

INNOVATION, PRODUCTIVITY & COMPETITIVENESS

YOUTH ENTREPRENEURSHIP

CHALLENGES AND PROSPECTS FOR SOURCING
MICRO-FINANCE IN THE CARIBBEAN ECONOMY



The unavailability of accessible micro-finance for new venture creation has been a challenge in many potential entrepreneurs' lives. This state of the economy has attracted much attention over recent years especially as it is further compounded in a market place where employability is shrinking among youth, and many issues associated with joblessness are prevalent. Potential youth entrepreneurs have been given nothing more than a promise of microcredit as they continue to struggle to acquire small loans to invest in their business ideas and/or grow their entrepreneurial ventures.

Paul Pounder

In the Caribbean, there are very few micro-finance institutions (MFIs) whose sole mandate is to address the distinct needs and challenges youth face in engaging in entrepreneurial activities. From the entrepreneurs' perspective, these challenges include: accessibility and cost of finance, lack of credit history, and perceived higher risk. These challenges are further compounded in the Caribbean when youth are found wanting as they tend to possess fewer years of schooling and work experience, and their businesses are usually undercapitalized.

Evans and Jovanovic in a 1989 study, using data from a National Longitudinal Survey of Youth, contended that talented youth without financial backing are excluded from entrepreneurship because of insufficient funds to finance their new ventures. This raises the question, why do existing micro-financing approaches in the Caribbean allow potential youth start-ups to slip through the cracks? In addition, it also highlights that there is a definite need for youth to be equipped to make a meaningful contribution to the development of their respective countries, and that measures must be put in place to address the unique challenges they face in their attempt at becoming economically active citizens.

GUIDING PRINCIPLES FOR HEALTHCARE ENTREPRENEURS

In developing this article, the author reflects on expert views on the financial situation in the Caribbean with reference to entrepreneurship and accessing micro-finance. The main source of the information for the research came from the Global Entrepreneurship Monitor (GEM) National expert survey. The GEM National Expert Survey (NES) monitors the factors that are believed to have a significant impact on entrepreneurship, known as the Entrepreneurial Framework Conditions (EFCs). Let's first look at a comprehensive definition of entrepreneurship as shown by Acs in 2006, who posits that there are two types of entrepreneurship, namely, 'necessity entrepreneurs' and 'opportunity entrepreneurs'. Notably, much of what is seen in the Caribbean among its youth is necessity entrepreneurship, which occurs when an individual has no other employment options,

and therefore becomes self-employed for mere survival. Existing leaders need to recognize that this type of entrepreneurship has little to no effect on economic development and tends to be prevalent in recessionary periods.

What we need to be encouraging is opportunity entrepreneurship which deals with one's volition to create a business based on the perception that an opportunity exists to do so. There are three key factors that play a role in opportunity recognition: first is that youth need to be engaging in an active search for opportunities; secondly, youth need alertness to opportunities; and thirdly, youth need prior

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knowledge of markets, or customers as a basis for recognizing new opportunities in these areas. The more Caribbean leaders' focus their energies on preparing youth for this type of opportunity recognition entrepreneurship, the more likely will entrepreneurship have a positive effect on economic development in the future.

However, the onus is not just on government leaders of the region as research suggests that it is critical for youth to comprehend and appreciate the significance of entrepreneurship to economic growth in their societies. Youth must show positive characteristics in relation to attitude, intention and inspiration in order to transform their ideas successfully into entrepreneurial activity.

ENTREPRENEURSHIP EDUCATION

Further, in building the right entrepreneurship ecosystem, research has shown that there is a definite need for entrepreneurial programmes for youth. Experience has shown that, despite good intentions, efforts by nation leaders in the Caribbean to encourage youth entrepreneurship in their respective countries, has met with little success. A main contributor to this dreary outcome may be the methods used to promote youth entrepreneurship. A body of research shows that entrepreneurship education should be designed from the bottom up but, in many cases within the Caribbean, it is observed that youth entrepreneurship programmes have been designed using a top-down approach.

In a paper by Kourilsky in 1995, on entrepreneurship education, the author stated that such programmes should be derived from "a demand among students for information about entrepreneurship; a need to provide students with skills related to making jobs, rather than training to take existing jobs; and a related need for economic growth through job creation." Therefore, entrepreneurship education programmes should be designed to enable opportunity recognition, resource management in the presence of risk, and new venture creation, within learning environments that are 'business-like, competitive and innovative', rather than having programmes that are designed to simply teach entrepreneurship.

The challenge for Caribbean governments, financiers and educational institutions is to develop policies and programmes that fit the youth entrepreneurs' needs while avoiding the traditional direct intervention to try to effect change. Therefore, the drive to formulate an effective way forward requires the active involvement of youth perspectives to shape and empower policies and programmes. With suitable interventions in place, a more symbiotic relationship between ►►

financiers and youth entrepreneurs can take effect as both parties are then in a better position to address the needs of each other. Entrepreneurship Finance – GEM Survey Through an exploratory approach, using the GEM National Expert Survey, this research found that the most constraining factor to entrepreneurship is lack of financial support. The survey highlighted that there are significant differences in expert opinions on the impact of various financial instruments (equity funds, debt funds, government subsidies, venture capitalists funding and initial public offerings (IPOs)). In many cases, it is observed that Caribbean countries lacked sufficient availability of the various financial instruments.

On the other hand, the principal reason

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for the differences in expert views is believed to be the existing disconnect between what experts know about micro-finance and what experts do about advising on micro-finance. This exploration of the survey nonetheless highlights the seriousness of differences of opinions between experts in some countries, and the possible implications for policy development.

Although there are conflicting views, there is ample evidence that lack of micro-finance accessibility is dominant and this can undermine the development and growth of youth entrepreneurship. In general, for countries in the Caribbean, debt financing was perceived as the most accessible financial instrument as small firms concentrate their external borrowing from banks. Second to this was government subsidy, a scenario that can't continue for much longer as Caribbean governments are having their own financial challenges. Third, the least accessible instrument was Initial Public Offering (IPO) funding. It is noticeable that little was known about IPO and other external equity funding systems in Caribbean economies. Difficulties usually stem from lack of knowledge and insufficiently developed mechanisms.

FOR HEALTH CARE

This article is instructive in providing “food for thought” and the foundation for further research. Noticeably, there is a need for more inclusive micro-finance institutions, which, in turn, promote entrepreneurship growth among youth. It is also recognized that in

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order to achieve desired impact on youth entrepreneurship and be able to offer quality integrated financial services at scale and on a sustainable basis financial service providers should at a minimum engage the same

youth (at the early stage) in the development of the financial products and services which are geared towards supporting youth enterprises. The research highlights how critical it is for youth to have access to financial services to enable them to be successful at new venture creation. In addition, it suggests that if youth have access to financial

services, this can counter their vulnerabilities and fear of joblessness. ■

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