.224
Centralized collaboration platforms	496	2.65	1.195
Government funding effectiveness	496	2.66	1.319
Connected resources/networks	496	2.67	1.201
Access to formal networks	496	2.67	1.242
Innovation hubs	496	2.68	1.294
Knowledge-sharing platforms	496	2.69	1.293
Tech regulations for startup	496	2.70	1.209
MSME-supporting policies.	496	2.71	1.250
Strong support organization connections	496	2.74	1.242
Representation of marginalized groups	496	2.75	1.297
Programs for innovators	496	2.80	1.254
Domestic market support	496	2.80	1.289
Intellectual property policies	496	2.83	1.239
Policymaker engagement	496	2.84	1.248
Soft skills development	496	2.86	1.245
Strong market networks	496	2.87	1.307
Infrastructure competitiveness	496	2.90	1.315
Collaborative ecosystem	496	2.90	1.250
Active entrepreneurship community	496	2.91	1.242
Clarity in long-term strategy	496	2.92	1.345
Bureaucratic procedures efficiency	496	2.93	1.351

Widespread entrepreneurial culture	496	2.95	1.273
Active formal associations	496	2.95	1.267
Government-ecosystem connections	496	2.96	1.216
Ecosystem diversity promotion	496	2.99	1.281
Public sector innovation policies	496	2.99	1.228
Visible role models	496	3.00	1.296
Stakeholder collaboration encouragement	496	3.01	1.258
Media promotion of entrepreneurship	496	3.03	1.295
Trade/investment opportunities	496	3.04	1.319
Sufficient talent pool	496	3.04	1.267
Educational institutions' role	496	3.07	1.363
Leadership alignment efforts	496	3.07	1.345
Transition to innovation skills	496	3.13	1.336
Agreement on key challenges	496	3.13	1.332
Public sector policy support	496	3.16	1.255
Shared vision among stakeholders	496	3.16	1.289
Entrepreneur-ecosystem connectivity	496	3.18	1.234
Effective collaboration among actors	496	3.20	1.297
Cultural encouragement for ventures	496	3.25	1.365
Agreement on key priorities	496	3.25	1.293
Access to technical training	496	3.28	1.377
Actionable growth plan	496	3.33	1.300

Appendix 6: ANOVA (Mean comparison: Pillar with respect to Sectors)

		Sum of Squares	df	Mean Square	F	Sig.
Vision and strategy	Between Groups	5.948	4	1.487	1.722	.144
	Within Groups	417.062	483	.863		
	Total	423.010	487			
Talent and Champions	Between Groups	2.844	4	.711	.774	.543
	Within Groups	447.414	487	.919		
	Total	450.258	491			
Infrastructure and programs	Between Groups	3.999	4	1.000	1.316	.263
	Within Groups	368.287	485	.759		
	Total	372.286	489			
Capital and Resource	Between Groups	3.892	4	.973	1.155	.330
	Within Groups	410.214	487	.842		
	Total	414.106	491			
Market and Network	Between Groups	1.329	4	.332	.388	.817
	Within Groups	418.916	489	.857		
	Total	420.245	493			
Culture and community	Between Groups	3.553	4	.888	.991	.412
	Within Groups	438.273	489	.896		
	Total	441.826	493			
Policy and Regulations	Between Groups	3.272	4	.818	1.005	.404
	Within Groups	396.383	487	.814		
	Total	399.655	491			
Central Space	Between Groups	4.027	4	1.007	1.178	.320
	Within Groups	418.775	490	.855		
	Total	422.803	494			

Appendix 7: Codes of qualitative data (Based on town, tools and respondents' category)

S.n	Town	Participant	Type	Code
1.	Adama (K)	In-depth (ID)	Successful (S1,S2,S3,S4)	KIDS1 KIDS2 KIDS3 KIDS4
			Potential (P1,P2,P3)	KIDP1 KIDP2 KIDP3
			Failed/unsuccessful (F1,F2,F3)	KIDF1 KIDF2 KIDF3
		Key Informant Interview (KII)		KKII1 KKII2 . . . KKII,10
		Focused Group Discussion (FGD)		KFGD
2.	Bulehora (B)	In-depth (ID)	Successful (S1,S2,S3,S4)	BIDS1 BIDS2 BIDS3 BIDS4
			Potential (P1,P2,P3)	BIDP1 BIDP2 BIDP3
			Failed/unsuccessful (F1,F2,F3)	BIDF1 BIDF2 BIDF3
		Key Informant Interview (KII)		BKII1 BKII2 . . . BKII,10
		Focused Group Discussion (FGD)		BFGD
3.	Fiche (C)	In-depth (ID)	Successful (S1,S2,S3,S4)	CIDS1 CIDS2 CIDS3 CIDS4
			Potential (P1,P2,P3)	CIDP1 CIDP2 CIDP3
			Failed/unsuccessful (F1,F2,F3)	CIDF1 CIDF2 CIDF3
		Key Informant Interview (KII)		CKII1 CKII2 . . .

				CKII,10
		Focused Group Discussion (FGD)		CFGD
4.	Jimma (D)	In depth (ID)	Successful (S1,S2,S3,S4)	DIDS1 DIDS2 DIDS3 DIDS4
			Potential (P1,P2,P3)	DIDP1 DIDP2 DIDP3
			Failed/unsuccessful (F1,F2,F3)	DIDF1 DIDF2 DIDF3
		Key Informant Interview (KII)		DKII1 DKII2 . . . DKII,10
		Focused Group Discussion (FGD)		DFGD
5.	Maya (E)	In-depth (ID)	Successful (S1,S2,S3,S4)	EIDS1 EIDS2 EIDS3 EIDS4
			Potential (P1,P2,P3)	EIDP1 EIDP2 EIDP3
			Failed/unsuccessful (F1,F2,F3)	EIDF1 EIDF2 EIDF3
		Key Informant Interview (KII)		EKII1 EKII2 . . . EKII,10
		Focused Group Discussion (FGD)		EFGD
6.	Nagelle (F)	In-depth (ID)	Successful (S1,S2,S3,S4)	FIDS1 FIDS2 FIDS3 FIDS4
			Potential (P1,P2,P3)	FIDP1 FIDP2 FIDP3
			Failed/unsuccessful (F1,F2,F3)	FIDF1 FIDF2 FIDF3
		Key Informant Interview (KII)		FKII1 FKII2 . . .

				FKII,10
		Focused Group Discussion (FGD)		FFGD
7.	Nakemte (G)	In-depth (ID)	Successful (S1,S2,S3,S4)	GIDS1 GIDS2 GIDS3 GIDS4
			Potential (P1,P2,P3)	GIDP1 GIDP2 GIDP3
			Failed/unsuccessful (F1,F2,F3)	GIDF1 GIDF2 GIDF3
		Key Informant Interview (KII)		GKII1 GKII2 . . . GKII,10
		Focused Group Discussion (FGD)		GFGD
8.	Robe (H)	In-depth (ID)	Successful (S1,S2,S3,S4)	HIDS1 HIDS2 HIDS3 HIDS4
			Potential (P1,P2,P3)	HIDP1 HIDP2 HIDP3
			Failed/unsuccessful (F1,F2,F3)	HIDF1 HIDF2 HIDF3
		Key Informant Interview (KII)		HKII1 HKII2 . . . HKII,10
		Focused Group Discussion (FGD)		HFGD
9.	Shashamane (I)	In-depth (ID)	Successful (S1,S2,S3,S4)	IIDS1 IIDS2 IIDS3 IIDS4
			Potential (P1,P2,P3)	IIDP1 IIDP2 IIDP3
			Failed/unsuccessful (F1,F2,F3)	IIDF1 IIDF2 IIDF3
		Key Informant Interview (KII)		IKII1 IKII2 . . .

				IKII,10
		Focused Group Discussion (FGD)		IFGD
10.	Sheger (J)	In-depth (ID)	Successful (S1,S2,S3,S4)	JIDS1 JIDS2 JIDS3 JIDS4
			Potential (P1,P2,P3)	JIDP1 JIDP2 JIDP3
			Failed/unsuccessful (F1,F2,F3)	JIDF1 JIDF2 JIDF3
		Key Informant Interview (KII)		JKII1 JKII2 . . . JKII,10
		Focused Group Discussion (FGD)		JFGD