

THE ROADMAP OF YOUTH ENTREPRENEURSHIP

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(1) Objectives,

There are approximately 100 million unemployed and underemployed young people aged 16 to 30 years in our country. At least 20% of these young people have the potential to become entrepreneurs, less than 5% do. Removing the barriers and providing the wherewithal to start a business can help this group find employment and build a strong entrepreneurial economy.

This Roadmap outlines policy guidelines to reduce the impediments to young people becoming entrepreneurs and identifies what would stimulate this process.

It is important to realize that these initiatives cannot take place in isolation but should be an integral part of each country's overall economic and enterprise development plans. We have in our country policies for developing enterprise and the Small and Medium Enterprise (SME) sector and the development of youth entrepreneurship has to be viewed within this context. The Roadmap focuses on those aspects of policy that specifically help young people find decent and productive work through entrepreneurship, particularly those coming from a disadvantaged background.

(2) Brief Statement of Methods,

This Roadmap has two components the First lists the main impediments to young people seeking to become entrepreneurs .The second list stimulates to help them to start.

What is impeding young entrepreneurs? What would stimulate youth entrepreneurship?

(3) Summary of Results and

What is impeding young entrepreneurs?

1. Regulations

Excessive or over-complex red tape and bureaucracy provide a particular disincentive to young people starting a business and can put an unsustainable burden on their new businesses.

There are a number of regulatory challenges to young entrepreneurs which include pricing policies, credit policies and import /export tariffs.

What would stimulate youth entrepreneurship?

1. Change the regulatory environment to make it easier for young people to develop their own businesses. Simplify and ease regulatory requirements for new businesses.
2. Create an easily accessible one-stop source of information and guidance to help young people learn how regulations work, why they need to be observed and what they need to do to comply.
3. Greater transparency of information. Governments can disseminate regulatory information and forms for registration, taxation and other regulatory purposes to firms via electronic networks, including interactive Web sites.

What is impeding young entrepreneurs?

An unsupportive tax regime can kill off new businesses during their critical first few years of trading. The costs of compliance in many countries force many promising young entrepreneurs to remain in the grey market where there are limitations to the opportunities for them to grow and prosper. There are cost of operating in the informal market such bribes and commissions and the inability to access formal finance or support

What would stimulate youth entrepreneurship?

1. Simplified tax regimes or differentiated tax rates for small enterprises can both take the burden off new businesses whilst encourage the inscription of small enterprises into the tax registers. This may be more useful than the direct fight against tax evasion.

2. As with regulations young people need a resource to teach them how and why taxes affect them.

What is impeding young entrepreneurs?

Bankruptcy laws in our country are often indiscriminately punitive to business failure even when it was events rather than any impropriety that caused the failure. In our country there is also a strong social stigma attached to any failure in a commercial venture.

Many would be young entrepreneurs tend to be risk averse because they see the financial and social costs of failure as outweighing the benefits of success.

What would stimulate youth entrepreneurship?

Framing of the bankruptcy laws so young entrepreneurs are not overly penalised at the beginning of their business lives if they cease trading for any reason other than criminal or fraudulent activity.

What is impeding young entrepreneurs?

Poor enforcement of copyright and patent regulations can greatly disadvantage young people who are innovative yet ignorant of this complex area.

What would stimulate youth entrepreneurship?

1. Industry sectors should be encouraged to plan long term and encourage new blood to enter their markets by nurturing new businesses.

2. Make the use of patents and copyright easy and an incentive for young people to use. It should encourage them to take risks and innovate and be an incentive rather than a disincentive.

3. There is evidence of high levels of entrepreneurship in the informal economy. To create a bridge between the informal and mainstream economy we must move young people through the continuum from totally unrecorded activity to the fully reported economy without killing off their entrepreneurial talents.

What is impeding young entrepreneurs?

Ineffective competition law can close markets to new start-up businesses particularly young people who are outside local business networks.

What would stimulate youth entrepreneurship?

Framing of competition law to ensure young new entrants have equal access to markets.

What is impeding young entrepreneurs?

Competition related restrictions on market access or government subsidies can prevent many young people from entering markets. Trade liberalisation policies introduced in many developing countries have increased competition. Many new businesses do not have the professional management and resources to adapt to a more competitive environment

What would stimulate youth entrepreneurship?

In those countries with social security use the system to provide a social safety net for the crucial early period when a disadvantaged young person is setting up their business.

2. Cultural Attitudes

What is impeding young entrepreneurs?

Many societies put much greater value on earning wages rather than creating wealth. There is a perception that qualifications qualify people to be employed and not to create wealth. The expectation that family sacrifice to help young people get a degree is not met if they become self-employed which is not seen as a career.

What would stimulate youth entrepreneurship?

Make Entrepreneurship an acceptable option for young people. In many countries entrepreneurship is not perceived as a viable option for young people seeking employment. There is a fear of failure. A perception that entrepreneurship is a strong opportunity for young people must be nurtured if they are to gain experience, self-esteem, and employability and create wealth.

What is impeding young entrepreneurs?

In many countries there is a stigma attached to any failure in a commercial venture. This fear of failure is a strong disincentive to starting your own business. Entrepreneurship is not valued in many societies as is, for example, a career in medicine, in law, with a large corporation or with government. Many would be young

entrepreneurs tend to be risk averse because they see the financial and social costs of failure as outweighing the benefits of success

What would stimulate youth entrepreneurship?

1. Strong PR campaigns to reduce the fear of failure and boost perception of the value of entrepreneurs to society. Reward risk taking
2. Use case studies and identify heroes and champions from among young people and successful entrepreneurs. Persuade experienced business people to promote self-employment as a genuine career option for young people.
3. Create prestigious awards to celebrate the success of entrepreneurs, make heroes of entrepreneurs.

What is impeding young entrepreneurs?

Corruption is a cancer that prevents many businesses surviving or growing.

What would stimulate youth entrepreneurship?

1. Attack corruption wherever it occurs ensuring the damage it can do is a subject taught by education and training organisations.
2. Nurture good practices of governance and business behaviour in the SME sector.

What is impeding young entrepreneurs?

It is common to find an adverse reaction to the informal economy where young entrepreneurs operate but are unable to grow due to lack of access to reasonable sources of finance and fear of regulation and taxation.

What would stimulate youth entrepreneurship?

Address the question of how to bring the informal economy into the mainstream economy and access more conventional sources of finance.

What is impeding young entrepreneurs?

Business networks often perceive start-ups as unacceptable competition rather than new blood and future

What would stimulate youth entrepreneurship?

Stimulate business networks and industry associations to include young people rather than exclude them.

What is impeding young entrepreneurs?

Social protection though obtaining salaried employment is one of the greatest perceived needs of a young person. The risks associated with self-employment are a significant disincentive.

What would stimulate youth entrepreneurship?

Provide some form of social safety net for the initial period of starting a business.

What is impeding young entrepreneurs?

In some societies young girls are specifically discouraged from becoming entrepreneurs.

What would stimulate youth entrepreneurship?

Work with Equal Opportunity organisations to ensure to include young girls in entrepreneurship policies.

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3. Education

What is impeding young entrepreneurs?

An academic approach to education nurtures skills that are appropriate to working in large organisations or firms but not for an entrepreneurial career.

What would stimulate youth entrepreneurship?

1. The education system must recognise the need for developing the skills and attitudes that make up an entrepreneurial mindset such as lateral thinking, questioning, independence and self-reliance. This education should continue through vocational training, business incubation and the start-up phase for young entrepreneurs.
2. Ensure that the curriculum is relevant to the needs of young people to find decent and productive work.
3. Encourage entrepreneurial activities by promoting the concept of entrepreneurship and self-employment as well as training for entrepreneurs.

What is impeding young entrepreneurs?

Most education systems teach traditional values of compliance to the norm rather than independent thinking or self-reliance.

What would stimulate youth entrepreneurship?

Ensure the curriculum develops the skill set needed to develop entrepreneurial attitudes amongst young people. These will include risk assessment, decision-making and networking, and innovation.

What is impeding young entrepreneurs?

Teachers and university teachers have little experience of self-employment and the skills and attitudes that are required.

What would stimulate youth entrepreneurship?

Ensure the value to the economy of entrepreneurship and wealth creation is well understood by everyone involved in training, education and working with young people.

What is impeding young entrepreneurs?

Experiential learning is very rarely used as an effective way of gaining knowledge and experience yet it is probably the most powerful way of learning entrepreneurship.

What would stimulate youth entrepreneurship?

1. Develop ways of experiential learning for young entrepreneurs such as business projects and work shadowing.
2. Teach young people that they are contributors to their community, not dependants.

What is impeding young entrepreneurs?

Careers services in schools and further education rarely identify self-employment as an option for employment.

What would stimulate youth entrepreneurship?

Build into the education system awareness of what is required of a “good” employer and business person such as business ethics, employee rights and transparency.

4. Skills Training

What is impeding young entrepreneurs?

Centrally planned skills training is often not matched to market needs so young people often gain skills for which there is no market and therefore no jobs.

What would stimulate youth entrepreneurship?

1. Job centres should work closely with vocational training organisations to recommend entrepreneurship as an employment option for young people
2. Ensure training in business plan training is easily available either as part of the vocational course or through career planning advice.
3. Ensure careers advice and counselling at schools colleges and universities includes self-employment as a viable career option.
4. To start a business a young person needs both entrepreneurial and vocational skills. Any vocational skills course should have entrepreneurial and business skills as part of the core content

What is impeding young entrepreneurs?

Many government policies focus on funding skills training specifically for high value skills rather than meeting broader market needs.

What would stimulate youth entrepreneurship?

Appropriate skills training should be as widely available to young people as possible.

What is impeding young entrepreneurs?

Young people who have no ICT training or access to the appropriate hardware are greatly disadvantaged in starting in business. The digital divide and a lack of ICT capability can severely hamper potential young entrepreneurs.

What would stimulate youth entrepreneurship?

1. Ensure ICT training is widely available.
2. Ensure there are practical ways new businesses can access the appropriate hardware and communications infrastructure.
3. Develop partnerships between governments, employers and school and college authorities to provide the necessary training.
4. Ensure all students understand the power and potential of ICT in the workplace.
5. Use the market to establish what skills training is required.

5. Finance

What is impeding young entrepreneurs?

Difficulty in obtaining start-up financing is the major impediment to young entrepreneurs seeking to create their own business.

What would stimulate youth entrepreneurship?

One of the strongest stimulants to encourage young people to become entrepreneurs is to ensure they can easily access seed funds for their business ideas. They need space to try out their ideas, prove their talents and learn through experience before they enter the mainstream economy.

What is impeding young entrepreneurs?

Also see Cultural attitudes section re 'societal support'

Also see Business support section re physical 'work space'

Young people with no experience or assets are seen as too risky an investment by commercial or self-sustaining sources of finance. Young entrepreneurs are seen as a high short-term risk and therefore a poor investment. Most young people cannot obtain the collateral or guarantees to enable them to raise credit from Banks or micro-credit institutions based on conventional credit-scoring methodologies.

What would stimulate youth entrepreneurship?

1. Providing seed funding for business start-ups should be regarded as a highly effective social investment.
2. It should be recognised that short-term self-sustaining micro-credit mechanisms can very rarely be applied to young people with no experience, or assets to offer. An alternative form of youth business investment such as grants or Youth Development Bonds must be developed.
3. Youth are an asset. They should be perceived and valued as such
4. Government and employers can play a role in influencing banks to give preferential loan and repayment options to young entrepreneurs.

- Loan guarantee funds

- Certificates of business worthiness

- Youth Development Bonds

5. Grants

What is impeding young entrepreneurs?

Poor business plans. Most financing schemes are often conditional on the preparation of high quality business plans. Without these, any access to capital can be very difficult.

What would stimulate youth entrepreneurship?

Support agencies to offer appropriate training

What is impeding young entrepreneurs?

Whilst many young entrepreneurs may have the potential to expand and take on additional staff 1 year plus after starting up they often lack the support measures to assist them.

What would stimulate youth entrepreneurship?

Business expansion support /services can help businesses make the transition from start-up to sustainable growth.

What is impeding young entrepreneurs?

Informal personal networks are the commonest source of start-up funds; these are largely unavailable to young people from a disadvantaged background.

What would stimulate youth entrepreneurship?

Youth business funding must be seen as a distinctive mechanism to help young people into employment. The majority of business start-ups are funded from informal sources such as family or personal contacts. Where the young person has no such network similar sources of easily accessible start-up funds should be made available.

What is impeding young entrepreneurs?

Young people are easily put off by the information and documentation required by many commercial lenders providers of micro-credit.

What would stimulate youth entrepreneurship?

1. Where possible the social security net should continue to provide protection during the crucial early period in starting up businesses.
2. Promote the teaching of financial literacy so young entrepreneurs know how to budget and manage funds.

6. Business Support

What is impeding young entrepreneurs?

Businesses in the start-up phase often cannot afford to pay for business support or advice.

Many young entrepreneurs do not at first understand the need to invest in knowledge and training for the future of their businesses. They need to learn to appreciate its value.

What would stimulate youth entrepreneurship?

1. The more support a young entrepreneur can receive in first three years of trading the better their chance of creating a sustainable business or of becoming more employable.

2. Encourage and facilitate business people to become mentors to support young entrepreneurs during the critical first few years of their new business.

3. Engage local business networks to help youth businesses by transferring their knowledge, experience and contacts. They can do this by mentoring, including them in their networks, bringing the youth businesses into their supply chains or providing pro-bono advice and training.

What is impeding young entrepreneurs?

Financing schemes are often conditional on the preparation of adequate business plans. Without a viable plan access to capital can be very difficult.

What would stimulate youth entrepreneurship?

Support agencies to offer appropriate training in the preparation of business plans.

What is impeding young entrepreneurs?

Whilst many young entrepreneurs may have the potential to expand and take on additional staff 1 year + after starting up they often lack the support measures to assist them

What would stimulate youth entrepreneurship?

Business expansion support /services can help businesses make the transition from start-up to sustainable growth.

What is impeding young entrepreneurs?

Isolation, the absence of support networks and a lack of business contacts are common obstacles to setting up your own business

What would stimulate youth entrepreneurship?

Junior Chambers of Commerce and

Young entrepreneurs clubs can

Provide networks to support and

Encourage links between formal and informal sectors as well as

Represent youth businesses to governments and commercial banks, etc

What is impeding young entrepreneurs?

Enterprise and support agencies which have to be self-sustaining will design their services to serve the more mature SME companies rather than cash-poor youth business start-ups

What would stimulate youth entrepreneurship?

Provide accessible ongoing technical advice and training on subjects such as marketing, taxation, accountancy, employment law and export through enterprise agencies, chambers of commerce etc.

What is impeding young entrepreneurs?

Young people with no business experience do not know where to seek for work nor what will be expected from them by professional purchasers

Without access to affordable, well located workspace new businesses will have difficulties to expand

What would stimulate youth entrepreneurship?

1. Encourage the use of appropriate policies by governments and corporations to support to young entrepreneurs by encouraging them and teaching them to identify and participate in business opportunities.

2. Young people should be helped to enter supply chains so they can learn and the purchaser can broaden their supply base. This should be the policy

3. Provide incubator units where youth businesses can find accessible services, shared office space and mutual support from other new businesses.

4. Promote Trade fairs, exhibitions and competitions where young people can showcase their achievements and build contacts and networks.

5. Use ICT to support youth businesses through techniques such as e-commerce, virtual market places and on-line mentoring and advice.

(4) Conclusions.

Given the fact that many developing countries will suffer serious gaps in the number of formal sector jobs available to those seeking employment for the foreseeable future, enterprise development will be the only employment alternative for many of the world's low-income youth. In other words, many youth are becoming entrepreneurs more out of need, than due to personal preference. This was a finding of a recent IDB study, which also found that even for those youth that prefer formal sector employment, Self-employment can later facilitate the transition to paid employment for youth.¹⁸ Nonetheless, youth face many disadvantages in trying to start a business. They tend to have limited access to capital and business networks, as well as knowledge of markets and opportunities. Business development services that are available are often not holistic or integrated. Several approaches have been applied to develop young people's entrepreneurial skills and to overcome these limitations.

Thank you for your attention!