



## **Motivation behind entrepreneurship among youth: A review**

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### **Abstract**

In today's world, as we know that unemployment is almost a basic problem of every economy specially for Youth. So, entrepreneurship is not only the solution to the problem but also required for polishing the young people to showcase their potential. This paper on the basis of existing literature deals with determining the factors that motivates youth towards entrepreneurship & what kind of barriers & obstacles they face. A review of many articles was done from the period of 1970-2016 highlighting the motivating forces and the problems faced by them during the process of Entrepreneurship. The driving forces included many factors like influence from family members or close friends, intelligence, past experiences, capability or skills, innovation, need for achievement, risk taking capability of youth etc. The barriers included lack of government support, financial problems, differences in culture, complex procedure, tax regulations etc. The study provides us with an extensive literature that can be used for the future research and will also be beneficial for the youth to identify the factors that should be kept in mind while entering into entrepreneurship.

**Keywords:** entrepreneurship, motivating factors, youth entrepreneurship, barriers

### **Introduction**

#### **Entrepreneurship-an overview**

Entrepreneurship plays a very important role in the economic development of every nation. "Entrepreneurship is an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of organizing, markets process and raw material through organizing efforts that previously had not existed" (Venkataraman, 1997) <sup>[42]</sup>. "Entrepreneurship is an important process by which new knowledge is converted into products and services" (Shane and Venkataraman, 2000) <sup>[43]</sup>. An entrepreneur is a person who identifies opportunities from environment and allocate resources to these opportunities by using his creativity, innovation & skills.

#### **Youth entrepreneurship**

Entrepreneurship is highly regarded as an important strategy to solve not only unemployment, but as a mechanism to respond to uncertain national landscape (Ndedi, 2009) <sup>[44]</sup>. So it is an important mechanism to deal with the society's unemployment agenda. Investing in entrepreneurial ventures and educating people to start-up those ventures can be an invaluable tool to advance human resources to promote socio-economic development. Therefore youth entrepreneurs have important role to play in the process of industrial as well as economic development. They could assist to generate employment opportunities for youth, to raise income for them and to break the vicious circle of poverty (Chigunta, 2002) <sup>[20]</sup>. Youth unemployment is an immense waste of human resources that could contribute to economic and social progress. Moreover, entrepreneurs are risk takers, implementers and innovators, who can bring the change in socio economic status of the society via creation, exploitation

and exploration of emerging opportunities in the market (Gwija, 2014) <sup>[45]</sup>. Entrepreneurs create new technologies, products and services to meet society's needs (Nicolaidis, 2011) <sup>[46]</sup>. The paper focuses on the existing literature and aims to highlight various incentives that encourages youth to go for entrepreneurship and also to examine the problems and challenges which discourage them. These factors have extensively searched by various researches due to increased competition in the global world. The next section of the study discusses about the relevant literature.

#### **Literature review**

When extensive review of literature was done many factors were found which acts as a motivation or incentives to influence youth towards entrepreneurship & different obstacles were also searched out which acts as a hurdles for youth to become an entrepreneur.

#### **Motivational factors**

According to the Global Entrepreneurship Monitor (GEM) South African Report 2007 (Maas & Herrington, 2008) <sup>[4]</sup>, level of education and school grades were regarded by respondents as important factors in securing employment. This finding has been a consistent theme in all GEM reports (Maas & Herrington, 2008) <sup>[4]</sup> and can therefore be earmarked as one of the most important factors for the promotion of youth entrepreneurship in South Africa. (Gibb, 1993) <sup>[1]</sup>, proposed that enterprising approaches to small business education and training may be important for programmes aimed at promoting business initiation. Young people participating in such programmes often have as their main objective the setting up of their own business, but acquiring the required knowledge and skills is a means to this end rather

than a goal in itself. It can, therefore, be argued that the transfer of enterprising knowledge and skills should be ingrained in the goals of basic education if young learners completing school are expected to participate meaningfully in economic activity. Where as according to (Chinosa, 2010) technical and vocational education are the only alternative forms of education and training that can guarantee Entrepreneurship development and job creation for youths. Several authors (Reynolds, 1991; Stanworth *et al.*, 1989) <sup>[6, 5]</sup> have emphasized that personal background characteristics have a more reliable influence on the decision to found one's own firm than psychological traits. Several studies (Kets de Vries, 1977; Hisrich & Brush 1984; Scott & Twomey, 1988; Scherer *et al.* 1989; Taylor & Thorpe, 2004) <sup>[7, 8, 9, 10, 11]</sup> exploring the reasons why individuals become entrepreneurs have Identified previous exposure to business, role models and networks as important. Individuals who have family members or close friends who are entrepreneurs tend to be more likely to start their own business than those individuals who have not experienced the same level of exposure to entrepreneurship (Collins & Moore, 1970; Cooper & Dunkelberg, 1984) <sup>[12, 13]</sup>. (Shapero & Sokol, 1982 and Praag & Ophem, 1995) <sup>[15, 16]</sup> suggested that willingness and presence of an opportunity are both necessary conditions for selfemployment to occur and both were found to be enhanced through experience gained in entrepreneurship. (Hartog *et al.* 2010) <sup>[16]</sup> The effect of technical and social intelligence is larger for entrepreneurs than for employees whereas the effects of mathematical and verbal ability are stronger for employees.

The sample survey revealed that most of the young entrepreneurs even though had other occupational opportunities chose entrepreneurship as a career because they aspire to be independent and to earn more money. (Manjusmita Dash & Kulveen Kaur, 2012) <sup>[28]</sup>. the study found that personal background, business passion, related experience, network opportunity, encouragement from family members & colleagues are the factors that influence young entrepreneurs. The researcher also found out that majority of the respondents agreed that business passion is the most important factor while business influence from colleagues is the least important factor in venturing business. Youth like to be in entrepreneurship as they need more monetary benefits, they like to innovate something and they need more freedom in their profession. (Hima K, 2016) <sup>[30]</sup>. Those people who reside within entrepreneurially oriented environment, more likely to take part in entrepreneurial activities in their career. Thus, those young people whose parents own their own business ventures may influence entrepreneurial attitudes for young people who live together in the same environment (Nieman and Nieuwenhuizen, 2009) <sup>[31]</sup>. The financial conditions of a person, whether favourable or adverse, can pull or push them to start-up a new entrepreneurial venture for a variety of reason (Pillania, Lall *et al.*, 2009) <sup>[32]</sup>. This need for achievement leads an entrepreneur to accomplish his personal goals, teach how to use the available resources optimally and explore the creativity and innovativeness to produce better products and services for the market. (Pillania, Lall *et al.*, 2009) <sup>[32]</sup>. Entrepreneurs always take risk with respect to financial well-being, psychic well-being, career security and family relation (Shane, Locke *et al.*, 2003) <sup>[33]</sup>.

Therefore youth especially in developing and low income countries are likely to participate in business out of economic necessity (Chigunta 2002, Reynolds, Bygrave *et al.* 2004) <sup>[20, 35]</sup>. This finding is supported by (Llisterri *et al.*, 2006) <sup>[36]</sup>, who show entrepreneurs by necessity could be more commonly found among poor people and those with lower level of education. In addition to the ability to innovate, to take risk and manage, and plan for the future, the attitudes of man is very important factor in the emergence of entrepreneurship since the entrepreneur is a person who has vision, makes plans for future, conceives ideas, works it out in detail and organises the business (Renu Arora and S.K Sood, 2007).

### Barriers

In addition, youth entrepreneurship in South Africa is impaired by, among other causes, high levels of bureaucracy limiting access to finance, a shortage of skills in the country and a general lack of innovation (Herrington, 2009) <sup>[2]</sup>. Resources, especially financial resources are the universal need of entrepreneurs to start a venture. Lack of financial resources is the biggest hurdle in constituting a new firm (Pretorius and Shaw, 2004; Atieno, 2009) <sup>[18, 19]</sup>. Lack of awareness about government facilities and support, female role in the society, and lack of social networking can become source of unfavorable intention (Chigunta, 2002; Mass and Herrington, 2006; Sandhu *et al.*, 2011) <sup>[20, 2, 22]</sup>. As cultural and social are important predictors for individuals in shaping their lives, they are also equally influencer in promoting entrepreneurial intention and culture (Birley, 1987; Kreiser *et al.*, 2001) <sup>[24, 23]</sup>. Lack of willingness to take risk and fear of failure is also an important barrier. In Pakistan, 27.73% of working age population has clarified that fear of failure stop them thinking about to become own boss, which is better compared to many other countries (Mian and Quershi, 2010) <sup>[25]</sup>. Developing countries like Pakistan face some serious variation in inflation, interest rate, exchange rate, import, aggregate demand, and investment- all of these unfavorable economic situations make negative impact actual and latent entrepreneurship (Baena, 2012) <sup>[27]</sup>.

Similarly, (Ali *et al.*, 2010) <sup>[17]</sup> found political instability is negatively correlated with entrepreneurial intention. Lack of skills, lack of assistance, lack of capital, lack of family support, and uncertain environment are the reasons for Pakistani graduates and undergraduate not take entrepreneurial career. Most of students think that they are not having required skills, knowledge, and experience to start own business. Cultural and social norms are also source of discouragement among students. (Muhammad Asif Tanveer, Usman Ali Gillani *et al.*) (Schoof, 2006) <sup>[37]</sup> Has outlined the following constraints to achieving start-up finance.

- Lack of personal savings and resources.
- Lack of securities and credibility (for debt financing).
- Lack of business experience and skills (for debt financing).
- Complex documentation procedures
- Long waiting periods (time needed to decide on an application for funding).
- Lack of knowledge, information, and awareness of start-up financing possibilities.
- Legal status/form of enterprises
- Lack of micro funding and seed funding.

Today, young entrepreneurs face numerous administrative burden including business registration, tax administration, obtaining investment approvals and business licenses, coping with copyright and patent regulations, competition law, access to work space and long term leases, construction and building permits, customs clearances, utility hook-ups etc (La Porta, Lopez-de-Silanes *et al.* 1999) [38]. Entrepreneurship is not being regarded as better career option amongst youth in Nepal; rather they prefer to embrace paid work far in Middle East and Malaysia as migrant worker. Young graduates from Universities and migrant worker returnees should be encouraged to equip to pursue career in entrepreneurship, instead of looking for a paid job (Richards, 2006) [39]. 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. (Jacek Jakubczak, 2015) [41].

**Objective of the study**

Youth entrepreneurship has gain a lot of attention from researches and practitioners. The main objectives of this study

is to find out the different driving forces that act as a motivator for young entrepreneur through extensive literature & also to study the different barriers or hurdles affecting youth to become an entrepreneur.

**Research methodology**

The study is based on the secondary data. The relevant literature is analyzed from different articles from the period 1970-2016. The factors that affect the youth entrepreneurship are identified and on the basis of that conclusions are made. The study provides summary of their findings and it can be used for the future research.

**Analysis and discussion**

Various articles have been analysed, it has been found that the main driving factors which influences youth towards entrepreneurship in most of the researches are monetary benefits, education, past experiences, innovation, risk taking etc. Most of the researches have been conducted in developing & underdeveloped countries. The relevant literature shows that the main problems faced by young entrepreneurs were lack of financial assistance, govt. support, cultural & social factors, complicated laws & taxation procedure.

**Table 1:** Motivational factors to youth entrepreneurship

Motivational factors to youth entrepreneurship	Author & year of study
Willingness and presence of an opportunity	Shapero & Sokol (1982) and Praag & Ophem (1995) [15, 14]
Family members or close friends	(Collins & Moore, 1970; Cooper & Dunkelberg, 1984) [12, 13]. Shapero & Sokol (1982) [15]
Previous exposure to business, role models and networks	Kets de Vries, 1977; Hisrich & Brush 1984; Scott & Twomey, 1988; Scherer <i>et al.</i> 1989; Taylor & Thorpe, 2004) [7, 8, 9, 10, 11]
Technical and social intelligence	Hartog <i>et al.</i> (2010) [16]
Aspire to be independent and to earn more money.	Manjusmita Dash & Kulveen Kaur (2012) [28]
Personal background, business passion, related experience, network opportunity, encouragement from family members & colleagues	Sharifah Zannierah Syed Marzuki <i>et al.</i> (2016) [29]
Monetary benefits, Innovative idea, Enjoying freedom	HIMA. K(2016) [30]
Family role	Nieman and Nieuwenhuizen (2009) [31].
Financial condition	Pillania, Lall <i>et al.</i> (2009) [32]
Need for achievement	Srere5454r, <i>et al.</i> (2009).
Risk taking:	Shane, Locke <i>et al.</i> (2003) [33].
Personal background	Reynolds, (1991) [6]; Stanworth <i>et al.</i> (1989) [5]
Technical and vocational education	Chinosa (2010)
Level of education and school grades	Maas & Herrington (2008) [4]
small business education and training	Gibb (1993) [1]
Economic necessity	(Chigunta 2002, Reynolds, Bygrave <i>et al.</i> 2004) [20, 35], Isterri <i>et al.</i> (2006) [36],
Ability to innovate, to take risk and manage, and plan for the future, the attitudes of man	Renu Arrora and S.K Sood, (2007) [40]

**Table 2:** Barriers to youth entrepreneurship

barriers to youth Entrepreneurship	Author & year of study
Lack of financial resources	(Pretorius and Shaw, 2004; Atieno, 2009) [18, 19].
Lack of awareness about government facilities and support, lack of social networking	Chigunta, 2002; Mass and Herrington, 2006; Sandhu <i>et al.</i> , 2011.
High levels of bureaucracy limiting access to finance, a shortage of skills in the country and a general lack of innovation	Herrington (2009) [2]
Cultural and social factors	(Birley, 1987; Kreiser <i>et al.</i> , 2001) [24, 23].
Lack of willingness to take risk and fear of failure	(Mian and Quershi, 2010) [25].
Unfavorable economic situations	(Baena, 2012) [27].
political instability	Ali <i>et al.</i> (2010)
Lack of skills, lack of assistance, lack of capital, lack of family support, and uncertain	Muhammad Asif Tanveer, Usman Ali Gillani <i>et al.</i>

environment, Cultural and social norms	
Complex documentation procedures, Lack of knowledge, information, and awareness of start-up financing possibilities, Lack of business experience and skills Etc.	Schoof (2006) <sup>[37]</sup>
Business registration, tax administration, obtaining investment approvals and business licenses, coping with copyright and patent regulations, competition law, access to work space and long term leases, construction and building permits, customs clearances, utility hook-ups etc	La Porta, Lopez-de-Silanes <i>et al.</i> (1999) <sup>[38]</sup>
Lack of interest in entrepreneurship	Richards (2006) <sup>[39]</sup> .
Lack of financial credibility, costs of administrative procedures, fear of failure, lack of knowledge about possible sources of start-up financing, unsupportive and complicated tax system and complicated law system.	Jacek Jakubczak(2015) <sup>[41]</sup>

## Conclusion

Youth entrepreneurship has gained more importance in recent years in many countries with increased interest in entrepreneurship as a way of boosting economic competitiveness and promoting regional development. Youth should be provided different opportunities & resources from the side of the government so that the development of the whole nation can be done. As we know that for each & every country their YOUTH is a GEM for them. So, this Gem should be nourished & nurtured for economic & social development of the country. This study has provided the summary of different researches based on young entrepreneurs which can be useful for them & the overall summary of the literature is shown in the following tables.

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