

Youth Entrepreneurship: Challenges and Prospects Sourcing Micro- finance in the Caribbean Economy

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Introduction

- Defining micro-finance
 - Khandker (2003) micro-finance refers to small-scale transactions of credit and savings. Similarly, Simeyo et al. (2013) describes micro-finance as ‘small loans, savings mobilization and training in micro-enterprise investment services extended to poor people to enable them to undertake self-employment projects that generate income’
- Defining youth entrepreneurship
 - Youth are disadvantaged due to their ‘limited life and work experiences, limited financial resources, limited networks and contacts, exposure and age discrimination’
- Joblessness among youth
 - High unemployment rates (ILO)
- Challenges accessing finance
 - accessibility and cost (Berger and Udell, 2002; Beck et al. 2005; 2008), lack of credit history (Beck et. Al., 2010), and over-confidence/perceived higher risk (Landier and Thesmar, 2009, Caouette et al., 2008).

Objectives

- The main objective of this paper is to examine the current status of micro-financing available to youth.
- The following secondary objectives were formulated in support of the main objective:
 - To conduct a brief literature review on youth entrepreneurship, entrepreneurship education and suitable approaches for financing youth entrepreneurship.
 - To use GEM National expert survey 2012, to highlight challenges and prospects

Literature

- Importance of Entrepreneurial Educational Programs for Youth

There is a demand among students for information about entrepreneurship; 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

Entrepreneurship education programs 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'

- Prospects of Micro-financing for Youth

Storm, Porter and Macaulay, (2010) discuss how critical it is for youth to have access to financial services to enable them to be economically active citizens. Making Cents International (2009) suggests that if youth have access to financial services, this can counter their vulnerabilities, mitigating any chance of crisis.

Methodology

- GEM National Expert Survey of 2012
- 145 experts (minimum of 36 carefully chosen 'experts' in each country)
- Barbados, Jamaica, Panama and Trinidad & Tobago
- Descriptive statistics
- Discussion of constraining and fostering factors

Findings and Analysis

Constraining Factors to Entrepreneurship

- **Fostering Factors for Entrepreneurship**
 - (77.3%) of experts rated financial support as either the first, second or third most constraining factor to entrepreneurship in their respective countries
- **Equity Funding**
 - (55.2%) Disagreed; while (24.2%) believed that sufficient equity funding was available
- **Debt Funding**
 - (46.2%), disagreed that debt funding was available in sufficient amounts while only a small portion of the experts (29%) agreed that sufficient debt funding was available
- **Government Subsidies**
 - (20.6%) Agreed; while (55.2%) did not Agree that sufficient government subsidies are available in their country
- **Funding Available From Private Individuals (Other Than Founders)**
 - (63.5%) believed that private funding was not sufficiently available; while only a minority believed that it was (13.8%).
- **Venture Capitalist Funding**
 - (62.7%) of the experts believed there to be insufficient amounts of venture capitalist funding available; while only a small portion of the experts (18%) believed venture capitalist funding was sufficiently available.
- **Funding Through Initial Public Offerings (IPOs)**
 - (60.7%) Disagreed that IPO funding was sufficiently available and a very small number of experts (14.5%) believed that this funding was sufficiently available

Conclusions

- lack of financial support
- lack of micro-finance accessibility
- debt financing was perceived as the most accessible financial instrument; second to this was Government subsidies
- Limitation
 - the questions on finance are broadly construed

Recommended Framework for moving forward

1. Involve youth in market research and product development of finance initiatives
2. Develop micro-finance products and services that reflect the diversity of youth
3. Ensure that youth have safe and supportive spaces for accessing micro-finance (non-predatory)
4. Link youth to complementary non-financial services
5. Focus on core competencies by utilizing partnerships for finance, technical assistance and training
6. Involve community in micro finance initiatives