Institutional drivers of youths into Agribusiness

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Impact of informal institutions on youth agribusiness participation in Southern Benin

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Presentation outline

1. Introduction
2. Institutions and entrepreneurship (agribusiness)
3. Motivations of the study
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5. Main findings
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1. Introduction (1/3)

Problem statement

- Youths are uninterested in the agribusiness sector in Sub-Saharan Africa.
- Agribusiness being all activities and services along the agricultural chains.
Youths are not interested in agribusiness because they identify agricultural activities as a laborious work with low productivity.

Rural youths are attracted by off-employments and migrate to urban areas.

Mounting evidence suggests that limited access to financial services, plots of land and technical knowledge are impeding factors.
1. Introduction (3/3)

Objective, findings, & recommendations

- We assess the impact of informal institutions on youth participation in the AS.

- Findings suggest that agribusiness-friendly informal institutions are key drivers of youth participation in the AS.

- We recommend institutional reforms to strengthening trust within society and improving youth’s desirability for agribusiness.
What are institutions?

• Institutions are humanly devised constraints that shape life in society

• Formal institutions: constitutions, laws, contract and property right

• Informal institutions: traditions, taboos, codes and ethics

Institutions and entrepreneurship

• Institutions are instrumental to economic development
  - Good institutions reduce uncertainty and transaction costs.

• Institutional framework
  - Entrepreneurial activities could be either productive or destructive
  - Good institutions favor productive activities while bad institutions fuel unproductive ones.
3. Motivations of the study (1/1)

**Research objective**

- It is critical to assess the impact of informal institutions on youth participation in the AS.

**Rationales**

- Providing inputs may not drive the youths into the AS.
- Inspecting the institutional framework that shapes the youth’s life and the choice of their career is critical to get broader insights.

**Rationales**

- Institutions can inform and predict youth participation into AS because they reduce uncertainties and transaction costs.
- Institutions are particularly relevant for agribusiness as agricultural value chains are contract-intensive.
4. Data and descriptive statistics (1/2)

- We surveyed 478 individuals aged 15 to 35 (African Youth Charter) in Southern Benin based on a stratified random sampling technique.

- We collected information on respondents’ socio-economic characteristics, information on informal institutions and participation in the AS.

- Agribusiness activities covered are market gardening, pineapple growing and conventional agriculture (rice, maize, cassava and fishery).

- We measure informal institutions by trust, control, absence of obedience (societal structure) and social desirability for AS.

- We then classify the youths’ perception of informal institutions into two broad categories:
  - **High attributes:** agribusiness-friendly informal institutions.
  - **Low attributes:** agribusiness-unfriendly informal institutions.
Among the respondents, 65% are male and 75% live in urban and peri-urban areas.

34% of the respondents are in the AS.

The mean differences (except father’s income) of covariates are statistically significant.

Notes: *, **, and *** indicate significance at 10%, 5%, and 1% levels, respectively; Standard errors are reported in the parentheses.
5. Main findings (1/1)

*Figure 1. Factors affecting youth participation in agribusiness*

- Informal institutions matter for the participation of the youths into the AS.
- Furthermore, land and agricultural skills are all relevant inputs for starting agribusiness projects.
- However, no impact was observed concerning access to financial services.

**Notes:** *, **, and *** indicate significance at 10%, 5%, and 1% levels, respectively; Standard errors are reported in the parentheses. The blue bars indicate a significant effect.
6. Summary and conclusion

**Problem statement**
- Agri-related activities are unappealing to the youths in sub-Saharan African countries.

**Question.**
- How can we stimulate youth participation in the AS?

**Research objective**
- To evaluate the impact of agribusiness-friendly informal institutions on youth participation in the AS.

**Main findings**
- Agribusiness-friendly informal institutions are essential to youth participation in the AS.
- Access to land and technical knowledge drive youth participation into AS.
- Access to finance assistance has no significant impact on youth participation in the AS.
Long-term policies

- Long-term policies consist of implementing institutional reforms to enhance societal level of trust.
  - Reducing corruption practices;
  - Strengthening the judiciary to protect agri-related contracts;
  - Enforcing property right.
6. Summary and conclusion (3/5)

- Long-term policies might also seek to improve desirability for AS.
  - Informing the youths of the untapped opportunities available in the AS;
  - Informing the youths that AS is a life choice;
  - Involving media in the promotion of youth and women participation in AS;
Short-term policies

- Short-term policies consist of capacity development and easing access to land for the youths.
International institutions, non-profit and non-governmental organizations

- Understanding the mindset of the youths before supporting their participation into AS;

- Ensuring informal institutions are agribusiness-friendly before supporting the youths financially to avoid low loan repayment rate among the youths.
Thank you