



The obstacles to be Young Entrepreneur

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Abstract

The objective of this study is to find out the obstacles that the student faces as young entrepreneurs in Indonesia. A hundred student from eight universities in Indonesia participated in this study

Research found that several aspects such as role model, adviser, financial support and network considered as obstacles for the respondent to be young entrepreneur. Implication of the study were provided

Keyword : *entrepreneurship obstacles, university student, role model, financial support, net work*

INTRODUCTION

Chindoga and Fatoki (2011) define Entrepreneurship as a vehicle to economic growth, success, and prosperity. Pretorius and Shaw (2004) and Atieno (2009) report that lack of finance is one of the major constraints to the formation of new enterprises. Entrepreneurs need to access to both internal and external finance to reduce the survive and grow.

In order to earn a living and become independent most people seek to become employees without exploring the possibilities of becoming an entrepreneur. (European Youth Forum 2011). Most of them are too afraid to take risks to be entrepreneur because conditions that fluctuate. beside that several factors are also an obstacles in starting a business. Evidence shows that when jobs are scarce, young persons are generally more likely to be unemployed. There is growing recognition among governments and international bi- and multi lateral organizations that as jobs become scarce, youth entrepreneurship becomes an important strategy for integrating youth into labor markets thereby addressing unemployment challenges (Simpson and Christensen 2009).

Some obstacles due to limited resources, life and work experience, they face greater barriers than older ager cohorts (Schoof 2006, Blanchflower and Oswald 1999). According to UK study (Tackey and Perryman 1999), young graduates who



started a business were motivated primarily by desires for independence and flexibility rather than either job security or riches. Furthermore, evidence from Italy showed that young people are more innovative and often create new forms of independent work (Belussi 1999). Thus, we need to know what is the real obstacle of young people to become an entrepreneur while in the fact they are very likely to elaborated creative ideas and innovative that they have

LITERATURE REVIEW

Youth Entrepreneurship

Entrepreneurship is a decisive factor in order to achieve dynamism and competition for today's knowledge-based economy. Eurostat (2003) defines those that are self-employed, entrepreneurs, as a persons who work in their own business, professional practice or farm for the purpose of earning profit. Rwigema and Venter (2004) define entrepreneurship as the process of conceptualising, organizing, launching and through innovation, nurturing a business opportunity into a potentially high growth venture in a complex and unstable environment. Unfortunately there is not general agreed upon definition of the terms youth entrepreneurship in the literature yet. So that the definition of young entrepreneurship itself will differ between each other because according to the opinion of each person.

Obstacles to be Entrepreneurship

1) Insufficient Knowledge and Education

There is not much difference between knowledge and education, as both are correlated to each other. The primary difference between the two is that education is formal process, whereas knowledge is informal experience. Education is acquired through the formal institutions like school, colleges and universities, whereas knowledge is gained from the real life experiences.

Entrepreneurship education in the form of a transmission of codified knowledge and entrepreneurial skills through formal and informal education.

“A country's competitiveness starts not on the factory floor or in the engineering lab. It starts in the classroom.” (Henry Ford). Entrepreneurship education is important in assisting young people to develop entrepreneurial skills, attributes and behaviors as well as to develop enterprise awareness, to understand and to realize entrepreneurship as a career option, because entrepreneurship is one of the best career option of young people.

Entrepreneurship education is not only a means to develop youth entrepreneurship and self-employment but at the same time to equip young people with the attitudes (e.g. more personal responsibility and behavior) and skills (e.g.



flexibility, creativity, and innovation), necessary to handle with the uncertain employment paths of today's societies. Young people can no longer expect to find the traditional 'job-for-life' careers but rather 'portfolio careers' (contract employment, freelancing, periods of self-employment, etc.) (Dearing Report, 1997)

2) Enabling Environments for Youth Entrepreneurship

One of the obstacles to the success of an enterprise is lack of willingness to take risk. Fear of failure and embarrassment prevent people with ideas not to explore them and venture into a competitive stage. Attitude not only come from ourselves but also the environment in which the person is. Many young entrepreneurs become risk averse because of their social environment (Kazela, 2009).

Which is mentioned repeatedly by many authors around the world (Llisterri et al. (2006); Capaldo (1997); Nafukho, (1998); Owualah S.I. (1999) who suggest that a more conducive environment to entrepreneurship fosters the creation of young business people. Similarly, another bulk of authors assessed the impact of administrative and regulatory burdens on youth entrepreneurship.

But sometimes the environment itself does not provide security and stability of the entrepreneur. The need for young people to feel stable and secure with regard to their income, social protection, and the ability to reconcile work and family life should not be underestimated. Lack of guarantee on these things sometimes make obstacles for would-be entrepreneurs. Beside that, there is not enough information about the existing welfare and insurance systems and most of them do not ensure minimum protection to people who are entrepreneurs. The social taboo of failure and bankruptcy further alienates young people from choosing entrepreneurship

3) Economic and Financial Barriers

"Young people aren't short on passion or guts, they're short on cash." (Young entrepreneur from Australia) (FaCS, 2003). The lack of adequate start-up finance is one of the most prominent (at least most talked about) impediments to young people seeking to create their own business. Pretorius and Shaw (2004) and Atieno (2009) report that lack of finance is one of the major constraints to the formation of new enterprises. Entrepreneurs need to access to both internal and external finance to reduce the survive and grow in business.

Access to finance is important for all individual to achieve their business objectives; particularly for start-up and business that seek to invest and grow. This is perceived as one of the biggest impediments for younger people to start their own business (Greene 2005, Blanchflower and Oswald 1999, Llisterri et al. 2006, Blokker and Dallago 2008, Owualah 1999). The risk capital societies usually support societies and are not used to support small enterprises. The management of micro loans is very



expensive and don't interest banks; the transaction costs are high and the returns are low. The disfavored people don't have bank credit and have several difficulties in getting loans because the risk for the banks is higher.

4) Regulatory Barriers

Creating a business environment conducive to entrepreneurship and enterprise creation requires a broad range of reinforcing and supportive policies. These include fiscal and monetary policies, which are essential to provide a basis for a stable macroeconomic environment. They also include structural policies that determine the overall economic framework in which the business sector operates, such as those affecting labor markets, tax design, competition, financial markets and bankruptcy laws. Actually, many entrepreneurs who want to follow government regulations, but the regulation are sometimes difficult for potential entrepreneurs with a variety of requirements and the procedures so long.

Some tenors of Labor law and current state regulations may create a couple of constraints on the development of entrepreneurship (Jodyanne, 2009).The regulation like that, that give the impact of administrative and regulatory burdens on youth entrepreneurship and business in general is also a fairly new area of research. However, these burdens are among the most important.

Government regulations and bureaucratic formalities also are seen as one reason for large informal sectors in many developing countries, since the costs of formalizing are higher than the gain in productivity from entering the formal sector (World Bank, 2005).

5) Lack of Relevant Networks

To start the business, we need the capital, capital not only come from financial but also the ideas. In this case, sometimes we need network and partner to fulfill that requirement.However, it is pretty difficult to find business partner. Individual's network provides emotional support, social persuasion and vicarious experience, which are central to whether or not a person engages in entrepreneurship and does so successfully.

6) The Lack of Role Models In Entrepreneurship

Role models are persons that by their attitudes, behaviors and actions establish the desirability and credibility as choice (in this case becoming an entrepreneur) for an individual.Parents also play an importance role because they function as carriers of value, emotions and experiences towards self-employment. The studies demonstrate that children of self-employed parents are over-represented among firm owners and those trying to start a business.Because they directly look and feel the benefits of how the process in entrepreneurship itself.



Following this change in attitude, manner of production, lifestyle, parental roles within the family were also affected by these changes so that parents can play an important role in developing confidence, creating new ideas in the family and determining children's career path.

RESEARCH AND METHODOLOGY

Sample and Data Collection

Data and sample that distributed to a hundred questioner to university student from eight universities in Jakarta, Yogyakarta, Palembang, and Padang.

Measurement

The research instrument adapted from previous studies (Wong and Choo, 2009; Benzing et al 2009; Pihie, 2009)

Knowledge and Education

I have good knowledge about entrepreneurship
I have talent that will be useful on entrepreneurship and I also have high interest level on entrepreneurship
I have good skill on entrepreneur
I want to be an entrepreneur but I do not know what kind of business that I should run
I have very good knowledge about entrepreneurship and business management
I have very good idea about business but I do not know how to starting a new business
I do not know how to managing and organizing a business
I am afraid to starting a business because I do not have enough experience
I don't want to be an entrepreneur because I am a risk averse.
I do not want to run the business while I am in university/college because I am afraid if my academic grade decreasing

Enabling Environment and Society

I have supporting society to push me becoming an entrepreneur
My family and the relatives support me to be an entrepreneur
I think my area is not a safe area to start a business

Economic and Financial Barriers

I face the difficulty to get some money as my capital to do a new business
"Kredit Usaha Rakyat" program which held by national bank has complex procedure which complicating the applicant

Regulatory Barriers

I follow the procedure of regulation which set by the government
I think the regulation complicating people who want to start the business

Lack of Relevant Network

I do not have a friend or acquaintance who is potential to be my network to help me start and run my business
I face the difficulty to find right partner to start the business

Lack of role model

Nobody cultivating me to start a new business
I do not have someone who can be my role model to run the business

Sources : adapted from Dearing Report, 1997 ; Kazela,2009 ; Pretorius and Shaw, 2004 ; Atieno, 2009 ;Jodyanne, 2009.



FINDING

Results of the study indicated on table 2:

Table 2. Results of the study concerning the obstacles to be young entrepreneurship

Variable	Mean
Knowledge and education	3.266
Enabling environment and society	3.37
Economic and financial barriers	3.54
Regulatory barriers	3.38
Lack of relevant network	3.14
Lack of role model	3.01

Insufficient Knowledge and Education

That students are sure that they have good knowledge about entrepreneurship (3,61) and they believe that they have talent that will be useful on entrepreneurship and also interested on entrepreneurship (3,73). Beside that the student are sure if they know how to manage and organize business (3.3). Maybe they not sure that have very good idea about business but they know how to starting a new business (3.49). The student think that they sure about what kind of business that they have to run (3,47). Although the experience of the business that the student had not too much, but they are not afraid to start a business (2.76). As we have seen from some research items. The students are have sufficient confidence to start business about the knowledge they have.

But in fact the students are not yet completely have sufficient knowledge and education about entrepreneurship. First, we will introduce the lack of education. According to the results of the research we do the student are not sure about their skill that might be useful for their activity as the entrepreneur (3,49). The student are not sure to run the business now because they are risk averse (2.46). And the student are not sure to run their business while their in university/college because their afraid if their academic grade can't be stable (2.89). We put these categories into lack of education because education is not only a means to develop youth entrepreneurship and self-employment but at the same time to equip young people with the attitudes and skills.

Second, is the lack of knowledge. According of our research They not sure about their knowledge about run the business (3,30). Lack of knowledge is not as much as lack of education faced by our respondent, because lack of knowledge is something that we can get with "learning by doing" so it does not need the standard rules about it.



Enabling Environment and Society

The respondents feel their family, friends, and their environment support them to be an entrepreneur (3.68). And they get support from family and the relatives to be an entrepreneur (3.68). Besides that they feel their society is safe to start a business. And they do not doubt about the security of their society (2.75). Environment in which the respondents were very supportive of them to become an entrepreneur. And the level of safety is assured. It is possible that the social environment in which the respondents are in the region are safe and supportive of the new.

Economic and Financial Barriers

The respondents face the difficulty to get some money as their capital to do a new business (3.52). And the respondents think "Kredit Usaha Rakyat" program which held by national bank has complex procedure which complicating the applicant (3.56). Like the data that we collect, money was still a major factor that becomes obstacles someone to start a business. The role of government in helping people overcome financial problems should be improved, because the respondents felt that the procedures are given "Kredit Usaha Rakyat" are too difficult for them.

Regulatory Barriers

To start a business the respondents do not follow all of the procedure of regulation which set by government. They obey some rule but break the other some (3.43). Because they think the regulation are not really complicating people who want to start the business (3.34)

Lack of Relevant Network

The respondents have some friend or acquaintance who is potential to be their network to help them to start and run their business (3.02). And the respondents think that is not really hard to get right partner to start their business (3.26). This may be due to the extent of the network that owned by the respondents so that the partners and the network is not to be a major obstacle to starting a business.

Lack of Role Model

They are sure they have someone who will cultivate them when they going to start new business (3.15). And they are sure that they have someone who can be the role model to run the business (2.76). The fact role model is not an obstacle that they face, this may happen if they are already familiar with entrepreneurs and business environment the causes maybe because they have many people who become role models for them.



CONCLUSION AND IMPLICATIONS

Conclusion

From the result of our study, we may conclude the obstacle which faced by young entrepreneur in Indonesia.

Lack of Knowledge and Education

Lack of education and knowledge is not an obstacle for Indonesian young entrepreneur. The respondent believes that they already have good knowledge and education to be an entrepreneur. They are pretty sure about self-fulfillment of knowledge and education which is needed to be an entrepreneur.

Indonesian young entrepreneurship believes in their knowledge but they do not believe of themselves. They are risk averse and they are afraid if they cannot manage time and energy to run the business while they are in college.

Enabling Environment

Enabling environment is not to be the obstacle for Indonesian entrepreneur too. The respondent feels good about their environment. They believe their area is safe to run a business. Not only safe, their environment also pushes and supports them to be an entrepreneur. They also think that their family and friends really support them to be young entrepreneurs.

Financial and Economy

Indonesian young entrepreneurs feel the financial obstacle in their business life. They find it difficult to get the capital for them and bank loans is not a solution for them because they think it has a complex procedure which complicates them as the applicant. Besides that, their obligation to pay installments and interest per month is not necessarily covered by the initial income they get in the business. Although, money is not the main factor to start the business but money is the main capital for them besides the idea and innovation.

Regulation

Respondents obey the regulation but not all of regulation. They obey some but also break the other. And they are not sure the regulation complicates them to run the business.

Network

Respondents are sure about the network that they have now and they are sure that they can find the right business partner. Network has a direct correlation with the environment in which a person is. The respondent thinks network is not the obstacle for starting business because they feel their environment is safe and their social environment always supports them for something new.

Role Model



Respondents know that they have role model to build and run the business. Not only role model, they also sure about someone who can be cultivate them to starting a business. So, the role model is not the obstacle of Indonesian young entrepreneurship. The respondent sure that they have someone who become their role model in business

Implications

In fact, the student not sure about many thing such as the role model, adviser who guide them to run and start the business, safety, and network become their obstacles to be young entrepreneur. The biggest obstacles faced by respondents is i financial terms. It should be a concern for the government where they act as a leader who should help the people in a very crucial situation. Government should provide an institution where young entrepreneurs can get venture capital with easily and without the high interest. This problem is not only the responsibility of government, but also HIPMI as an organization that houses of Indonesian young entrepreneurs. They should pay more attention and participate to assist the prospective young entrepreneurs such as setting up a cooperation, promoting a charity event to help prospective entrepreneurs and so on.

LIMITATIONS AND RECOMMENDATION FOR FUTURE STUDY

This research has some limitations in term of sample size and variables under study. The study was mainly based on the perceptions of the young generation. A limitation might arise in that possible differences may exist between “perception” and “reality”. So the result we obtained a lot different with the existing theory . A

Future study should use more sample size considering demographic and geographic characteristics .

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