

GUIDELINES OF ENTREPRENEURSHIP FOR INDIAN YOUTH

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, but less than 5% actually become one. 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. Our country's 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.

THE STRUCTURE OF THE ROADMAP

This Roadmap has two components the first lists the main Key Concern Areas (KCAs) to young people seeking to become entrepreneurs'. The second put forth the recommendations to ease them out.

REGULATORY ASPECTS

What is the Key Concern Area (KCA)?	What is the Recommendation?
<p>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.</p> <p>There are a number of regulatory challenges to young entrepreneurs which include pricing policies, credit policies and import /export tariffs.</p>	<ol style="list-style-type: none">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.
<p>An unsupportive tax regime can kill off new businesses during their critical first few years of trading.</p> <p>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.</p> <p>There are cost of operating in the informal market such as bribes and commissions and the inability to access formal finance or support</p>	<ol style="list-style-type: none">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.
<p>Bankruptcy laws in our country are often indiscriminately punitive to business failure even when it was events rather than any impropriety that caused</p>	<p>Framing of the bankruptcy laws so that young entrepreneurs are not overly penalised at the beginning of their business lives, if they cease trading for any</p>

<p>the failure. In our country there is also a strong social stigma attached to any failure in a commercial venture. Many young entrepreneurs tend to be risk averse because they see the financial and social costs of failure as outweighing the benefits of success.</p>	<p>reason other than criminal or fraudulent activity.</p>
<p>Poor enforcement of copyright and patent regulations can greatly disadvantage young people who are innovative yet ignorant of this complex area.</p>	<ol style="list-style-type: none"> 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 as 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.
<p>Ineffective competition law can close markets to new start-up businesses particularly young people who are outside local business networks.</p>	<p>Framing of competition law to ensure young new entrants have equal access to markets.</p>
<p>Competition related restrictions on market access or government subsidies can prevent many young people from entering markets. Trade liberalisation policies introduced in our country has increased competition. Many new businesses do not have the professional management and resources to adapt to a more competitive environment</p>	<p>There can be a systemized protocol to provide a social safety net for the crucial early period when a disadvantaged young person is setting up their business.</p>

CULTURAL ATTITUDES

What is the Key Concern Area (KCA)?	What is the Recommendation?
<p>Most sections of our society 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.</p>	<p>Make Entrepreneurship an acceptable option for young people. In our country, 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.</p>
<p>In our country 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</p>	<ol style="list-style-type: none"> 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.

Corruption is a cancer that prevents many businesses surviving or growing.	<ol style="list-style-type: none"> 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.
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.	Address the question of how to bring the informal economy into the mainstream economy and access more conventional sources of finance.
Business networks often perceive start-ups as unacceptable competition rather than new blood and future	Stimulate business networks and industry associations to include young people rather than exclude them.
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.	Provide some form of social safety net for the initial period of starting a business.
In some societies young girls are specifically discouraged from becoming entrepreneurs.	Work with Equal Opportunity organisations to ensure to include young girls in entrepreneurship policies.

EDUCATION

What is the Key Concern Area (KCA)?	What is the Recommendation?
An academic approach to education nurtures skills that are appropriate to working in large organisations or firms but not for an entrepreneurial career.	<ol style="list-style-type: none"> 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.
Most education systems teach traditional values of compliance to the norm rather than independent thinking or self-reliance.	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.
Teachers and university teachers have little experience of self-employment and the skills and attitudes that are required.	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.
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.	<ol style="list-style-type: none"> 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.
Careers services in schools and further education rarely identify self-employment as an option for employment.	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.

SKILLS TRAINING

What is the Key Concern Area (KCA)?	What is the Recommendation?
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.	<ol style="list-style-type: none"> 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
Many government policies focus on funding skills training specifically for high value skills rather than meeting broader market needs.	Appropriate skills training should be as widely available to young people as possible.
Young people who have no ICT (<i>Information and Communication Technologies</i>) 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.	<ol style="list-style-type: none"> 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.

FINANCE

What is the Key Concern Area (KCA)?	What is the Recommendation?
Difficulty in obtaining start-up financing is the major impediment to young entrepreneurs seeking to create their own business	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.
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	<ol style="list-style-type: none"> 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-

<p>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.</p>	<p>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.</p> <p>3. Youth are an asset. They should be perceived and valued as such</p> <p>4. Government and employers can play a role in influencing banks to give preferential loan and repayment options to young entrepreneurs.</p> <ul style="list-style-type: none"> - Loan guarantee funds - Certificates of business worthiness - Youth Development Bonds <p>5. Grants</p>
<p>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.</p>	<p>Support agencies to offer appropriate training</p>
<p>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.</p>	<p>Business expansion support /services can help businesses make the transition from start-up to sustainable growth.</p>
<p>Informal personal networks are the commonest source of start-up funds; these are largely unavailable to young people from a disadvantaged background.</p>	<p>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.</p>
<p>Young people are easily put off by the information and documentation required by many commercial lenders providers of micro-credit.</p>	<ol style="list-style-type: none"> 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.

BUSINESS SUPPORT

What is the Key Concern Area (KCA)?	What is the Recommendation?
<p>Businesses in the start-up phase often cannot afford to pay for business support or advice.</p> <p>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.</p>	<ol style="list-style-type: none"> 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.

Financing schemes are often conditional on the preparation of adequate business plans. Without a viable plan access to capital can be very difficult.	Support agencies to offer appropriate training in the preparation of business plans.
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	Business expansion support /services can help businesses make the transition from start-up to sustainable growth.
Isolation, the absence of support networks and a lack of business contacts are common obstacles to setting up your own business	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
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	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.
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	<ol style="list-style-type: none"> 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.

CONCLUSION

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. 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.