

Entrepreneurship Development and Poverty Reduction: Empirical Survey from Somalia

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Abstract

This paper explores the relationship between the entrepreneurship Development and economic growth, the study employed correlation research design. The overall sample consists of 80 participants in Benadir region.

The study found weak positive relationship between entrepreneurship development and poverty reductions. The Sig. or P-value was less enough, suggesting that the two variables indicated that the computed R-value was $_{0.195}$; this indicates that there was weak positive correlation between entrepreneurship development and poverty reduction.

Key Words: Entrepreneurship Development, Poverty reduction, Benadir region

1. Introduction

According to Hisrich and Peters(1989) “entrepreneurship is the process of creating something of value by devoting the necessary skills, time and effort, and, assuming the accompanying financial and sometimes physical and social risks, to reap the resulting monetary rewards and personal satisfaction”. Today, entrepreneurship is becoming increasingly important. Individual, social and environmental factors all have a direct bearing on the entrepreneurial process, its motivation, innovation, continuity and expansion (Bygrave, 1994).

Entrepreneurship development contributes to poverty reduction when it creates employment through the start up of new entrepreneurship or the expansion of existing ones and they increases social wealth by creating new markets, new industries, new technology, new institutional forms, new jobs and net increases in real productivity, increases income which culminates in higher standards of living for the population (Simon White, 2005) then it is logically to state that if the number of entrepreneurs of any given country increase, the poverty indicators will decrease and vice verse.

Although Somali entrepreneurs started creating private sectors and increased the income of the families but still the rate of the poverty increased because Somalia has been a country the chronic complex emergency since 1991 when the Somalia government was collapsed The resulting civil war and frequent natural disaster have led to a lack of basic services and great human suffering and humanitarian crises, and many public jobs were lost and rate of poverty has increased and increased unemployment rate, Somalia is thirds of the world's country who lived poverty Approximately, 43% of Somalia's population lives below the poverty line. Poverty in Somalia is more pronounced in the rural areas than in the urban regions. (Sarah Robinson, 2011) however, This study will investigate the relationship between Entrepreneurship and poverty reduction.

2. Entrepreneurship and Poverty Reduction

Entrepreneurship is one who create new business idea, Entrepreneurship as a whole contributes to social wealth by creating new markets, new industries, new technology, new institutional forms, and net increases in real productivity.

The jobs created through their activities in turn lead to equitable distribution of income which culminates in higher standards of living for the populace. The benefits of entrepreneurship – new jobs, higher incomes and increased wealth – are especially strong in the private sector. There is increasing recognition that private sector development has an important role to play in poverty reduction. The private sector, including small enterprises, creates and sustains the jobs necessary for poor people to work and earn the income needed to purchase goods and services. (Schumpeter in Rutashobya & Nchimbi, 1999) Thus, there is not a clear reason to qualify all of them like ‘unproductive’ because *ex-post* they will be a building block to more productive activities. These entrepreneurs can contribute to social and anti-poverty interests although they do not have a substantial impact on economic growth. They at least, avoid poverty from increasingly getting worse under certain circumstances or constitute a base for future social mobility (Grosh and Somolekae, 1996; Sandy, 2004)

The concept of poverty is not a simple task. World Bank’s statement on understanding poverty says: ‘Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom’ (World Bank, 2009). Even though there are several experts who described the relationship between entrepreneurship development and poverty reduction in developing countries. (Abdala, Malaysia, 1997 and Amar Bhade, India, 2003) but that did not detail enough information about the context of Somalia. The researchers want to identify the relationship between entrepreneurship development and poverty reduction in less developed countries so, this study focuses on the context of Somalia by selecting some of small enterprises and medium-sized enterprises in Benadir region.

3. Research Methodology

This study employed correlation research design to investigate the relationship between entrepreneurship development and poverty reduction, the research design is about the arrangement of variables, conditions and participants for the study. The researcher will use Correlation research design. Correlation method involves conducting data in order to determine whether and to what degree a relationship exists between two or more variables. (Amen, 2005). The study consisted of 80 participants of micro and small enterprises in Benadir region, this study employed probability sampling techniques special stratified sampling the population is divided into sub-populations such that elements within each sub-population are homogenous. Then selected independently from each subpopulation.

4. Findings and Discussions

4.1: Demographic Data

According to table 1, 91% of the respondents are male and 9% of the respondents are female. So, most of the respondents are male in the study, this indicates that females were dominated by the male Working higher learning institutions due to the Somali culture.

The majority of the respondents that constitutes 85% of the respondents were within age bracket of (20-35), 10% of the respondents are within age bracket of (36-45), 3.8% of age bracket (46-55) and 1.2% of the respondents are in the age bracket of (56 and above).. In the regard of qualification of the entrepreneur, majority of them are bachelor degree holders that make up 61.2% of the respondents, second group of the entrepreneur have secondary certificate which represents 15% of the respondents, third group of entrepreneur are diploma certificate that make up 13.8% of the respondents, and last group of entrepreneur are master degree that makes up 10% of the respondents, So this result shows that most of entrepreneurs are bachelor degree holders.

Table 1 Demographic Variables

No	Characteristics	Frequency	Percentage
1.	Gender		
	Male	73	91.2
	Female	7	8.8
2.	Age	68	
	20-35		85
	36- 45	8	10
	46- 55		
	56 and above	3	3.8
		1	1.2
3.	Highest level of Education	12	15.0
	Secondary	11	13.8
	Diploma degree	49	61.2
	Bachelor degree	8	10.0
	Master degree		
4.	Marital Status		
	Single	32	40
	Married	48	60
5	Business industry	9	11.2
	Manufacture	56	70.0
	Merchandise	15	18.8
	Service		

From the above table 1, 11.0% of respondents were manufacture, 70% of respondents were merchandise and 18.8% of respondents were services company, So this result shows that most of entrepreneurs are merchandises company. Finally, the table shows that most of the respondents were married (N=48, 60%). On the other hand the table shows 40% of the respondents (N=32) were single which means not married.

4.2. Data Presentation and Analysis

The objective of the study was to identify the relationship between entrepreneurship development and poverty reduction in Benadir region. The data of the study was collected using a researcher devised questionnaire scored on response mode ranging from 1 = strongly disagree, 2 = disagree, 3 = Agree, and 4 = strongly agree for each of these study variables and the findings are presented below.

As shown table above questions were divided into two parts, first part about entrepreneurship development; and second part was poverty reduction. First part was independent variable which consisted of was ten questions. First question concern weather Entrepreneurship directly reduces poverty through the creation small business. So a response outhit question became good with mean 2.75 and standard deviation 1.037 .the second question was Entrepreneurs also appear social wealth by creating new markets the answer is good by mean 2.75 and standard deviation 0.921. Question three describe weather Entrepreneurs create more employment opportunities and the result became good with mean 2.70 and standard deviation 1.036,questin four concerned that if There are potential skills developments in small business owned by individuals in Banadir region.. the answer is very good by mean 2.60 and standard deviation of 1.038. question five was if Entrepreneurs are major contributors to economic growth it shown that is good by mean 2.70 and standard deviation .947.Question six concerned whether They improve the standard of living of the beneficiaries sometimes. it resulted fair(not good) with mean 2.56 and standard deviation 0.992. Question seven was that Entrepreneurship play crucial role for reducing poverty, the response became good by mean 2.70 and standard deviation 1.156, question eight was if There is relationship between Entrepreneurship and poverty reduction the answer is good by mean 2.64 and standard deviation 1.070. Question nine asked respondent if Entrepreneurship is particularly productive from a social welfare perspective the result is Good with mean 2.49 and standard deviation .941.

Question ten asked respondents whether Entrepreneurship as a whole contributes to social wealth by creating new markets, new industries, new technology, the answer became good by mean 2.85 and standard deviation .855.

Table 2: Means and standard deviation results on entrepreneurship development to poverty reduction in Benadir region (N = 80)

Indicators of entrepreneurship development	Mean	Std. dev	Interpretation
Entrepreneurship directly reduce poverty	2.75	1.037	Good
Entrepreneur appear social wealthy by creating new markets	2.75	.921	Good
Entrepreneur create more employment opportunities	2.70	1.036	Good
There are skills development in small business owned by individuals	2.60	1.038	Good
Entrepreneurs are major contributor of economic growth	2.70	.947	Good
They improve the standard of living of the beneficiaries sometime	2.56	.992	Good
Entrepreneurship play crucial role for reducing poverty	2.68	1.156	Good
There is relationship between entrepreneurship and poverty	2.64	1.070	Good
Entrepreneurship is particular productive from social welfare perspective	2.49	.941	Very good
Entrepreneurship as whole contributes to social wealth by greeting new market	2.85	1.069	Very good
Mean index	2.7	1	Very. Good

Sources of primary data

Second part was poverty reduction (dependent variable) it consisted of ten questions as follow. First question was whether The poverty reduction programmed covers many field of life, the result become agrees by mean 2.45 and standard deviation 1.030. Question two asked respondent if The only way it can reduce poverty is entrepreneurship, Became agree (good) with mean 2.50 and standard deviation .968. Question three was if Poverty is powerlessness, lack of representation and freedom, then became agree mean 2.56 and standard deviation 1.123. Question four was if Poverty is not only a lack of material resources but also lack of power and choice the response given was agree with mean 2.94 and standard deviation .905. Question five asked respondents if Poverty is dangerous circle of poor Health, reduced working capacity, low productivity and shortened life expectancy , the result became agree (good) with mean 2.38 and standard deviation 1.107. Question six was concern whether Poverty can be: The physical pain that comes from too little food and long hours of work, the answer became agree by mean 2.41 and standard 1.002. Question seven inquired respondents if Lack of employment or lack of productive land and other income earning assets, the answer became disagree by mean 2.70 and standard deviation .973. question eight asked respondents if Income poverty is due to people not having access to money or other assets, the result turned into disagree by mean 2.95 and standard deviation 1.054. question nine concerned whether The best way to reduce income poverty is to encourage and support the development of effective businesses (small, medium and large) , the result turned into agree by mean 2.59 and standard deviation 1.209. Question ten asked respondents if Poverty are problem that effected the live of individual, the answer become disagree with mean 2.56 and standard deviation.

Poverty indicators	Mean	Std. dev	Interpretation
The poverty reduction programmed covers many field of live	2.45	1.030	Good
The only way it can reduce poverty is entrepreneurship	2.50	.968	Good
Poverty is powerlessness lack of representation and freedom	2.56	1.123	Good
Poverty is dangerous circle of poor health reduced working capacity	2.94	.905	Very Good
Poverty can be; the physical pain that comes from too little food and long hours of work	2.38	1.107	Good
Lack of employment or lack of productive land and other income earning assets	2.41	1.002	Good
Income poverty is due to people not having access to money or other assets	2.70	.973	Good
The best way to reduce income poverty is to encourage and support the development of effec bss(sm,md,lg)	2.95	1.054	Good
Poverty are problem that effected the live of individual	2.59	1.209	Good
Poverty is not only alack of material resources but also lack of power and choice	2.56	.855	Good
Mean index	2.6	1	Good

Source: Primary Data 2012

Table 4.3: Correlation results between Autocratic style and Performance

Variable (Indices)	Mean score	SD	R-value	Sig.
Entrepreneurship	3.0250	.34033	-0.195	0.082
Poverty	2.8654	.33296		

Source: Primary data 2012

The major findings of the study were indicated that entrepreneurship directly reduce poverty in Benadir region. with a mean average 2.75, also the respondents Entrepreneurs also appear social wealth by creating new markets the answer is good by mean 2.75, It was also found that Entrepreneurship play crucial role for reducing poverty, the response became good by mean 2.70.

Results

Indicate that was weak positive relationship between entrepreneurship and poverty reduction. The sig. or p-value indicated 0.082 that the computed r-value was -0.195 not enough, suggesting that the two variables (entrepreneurship development and poverty reduction) weak positive related. In addition to this, since the computed R – value was -0.195, it indicated that there was weak positive correlation between entrepreneurship development and poverty reduction.

5. Discussions and Conclusions

The main objective of the study was, to identify the relationship between entrepreneurship Development and poverty reduction in Benadir region. The researchers tested the significant relationship between entrepreneurship development and poverty reduction. There was weak positive relationship between entrepreneurship development and poverty reductions. The sig. or p-value indicated that the computed r-value was less enough, suggesting that the two variables (Medium-sized computed R – value was _0.195, it indicated that there was weak positive correlation between entrepreneurship development and poverty reduction.

In the findings of research Was generally stated that entrepreneurs, Measuring the relationship between small business entrepreneurship and poverty reduction has proved very difficult due the unavailability of data on such ventures, differences in definition of the key variables small business entrepreneurship and Poverty, Who practice poverty reduction make contribution more better than under development because under this style entrepreneurs have more contribute in economic growth which results poverty reduction . But a limitation of that finding was it investigated only micro and small companies while this study investigated ten main pharmaceutical companies in Mogadishu. Although that finding much closed this study the deference is that focus on public sector while this study focus on private companies in Mogadishu. the last finding of literature was research conducted study was written (Abdala, Malaysia, 1997 and Amar Bhade, India, 2003). The researchers want to identify the relationship between entrepreneurship development and poverty reduction in less developing countries so, this study focus on the context of Somalia by selecting some of small enterprises and medium-sized enterprises in Benadir region.

Basing on these, the researcher accepted the weak positive relation between entrepreneurship development and poverty reduction a conclusion that, entrepreneurship development and was no significantly related to poverty reduction in Banaadir region

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