

FACTORS AFFECTING THE PARTICIPATION OF MICRO AND SMALL SCALE AGRICULTURAL ENTERPRISES: THE CASE OF RURAL AND PER-URBAN YOUTH IN SELECTED AREAS OF SNNPR, ETHIOPIA

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Received 21.04.2025.

Revised 14.05.2025.

Accepted 22.07.2025.

Keywords:

Agricultural enterprises, Micro, Small-scale, youth, Ethiopia.

Original research

ABSTRACT

Agricultural micro and small enterprises remain fundamental to poverty reduction in this century by employing a large population worldwide. Thus, this study aimed to identify factors affecting youth participation in micro and small agricultural enterprises, its effect on the livelihood of youth's and to differentiate potential constraints and opportunities in the involvement of agricultural enterprises in the study area. The study employed both the Primary and secondary data sources. Data collection tools such as; FGD, KII, direct observation, and formal survey were used. A total of 122 sample youths were interviewed and analyzed through a logistic regression model. The SPSS software version 20 was used to analyze and estimate the data survey data.. Based on the results, the sex of the respondent, marital status, agricultural risk insurance, and distance from the enterprise center to the market was the major factors impeding the decisions to participate in micro and small agricultural enterprises in the study area. Agricultural enterprises participations have benefit for the individuals, Such benefits include the creation of new job opportunities, purchasing agricultural inputs by their own, construction of new houses and/or sheds, and so on. In reverse, some factors hinder youth participation in agribusiness, these are a delay of loan provision, the limited amount of credit provided, lack of infrastructure like road, water, electricity, access; shortage of enterprise-specific training provision and follow-up, small farmland provision, and shortage of feed availability. So the government and other respective stakeholders should work in these terms to motivate youth to further to build their livelihood sources. So institutional follow-up, intervention in infrastructure, and capacity development should be taken for the effectiveness of the enterprises.



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1. INTRODUCTION

Ethiopia's youth has the potential to play a significant role in the country's socioeconomic and political

development. The Minister of Youth, Sport and Culture, MYSC (2025) recognizes the importance of youth, "to participate, in an organized manner, in the process of building a democratic system, good governance and development endeavors, and benefit fairly from the

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outcomes". Micro- and small-scale enterprises (MSEs) are considered one of the most important factors for addressing economic and social issues and achieving development goals (Ayalu et al., 2023). However in practice, there are many barriers that hinder youth's active participation in socio-economic, political and cultural life, including persistent gender inequality, youth poverty, and a lack of recreational activities.

The agricultural industry sector has huge potential and thriving business with full and active government backing provide big opportunity to entrepreneur (Ayalu et al., 2023; D'Silva et al., 2010). Even though the general perception of people towards agriculture is negative, there still existing they believe that agriculture sector has the ability to offer a high income provision as it is operated in the right way (Endris & Kassegn 2022; Man, 2002; Safiriyu & Njogo 2012). Although for success of GTP transformation in agricultural sector is very encouraging, it is not an easy for one to be implemented because it requires energy from everybody, especially among the youth, be it man or woman. Engaging in agriculture enterprises have diversified benefits such as, creating employment opportunities, enhance household food security, and farm income and poverty reductions among youth (Giwu et al., 2024a). Nevertheless, there are several factors that impede youths' involvement in agriculture like; educational background, access to land, low agricultural productivity, seasonality of agricultural incomes, lack of public investment in agriculture and the low use of innovation and technology (Akron & Kotu 2022; Njenga et al. 2011). Youth engagement in agriculture is declining amidst rising youth unemployment yet the services and industrial sectors, despite growing at considerably faster rates have not created enough jobs for the burgeoning youthful labor force (Geleta 2013; Maina & Maina, 2015).

The agricultural sector has a lion space to create suitable working environment to the youth as well as other class of age of rural human beings. Above all, there is pressing need to change the interest of youth towards looking the agriculture sector as one of the opportunity for them to be self-employed. Active participation of all segments of a society is an important element to bring about accelerated political, economic, social, and cultural development. Since the youth are not only receptive to new ideas but also have the potential capacity for creativity and productivity, they can play major role in all sectors of development.

In Ethiopia; many researches have been conducted to capture factors affecting youth participation in agriculture and related business. For instance Bezu and Holden (2014) have studied factors affecting youth participation at farm gate, rural agriculture in southern Ethiopia without stating size of business. Moshi (2014) and Giwu et al. (2024b), have also studied rural youth aspiration in agriculture enterprises of northern Ethiopia and other parts by concentrating only on their aspiration; no more other variables were concerned.

The Ethiopian government is encouraging young people to start small business in order to reduce the rate of youth

unemployment. Based on approach of Ethiopian government, young Ethiopian who want to become entrepreneurs are encouraged to organize themselves in groups and association in order to access microfinance. They are then trained by state run Federal Micro and small Enterprises Development agency in business startup and management skill. This agency also gives financial support to youth starting small and medium size enterprises in areas such as textiles, leathers, agriculture, trading, wood and steel.

In the whole region of country, youths who are willing to participate in micro and small agricultural enterprises are organized in groups and associations based on size of member of individuals and type of enterprises they are willing to participate in their respective woredas office of youth and sport. Even if, by having high encouragement of government to youth to start micro and small agricultural enterprises in the country, they have less willingness to initiate and start their own micro and small agricultural enterprises, and after they organized themselves into groups and association and when they got credit, some of them are not totally starting business enterprises as they planned. Not only are these, some of them not effectively running their enterprises properly based on agreement with government they made. As a result, huge amount of money from the government which was invested on youth enterprises are not used in a functional way Tadesse (2017).

But what was reason behind why they have low interest to participate and withdraw themselves from the enterprises, become ineffective and not starting enterprises fully after their organization and what factor hinder them in such enterprises initiation was not studied so far in the SNNPRS, Ethiopia. So, this study was intended to assess factors affecting rural and peri-urban youth in participation of micro and small agricultural enterprises in selected areas of Southern Nation Nationalities and Peoples of Ethiopia. The specific aim of this study was to identify factors affecting rural and peri-urban youth willingness to participate in enterprises, and factors hindering their effectiveness in enterprises involvement and to identify constraints and opportunities in business they participated.

2. METHODOLOGY

2.1. Description of the Study Area

This study was conducted in wolaita, hadya and dawro zone of south nation nationalities and peoples region of Ethiopia. The zones were selected based on their potential on agri-enterprises participation and account large number of youth populations as compared to other zones in the region. Thus, it was aimed to identify youth participation in agricultural enterprises, its effectiveness and there to determine potential constraints and opportunities in participation in agriculture-enterprises in the study areas.

2.2. Type of data and method data collection

Both qualitative and quantitative data were collected from primary and secondary data sources. Primary data were collected through, FGD (focus group discussion), key informant interview, survey and direct observation and secondary data were from, books, bureau of enterprises and food security, and past journal articles.

2.3. Sampling and sample size determination

Two-stage sampling was used. In the first stage, two woredas from each zone was selected from rural and peri-urban youths in participation or involvement in micro and small agricultural enterprises and effectiveness on the enterprises. In the second stage, two rural and one peri-urban kebele selected from each woredas based on participated in micro and small agricultural enterprises compared to other kebele in the woreda. Simple random sampling and stratified sampling method was used to select non-participant and participant youth respectively. Following to this, sample size determination formula of Taro Yamane (1967), which was described below will be used to select participated and non-participated youths

$$n = \frac{N}{1 + N(e^2)} \quad (1)$$

Where, n=the sample size, N=total number of youth groups and association participated in micro and small agricultural enterprises, e=acceptable sampling error and the value of 'e' is 95% confidence level and it's assumed to be e=0.05.

2.4. Method of data analysis

Both descriptive and econometric analysis was used to analyze data collected through survey. The descriptive statistical analysis used were, minimum, maximum, standard deviation, mean, frequency, percentage by using table and graph. In other way, logistic regression was used to analyze dichotomous outcome variables (the participation decision of youth's) in micro and small scale agricultural enterprises. The determinant (dependent) variable is binary which is 0 (not participate) or 1 (participate in agricultural enterprises)

$$Y(X) = \frac{\exp(\beta_0 + \beta_1 X_1 + \dots + \beta_k X_k)}{1 + \exp(\beta_0 + \beta_1 X_1 + \dots + \beta_k X_k)} \quad (2)$$

$$= \frac{\exp(X\beta)}{1 + \exp(X\beta)} \quad (3)$$

$$= \frac{1}{1 + \exp(-X\beta)} \quad (4)$$

3. DISCUSSION AND ANALYSIS

3.1 The demographic and socioeconomic characteristics of respondents

Table 1. Descriptive statistics of continuous variable used in the study area (n=122)

Variables	Min	Max	Mean	Std. Dev.
Age of respondent	18.00	55.00	25.06	5.43
Education level of respondent	1.00	15.00	9.80	2.24
Total family size of respondent	1.00	10.00	5.17	2.03

Source: Own survey, (2022)

The mean age of respondents in the study area who participate in agricultural enterprise was 25.06, which is assumed as a recommendable to group under sector office of enterprise to undertake the business (Table 1). The average years of school youth attended, who participate in micro and small agricultural enterprises was about ten (10) grade, that is majority of youths organized in agricultural enterprises were unemployed who finished grade ten(matric) examinations. The mean family size of enterprise participants was five (5) (Table 1). Table 2. Presents descriptive analysis of categorical variables under study.

Table 3. Descriptive analysis of categorical variables under study

Variables	Category	Frequency	Percent
Sex of the respondent	Male (1)	98	80.3
	Female (0)	24	19.7
Marital status	Single(1)	84	68.9
	Married (0)	38	31.1
Land ownership	No (0)	73	59.9
	Yes (1)	49	40.2

3.2 Major Agricultural Enterprises

Table 4. Major Types of Enterprises Identified in the Study Area.

Types enterprises identified in the study area	Frequency	Percent
dairy farming	48	39.3
fattening of oxen	25	20.5
fattening of shoat	3	2.5
poultry rearing (day old & layers)	24	19.7
tree seedling production	2	1.6
crop production	20	16.4
Total	122	100.0

Source: survey result (2022)

Among the enterprises determined, dairy farming accounts 39.3% which is the first enterprises determined followed by beef fattening (oxen) 20.5%; poultry production and rearing (19.7%); and crop production which was 16.4% (Table 3). In addition, most of the enterprises identified were under the selection of program members/youths (88.5%) based on their willingness to the chosen enterprises. Disaster and natural hazard occurrence, amount of credit, demand of enterprise preferences and profitability of enterprises shortage are associated challenges in enterprises. The rest (11.5%) of enterprises were under the selection of organizing body or sector offices due to shortage of bundles of enterprises and inputs required to run the business.

Table 4. Access to various institutions for enterprise participations

Service category		Frequency	Percent
Access to credit service	No(0)	41	33.6
	Yes(1)	81	66.4
Access to extension services	No (0)	32	26.2
	Yes (1)	90	73.8
Access to market	No (0)	37	30.3
	Yes (1)	85	69.7
Access to all weather road	No (0)	41	26.2
	Yes(1)	81	73.8

According to the results of above Table 4, among the youths who participate in agricultural enterprises; 66.4% (81) get access to credit to run their business. In addition to this, 73.8% (90) get extension services and 69.7% (85) of youth get access to market, 73.8% (81) get road access to their enterprises in the study area. The main criteria of youth who are participating in enterprises to get credit include; being dweller of the kebele, having initial 10% saving, one who is able to supply collateral, supportive letter from keble s/he is being unemployed etc. among total of credit user youths, 36.1% (44) of the respondents use it for purchasing of livestock, 23.8% (29) of respondents use credit for purchasing of other agricultural inputs, 6.6% of respondents use it for construction house/shed. 2.4% of them responded that they use for employing daily labor. The average payback period for credit in the study area is 3.02 years with maximum and minimum of 5 and 1 years respectively.

As results of survey showed, among the beneficiaries of extension services, 30.4% of respondent youth gained services in terms of training, technical support of is 27.9% and advisory/ moral support to strengthen and to have commitment on the business is about 15.6% from sector offices and other stakeholders. There is another which important was market access, variable for the success of agricultural enterprises which runs/hinders the success or failure of enterprises creating demand to product. According to results of survey, most of respondents (45.9%) even if who do have access to

market do not have organizations/investors whom they directly supply their products. Due to this, the decision to products price varies from time to time. 49.2% of product prices was decided under market competition, 21.3% product prices was determined by the seller (enterprises), government and buyer (consumer) decision share accounts 3.3% each to product prices under products produced from enterprises in the study area.

3.2.1 Factors affecting enterprises participation (logistic regression)

Sex of respondent is one dummy variable that positively affect participation decision of youth in agricultural enterprises in the study area (Table 5).

Table 5. The participation decision on micro and small agricultural enterprises

Variables	B	S.E.	Sig.	dy/dx
Sex of respondent(1=male)	.289	0.925	.098*	1.335
Age of respondent	.126	0.091	1.903	1.134
Education level	.303	0.213	2.015	1.354
Marital status (1=single)	-.141	0.994	0.020**	.868
Total family size	-.298	0.19	2.59	0.74
Ownership of land(1)	-.678	0.92	0.54	0.51
Training attend (1=yes)	0.815	.78	1.10	2.26
Risk insurance (1=yes)	19.51	12.94	.000***	29.95
Distance to road (minute)	-.019	0.029	0.451	1.02
Distance to market (minute)	-.001	0.008	0.030**	1.001
Distance to credit (minute)	0.011	0.013	0.823	1.012
Constant	-2.84	3.96	0.51	0.06

*, **, and *** implies significant at 10%, 5% and 1% significant level respectively.

Source: survey result (2022)

As logistic regression result showed, youth who were male would have the probability to participate and stay in enterprises than female counterparts in the study area. Marital status is also another variable which affect participation negatively at 5% significant level. It means that youths' who were married and participate in micro and small agricultural enterprise were less likely to participate as compared to those who were single; the finding is analogous with (Giwu et al., 2024b). The presence or absence of agricultural risk insurance is one of determinant factor that affect the probability of participation in agricultural enterprises. As a model result showed, having agricultural risk insurance positively affect and accelerate the participation at 1% significant level with marginal effect of 29.95. Distance from enterprise center to market is also another variable which negatively and significantly affect youth participation in micro and small agricultural enterprises in the study area. according to the survey result, as a distance to market

increases 1 minute, the probability to participate and stay in micro and small scale agricultural enterprises decreases with marginal effect of 1.00 holding all other variables constant.

3.2.2 Effectiveness of agricultural Enterprises

As shown on the Fig 1, among youths who participated in the enterprises, 23% were benefited in terms of creating job opportunities from micro and small scale agricultural enterprises in the study area. Again the study result showed among sample respondents, 8.2% of them constructed the new houses through income earned from the enterprises they participated (Endris & Kassegn, 2022). Finally, among sample beneficiary youth participants on agricultural enterprises, 18.9% were used to purchase agricultural inputs which helps to run their business and around 1.6% them were used their benefit earned from enterprises on savings and other livelihood goods (Figure 1). According to the study, majority of enterprises don't gained benefit as they expected, this was due to factor of infrastructure (road, water, electricity) shortage which accounts of 27%, weak extension support which was about 25.4%, and a way of credit service provision system 22.1%, loan repayment period was another factor of 18.9% sample youths who participate in enterprises, lack market for enterprises 9.8% and disagreement among group members (4%) are the common problems for unexpected results of enterprises.

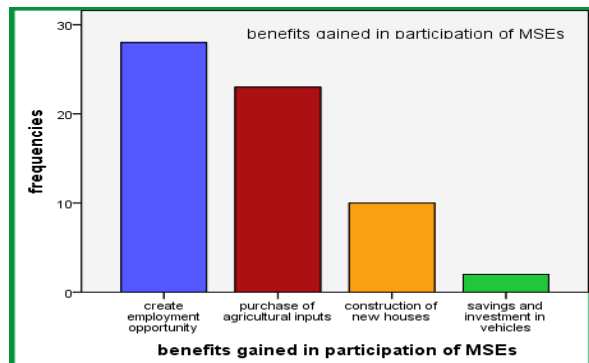


Figure 1. Profit sources of Agriculture enterprises
Source: own Survey, (2022)

In other way, lack of visit to enterprise of best performing as experience share was 47.5% and absence of agricultural risk insurance (86.9%) some of other common factors which hinders the performance of business.

3.3 Opportunities of participation in micro and small agricultural enterprises

As the study result showed in the area, the common opportunities to participate in and stay in the enterprises were; knowing each other before the formation of group (93.4%) which helps the group members to respect each other, conduct an open discussion and thereby to solve

common problems in the way of running the business. In other among sample respondents, conducive government policies to work in group (77%), family support in business (79.5%), youth ambition/ eagerness to work in group (92.6%), having rule/ regulations which governs the group (85.2%) and abiding the rules and regulations (86.9%) were some of opportunities that allow youth to run and participate in the enterprises.

3.4 Challenges that hinder participation and success of enterprises

Contrarily there were factors which might prohibit the acceleration and success of agricultural micro and small enterprises in rural and per-urban area (Table 6).

Table 6. Ranks of constraints to enterprise in order of their importance

Problems identified	Frequency	Percent	Rank
shortage of training and follow up	21	12.15	4
delay of credit provision	40	27.86	1
Lack of marketing place for products	16	7.12	6
lack of infrastructure(water, road, electricity)	28	17.89	3
limited amount of credit provided	32	21.26	2
shortage feed access	10	3.30	7
shortage of farm land	19	10.42	5

Source: Survey result (2022)

These might be the bureaucracy challenge in process to and during the running of enterprises, weak institutional capacity building, lack of commitment by officials and giving priority to relatives and/or somehow the need to commissions by officials and, delay of loan and sophisticated way of gaining loan, absence of insurance, occurrence of disease and hazard on enterprises, lack of infrastructure building specially; water, road, electricity etc around/ near to business area, lack of access to input provision by government officials and market linkage problem were some of critical issues affecting the enterprises in the study area.

4. CONCLUSIONS AND RECOMMENDATIONS

There were different types of micro and small agricultural enterprises in which youths were participating in the study area. The major types of enterprises identified in the area were, dairy farming, beef fattening, poultry production, goat/sheat rearing and fattening, seedling and crop productions. These enterprises were run by youths through support provided from different governmental and other respective bodies. Some of benefits youth gained through participating in enterprises were, creating of new employment opportunities, purchasing of agricultural inputs which helps to run their business, construction of new houses

and other investments. There are factors which accelerate and/or prohibit the youth participation in the agribusiness enterprises. Sex of respondent, marital status, agricultural risk insurance and distance from enterprise center to market were the significant variables which affect the participation of youth in agricultural enterprises' in the study area. so that the government and other respective stakeholders should work in these terms to motivate youth for further benefit in participating of micro and small agricultural enterprises. In other way there were also factors which hinder youth participation in the

agribusiness, these may include delay of loan provision, limited amount of credit provided, lack of infrastructure's such as road, water, electricity etc., shortage of enterprise specific training provision and follow up, small farm land provision and shortage feed availability. So that institutional follow up, intervention to infrastructural and capacity development should be taken for effectiveness of enterprises.

Acknowledgement: Authors would thank the southern agricultural Research Institute (SARI) Areka Agricultural research center, for funding and logistics support to this research work..

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