

Challenges faced by Aspiring Student Entrepreneurs

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ABSTRACT

Today's youth are keen to experiment and take risks. At present, many young fearless entrepreneurs have set the path for a wave of entrepreneurship in the country. This entrepreneurial spirit has resulted in not just innovation but also in entrepreneurship being recognized as the driving force of the market. Also, with government actively endorsing startups and small businesses, the wheel of entrepreneur-driven innovation has started rolling. It has been estimated that in order to accommodate the 300 million people who will join India's workforce between 2010 and 2040, India needs to create roughly 10 million jobs a year. This gap can't be filled by existing and large enterprises alone.

Therefore, India must increase employment opportunities by not only forging partnerships with industries overseas, but also supporting and empowering its youth to start businesses. However, a growing entrepreneurship culture, a supportive new proactive government, and growing availability of financing, India, the world's biggest democracy, is poised for robust economic times. Biz2Credit has seen growing interest in the small business lending sector in recent months and optimism is growing, thanks to a new, pro-business government.

An exploratory research was carried out at a university where start up ecosystem is present with the objective of studying the challenges faced by aspiring student entrepreneurs. An unstructured questionnaire with interview was conducted to understand the challenges they are facing. Certain recommendations are presented at the end of paper to facilitate set up of startup ecosystem in a new institute or university.

1. Introduction

"We cannot always build the future for youth, but we can build our youth for future." Franklin Roosevelt.

The youth is having lots of ideas, enthusiasm to apply them, experience the forces and learn from mistakes. When young people come together, they counter each other, they face challenges, they bring strong opinions to the table and they are invincible. Youth is the only part of the population which is open to experimentation; it has brought forth so many new career options which were seen only in dreams till sometime ago.

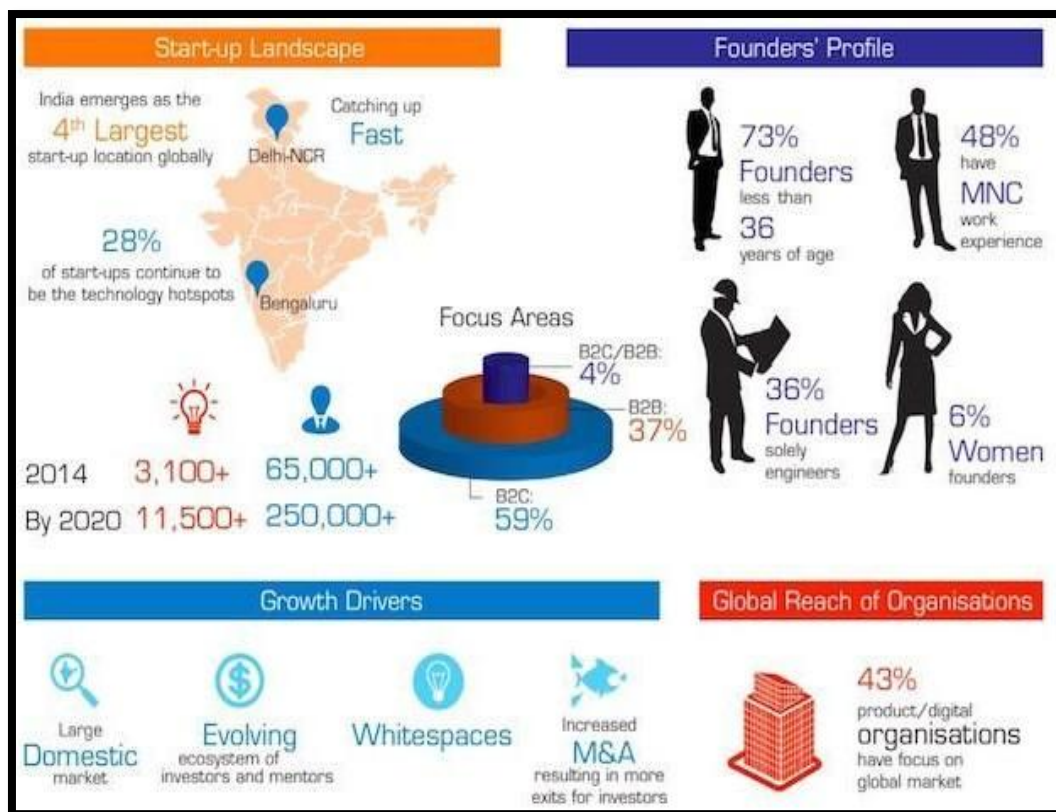
Today's youth is full of spark, a spark to reach new heights. They are not stubborn; they make mistakes and learn from them. They have the courage which is inexplicable, they are dynamic, and want to write their own fates. They have the key to the lock and they are the only ones who can set the caged bird free.

The youth development index is 0.58. [98 out of 170 countries, Year: 2013, Source: Commonwealth Youth

Programme], Literacy Rate are 90.18% [Year: 2015,Source: UNESCO] and the Net enrollment rate for Secondary School is unknown. [Source: UNESCO]

Highlights of some data:

- In 2011, the International Labour Organization (ILO) estimated that 12.6% of youth in the global labor force are unemployed—about 74.6 million youth
- Young people are at higher risk of unemployment, underemployment, or working in jobs with low earnings.
- The World Bank Group supports interventions that improve labor market outcomes for youth, including policies to address employability and opportunities for self-employment and entrepreneurship. Today's youth "Generation Next", have greater spending power and are more technically savvy than previous generations, are optimistic about the future, are the innovators, creators, builders and leaders of the future. They are keen to experiment and take risks with resources at hand. But they can transform the future only if they have skills, health, decision-making, and real choices in life.



Source:

India-startup-ecosystem-report-Nasscom-10000-startups-landscape-report-2014-2015-Bangalore-NPC-Product-conclave-innovation-is-everywhere-martin-pasquier-emerging-markets3-2.jpg

- India is changing and so are the aspirations of its people. It is at a threshold of startup boom, as we are world's third fastest growing startup eco-system. With 3,100 startups, India is closely behind UK with 4,000 startups and catching up to US which has 41,500 startups.
- At present, many young fearless entrepreneurs have set the path for a wave of entrepreneurship in the country. This entrepreneurial spirit has resulted in not just innovation but also in entrepreneurship being recognized as the driving force of the market. Also, with government actively endorsing startups and small businesses, the wheel of entrepreneur-driven innovation has started rolling.
- Young people are almost three times more likely to be unemployed than adults and continuously exposed to lower quality of jobs, greater labor market inequalities, and longer and more insecure school-to-work transitions.

2. Youth Entrepreneurship

- Joseph Schumpeter (1934) (states) the entrepreneur is the innovator who implements change within markets through the carrying out of new combinations. The carrying out of new combinations can take several forms; 1) the introduction of a new good or quality thereof, 2) the introduction of a new method of production, 3) the opening of a new market, 4) the conquest of a new source of supply of new materials or parts, 5) the carrying out of the new organization of

any industry. Joseph Schumpeter equated entrepreneurship with the concept of innovation applied to a business context. As such, the entrepreneur moves the market away from equilibrium. Schumpeter's definition also emphasized the combination of resources. Yet, the managers of already established business are not entrepreneurs to Schumpeter.

- Youth entrepreneurship is, the practical application of enterprising qualities, such as initiative, innovation, creativity and risk-taking into the work environment (either in self-employment or employment in small start-up firms), using the appropriate skills necessary for success in that environment and culture" (Chigunta, 2002, p.5). Young entrepreneurs can be divided into two broad groups: those who become entrepreneurs by necessity because they are unable to find other forms of formal employment or continue their education, and what can be called "vocational entrepreneurs" who seize a business opportunity" (Listeri et al., 2006, p.3).
- 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.

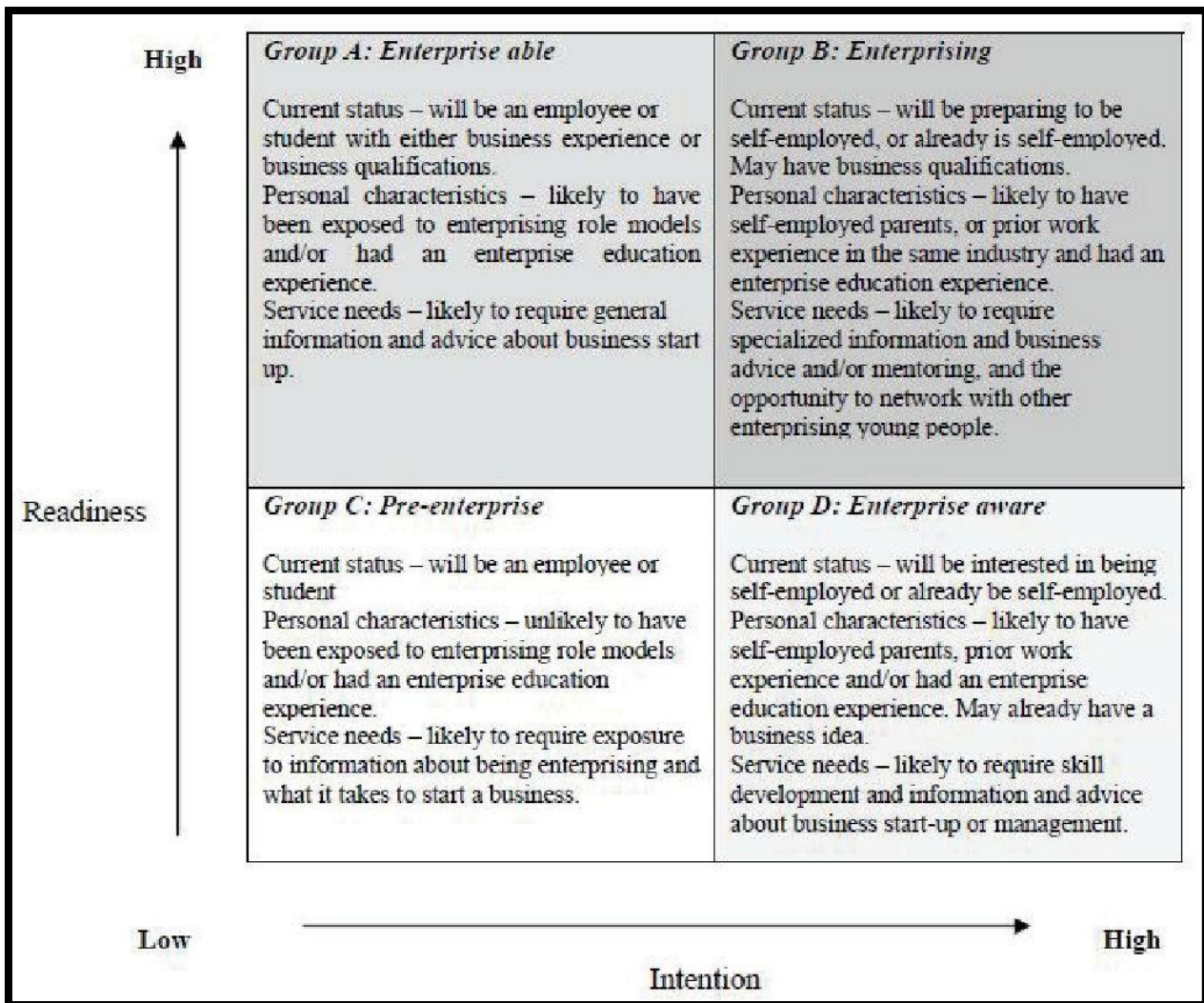


Figure 1: Diagnostic framework for young entrepreneurs

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.
- 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. School suggested model administrative and regulatory framework, business
- 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 constrains 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

that analyses relative key framework most important barriers for assistance in tax regimes, support (including 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 counseling 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.

- As described by Schoof (2006), the four types of (potential) young entrepreneurs along a continuum of the level of readiness, e.g. level of skills and/or exposure to enterprise, of (potential) young entrepreneurs and the level of intention to engage in entrepreneurial activity. However, whilst these types of models may provide some insights into the particular needs of different groups of young entrepreneurs and on how to prioritise appropriate interventions to maximise impact according to the profile needs of that group.
- The stages youth go through while generating youth entrepreneurship are (Chigunta, 2002): pre-entrepreneurs (the formative stage and the transition from the security of the home or education to the work place; age group 15-19 years); budding entrepreneurs (the growth stage; age group 20-25 years; these youth are likely to have gained some experience, skills and capital to enable them run their own enterprises; they often face three enterprise pathways: remaining stuck in marginal activities, going out of business and running successful enterprises); emerging entrepreneurs (they are also likely to have accumulated vital experience in business or in other areas of life; age group 26-29 years).

3. Research Design

- Type of Research: Qualitative Research
- Research Design: Exploratory Research
- Respondents: Aspiring Student entrepreneurs
- Sample size: 50 students working on idea generation.
- Data Collection Method: Through unstructured questionnaire and interview technique.

4. Literature Review

- In the article "The Top 3 Economic Challenges Facing Entrepreneurs in 2016", suggested Financial fluctuations, Globalization and increased efficiency, Technological tornadoes are the economic challenges facing entrepreneurs. As suggested by the Per Bylund, Entrepreneurs will face enormous costs if they continue doing business as usual. To come out on top, startups need to consider and prepare for the good, the bad and the ugly outcomes of decisions.
- **"Barriers and Incentives for Youth**

Entrepreneurship Start-Ups: Evidence from Bangladesh", author collects data from 44 young people in Chittagong, Bangladesh, and the results reported that most cited start-up challenge is neglecting knowledge-based innovation, being their own boss is the main motivation to engage in business, parents and family mainly influenced young people to start business while financial risk is the most pressing de-motivator to start-up business. The results also suggest that attracting funds for the business is the most important problem to run a business successfully, and lack of savings; securities and credibility, and experience are the key start-up financing constraints. The prime educative constraints are the lack of adopting enterprise education and inadequate curricula and programs, tax systems and levels is the major administrative and regulatory barrier and lack of contracts and networks is the main constraint of business support services. The study gives implications for policy makers, the Ministry of Youth Development, Chamber of Commerce and Industry, and the government to adopt multi-faceted, multi-targeted, and multitier approaches addressing the start-up constraints and problems to facilitate and encourage youth entrepreneurship.

- **"Making Youth Entrepreneurship Work in Sub-Saharan Africa: Some Factors of Success"**, Maria Sabrina De Gobbi, identify key factors determining successful entrepreneurship especially in developing countries in Sub-Saharan Africa, starting from evidence from both poor and rich economies. Primary and secondary data from the International Labour Organization as well as secondary data from other institutions have been used. It is also indicated in 2013 youth entrepreneurship report that for the youth in Sub-Saharan Africa, the main barriers to entrepreneurial activity are lack of capital, lack of skills, lack of support and lack of market opportunities [4]. The 2014 ILO report on youth in eight Sub-Saharan African countries reveals that 50% or more of young entrepreneurs in Benin, Liberia, Malawi and Togo stated that limited access to finance is their principal obstacle to doing business. Competing in the market and shortages of raw materials are two other relevant impediments.
- **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 (2006) examined a range of key constraints

that impede young people in different countries, mostly in Sub-Saharan Africa, from starting a successful business, while also identifying incentives and measures to tackle these barriers. The study confirmed the need to differentiate between youth and adult entrepreneurship, stemming from unique constraints and greater barriers that young people face as a result of their limited resources and experiences. Entrepreneurial education, access to start-up capital and business provider services were found among the key factors impeding youth entrepreneurship, alongside societal attitudes and a regulatory framework.

- “An investigation into youth entrepreneurship in selected South African secondary schools: An exploratory study” this research paper examines the status of entrepreneurship education in selected South African secondary schools to determine the impact thereof on young learners’ attitude towards entrepreneurship and their future plans. It highlights some challenges facing youth entrepreneurship development in Sedibeng secondary schools. The study was based on the attitude approach to entrepreneurship research involving 1 748 grade 10 learners. South African youth appear to have a positive attitude towards entrepreneurship and the existence of opportunities for new venture creation, but seem to have inflated expectations with respect to their future academic qualifications and less interest than would be expected in starting their own businesses. Statistical analysis of the data revealed that entrepreneurship education in the sample schools was largely infrequent and without depth or focus. The results indicated that catalytic factors, such as exposure to entrepreneurship at school and having self-employed parents, have not had any effect on learners in the sample, thus re-emphasising the urgent need for entrepreneurship training programmes of value. In the paper “EU strategies to encourage youth entrepreneurship Evidence from higher education in Greece”, the author designed a questionnaire to explore the behaviour and attitudes of young Greeks in relation to entrepreneurship. The sample selected for the survey comprised 125 undergraduate male and female students who were studying various subjects at the Technological Educational Institute of Serres. There is a need for robust comparative findings about the practical effectiveness of European entrepreneurship policy in higher education institutions throughout the EU.
- The Challenges faced by startup are capital deficiency, team competency, lack of reliable mentors and art of learning from mistakes according to the blog of Barriers to youth entrepreneurship are: „lack of access to institutional capital; lack of access to lucrative markets; poor marketing and branding; inadequate planning; lack of access to suitable

working space; lack of business management skills and abilities; inadequate, inaccurate and non-existent financial records, lack of new product development, and; lack of on-going business support” (Chigunta, 2002, p.6).

5. Significance of study

- The present study will throw light on what difficulties the aspirant student entrepreneurs are facing. The universities and government can frame policies for helping the budding entrepreneurs remove hurdles in the way of start-ups.

6. Scope

- The study is conducted in a reputed university where start up ecosystem is in function. The challenges can be studied before developing ecosystem for start-ups in educational industry.

7. Limitations

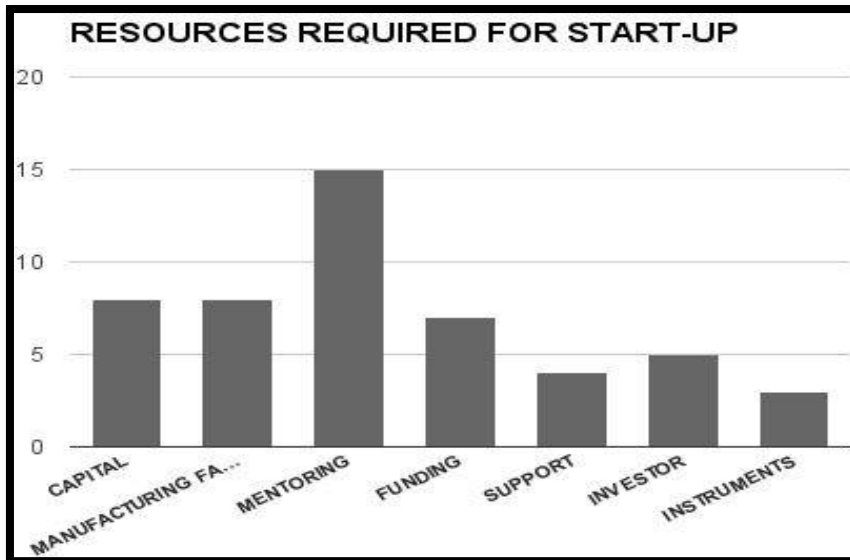
- The sample size is small so cannot be generalized for larger population.
- The survey is conducted only in one university so the views can be limited.
- No statistical tools are used in this research.

8. Data Analysis & Findings

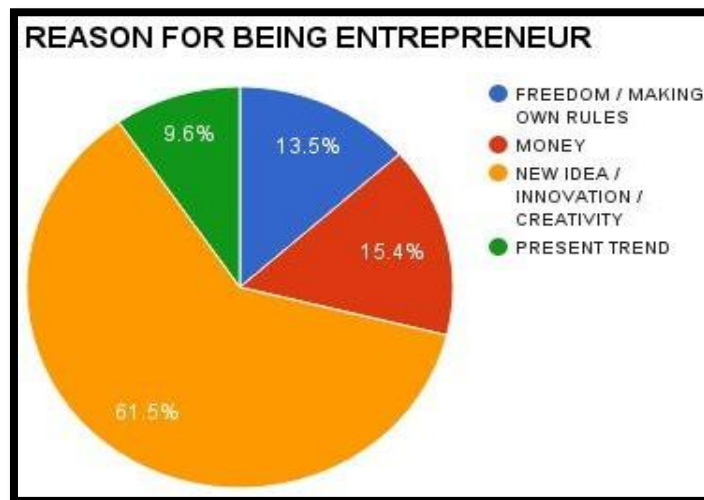
Questions related to their educational background, sector their start-up belongs to, skills needed to become entrepreneur, resources needed, their understanding of business components, developing of prototype, motivation, mentoring etc was discussed and also were asked to define failure. The findings are as under:



Most of the students considered idea as the inevitable skill for being an entrepreneur, followed by determination, experience and other skills which can be seen from the graph above.



Students suggested various resources they needed including manufacturing facility, and instruments to support their venture during initial phase.



New idea was main reason for being an entrepreneur, followed by money. It implies that youth were not money driven for being entrepreneur.

9. Other Findings

- Most of the student's start-ups are at idea stage or experimentation stage.
- 81% of start ups are from technology sector, 5% for manufacturing [including medicines and paramedical branches], and 14% from other sectors.
- Engineering and Management students had more start-up ideas compared to medical, paramedical and pharmacy branches lastly followed by other branches had least number.
- 10% students were not sure of feasibility of project, 45% were confident , 31% had already checked the feasibility and 14% had their project in idea stage.
- Prototype development was found difficult for product and process start ups.
- More than 50% of the students rated government policies are tough as there is no facilitator available for

them to make them understand taxation.

- Student find availability of funding and capital the most difficult. The underlying problem is they have limited understanding of the components of business plan and have little or no experience in preparing report.
- 83% students were extremely satisfied with the mentoring they are receiving and remaining 7% were satisfied and 10% did not know. The students have experienced mentoring only at a particular university and have no exposure elsewhere due to which there satisfaction levels can be high.
- Most of the students about 77% of the sample find it difficult to balance start up and academics due to attendance criteria and academic pressure.
- Team building was not found important by students and they usually teamed up with their friends instead of banking on skills.
- Most of them considered Failure an inevitable part of entrepreneurship journey but were also scared to represent the same in front of their parents.

10. Recommendations

Based on the findings of the study, the challenges of aspiring student entrepreneurs can be concluded as

1. Lack of Vision:

- Students might not have right direction and forecasting ability to visualize their business during and after scaling. It is the role of Mentor to create the realistic picture instead of the hyped one created by social media and other market forces.

2. Unable to believe that passion can be converted to money:

- First it is very difficult to believe that passion can be converted to business and ultimately-Money. Here comes the role of mentor who not only motivates students but has also to act as a catalyst to spark fire in their ideas.

3. Get a job first:

- Parents, friends and peers need to support the idea of start-up. Instead of asking him/ her to experience job provide their expertise or take help from expertise and help initiate and ultimately prosper the business.

4. Dealing with stress of not having a steady salary:

- There will be times when students feel de motivated seeing their other batch mates earn handsome salary. It is essential they understand that unless the startup is full-fledged the salary is not going to handsome.

5. Dealing with negative people, self doubt and loneliness:

- Everybody supports successful people. Unless the start up is scaled people will keep on telling negative, students themselves will develop self doubt and at times feel lonely due to transition in their behaviour. Mentoring if properly carried out, students will be able to face the negative situations positively.

6. Building a trustworthy team:

- Having no experience of team building, friends come as a easy option. But not a recommendable long term option. They need to develop skills to understand

which team member is required and how to synergize on his skills. Mentoring can play a vital role in helping students build a dedicated trustworthy team.

7. Deciding profit margin:

- Being new to the business world students find difficulty in how to decide profit margin? A need will arise for students to survey the related industries and the value the product is adding. Expertise from industries can be a real help.

8. Understanding customer expectation:

- India being demographically different, customer expectations change every 40-50 km, so it is very difficult for new comers to understand this varying needs of customers and cater them to satisfaction.

9. Intellectual Property Rights:

- Students have to be made aware about the legal procedure that has to be followed for filing their start-ups, i.e. they need to file their idea, technology, process or product patents to preserve their uniqueness.

Lastly as said by – Dhirubhai Ambani

- “Give The Youth A Proper Environment. Motivate Them. Extend Them The Support They Need. Each One Of Them Has Infinite Source Of Energy. They Will Deliver.”

So it all depends on the university how to develop an ecosystem that will foster student startups.

11. Further scope of research

- This research should be conducted in different universities and colleges with different educational background to understand the consistency and validity of the results obtained.
- Correlation between various parameters and start-ups can be found out to provide a clear idea about their dependency on each other.

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