

YOUTH ENTREPRENEURSHIP BARRIERS AND ROLE OF EDUCATION IN THEIR OVERCOMING - PILOT STUDY

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Abstract:

Entrepreneurship plays vital role in economic development. Unfortunately in case of many developed economies it is possible to observe low level of youth entrepreneurship. Among various reasons explaining this situation one is that in case of non necessity-driven entrepreneurship dominant in developed economies existence of numerous barriers is scaring off potential young entrepreneurs. The aim of this article is to identify those barriers and extent to which education can help to overcome them. First part of article is based on literature review, helping to understand role of barriers in preventing development of entrepreneurship, especially in regard to entrepreneurship of young people. Various barriers are identified and their role explained. Second part of article presents results from pilot study on perception of entrepreneurship barriers by young people, and role of education as a solution to overcome that barriers. Conducted in Poland survey focuses on identifying importance of certain barriers and how helpful proper education - including entrepreneurial education - can be in their overcoming, therefore presenting young people expectations toward entrepreneurial education systems.

Keywords: entrepreneurship, education, youth entrepreneurship, entrepreneurship barriers

1. YOUTH ENTREPRENEURSHIP AND BARRIERS

1.1. Role of youth entrepreneurship

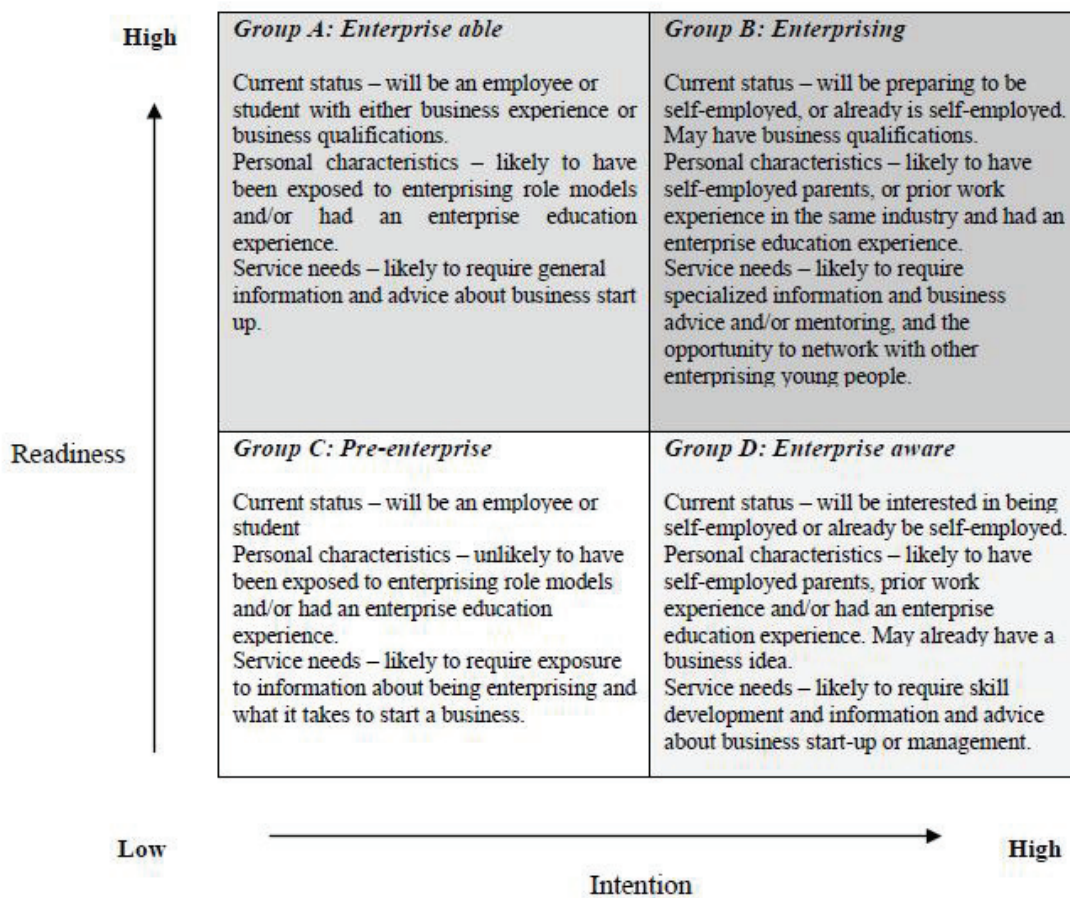
Although youth entrepreneurship may at first glance seem self-explanatory term, formulation of its one universal definition is extremely problematic task. Literature provides rich catalogue of many definitions and forms of entrepreneurship (Herbert and Link, 1989). To add the difficulty the youth seems to be term that is very subjective and related to culture (Youth Entrepreneurship, 2013, p. 1). As for this study defining youth entrepreneurship as self employment of people younger than 30 years although arbitrary should be sufficient. It is important to note that young people younger than 30 years account for half of global population. Due to various factors (including lack of experience or lack of skills) young people are at much higher risk of being unemployed, but also underemployed. According to ILO unemployed young people (aged 15-24) account for 45 percent of 191 million of globally unemployed (Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people, 2006, p. 5). Very high levels of youth unemployment are most visible in developed economies. In case of Greece and Spain youth unemployment reached over 40 percent, and similarly to other OECD countries is either close to or at highest level ever recorded (Youth Entrepreneurship, 2013, p. 1). Young people are often facing worse working conditions like longer working hours, no social protection or lower wages than their older colleagues. Those three main conditions - high level of youth unemployment, youth underemployment and worse working conditions are interconnected, but also influence in negative way not only lives of young people but also current and future economy. Young people facing those conditions are not only burden for their relatives or social systems, create less value then possible (in case of underemployment) or create lower consumption. Prolonged exposure to those factors can have devastating effect on their future life and career choices, or even cause mental health issues (Murphy and Athanasou, 1999). Taking into account the scale of problem and its global character youth unemployment and underemployment is causing grievous socioeconomic consequences that can affect not only current situation but also future development.

Youth entrepreneurship is one of the ways that can be the answer to problems of youth unemployment and underemployment. Entrepreneurship does positively affect economic growth and increase market competitiveness. Entrepreneurs do create workplaces for themselves and their employees, increase innovation and quickly adapt or even create market trends using available opportunities. Young people tend to have higher business grow aspiration than older entrepreneurs, as they want their business to grow quicker and therefore create more new jobs (Generation Entrepreneur? The state of global youth entrepreneurship, 2013, p. 7). It is important not to waste youth energy and potential for innovation as those traits are necessary for creating breakthrough in business. Modern innovation-driven economies are highly dependent in their future growth on constant development of new ideas. Youth entrepreneurship creates possibilities for creation of business that thanks to modern technologies would quickly develop into global scale. But youth entrepreneurship also creates positive effects on individual level. Young entrepreneurs gain self-confidence, develop their skills and abilities, and have higher level of happiness (Youth Entrepreneurship, 2013, p. 2). Successful young entrepreneurs can also be inspiring role-models for other young people increasing future entrepreneurship.

Taking in account numerous positive effects of youth entrepreneurship for young people, but also for economy in general it is desired to increase numbers of youth entrepreneurs. Authorities on all levels all around the world are often aware of positive effects of youth entrepreneurship and through various program try to foster youth entrepreneurship levels. Those programmes include entrepreneurial education, advisory and financial support and many others. Unfortunately some of those programmes fail to properly recognize why some young people become entrepreneurs, and other do not respond to existing barriers preventing young people from becoming entrepreneurs. As the result despite spend funds youth entrepreneurial levels remain low.

The Levis-Clark model (Figure 1: Diagnostic framework for young entrepreneurs) provide good explanation on necessary condition for young person to become entrepreneur. As it present individual must both feel ready (possessing necessary knowledge and skills) and have will to become entrepreneur. But even when being ready and wanting to become entrepreneur he can still need some support services like mentoring or networking.

Figure 1: Diagnostic framework for young entrepreneurs



Source: Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people, 2006, p. 11.

The Levis-Clark model is great tool for assessing necessary steps to turn young people into entrepreneurs, but it does not provide full answer to question on effects of barriers of youth entrepreneurship. Diagnostic framework for young entrepreneurs can provide conclusions that barriers of youth entrepreneurs fall into one of two broad categories either lack of readiness or lack of intention. Such conclusion although provide basic information of barriers is extremely limited and does not take into account various barriers that do not fall into neither category. Therefore barriers of youth entrepreneurship require better analysis.

1.2. Barriers of youth entrepreneurship

In the literature there are many attempts to identify various barriers of youth entrepreneurship. Many of those are also affecting entrepreneurship in general, but others are youth specific, or affect young people in much higher degree. What is important to note is that nature of barriers can differ from case to case. For some one important barrier can prevent entrepreneurial activity, while for others the same reason can be just one among many barriers, and overcoming just some of them could allow becoming entrepreneur. For young people those barriers - even if not critical and important when separate - accumulate more easily discouraging individual form entrepreneurial activity. To add difficulty to the topic some of barriers are strictly related with specific economic situation, culture or political situation. In case of factor-driven economies it is hard to perceive lack of university level education as important barrier that could be in case of efficiency-driven economies and almost certainly would be in case of innovation-driven economies (Global Entrepreneurship Monitor 2014 Global Report, 2015, p. 21). Similarly even ones gender or ethnic nationality can be barrier in case of some cultures or countries, that would not be a barrier in case of others. Therefore barriers types, importance and strength can vary from case to case and change over time. Still it is important to conduct research on entrepreneurship barriers in order to identify them and create measures to

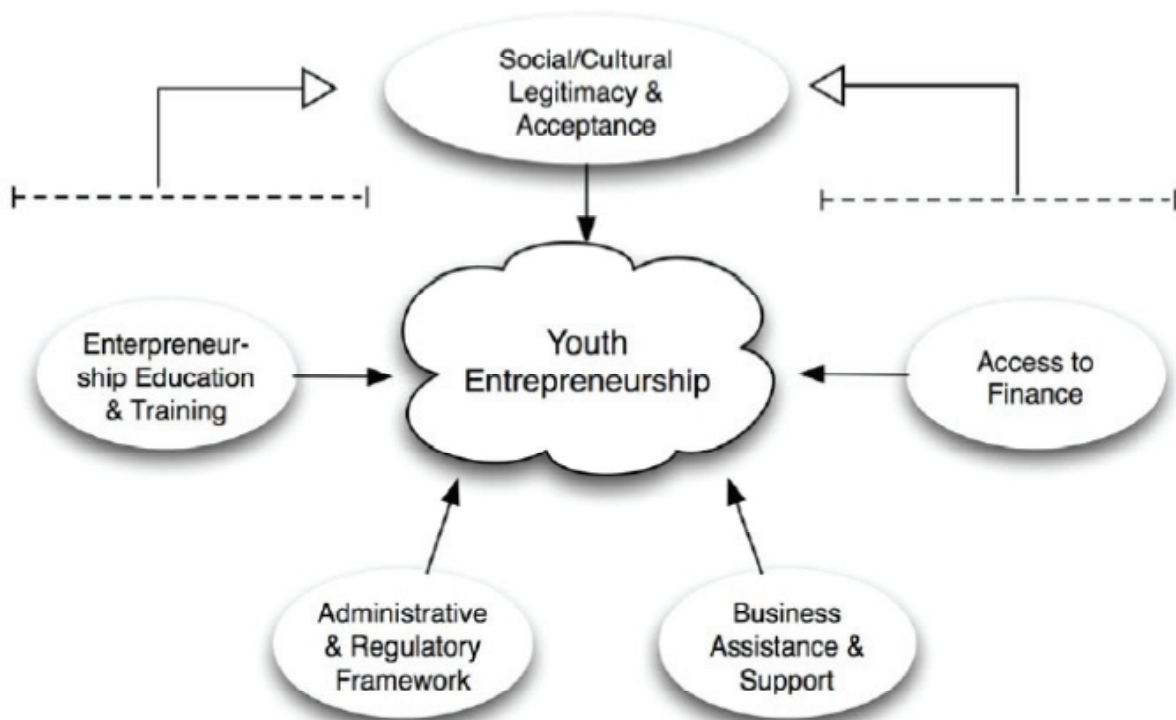
overcome them, as although certain barriers can vary, but some solutions combating them can be universal and worth spreading.

Among many classification of barriers it is important to find one that could properly group many different barriers according to their sources and provide clear overview of issue so proper countermeasures could be developed accordingly. List of possible youth entrepreneurship barriers is long and rich and includes among others - lack of finance, skills or infrastructure, gender discrimination, fear of failure, financial risk, lack of mentorship or support, bad economic climate, ongoing military conflicts, lack of enterprise culture, corruption, lack of entrepreneurship education, problems with affordable financing, high crime rate or poorly working administration (Generation Entrepreneur? The state of global youth entrepreneurship, 2013, pp. 12 -13).

Rahmawati, Hasyati and Yusran identify in their study six main groups of youth entrepreneurship barriers - named by them obstacles (Rahmawati, Hasyati and Yusran, 2012, pp. 462-470). Those six areas of obstacles are: insufficient knowledge and education, environment not enabling for youth entrepreneurship, economic and financial barriers, regulatory barriers, lack of relevant networks and lack of role models in entrepreneurship. Although study provided important information on barriers of youth entrepreneurship in Indonesia the classification of barriers itself seem not intuitive - for example by including fear of failure in category of education and knowledge or by creating separate category just for lack of role models.

Schoof suggested model that analyses five key factors groups for youth entrepreneurship (Figure2: Factors that influence youth entrepreneurship). Those factors include: social and cultural attitude towards youth entrepreneurship, entrepreneurship education, access to finance/start-up financing, administrative and regulatory framework, business assistance and support (Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people, 2006, pp. 23-65). As those factors are crucial for youth entrepreneurship they can become important barriers groups.

Figure 2: Factors that influence youth entrepreneurship



Source: Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people, 2006, p. 23.

The barriers that arise from area of social and cultural attitude towards youth entrepreneurship are ones that can be caused by cultural values, beliefs, religion, social perception of entrepreneurship or young person personal environment. Among most popular barriers presented in this group are: not

being taken seriously, age discrimination, lack of family support, high uncertainty avoidance, fear of failure and negative perception of entrepreneurship (Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people, 2006, pp. 28-29). In the area of entrepreneurship education and training key identified constraints are: lack of entrepreneurial education, wrong curricula or learning methods, lack of proper teachers or lack of linkages with business (Stimulating..., p. 37). In the area of access to finance/start-up financing key barriers are: lack personal savings and resources, or securities and debt credibility, complex credit/financing documentation procedures with long waiting periods for decisions, lack of (successful) micro lending/-finance and seed funding and lack of knowledge of financing possibilities (Stimulating..., pp. 42-45). Regarding administrative and regulative framework most important barriers are: unsupportive tax regimes, unfavourable bankruptcy laws and property rights, business registration procedures and costs, as well as lack of transparency, ineffective competition law and often regulatory framework changes (Stimulating..., pp. 52-55). In the last group of factors - business assistance and support, deficiencies can take form of such barriers as: lack of business connections: business contacts, suppliers, suitable partners and networks, lack of business development service, lack of knowledge of available business support services, lack of counselling and training, lack of mentoring services, and lack of exchange networks, forums and meeting places or lack of workspace (Stimulating..., pp. 57-60). As in this model each category of barriers have clear source and effect and therefore its highly intuitive for respondents it was chosen as the base for this study.

2. PERCEPTION OF YOUTH ENTREPRENEURSHIP BARRIERS AND ROLE OF ENTREPRENEURSHIP EDUCATION IN POLAND

2.1. Questionnaire composition and test group

Questionnaire constructed for pilot study was mostly based on aforementioned classification of barriers from International Labour Organization model of factors influencing youth entrepreneurship and Global Enterprise Monitor. Questionnaire aim was to measure perception of certain youth entrepreneurship barriers and expectations toward entrepreneurial education in their overcoming. Questions were organized into sections: entrepreneurial intentions - consisting of 3 Likert scale questions, general perception of barriers importance - 1 multiple choice question, social and cultural barriers - 10 Likert scale questions, educational barriers - 4 Likert scale questions, financial access barriers - 6 Likert scale questions, administration barriers - 7 Likert scale questions, business support barriers - 7 Likert scale questions, expectations toward entrepreneurial education - 7 Likert scale questions and 5 demographical questions. All following values for Likert scale questions would base on scale from 1 to 5, where 1 means "I strongly disagree", 3 is neutral and 5 stands for "I strongly agree".

Questionnaire group consisted of 67 students of business management, economy and finance studies, 21 men and 45 women, aged from 18 to 25 years with average and median age of 21 years. Group consisted of 59 Polish respondents, 2 respondents were Ukrainians, and 6 decided not to disclose their nationality. Among respondents 2 are currently entrepreneurs.

2.2. Results

Test study provided interesting data on entrepreneurial intentions, perception of youth entrepreneurship barriers and entrepreneurial education expectations by young people from Poland. Entrepreneurial intentions were measured in three categories - current intentions to open business (mean=2,51), expectations to open business during next three years (3,02) and will to own business in undefined future (4,03). It is important to note that 51,5% of respondents strongly agree and next 24,2% agree that they would like to own business someday. Compared to only 28,8% that strongly agree or agree that they have current intentions or expectations to open business during next 3 years. Only 15,2% of respondents strongly disagree or disagree that they would like to own business in future, but 65,1% strongly disagree or disagree that that they have current intentions to open business. For young people career of entrepreneur is attractive as a future possibility but not as a current occupation. No significant correlation between entrepreneurial intention and perception of barriers or expectation towards entrepreneurial education exists.

Respondents were asked to point up to three factors group that they find a most important barriers for youth entrepreneurship. Results shown that 68,2% of respondents chosen problems with administration, 56,1% lack of access to financing, 43,9% lack of business support, 40,9% bad entrepreneurial education, 33,3% social and cultural conditions, and 9,1% other. Among others respondents were pointing at taxation and high social insurance costs for entrepreneurs, media effecting youth perception of entrepreneurship as too difficult task, expensive marketing, or fear of other risks related to being entrepreneur.

Respondents identified that main social and cultural barriers were fear of failure (3,98) - even 30,3% strongly agree and 48,5% of young people perceive it as important barrier, while only 1,5% strongly disagree that fear of failure is not a barrier for youth entrepreneurship, lack of familiarity with business world (3,76), lack of experience (3,65) and lack of skills (3,56). Less important barriers were lack of support from family and friends (3,48) and no entrepreneurship role models among family and friends (3,39). Respondents also identified that young entrepreneurs are not being taken seriously (3,55) making social environment difficult for youth entrepreneurship but not necessarily important barrier. 40,9% of respondents agreed and 18,2% strongly agreed that failure in business is also personal failure (3,48), which can explain why fear of failure is perceived as important barrier. Respondents also disagree (59,1% disagree and 21,2% strongly disagree) that being entrepreneur is not a desirable career choice for young people (2,08) and that young people even do not perceive being entrepreneur as possible career choice (2,59). Awareness of entrepreneurship and perceiving it as attractive career choice for young people compared with low level of actual entrepreneurship is another example of importance of entrepreneurship barriers.

Respondents perceived lack of entrepreneurial education as a entrepreneurship barrier (3,27) - 50% of them agreed or strongly agreed with this statement, while 24,3% disagreed or strongly disagreed. Respondents agree that main issues that reduce effectiveness of entrepreneurial education are inadequate curricula (3,79), lack of proper teachers (3,77), and wrong learning methods (3,74).

In the area of barriers related with access to capital respondents pointed that most important barrier is lack of financial credibility to take out a loan (4,11). 83,4% of respondents agreed and strongly agreed that this barrier can suppress young people from becoming entrepreneur, while 9,1% disagreed or strongly disagreed with that statement. Other important barriers for youth entrepreneurship in this area are: lack of awareness and knowledge on different start-up financing possibilities (3,95) lack of personal savings (3,83), lack of efficient micro financing sources (3,83). Respondents also agreed that complicated credit procedures (3,79) and long waiting time for financial support (3,65) can be youth entrepreneurship barriers.

In the area of administration and regulatory framework barriers of youth entrepreneurship young people most often pointed that complicated procedures and administrative costs (4,11) are those barriers. 45,5% of respondents strongly agreed with this statement and following 33,3% agreed, while 10,6% disagreed and only 1,5% strongly disagreed. Other important barriers are: complex or unsupportive tax system (3,98) - 72,2% of respondents agree or strongly agree with this statement, complicated legal system (3,94), unfavourable bankruptcy laws (3,62) and often law changes (3,54). As less important barriers respondents identified ineffective intellectual property protection rights (3,29) and ineffective competition law (3,2), which could mean that those issues even if are problematic for business existence, are not perceived by young people as important barrier for entrepreneurship.

Among youth entrepreneurship barriers in the area of business assistance young people identified lack of knowledge about available business support services (3,83) and lack of business connections (3,81) as most important barriers. 78,8% of respondents agreed or strongly agreed that lack of knowledge about available business support services is youth entrepreneurship barrier, and 72,7% also agreed or strongly agreed that such barrier is lack of business connections. A less important barriers respondents perceive: lack of workspace (like in business incubators) (3,5), lack of business training for entrepreneurs (3,39), lack of counsellors or advise agencies (3,36) and lack of mentors, or mentor programmes (3,35). They were also not eager to perceive lack of forums or entrepreneurship networks (2,73), as entrepreneurship barrier - 45,4% of respondents disagree or strongly disagree that lack of forums or entrepreneurship networks is preventing young people from becoming entrepreneur.

Respondents also had clear stance on what should be included in entrepreneurship education. 71,2% strongly agreed and 24,2% agreed that entrepreneurial education should teach young people practical

business skills (4,61). According to respondents as part of entrepreneurial education young people should be given information on different possibilities of funding start-up (4,5), and learn about administration procedures necessary for establishing and running business (4,45), as well as about how available business support services are working (4,44). According to respondents young people should be also able to establish business contacts (4,36) during entrepreneurial education. Other important task that entrepreneurial education should deal with according to respondents are: creating the positive image of entrepreneur in society (4,06) and creation of entrepreneurial attitudes (3,88).

3. CONCLUSIONS

Pilot study conducted on Polish respondents provided interesting data that clarifies youth perception of entrepreneurship barriers as well as recommendations on entrepreneurship education programme. Further research regarding countries with different culture and economic situation is needed to identify possible universal youth entrepreneurship barriers. Still study allows to draw valuable conclusions regarding youth entrepreneurship barriers and entrepreneurial education. Entrepreneurial intentions are widespread among tested group with 75,5% of respondents willing to be entrepreneur one day but only 3% of them being entrepreneurs and 28,8% have current intentions to open business. This disproportions present scale of entrepreneurship barriers preventing young people from taking action. In case of Poland those main barriers were identified in the area of administration and access to finance, while barriers in the area of culture and society are not regarded as so influential. Two most important barriers are lack of financial credibility to take out a loan along with complications and costs of administrative procedures. Other crucial barriers are fear of failure, lack of knowledge about possible sources of start-up financing, unsupportive and complicated tax system and complicated law system. Knowing that those barriers are first to deal with in order to promote entrepreneurship it is possible to formulate recommendations for entrepreneurial education. In curricula of entrepreneurial education more space should be given to present various possibilities of financing start-up and practices that help building financial credibility. Other important area in which entrepreneurial education can help overcome barriers is practical education on administrative procedures, tax system and crucial law regulations. Entrepreneurial education should also help to overcome the fear of failure. Respondents agree that next to learning practical business skills learning about administrative procedures necessary for running business should be important part of entrepreneurial education. Young people expectation towards entrepreneurial education are much broader, including establishing business contacts and creating positive image of entrepreneur, but it seem that overcoming most important youth entrepreneurship barriers would be most important challenge in order to increase youth entrepreneurship ratio.

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