

## YOUTH ENTREPRENEURSHIP IN INDIA: FIGHTING UNEMPLOYMENT

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### **Abstract:**

Around the world the matter of Youth employment and Entrepreneurship becoming the most conversed issue in Global economy .Most of the countries especially the G20 countries are aiming to provide youth a better start in the world of work. Unfortunately, the youth labour market took a substantial hit during the recent global financial and economic crisis. In this situation promoting Youth Entrepreneurship can be a better option to prevent the Youth Unemployment. In India though there are several willing youth to start something innovative, but they are combating with several policy related matters and social issue. Promoting socio-legal-political changes to provide a firm platform for the youth entrepreneurs is at utmost requirement. The article depicts related challenges of the youth entrepreneurship in India and the possible solution to promote Youth Entrepreneurship.

***Key Words: Youth Entrepreneurship, Enterprise, Unemployment, Policy, Socio- Political Challenges, Indian Economy.***

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## 1. Introduction

In the modern arena of changing economic paradigm the world is now suffering from the huge problem of Unemployment and so as India. In the midst of this situation the need of rekindling the youth entrepreneurship has been felt in several countries including India. 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. While youth entrepreneurship is an under-explored field in academic and policy debates, two main factors account for its growing attention in developed countries. The first is the increased number of unemployed young people compared to the rest of the population; the second is the need for greater competitiveness, and the accompanying pressures for skills development and entrepreneurship as a way of addressing the pressures of globalization. In general terms youth unemployment is connected to: firstly, the difficult shift from school to work; secondly, the unwillingness of employers to employ inexperienced workers, and; thirdly, the frequent job changes by young people in an attempt to find a satisfactory job (United Nations, 2003). There are very few literature on youth entrepreneurship, Greene (2005) depicted that young people think that working for themselves as a career option since it offers them an interesting job, freedom and autonomy which other working atmosphere might not provide. After four consecutive years of decreases, global unemployment rates increased from 2007 to 2008, with the ranks of the unemployed jumping by some 10.7 million people, from 5.7% in 2007 to 6.0% in 2008 (the highest year-on-year increase since 1998). In the recent G-20 summit it was found that mostly of the countries are combating the same problem of unemployment. As a result of the global financial and economic crisis, the unemployment rate for youth (aged 15/16 to 24) rose substantially in most G20 countries (OECD 2012). Promoting youth entrepreneurship for giving the youth a better start is even one of the important agenda of the G-20 countries.

The unemployed population is made up of persons above a specified age who are available to, but did not; furnish the supply of labour for the production of goods and services. When measured for a short reference period, it relates to all persons not in employment who would have accepted a suitable job or started an enterprise during the reference period if the opportunity arose, and who had actively looked for ways to obtain a job or start an enterprise in the near past.

The unemployment rate in India was last reported at 3.8 percent in 2010/11 fiscal year. Historically, from 1983 until 2011, India's unemployment rate averaged 7.6 Percent reaching an all time high of 9.4 Percent in December of 2009 and a record low of 3.8 Percent in December of 2011. The unemployment rate can be defined as the number of people actively looking for a job as a percentage of the labour force. With the rising rate of unemployment comprising 6.3% of the women compared to 5.8% of men, young people hit hard with the youth unemployment increasing by 0.4% in 2008. Recently the ILO assessed a very little progress in the employment generation opportunities for the youths. In this crisis situation youth entrepreneurship can be the best measure for fostering employment opportunities as well as abolishing social exclusion. Before initiating it is necessary to describe few conceptual dilemmas of the term Entrepreneurship.

The entrepreneur is an important factor in microeconomics, and the study of entrepreneurship has been tracked back through the literary work of Richard Cantillon and Adam Smith in the late 17th and early 18th centuries, but it was largely ignored theoretically until the late 19th and early 20th centuries and empirically until a profound resurgence in business and economics in the last 40 years. It was Schumpeter however, who really launched the field of entrepreneurship by associating it clearly with innovation. (Fillion 1997)

Later on the definition of entrepreneurship has changed, namely a systematic, professional discipline, brought a new level of understanding to the domain. There are two groups- one which focused on innovation, growth and uniqueness while the second group focused on- outcomes e.g. value. The limitation of the subject of this article does not allow me to tell all those theories behind the entrepreneurship but it is evident that entrepreneurship is always about taking risk, innovation, combating unemployment and its positive outcomes in form of value or desired achievement. There are several literatures regarding the basic nature of the Entrepreneurship and Entrepreneurs but the literatures regarding the Youth Entrepreneurship and the pros and cons of the Youth Entrepreneurship are meager.

## 2. REVIEW OF LITERATURE

As we said earlier, there are limited literature of related to the youth entrepreneurship and its magnitudes. There are some scholars like Baker (2008) in his paper "Fostering a Global Spirit of Youth Enterprise" outlines the present challenge of youth unemployment and investigates the role that youth enterprise can play in tackling this challenge, before examining the opportunities

for public and private sector collaboration to achieve meaningful social and economic change. The paper draws on examples of existing collaborative youth enterprise initiatives suggesting how these may be replicable and scalable. The first report in YBI's Making Entrepreneurship Work series (2009) on "Youth entrepreneurship - Recommendations for action" suggested that Business, governments, and other sectors of society increasingly perceive that supporting young entrepreneurs can be a highly effective way to reduce youth unemployment and encourage growth in local communities. Satapathy (2006) in his article "Youth Entrepreneurs in Orissa, India" focuses on the school- to-work evolution of youth in Orissa, with the aim of identifying essential issues related to youth transition and nature of entrepreneurship existing in India. Above all, it investigates the role and capacity of civil society organisations in sustaining and supplementing the government sponsored employment generation programme in India for capacitating a smooth youth transition into the world of work. Nancy and Thomas (2008) in their article "Entrepreneurial Orientation among the Youth of India: The Impact of Culture, Education and Environment", states that even though a combination of social configurations and cultural values within India that historically confined entrepreneurship, a number of efforts in recent years seem to have significantly changed the national mindset regarding entrepreneurship, particularly among India's youth who were found to exhibit a significantly higher level of interest in starting new ventures than their US counterparts. Llisterri et al. (2006), "Is Youth Entrepreneurship a Necessity or an Opportunity?" the authors examine the differences between youth who become entrepreneurs by necessity or by opportunity and also evaluate the range and quality of policies and programs that governments, development agencies and civil society are implementing to support the groups of young entrepreneurs. There are several

### 3. PROBLEMS FOR YOUTH ENTREPRENEURS IN INDIA

India, being a south Asian country will also face the likely situation. Constraints for entrepreneurship, effect of crisis over it and possible steps for the same must be discussed to make an effective policy to cope with the global melt down. India is home to the second largest population of the world with more than 65 % population living in the rural area with huge religious and cultural diversity. Problems for youth entrepreneurs in the country can be seen as follows:

#### 3.1. Political and legal

In India, there are as many as 50 Acts to govern the entrepreneurial activities. In order to ease the process in centralized manner, of beginning a business or renewal of license for the same, state governments have introduced a single window system, yet it requires lengthy documentation and involves many monitoring agencies which make life tough for the entrepreneur. Following is the list of documents required for beginning an entrepreneurial activity:

- a) Registration
  - I. District Industries Center, for Micro, Small & Medium Scale Industries.
  - II. Secretariat for Industrial Approvals (SIA), Ministry of Industries, Government of India for all Heavy industries and those not requiring Industrial License.
- b) Land allotment Industrial Development Authority/District Industries Center.
- c) NOC from Pollution Control Board
- d) Building Map approval Concerned Development Authority of notified area
- e) Fire Department NOC
- f) Tax registration with state/central Government
- g) Additional requirements depending upon the specific nature of industry:
- h) NOC District Magistrate/ Drug Controller/ Director Ayurvedic & Unani medicines/ Forest Department
- i) Registration under Shop and Commercial Establishment; Act 1962
- j) Sanction of power
- k) Industrial License from Ministry of Industry, Government of India.
- l) Factory License under the Factories Act 1948
- m) Clearance from Director, Electrical Safety, under Indian Electricity Rules 1956
- n) Drug License under Drugs & Cosmetics Act 1940
- o) Excise License under State Excise Act for Distilleries & Breweries
- p) License from Food Commissioner
- q) License under Milk and Milk Product order
- r) The above are only illustrative and not exhaustive list of requirements.
- s) Thus, the system asks for two sets of application forms to be completed in order to start any business-

**Set - 'A'** (containing application form for clearances before setting up the unit) and **Set - 'B'** (containing application form for clearances before and after commencement of production).

According to the entrepreneurs, tax is another concern apart from the tedious licensing process. Corrupt practices by the officials are yet another cause of worry. Some people pay bribe just to hasten the process only and not for any undue favor. This practice also encourages corruption.

### 3.2. SOCIO-ECONOMIC

Being a secular country, India has holidays on many religious occasions. So, the number of working days in a year is reduced. Long breaks due to occasional political and regional unrest, strikes by unions and natural calamities also disrupt the work. A list of religion wise festivals can be given below:

Festivals	Religion	Likely no of days for celebration
Holi, Diwali, Dashahra and Birth day of various Gods	Hindu	22-25
Muharram and Id-UI-Zuha	Muslim	3-4
Christmas and Good Friday	Christian	2-3
Guru nanak Jayanti and Baisakhi	Sikh	2-3
Mahaveer Jayanti	Jain	1
Buddha Jayanti	Buddhist	1

*The list is not exhaustive.*

India is currently in the process of economic reforms, young entrepreneurs have plenty of opportunities but a number of obstacles to get them. Social capital as the aggregate of actual resource linked to mutual acquaintance and recognition is very difficult to be utilized by young in-experienced entrepreneurs.

With the recession in the economy, prices of basic commodities have gone sky high. It is almost a dream for a common man to get commodities of basic consumption. Though, it is difficult to assess the effect of recession on the agriculture but it is definitely going to affect it adversely by reducing the investment in the sector. Then the crisis may become severe for the country. So, it has become very costly to start a new business in the present crisis situation.

### 3.3. EDUCATION AND EXPERIENCE

Entrepreneurial education is included in the curricula of many business schools and engineering colleges but there has been no significant attempt to include this in to school curricula.

Some standard engineering and business schools have started special entrepreneurial education and training to support entrepreneurs. SINE (IIT- Mumbai) is one of such initiatives. The crisis will not let the fresh graduates and young entrepreneurs to come ahead of the experienced people (who have a better understanding of the business and work) with even comparatively lower level of education standard. So, the youth will face a tough competition in either sense- job or entrepreneurial activity.

### 3.4. ACCESS TO FINANCE AND INFRASTRUCTURE

The Reserve Bank of India has been applying control measures to increase the credit flow by lowering the Bank rate, Repo rate, Cash Reserve Ratio from time to time to cope with the crisis. But how far the entrepreneurs could avail the benefit of it; is the question to be considered.

Under the Credit Guarantee Fund Trust for Small Industries, any collateral free debt extended by eligible institutions, will be extended guarantee cover of 75% of the loan sanctioned. Even banks do not follow the norms in order to get the repayment in time. Lots of documentation and inspection makes it difficult for an entrepreneur to avail loaning facility from the banks. Moreover, bribes to the loaning officer are yet another concern.

In India, several venture funds have been set up by some states, government bodies like Small Industrial Development Bank of India (SIDBI) and several public sector banks. But the overall progress has been not been assessed. To provide infrastructural facilities, Special Economic Zones are established by the Government. Trades and fairs have been organized from time to time to provide entrepreneurs with the market access facility. A lot of basic works from business

planning, due diligence, and all the way to accounting arrangement must be taken before there are ready for investment, therefore, there are high transaction cost to entry into any real investment opportunity

### 3.5. POOR CONTACT AND WEAK NETWORKS

It is important for an entrepreneur to have access to consultants and experts who have knowledge and experience to set up a new business. It is important for young entrepreneurs to identify people who can be helpful to budding entrepreneurs by providing the helpful information, contacts, or business relationship. Unfortunately, India has no such system by Government where entrepreneurs can get such kind of helps on minimal cost. They have to rely on their own peer contacts and obviously, their own search for the same.

## 4. SOLUTIONS

In USA The Young Entrepreneur Council (a non for profit organization in US) was there to find solutions for young entrepreneurship in the country. India is also facing the situation where it needs to promote competitiveness in market by promoting youth entrepreneurship. It must find way to remove obstacles in this path. Some possible solutions and suggestions to above problems are as follows:

- Ease of documentation and regulation by minimizing the involvement of various Government agencies.
- Providing consultation facility to the budding entrepreneurs through a contact center by means of telephone call and website. For example, Kisan Call Centers are established by the Government to facilitate farmers. Likewise, Entrepreneur Call Centers must be established.
- Since the Indian economy is rooted in the rural areas, rural entrepreneurship must be promoted with special subsidies and facility to the Rural Young Entrepreneurs. Some awareness camps and training by the district level officials in coordination with CSO (Civil Society Organization)/NGO (Non Government Organization) at the village level can make services accessible and affordable in remote villages and towns. This could bring some budding entrepreneurs in front.



- Along with the business entrepreneurship, Social entrepreneurship must be included in the course curricula of schools and colleges; it is the most important step to create social values, in the present time of global crisis.
- Since, the Indian economy is based up on the agriculture; there must be emphasis on Special Agricultural Zones (SAZs) and not only Special Economic Zones (SEZs) with improved agri-input services.

## 5. CONCLUSION

So, what does true entrepreneurial success look like? India has huge pool of talented youths and resources to cope with the global crisis, provided it can successfully utilize its capacity at its fullest to mitigate the impediments of entrepreneurship in the country with proper coordination of international development agencies. It must include the NGOs/CSOs in the process by applying Public-Private-Partnership (PPP) model effectively. Given entrepreneurship's potential to support economic growth, it is the policy goal of many governments to develop a culture of entrepreneurial thinking. This can be done in a number of ways: by integrating entrepreneurship into education systems, legislating to encourage risk-taking, and national campaigns. An example of the latter is the United Kingdom's Enterprise Week.

Outside of the political world, research has been conducted on the presence of entrepreneurial theories in doctoral economics programs. Many of these initiatives have been brought together under the umbrella of Global Entrepreneurship Week, a worldwide celebration and promotion of youth entrepreneurship, which started in 2008.

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