

# Promotion of Entrepreneurial Activity Among Youth in India



- Dr. Mrs. R. Krishnaveni\*

## Abstract

‘Youth entrepreneurship’ is defined as 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”.

In recent years, the promotion of entrepreneurship as a possible source of job creation, empowerment and economic dynamism in a rapidly globalizing world has attracted increasing policy and scholarly attention. However, despite this attention, there has been no systematic attempt to look at it from a youth angle. The tendency has been either to include the youth into the general adult population or to ignore their efforts to forge a livelihood through enterprise activities. This has resulted in the lack of an adequate understanding of the potential benefits of youth entrepreneurship as a means of improving youth livelihoods. The main aim of this paper is to identify the factors affecting youth entrepreneurship, and policy measures and strategies that can be initiated to overcome.

**Keywords:** Youth Entrepreneurship, Entrepreneurship, General Adult Population, Youth Entrepreneurship

## Introduction

Entrepreneurial education helps the young entrants to develop their traits and attitudes, makes them responsible for preparing business plans, seeks financial help from different financial institutions and enables them to run business on profitable lines. Every successful entrepreneur brings about benefits not only for himself/ herself but for the community, region or country as a whole.

‘Youth’ is defined by the United Nations as those between 15-24 years of age. For the purpose of this paper, however, a ‘youth’ is defined as any person aged between 15-35 years of age.

According to Peter Drucker “Entrepreneur is one who always searches for change, responds to it and exploits it as an opportunity. He believes in increasing the value and consumer satisfaction. Thus, a professional manager who mobilizes resources and allocates them to make a commercial gain from an opportunity is also an entrepreneur.”

A.H. Cole has defined “Entrepreneurship is in the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organize a profit-oriented business unit for the production or distribution of economic goods and services.”

The term entrepreneur is confined to those who start a new business and extends to those who seek out new opportunities and then combine the factors of production to exploit the perceived opportunities.

## Review of Literature

Entrepreneurship has been identified as the fourth factor of production that helps discover new frontiers leading to all round economic growth (Harper, 1991; Leff, 1979), and a resource that needs to be tapped by developing countries to enable them to compete in a globalizing market economy (Kanungo, 1998; Khandwalla, 1998). Bennell (2000) in this regard argues that the challenge for governments, NGOs and

\*Asso. Professor in Commerce, PG & Research Department of Commerce, St. Joseph’s College of Arts and Science (Autonomous),  
Cuddalore - 1.

international bodies seeking to improve youth livelihoods is to “tap into the dynamism of young people and build on their strong spirit of risk-taking”.

White and Kenyon further note that social and cultural identity is promoted through youth enterprises, as there is a stronger sense of community where young women and men are valued and better connected to society. They note that youth enterprises give young people, especially marginalized youth, a sense of ‘meaning’ and ‘belonging’. This can shape the identity of youth and encourage others to treat them as equal members of society. A popularization and democratization of entrepreneurship can allow the disadvantaged in society to succeed regardless of social or family background (OECD, 2001).

The promotion of youth enterprise in general and youth entrepreneurship in particular is vital. The importance of this promotion should also be seen in the context of improving social attitudes towards entrepreneur. Collectively, these influences are referred to as an ‘enterprise culture’.<sup>1</sup>

More recently, The Commission of European Communities (2005) reported that entrepreneurship is very important for further social development through increased job opportunities and consequent economic prosperity. Several developing countries have identified promotion of entrepreneurship as a focus area for governments, financial institutions, and academic institutions

<sup>1</sup>Drawing on Gibb (1988), White and Kenyon (2000) define an ‘enterprise culture’ as a “set of attitudes, values and beliefs operating within a particular community or environment that lead to both ‘enterprising’ behaviour and aspiration towards self-employment” (p.18).

The importance of entrepreneurial ventures in creating new job opportunities is highlighted well in Indian Information Technology (IT) sector. In Indian IT sector alone, Small and Medium Enterprises (SMEs) in aggregate turned out to be largest employers in the country in the last 10 years (“SMEs largest employers: Skoch,” 2002). High entrepreneurial activity is clearly the driving force behind the growth in India and China, both countries with large young employable population.

## The Challenges

The key challenges facing the youth entrepreneurs are the promotion of awareness of various career options and possibilities for business start-up. Young people in this category largely require awareness and understanding of what enterprise is and what it takes to own and manage a business so that they can consider self-employment realistically as a career option.

The key challenges for youth entrepreneurship institutions and programmes is to provide practical support services such as targeted business development training, advice, role models, and access to finance.

The major challenge facing these young adults is to transform their enterprises into commercially viable and competitive small businesses. Thus, their needs largely revolve around the following:

- **Tactical skills for Growth and transformation.** Recognizing that certain skills are important for the entrepreneur to have, while others can be accessed or employed, we have divided these skills into two categories:
  - **Skills One Should Have:** capacity to plan, communication, marketing, interpersonal, basic management, quantitative/analytical, personal effectiveness, team building and leadership.
  - **Skills One Can Access/Employ:** specialized management talent, advanced planning, specialized marketing advice/services, record keeping, legal, accounting, research, technical, financial/financing, information management, and so on.
- Access to working capital
- Access to new technologies and equipment, and
- New product development and value addition.

Given the need for the above skills, the key challenges facing youth entrepreneurship institutions and programmes is to provide practical support services, especially advanced business management skills and resources....

## Importance of Promoting Youth Entrepreneurship

The importance of promoting youth entrepreneurship lies in the following:

- Creating employment opportunities for both the self-employed youth and other young people
- Bringing back the isolated and marginalized youth into the economic mainstream
- Helping address some of the socio-psychological problems and delinquency that arise from joblessness
- Promoting innovation and resilience in youth
- Promoting the revival of the local community
- Young entrepreneurs may be particularly responsive to new economic opportunities and trends and
- Enterprise helps young women and men develop new skills and experiences that can be applied to many other challenges in life.

The young people are actively involved in running their own businesses in both developed and developing countries. However, the level of youth entrepreneurship and self-employment tends to be considerably lower than that of adults.

In general compared to adults, young people are deprived in the following areas:

## Access to Micro-credit for Young People

A major constraint to the growth of young entrepreneur's is lack of access to finance. While potential youth entrepreneurs and existing youth entrepreneurs generally lack access to credit in both DCs and LDCs, the problem is particularly delicate in the latter. There are credit schemes directed at young people in the mainstream micro credit organizations, but youth are an underrepresented group. Lack of sufficient collateral, experience and biases further disadvantage young people

It is also important to note that many micro-credit schemes, especially youth credit schemes, have failed in many countries. The overall message from the failure of these schemes suggests that success or failure in terms of financial viability and servicing the poor, in this case young people, largely depend on the design of the programme (Curtain, 2000).

## Training and Business Development Services

Potential youth entrepreneurs and existing youth entrepreneurs need more than access to credit. They also need to know how to develop a business plan, business management, management of business finances (budgeting), time management, stress management, improving sales, managing and reducing costs, debt recovery techniques, stock control techniques, marketing and recruitment.

This suggests the need for an integrated package for the promotion of youth entrepreneurship like Skills training, Business counseling, Mentor support, Access to working space, Business expansion support and Creating support networks.

The training should also be extended to service providers in order to improve their professional and technical competence, especially in the areas of programme conception, design, implementation and evaluation.

## Policies and Institutional Intermediation

Particularly in those countries currently lacking explicit policies on youth, there is urgent need to design compressive national youth policies that indicate the directions a country intends giving to the development of its young people. Significantly, such policies should be properly integrated with key macro and sectoral policies in order to avoid treating youth livelihoods and entrepreneurship as an isolated activity.

This proposal has radical implications for intermediary support institutions. It will require doing the following:

Clearly redefining the role(s) of these institutions:

- The Government
- NGOs
- The Private Sector

- Donor Agencies
- The Local Community

## Financing Youth Enterprise Development and Research

- This leads us to the conclusion that enterprise promotion programmes should seek funding from a variety of sources to ensure their sustainability. These sources include:
  - The Government
  - The Private Sector
  - Donor agencies
  - Internal investments, and
  - Fund-raising activities.

## Conclusion

The risk associated with entrepreneurship could be brought down with proper policy interventions designed to address relevant problems in the support structure in a particular region. This would require an all-round support from various stakeholders including government, planning agencies, supportive families, and willing would be entrepreneurs. Given the right boost and appropriate climate we may see more entrepreneurial activity.

## Attachments

### Examples of Successful Young Entrepreneur

Some born in India and some brought up by Indian parents staying abroad, these are mostly internet entrepreneurs who have made an impact in the world of tech enterprises. While some of them are from strong management background, most are with immense tech research and industrial experience. Numbers of internet startups founded by Indians have raised multi million investment funds by the end of the financial year of 2011.

Here is a list of the young Indians who could be the future leaders in the world of technology.

#### 1. **Gurbaksh Chahal, Age: 27, Company:** BlueLithium

This internet entrepreneur, born in Punjab, has worked in advertising firms since he dropped studies at the age of 16. He has raised more than \$300 Million with his internet startup BlueLithium which is an online advertising domain. He has featured in the Oprah Winfrey show and as America's Most Eligible Bachelor's on Extra TV.

#### 2. **Naveen Selvadurai, Age: 29, Company:** Foursquare

After Graduating from King's College, London in 1999, Naveen has worked for companies like Nokia, Sony and Sun Microsystems. Foursquare, his joint venture with

Dennis Crowley is a social networking site with an estimated value of \$600 Million. He has been listed in AOL's list of Worlds Young Millionaires and has been featured in CNN's show 'Getting America Back to #1'.

**3. Rishi Kacker, Age: 29, Company: Voltage**

At the age of 20, Rishi along with his classmate Matt Pauker started Voltage, security software for encrypting files and emails as a summer research project in Stanford with which they won the business-plan competition. With the help of some experienced business executive they found 130 big businesses that would use their software.

The success of the above, in the absence of institutional support, appears to depend on a number of factors. These include: 'A business vision', 'Business discipline', A positive attitude towards business, An ability to identify and exploit new business opportunities, Patience, Perseverance and Resilience.

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