Current Scenario of Youth Entrepreneurship in India

Neeta Baporikar
Namibia University of Science and Technology, Namibia & University of Pune, India

INTRODUCTION

Many young people cannot find employment. This has become particularly acute since the education explosion in early 2000’s and onset of the financial crisis in 2008. These outcomes are both inefficient and inequitable. Evidence shows that the unemployed are unhappier, more likely to experience a range of health issues, and face difficulties in integrating back into the labour market place (Bell & Blanchflower, 2009). For young people, the effects of unemployment may be particularly scarring. Evidence suggests that a spell of youth unemployment increases the likelihood of poorer wages and unemployment in later life (Blanchflower & Oswald, 1998). Such outcomes also have pronounced social costs. It represents a loss of potential output and leads to increased costs to the taxpayer apart from causing social disruptions. One potential way of integrating young people into the global economy is to increase youth entrepreneurship. World Bank estimates that by 2015, there will be about 3 billion youths less than 25 years old and a big portion of that will be in India. Hence, promoting youth entrepreneurship will not only help in reducing unemployment but more importantly show young people that they have alternatives to create their own destiny. Moreover, youth entrepreneurship has become a topic of interest for research scholars and also a subject of major concern for the Government. While youth entrepreneurship is an under-explored field, the main factor for its growing attention is the increased number of unemployed young people. Furthermore entrepreneurship is seen as a channel for the talents of many highly educated young people to explore their potential and cash their business acumen. The core of this chapter is to provide a contemporary perspective on youth entrepreneurship.

BACKGROUND

In spite of the increasing recognition of entrepreneurship as a source of job creation, regional development, and economic dynamism in a rapidly globalizing world, there has been no systematic attempt to look at it from a youth angle. According to Holland’s (1997) theory, people are attracted to work environments that conform to their personality orientation. Chell (2008) suggests that personality traits of entrepreneurs may be important for entrepreneurship. Shepherd et al., (2009) posit that the personality traits of the entrepreneur may explain entrepreneurial failure. According to Splaver (1977) it is important for you to have a good understanding of yourself and your personality, if you are to make intelligent career plans. (Ciavarella et al., 2004; Zhao et al., 2010) points out that personality trait have a direct effect on entrepreneurial performance measures. Personality traits of entrepreneurs may have a different effect on firm performance in case the firms are innovative (Zhao et al., 2010). Penrose (1959) emphasized that carrying out similar tasks has important implications for cognitive processes of human beings. Simon’s (1947) gave the idea of bounded rationality which refers to human limitation to process information. Under the as-
sumption of bounded rationality, therefore, past experience influences the processing of incoming information. Witt (2000) explained that events in the environment are only perceived and interpreted along some specific associative lines. In this sense, a cognitive frame is a schematic representation of an individual’s perception of the environment built through prior learning and adaptation. Gardner (1983) argues that intelligence refers to both the personal decisions and potentials of individuals. This potential comes out or develops according to cultural environment, values and opportunities. Baum et al. (2001) reported a positive relationship between practical intelligence and entrepreneurial processes and entrepreneurial characteristics, which proposes that practical intelligence is one of the strengths underlying high performance enterprises.

Although youth may not seem like a likely group for entrepreneurship because of their inexperience and lack of finances, they may not have an interest in entrepreneurship. Even if they have, intention is one thing, action is another. The proportion of youth involved in self-employment varies across countries, which may indicate variations in barriers and opportunities and labour market conditions. Societal outlook towards youth entrepreneurship is also a deciding factor. In some parts of India, where the youth comes from business families background then the motivation levels as well as support is high as compared to youth from other background. While young and adult entrepreneurs tend to have similar motivations for entrepreneurial activities, they often have different approaches and run different types of businesses. As observed, young entrepreneurs generally operate smaller businesses than adults. Youth-operated businesses are also more likely to be concentrated in certain industries with low barriers to entry and low capital requirements such as construction, information and communication and other services firms and tend to focus on narrow product lines. Accordingly, many young entrepreneurs focus exclusively on local markets because of familiarity and because they lack the knowledge about opportunities in other markets and how to take advantage of them (Chigunta, 2002). However, at the same time, they are likely to be more open than adult entrepreneurs to international activity. Through grounded theory, review of policy documents and secondary data analysis the aim of this chapter is to provide a contemporary perspective on youth entrepreneurship with focus on India. Moreover, capacity of the ecosystem to promote innovation derives from its diversity of talents, trust across social barriers, motivations that rise above short term rationality, and social norms that promote rapid, “promiscuous” collaboration and experimentation among individuals (Hwang & Horowitt 2012). Indian entrepreneurship development shows that this distinct social behavior is highly present in the Indian ecosystem. (Baporikar, 2013)

Understanding Youth Entrepreneurship

Before looking at the potential benefits of promoting youth entrepreneurship, it is important to have an understanding of what ‘youth entrepreneurship’ is. ‘Youth’ is defined by the United Nations as those between 15-24 years of age. ‘Entrepreneurship’ is a generic term that subsumes many issues. It has, therefore, been defined in very many ways. Rabboir (1995) – quoted in Schnurr and Newing (1997) - lists twenty definitions of ‘entrepreneurship’ from various authorities on the subject. He concludes that efforts to reach a consensus on the subject have not been successful and various analysts are changing their definitions as work, study and experience in the field evolve. Given the elusive definition of entrepreneurship, it is increasingly recognised that what is of great consequence is not what ‘entrepreneurship’ is or who ‘entrepreneurs’ are, but rather what they do or the ways in which different types of people, at different stages in the lives of their enterprises will respond to assistance of various types (Schnurr & Newing, 1997; Harper, 1996). Drawing upon the above definition of entrepreneurship, and for