

# **Impediments and Incitements of Youth Entrepreneurship in Bangladesh; Policy Support and Paradigm of Development**

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## **Abstract**

*Where youth entrepreneurship have advanced, the economy is usually steady and by contrast, where youth entrepreneurship are constrained by socio-political and economic impediments economies are in stagnant condition. Entrepreneurship creates an opportunity for a person to make a contribution. Most new entrepreneurs help the local economy. This article focuses on several significant facets of young entrepreneurs in Bangladesh. It aims at presenting constraints affecting the youth entrepreneurs and pledge proliferation proponents for their development and the major reason to start own business at younger age and problem-solving the principal hindrances they faced in doing the business. It is agreed that enterprise initiative with virtual qualities can accelerate the industrialization process. The study notorious the major factors that motivated them to start their own business at younger age. It reveals that young entrepreneurs face several youth-specific problems in starting and doing their business. Entrepreneurship is an imperative to spur this process. The researchers have scrupulously reviewed the relevant credentials and literatures. Underprivileged entrepreneurs need some strategic supports – entrepreneurship development and enterprise creation. Capital, non-financial supports and policy interventions will accelerate entrepreneurship development and enterprise creation.*

**Key Points:** *Youth entrepreneur, Policy paradigm, Impediments, Incitements, Propositions etc.*

## **1. Introduction**

Entrepreneurship is increasingly accepted as an important means and a valuable additional strategy to create jobs and improve livelihoods and economic independence of young people. It is an innovative approach to integrating youth into today's changing labour markets. Although the crucial role played by entrepreneurship in driving economic development and job creation is increasingly understood, there has been little effort to look at it from a youth

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perspective. Young people are mostly treated as part of the general adult population, while their specific needs and particular entrepreneurial potential as well as their critical contribution to economic and social progress are underestimated (Schoof, Ulrich, 2006). Reducing youth unemployment is one of the major challenges facing most governments in the world for decades to come. With an estimated 88 million young women and men worldwide unemployed, the need for employment creation efforts focusing on youth is undeniable. According to a recent study conducted by the International Labour Office (ILO), youth are generally three and a half times more likely than adults to be unemployed. In 2015, approximately 660 million young people will either be working or looking for work – an increase of 7.5 per cent over the 2003 figure (Schoof, Ulrich, 2006). While bound up with the overall employment situation, this challenge has its own specific dimensions and therefore requires targeted responses. The world's population is growing at a time when traditional, stable labour markets are shrinking. More than 1 billion people today are between 15 and 24 years of age and nearly 40 per cent of the world's population is below the age of 20. The ILO estimates that 47 per cent of all unemployed persons globally are young women and men and 660 million young people will either be working or looking for work in 2015. (ILO)

Bangladesh economic review and research papers articulate that 33.29 percent of the total population in Bangladesh falls within the age group of 15-34. Among them 27.38 percent live in the rural areas and while 5.89 percent in urban areas. Growth in employment opportunities fall behind the growth in population. In a study it was commented that the labor force grew at a much faster rate than the growth in population. The trend in employment between 2000/2001 and 2009/2010 indicates that the non-agricultural sectors are the principal engine for creating jobs. The bulk of the employment generation between 2000/2001 and 2009/2010 took place in the informal sector. Bangladesh with its existing human resource endowment can propitiate development process. Entrepreneurship is an imperative to spur this process. Enterprise initiative with virtual qualities can accelerate the industrialization process. For this, the youth workforce may be motivated by policy interventions. This paradox should contain the attributes of enterprise initiative by the youth workforce (Sarkar, 2012).

## **2. Objectives of the Study**

The main objective of this study is to find an understandable and more ample picture of existing barriers and specific incitements of youth entrepreneurship in Bangladesh. Others objectives of this study are as follows:

- To investigate the present scenario of youth entrepreneurship in Bangladesh
- To identify impediments facing the youth entrepreneurs
- To design a policy paradigm of development of youth entrepreneurship in Bangladesh
- To provide policy implication and recommendation.

### 3. Literature Review

Keeping the economic state, sector performance and unemployment situation in mind, scholars now a day are more prone to think for youth entrepreneurship development in a socially responsive manner. They widely generate ideas to do cluster/ community based industrial development. The reason of such generic motive lies in the intrinsic imperatives of small capital investment in ventures, indigenous skills and technologies, local market appeal for products etc.

Recently researchers opined that the countries where youth entrepreneurship have advanced, the economy is usually steady and by contrast, where youth entrepreneurship are constrained by socio-political and economic impediments economies are in stagnant condition. In such case, social capital and policy interventions should interact to support entrepreneurship development and enterprise creation. In a recent focus group discussion (FGD) of the underprivileged youth organized by the researchers, the participants opined that they have limited access to material resources, land, capital and training. They also expressed frustrated views on social economic state which impedes economic progress. For this they urged to gear and bond community awareness.

In a study (Sarker, 2008) it was exposed that youth entrepreneurs are the best managers to accumulate and utilize social resources. Another presentation (Monjuara, pers. com. 2008) articulates that youth are now a little bit organized. Trade bodies, at present, integrate the issues of this section and place recommendations for inclusion into policy paradigm.

“Entrepreneurship and business creation is a growing alternative for young people whose age group often faces a labor market with double digit unemployment rates. Traditional career paths and opportunities are disappearing rapidly. A growing number of young people are taking up challenge of starting their own business and much is being learned about how the odds for success can be improved through various types of assistance and through the creation of a supportive environment.” (Juan Somavia, Director General of the ILO).

Entrepreneurship is the recognition of an opportunity to create value, and the process of acting on this opportunity, whether or not it involves the formation of a new entity. While concepts such as “innovation” and “risk taking” in particular are usually associated with entrepreneurship, they are not necessary to define the term.” ( FaCS, 2003)

This rather broad definition embraces the potential wider benefits of entrepreneurship as it encompasses different entrepreneurship types (economic, social and public entrepreneurship as well as inter-, intrapreneurship and co-operative entrepreneurship) and does not constrain the concept to the process of commencing a new venture or creating a new entity (Pinchot (1985).

Governments at national and local level need to encourage a broad and dynamic concept of entrepreneurship to stimulate both personal initiative and initiative in a broad variety of

organizations which include but reach beyond, the private sector: small and large enterprises social entrepreneurs, cooperatives, the public sector, the trade union movement and youth organizations.” (UN Secretary-General Kofi Annan, 2000).

Chigunta (2002) proposes a broad categorization into three (transitional) phases. 1. Pre-entrepreneurs (in the age of 15-19 years): This is the formative stage. Curtain (2000) observes, for many young people, the transition from education to work is not a single step of leaving the educational system and entering the world of work. 2. Budding entrepreneurs (in the age of 20-25 years): This is the growth stage. 3. Emergent entrepreneurs (in the age of 26-29 years). This is the prime stage.

**Figure 1:** Diagnostic framework for young entrepreneurs,

High	<p><b>Group A: Enterprise able</b></p> <p>Current status – will be an employee or student with either business experience or business qualifications. Personal characteristics – likely to have been exposed to enterprising role models and/or had an enterprise education experience. Service needs – likely to require general information and advice about business start up.</p>	<p><b>Group B: Enterprising</b></p> <p>Current status – will be preparing to be self-employed, or already is self-employed. May have business qualifications. Personal characteristics – likely to have self-employed parents, or prior work experience in the same industry and had an enterprise education experience. Service needs – likely to require specialized information and business advice and/or mentoring, and the opportunity to network with other enterprising young people.</p>
Readiness	<p><b>Group C: Pre-enterprise</b></p> <p>Current status – will be an employee or student Personal characteristics – unlikely to have been exposed to enterprising role models and/or had an enterprise education experience. Service needs – likely to require exposure to information about being enterprising and what it takes to start a business.</p>	<p><b>Group D: Enterprise aware</b></p> <p>Current status – will be interested in being self-employed or already be self-employed. Personal characteristics – likely to have self-employed parents, prior work experience and/or had an enterprise education experience. May already have a business idea. Service needs – likely to require skill development and information and advice about business start-up or management.</p>
Low	Low	High

Source: Lewis and Massey (2003), p. 10

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#### **4. Methodology**

The approach and methodology followed in this article have been conceptualized keeping the relevance of literatures. The researchers also collected data from Directory of BBS, BRAC, SME foundations, PKSF and other institutions. The researcher have also studied the articles in the national and international journals and articulated the attributes in this paper. Secondary data are used to analysis the findings in qualitative manner.

#### **5. Discussions**

Entrepreneurial quality is an imperative to augment development process. This pertinent element is viewed as the basic potent of industrialization. We know, venture initiatives need entrepreneurship and affiliation of resources. These proponents should be integrated towards the industrialization process. In the focus group discussions, youth entrepreneurs expressed the following views:

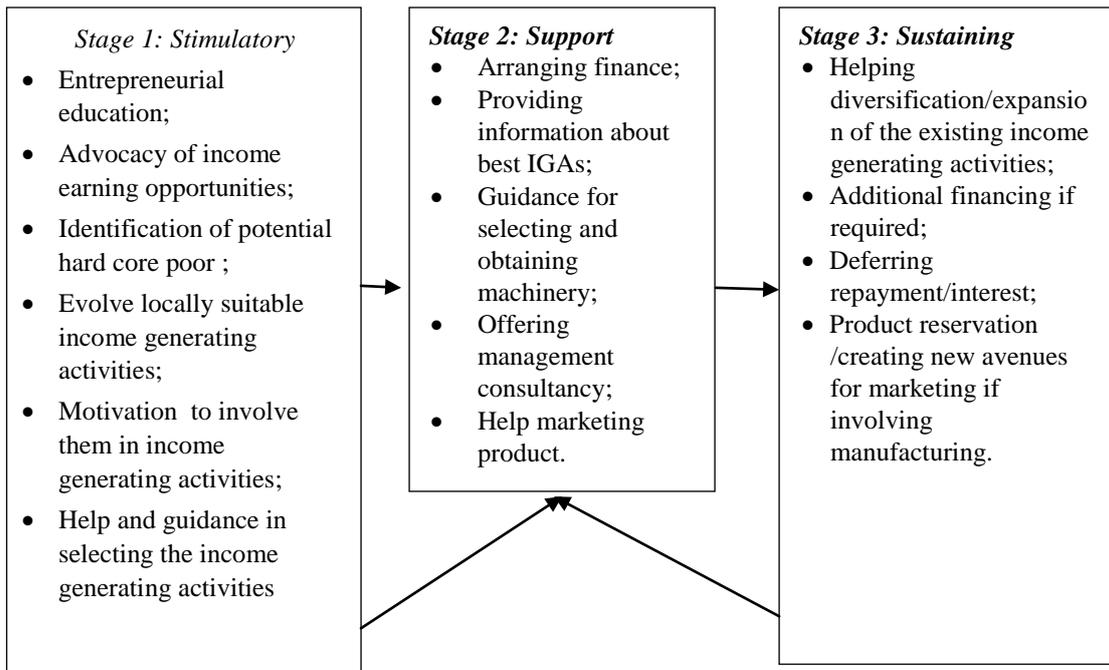
- ◆ Social resources should be directed towards the industrialization process. For this social attitude and mind set should be changed;
- ◆ Underprivileged youth entrepreneurs needs community support;
- ◆ Individual family commitment should be awarded for enterprise initiative.

Ingredients of ventures initiatives have inherent relations with development interventions. Participants in Focus Group Discussions (FGDs) viewed the following factors impeding youth entrepreneurship development:

- ◆ Financial resource as floatation fund;
- ◆ Marketability of output/ service;
- ◆ Competition risk;
- ◆ Sustainability of production option, etc.

The contexts of income generation issues have a causal relation with entrepreneurship development and enterprise creation. This urges for strong bonding of social, political, and economic cooperation. A recent inventory by BSCIC/Ministry of Industries indicates that up to June 2010, there were 0.77 hundred thousand small industries and 6.30 hundred thousand cottage industries in Bangladesh. About 70 percent of these enterprises are run by the youth entrepreneurs. Among them youth entrepreneurs in urban areas have good financial stand, while 80 percent of youth entrepreneurs in rural areas are underprivileged. Participants of FGDs also support this exposition. They outlined the following intrinsic features of the poor and underprivileged youth entrepreneurs:

- ◆ Poor and underprivileged are isolated and disadvantaged;
- ◆ They believe in fate and luck;
- ◆ They remain out of employment opportunities and have no savings;
- ◆ They are out of supporting niches of the NGOs;
- ◆ Extreme poor standing keep them away from help lines;
- ◆ Their household income is unstable and insufficient to meet basic needs;



The youth with opportunities to take active role in their respective economies through income generation, bargaining power and social empowerment. This is also well focused in various reports and publications. In our country, Micro Finance Institution (MFIs) have aim to reach the poor entrepreneurs, but apparently they rare serve them. Most of them reach the “well off group” in much greater numbers than the “poor entrepreneurs”. The extent to which micro finance program are able to reach the poor entrepreneurs remains an open debate. This may be due to the fact that the underprivileged youth entrepreneurs might be unable to repay their loans which will thus jeopardize the creditworthiness of the entire trade

## 6. Impediments of Youth Entrepreneurship in Bangladesh

- ◆ Financial Institutions sometimes adopt negative attitudes towards the poor youth entrepreneurs due to high default risks;

- ◆ Skill development is not the priority interventions of the cooperating agencies. Policy strategy of economic emancipation of the underprivileged youth entrepreneurs is impeded by negligence of skill development training;
- ◆ Most credit programs for the poor entrepreneurs are over-concerned with the repayment issue. In fact, the success of a program is judged by its repayment performance. This tends the supporting agencies to emphasis on recovery of credit not on utilization or giving less emphasis in IGAs;
- ◆ There is a observation that poor entrepreneurs are often dependent on subsistence farming as their main source of livelihood. Given the high risks of agricultural activities and the unique requirements of financing such activities (payback of loans, for instance, can only take place after the production period, which often lasts several months), the supporting agencies usually shy to lend them.
- ◆ Fear of being rejected, unwillingness to have collaterals from partners, doubts about defending the enterprise
- ◆ (b) Lack of knowledge on different available options of financing scheme and of appropriate skills to evaluate the business especially those in the informal sectors.
- ◆ Inadequate technical knowledge and managerial experience which make it difficult for them to sustain in the competitive market;
- ◆ Financial institutions' reluctance to finance for start-ups and Insufficient assets to cover the debt-burden ratio;
- ◆ Lack of business plans and difficulties in identifying entrepreneurs involved in informal business sectors.
- ◆ Lack of linkage with national and international market (l)Failure to recover cost and (m) Lack of market information;
- ◆ Youth Entrepreneurs doesn't get collateral free loan as they have no assets and lack of interest free loan for encouraging youth entrepreneurs;
- ◆ Youth entrepreneurs not freed from VAT at least in mid-term basis and youth entrepreneurs have no direct access to finance and other infrastructure and institutional facilities;
- ◆ Infrastructural Facilities such as transportation, communication and supply of electricity are not at optimum level. The opportunities for training and also the scope of introducing new technology are increasing. Nonetheless, such opportunities are most extended in the urban areas. It is observed that technical assistances are not easily available to the rural

## **7. Enticement of Youth Entrepreneurship in Bangladesh**

For the overall well-being of the youth peoples of the country, the government of the People's Republic of Bangladesh has set the following strategies

- ◆ Increase women's participation in the decision making process of all financial institutions and remove the existing discrimination;
- ◆ Formulating and implementing special economic policy for youth (commercial policy, monetary policy and fiscal policy, etc.);
- ◆ Consider the initiatives of youth while formulating the macro-economic policies and taking programs for Enterprise Start-ups;
- ◆ Government has set distinct strategies in its National Action Plan (NAP) for the development of the youth entrepreneurship;
- ◆ Adoption of a comprehensive sustainable industrial policy that will promote equity for youth men;
- ◆ Upgrade technical "know-how" of youth and develop technology suitable for young entrepreneurs;
- ◆ Enable MOI and other related ministries, agencies to address and implement WID issues in comprehensive and coordinated way for effective implementation of the Industrial Policy and Support research, evaluation and action-oriented programs of industry particularly for youth engaged in the industrial sector.
- ◆ Setting up special window for financing youth entrepreneurs and Pre- and post investment counseling for youth entrepreneurs for credit

## **8. Concluding Remarks**

Youth entrepreneurs need two-pronged strategic supports – entrepreneurship development and enterprise creation. Suitable financial product will be an input to support their enterprise initiative and with this entrepreneurship development training should be embedded. Besides, the following proponents may take in consideration:

- The central bank should fix up a target for each bank to finance underprivileged youth entrepreneurs;
- Awareness of business opportunities and support services offered by various agencies should be targeted towards youth entrepreneurs.
- Separate banks may be established for youth entrepreneurs and for the other banks; an obligation may be imposed to maintain a minimum quota for the youth entrepreneurs.
- A comprehensive credit policy should be initiated under the direct supervision of the central bank in order to create access of youth to finance. The policy should contain a provision of collateral free loan, credit without interest or low rate of interest, loan for long time duration;

- Proper coordination, necessary fund and trained staff should be provided by the GOs and NGOs to improve service delivery mechanisms.
- Counseling on project ideas, techniques for selecting suitable projects, preparation of business plan, management, sustaining support etc. should be provided to create and maintain youth entrepreneurship friendly environment.
- Increase research program on youth entrepreneurship development and provide financial support by the government to the institutions that are currently involved in research activities on youth entrepreneurship development
- National Board of Revenue (NBR) in order to raise awareness on tax giving procedures
- Introduce lesson on entrepreneurship development in educational curriculum

The contexts of income generation issue have a relation with entrepreneurship development and enterprise creation. This urges for social, political, and economic cooperation. In Bangladesh youth entrepreneurs are constrained by socio-political and economic impediments. For this social capital and policy interventions should interact to support entrepreneurship development and enterprise creation

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