

Youth Entrepreneurship: Lessons & Imperatives under COVID-19

ISED Scoping Paper
by
ISED Small Enterprise Observatory



Institute of Small Enterprises and Development

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About 'ISED Policy Briefs' Series

Brought out by the Institute's knowledge platform, the ISED Small Enterprise Observatory, titles under this Series are meant to stimulate a discussion on some of the latest developments in the economy and society. The contents of 'ISED Policy Briefs' emerge largely from the findings and experience of research work at the various Knowledge Centers of the Institute of Small Enterprises and Development. They are meant to be a backgrounder for policy debates and discussions at various levels.

PREFACE

There has been an enhanced global interest in youth entrepreneurship today. Three key reasons explain that: a) the growing share of youth in the world population; b) the mounting situation of unemployment; and c) rapid changes in technology, where the young are expected to be more technology savvy. Besides the above three reasons, there is another objective ground for a focus on youth entrepreneurship: Unlike in the past, technological platforms today offer better and quicker solutions. At the macroeconomic level, this implies a progressive trend towards 'servitization' of the economy, which means, the proportionate share of services exceed that of real manufacturing.

Creation of new businesses, in policy circles today, is largely perceived in terms of technology start-ups. However, COVID-19, the Pandemic, has drastically changed the scene. The medical stipulation of physical distancing, and the need for social connectivity as a means of survival economic activities, makes livelihoods strategies really complex. An escalation in the use of technology platforms in a more decentralized form than ever, is seen as a possible solution. However, the economic structure, in general, has come down to a lop-sided mode, demanding a search for alternatives.

The opportunities, as also the constraints and challenges to youth agri-enterprises in developing countries need close examination. The international experience, and more specifically India's rich experience, can highlight the key drivers, and show how governments, non-profit organizations and private companies can strengthen youth entrepreneurship in the agricultural value chain. Such exploration on the experiences and imperatives in the context of India, demands further detailed enquiries and research as well.

This document is the outcome of research initiated by a team of ISED Small Enterprise Observatory. It is meant to present the ISED perspective relating to 'Youth Enterprise Development' in the context of the ongoing Pandemic, COVID-19, and to put in place, the outline of a research agenda. I hope this will generate a wider interest in the subject, and would lead to useful debates and deliberations in the coming days.

Let me thank the Observatory Team for its meticulous work, as also for bringing out this document in a time bound manner.

Cochin
December 1, 2020

P.M. Mathew
Senior Fellow & Director

Youth Entrepreneurship: Lessons & Imperatives under COVID-19

1.0. Background

There has been an enhanced global interest in youth entrepreneurship today. Three key reasons explain that: a) the growing share of youth in the world population; b) the mounting situation of unemployment; and c) rapid changes in technology, where the young are expected to be more technology savvy. Besides the above three reasons, there is another objective ground for a focus on youth entrepreneurship: Unlike in the past, technological platforms today offer better and quicker solutions. At the macroeconomic level, this implies a progressive trend towards 'servitization' of the economy, which means, the proportionate share of services exceed that of real manufacturing, and that the role of 'real manufacturing' comes down day by day. As scholars like Dani Rodrik point out, such a phenomenon has important social implications as well. Rodrik's well quoted "trilemma" elaborates this.

Following the evolving global phenomenon of accelerated 'servitization' of the economy, creation of new businesses has been largely perceived in terms of technology startups. COVID-19, the Pandemic, has drastically changed the scene. The year 2020, drawing to a close, witnesses a radical change in the objective situation, brought in essentially by this Pandemic. The medical stipulation of physical distancing, and the need for social connectivity as a means of survival economic activities, makes livelihoods strategies really complex. An escalation in the use of technology platforms in a more decentralized form than ever, is seen as a possible solution. However, the economic structure, in general, has come down to a lop-sided mode, demanding a search for alternatives.

2.0. Relevance

Under a generally depressed economic scenario, youth having an orientation for self employment than wage employment, have a big role to play. The COVID-19 induced disruption implies that, agriculture can better survive the whirlwind. Hence, youth entrepreneurship in farm value chains and rural development, really matter in the context of this major disruption. As entrepreneurs, young people can play a major role in the transformation of agriculture. In developing countries, too few of them currently get the

opportunity to start a business. But, developing country governments are now creating entrepreneurial agribusiness opportunities through new programs and policies. The private sector investors and non-profit organizations are also closely involved in this.

COVID-19 has brought in a new context that demands immediate action by governments at the national and regional levels. Such action needs to be focused on base level initiatives for harnessing entrepreneurial activities of people, and thereby ensuring their livelihoods. This is an initiative that has to happen on a war footing. While there is the critical constraint on budgets, governments cannot easily think of 'pump-priming', without looking into its short-term and long-term implications. Therefore, such a quick action need to be grounded on a huge morale boosting, which can best happen by sensitizing and mobilizing the youth. The youth are more agile and swift to adaptation and change.

Over time, it has become fashionable to attempt at cost-effective methods and strategies of entrepreneurship promotion. Governments are used to routine programs, and get attracted to those that yield results in the short run; along with hype, they have political implications as well. COVID-19 raises questions on the sustainability of such solutions.

The natural disposition for innovation and change by youth makes them well suited for entrepreneurship. For this, the community needs to give them the right support to overcome challenges and improve the odds of success. Youth entrepreneurs face greater challenges than adult entrepreneurs, and therefore, would benefit from talent development programs.

The practical application of enterprising qualities, such as initiative, innovation, creativity, and risk-taking, need to be brought 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. It requires a desire to:

- be one's own boss
- obtain an alternative route for advancement from what is perceived to be a dead-end job
- have more control over their own work and life
- provide innovative or competitive products and services
- prove they can do it
- obtain additional income
- Some benefits of youth entrepreneurship include:
- creating employment
- providing local goods and services to the community, thereby revitalizing it
- raising the degree of competition in the market, ultimately creating better goods and services for the consumer
- promoting innovation and resilience through experience-based learning
- promoting a strong social and cultural identity continuously creating and growing diverse and different employment opportunities.

Compared to adult entrepreneurs, the young have several challenges to face, in terms of launching and running a new venture. They are:

- less access to capital, whether it be personal savings, investments from family and friends, or access to loans from financial institutions;
- less experience and a narrower range of experiences;
- lack of access to work space;
- less extensive network of contacts; and
- reliance on simple tools or no equipment at all

Governments, in many countries, focus their efforts on support to new firm creation, leaving aside the vital follow-up stage of ensuring sustained flow of 'real services'. This is an area of concern, especially under the present Pandemic.

3.0 Global Youth Entrepreneurship Trends

Total Early Age Entrepreneurship Activity (TEA) has been used as an important indicator of entrepreneurship performance in a regional context. It speaks of the enhanced entry of youth into the stream of entrepreneurship as against wage labor. But who are these young entrepreneurs? Policy formulation requires such evidence-base. The high TEA rate of African countries is a positive sign; but at the same time, the low TEA rate of Europe, is not, in itself, a negative signal as well. It is important to look into the internal dynamics of growth of entrepreneurship. In fact, in the context of the ongoing Pandemic, this is all the more important.

4.0. Global Models of Promotion

Behind the TEA rate that is available on a comparative plane, there is the story of the qualitative aspects of the

start-up phenomenon in various countries. On the one hand, there is the transnational start-up model, which essentially means the creation of a start-up ecosystem in a particular region, and exporting that model to the rest of the world. The making of the 'Chilecon Valley' with the import of the 'Silicon Valley' model, is an example. While Chile produced a significant experience of entrepreneurship spurt over the last couple of years, the experience of COVID-19 has practically crippled such a "success story". What do we learn from this? The European Innovation Model is more stable and broad-based than the experience set by Chile. While Chile demonstrates an island of success, the European penetration shows a more broad-based experience.

Both the 'Chilecon model' and the 'European model' pre-suppose a transnational experience of entrepreneurship development, often with focus on the youth and its potential. However, COVID-19, and its associated "two curves problems" raises wider questions of sustainability of entrepreneurial activities and enterprises. ISED Small Enterprise Observatory analyses this under its 'Enterprise Security' frame work. The paramount question today is to set an example of successful businesses at the bottom of the pyramid, so that more young people are inspired and attracted. In fact, in every economic crisis, business confidence is the key factor that draws the line between success and failure, growth and retardation. The 'platform economy' and the 'digital economy' have contributed immensely to enhance efficiency in transactions. However, in the context of this Pandemic, the 'platforms' themselves become less effective, as the basic foundations of the 'real economy' have been shaken. For example, in India the 'Economic Reforms' of the 1990s has facilitated a new trend of 'micro-privatization'. Today, COVID-19 has triggered another trend of 'nano-privatization'. How does the new trend contribute to India's sustainable development, against the larger global context of 'Sustainable Developments Goals'? This is an issue that needs to be deliberated

5.0. Planning for Youth Entrepreneurship Promotion

There are three periods of transition for young entrepreneurs:

1. **Pre-Entrepreneurs:** These are the youngest and greenest of the youth entrepreneurs. They are typically 15-19 years of age and have not yet gathered much experience. They are usually at an experiential stage, testing future career options. They require awareness
2. **Budding Entrepreneurs:** These are the next-stage youth entrepreneurs. They are typically aged 20-24 years of age and have gained some capital, confidence, or experience to start an enterprise. Due to their limited resources, enterprises at this stage typically follow one of three routes: i) leading to success,

ii) going out of business, or iii) becoming stuck in marginal activities

- 3. Emergent Entrepreneurs:** These entrepreneurs are at the prime stage of the transition. They are typically the most experienced of the youth entrepreneurs and have access to greater capital. Having launched their business, they now require tactical skills for growth, which are different than those required for starting a new venture. These entrepreneurs require targeted business development training, business counseling, mentors, and access to working capital and operational support.

It is important that public programmes for entrepreneurship development carefully factor these periods into the design and delivery stages.

6.0. Issues of Sustainability

Sustainability of youth businesses is a key area of concern. Globally, there are some models that specifically address issues of sustainability.

For example, 'Youth Entrepreneurship and Sustainability (YES)' located at Babson College, is an international non-profit dedicated to fighting poverty through large-scale job creation and entrepreneurship for youth. The Youth Employment Summit (YES) Campaign is a civil society response to the enormous global challenge of youth unemployment. The campaign was formally launched at the first Youth Employment Summit in September 2002, in Alexandria, Egypt. It is co-chaired by former U.S. President Bill Clinton and Egyptian First Lady, Suzanne Mubarak.

7.0. India's Initiatives and Experience

According to available statistics, 54% of India's population is under the age of 35 and close to 15 million enter the workforce every year. The only way through which enough jobs can be created for such a huge populous, consistently, is by creating an environment for entrepreneurship and innovation. The Ministry for Skill Development and Entrepreneurship was set up by the Government of India with the vision to harness the power of our youth by making them skilled, self-employed, and to be job creators.

India has become an emerging market for global investors and entrepreneurship is majorly contributing to the country's economy. A stable business environment, market-oriented reforms and key initiatives like Make in India, Digital India, Mudra Yojana, Atal Innovation Mission, 59 minute loan, Stand up India and Start-Up India are encouraging aspiring and ambitious young Indians. Also, support infrastructure for entrepreneurship development has come up significantly during recent years. The number of incubators is increasing by 40% every year.

These flagship programmes are addressing various elements of entrepreneurship ecosystem including organizing grand challenges, funding support, creation of new incubators and capacity building of existing incubators, ease

of doing business, tax benefits. Apart from the high technology and advanced innovation based entrepreneurship, Government is equally supportive of large scale entrepreneurship based on continuous/incremental innovation or existing know how. This entrepreneurial ecosystem has the largest potential to create employment across sectors and geographies for all socio-economic categories of youth.

Ministry has undertaken consistent and strategically planned efforts to promote entrepreneurship and provide necessary support to skilled candidates interested in starting their enterprise. As a first step, Common Norms for Skill Development 2015 recognizes self employment at par with placement as outcome benchmark of skill trainings. Additionally, a 20 hr mandatory module on entrepreneurial training has been included in short term skill training programme. Further, Pradhan Mantri Kaushal Kendras have been converted to Entrepreneurship Hubs to facilitate entrepreneurship in the district by providing interested trainees mentoring and handholding support. The Ministry has also collaborated with Department of Financial Services, SIDBI, Rural Self Employment Training Institutes (RSETIs) and Civil Society organizations like DeAsra to impart the knowledge base on enterprise start-up, mentorship and handholding and to facilitate credit linkages. Towards creating a favorable environment for entrepreneurship, the Ministry has instituted National Entrepreneurship Awards to recognize and honor outstanding young first-generation entrepreneurs and organizations/individuals committed for entrepreneurship development.

8.0. Key Questions

Our discussion, as above, brings to the fore, several questions that need to be answered:

- How can the necessary business environment for youth entrepreneurship be strengthened?
- How can multi-stakeholder initiatives benefit most in starting and succeeding in business?
- What factors contribute to sustainable success in youth entrepreneurship?
- How can the policy makers, intermediary institutions, and local governments work together to develop inclusive youth entrepreneurship?

These are pertinent questions that require answers, both from the angle of policy and practice. They are especially significant in the context of India, where the country has a relatively high Total Early Age Entrepreneurship (TEA) rate of 11 percent. The opportunities, as also the constraints and challenges to youth agri-enterprises in developing countries need close examination. The international experience and more specifically, India's rich experience will

highlight the key drivers, and discuss how governments, non-profit organizations and private companies can strengthen youth entrepreneurship in the agricultural value chain. Such exploration on the experiences and imperatives in the context of India, demands further detailed enquiries and research as well.

9.0. Conclusion

The experience of youth enterprise strategies from various developing and emerging economies, undoubtedly, provide a new direction to proactive public policies for entrepreneurship development. However, the differences in approaches and strategies are specially relevant in the context of COVID-19 for two specific reasons: First, the Pandemic has brought to the fore, the need for a focus on the specific needs and experiences of individual countries. Secondly, the time has come for a selective and discretionary approach to technology use, with focus on harnessing the linkages and potential offered by the market. To this effect, the role and relevance of the 'platform economy' and the 'new economy' in general, needs a relook. The present position and potential of agriculture and the rural economy needs special examination in the current context of management of the "two-curves problem". The learning from India's experience are likely to be rewarding for other developing and emerging economies as well.

About the Book

The entrepreneurship route to employment creation has now been widely accepted as an important strategy option in most countries. This policy priority essentially leads to an accelerated thrust on promotion of start-up businesses, by governments and various other actors. Thus, in addition to the stock of existing enterprises, new businesses are added to the stream every year. How enterprises perform, and the contribution they make to the economy and society, are concerns of policy, practice, and public interest. Against the above background, and more specifically in the context of ISED's prestigious national project, 'India MSME Report', a quick study was initiated in the State of Andhra Pradesh/ Telangana, during the year 2014. This report summarises the finding of that project.

About the Observatory



ISED Small Enterprise Observatory (ISED-SEO), set up in 1997, is a premier world-class knowledge platform on enterprise, entrepreneurship, and the development scene in general. The Observatory scans and collates developments in the economy and society on a continuous basis, as it specially relates to micro, small and medium enterprises. It offers a variety of products and series: well-researched reports, practical info for enterprises, insights and business tips for financial institutions, inputs for the media, and study materials for researchers and students, and much more.....

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Part of ISED, the parent organisation, ISED-SEO is a platform that is Membership – driven, and is governed under the collective wisdom and guidance of an International Special Advisory Team. The benefits for Members are varied. The take-aways are in the form of word of mouth, materials in print, and services. Apart from regular communications, the members also enjoy discounts on selected take-aways.

Institute of Small Enterprises and Development (ISED) is an interdisciplinary Centre with small enterprises as its key constituency. Along with research, policy advice, advocacy, networking, training and consultancy, the Institute is a participant to policy dialogue on small enterprises within the country and internationally. The Institute has several international recognitions to its credit, including the award 'Global Leader in Small Business Promotion', by the Institute of International Education (IIE), New York.

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