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## SUPPORT AND IMPEDIMENTS FACTORS TO YOUTH ENTREPRENEURSHIP DEVELOPMENT IN THE REPUBLIC OF MOLDOVA

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**Abstract.** The aim of this paper is to examine the perception of youth about support and impediments factors to entrepreneurship development in the Republic of Moldova and to define some solutions to improve it. The research has been conducted by using an analysis of academic literature, survey examination about business environment perception by youth, analysis and synthesis of survey data, deduction from general vision to some specifics for youth entrepreneurship. The main finding of research is that youth entrepreneurship is important by creating future perspectives for national economies and by defining main support and impediments factors to their development. Based on the survey data there has been established the perception of youth about entrepreneurship development in the Republic of Moldova. The challenges and opportunities for youth entrepreneurship development have been described as well as some solutions have been identified. The defined proposals could be used both for entrepreneurial policy development by governmental institutions and entrepreneurial training by different educational institutions, specifically for youth entrepreneurship. The value of research consists in defining the main factors of support and constraint, to provide ideas about how to develop youth entrepreneurship in the Republic of Moldova.

**Keywords:** *entrepreneurship, youth entrepreneurship, entrepreneurship support, entrepreneurship impediment, survey.*

### Introduction

Developing youth entrepreneurship is an important factor for sustainable development. This is especially important for the former socialist countries, which do not have a history of entrepreneurship development, and the transition period has been characterized mostly by an obscure business and weak institutions. The educational background and the social conditions of the previous system were not favorable for the development of some individual characteristics such as: critical thinking, non-conformity, taking the risk necessary for the development of entrepreneurship, which is demonstrated by the relatively small number of SMEs compared to developed countries [24]. Thus, for all post-communist countries (including the Republic of Moldova) for the development of entrepreneurship, there was no favorable social-economic foundation, different deficiencies

were attested and it was necessary to carry out complex measures, interconnected, for a suitable adjustment.

The economy of the Republic of Moldova is characterized by a modest level of development of entrepreneurship, both through the institutions and the human capacities.

In this paper we aim to examine the youth appreciation of the support factors and the impediments for entrepreneurship. This will allow us to appreciate the entrepreneurial ecosystem and to formulate proposals to make it more friendly.

A set of measures is needed to determine favorable mutations, which would have a long-term impact. Indeed, institutional changes, the formation of competencies for entrepreneurs and, in particular, the formation of a new organizational culture are processes determined by high inertia. In this regard, young people, although they have less technical knowledge, often demonstrate greater flexibility including assimilation of IT technologies, risk taking and creative thinking.

In the first part of the article there was described a theory about entrepreneurship and a more specific description about youth entrepreneurship. In the second part there were analyzed results about the factors that support entrepreneurship and prevent starting a business, examined by the youth of the Republic of Moldova. In the third part - the results of the research were presented in order how to develop youth entrepreneurship, and the conclusions and recommendations for further research were established.

### **Evaluation of research methods**

The research was carried out through the analysis of the scientific literature in the field of entrepreneurship and especially of youth entrepreneurship. The method of analysis was used, by examining the factors that influence the development of entrepreneurship. It was used the synthesis method to establish the interdependence between the investigated factors. It was used deduction method from the general concept of entrepreneurship to specific approaches to stimulate youth entrepreneurship.

An anonymous electronic survey was conducted on the Web Ropol platform in the period from 04/19/2018 to 06/15/2018, and data processing was produced by SPSS (HEIFYE, Erasmus + project, financed by EU Commission). The survey was completed in order to analyze the perception of youth about development of the entrepreneurship in the R. of Moldova, about the main challengers and problems. The questionnaire consists of 7 parts – the introductory, part that explores the profile of the respondents, the second part „Motivation and awareness”, the third „Knowledge, Education”, the fourth „Finance”, the fifth „Support”, the sixth „Factors that Prevent Starting a Business” and the final part of the questionnaire is an open question „What are your recommendations for improving youth entrepreneurship in your country?” There were completed a total of 391 surveys that ensure 95 % confidence level and a confidence interval of 5, according to the Sample Size Calculator (<https://www.surveysystem.com/sscalc.htm#one>)

### **Theoretical background**

Entrepreneurship is a complex notion that can be defined differently. In this sense Shumpeter has made a major contribution to the definition of entrepreneurship notion through the connection of entrepreneurship concept with innovation. Thus, if the concept of the scientists were characterized by defining the manager as a organizer and business manager, then Shumpeter, in his "first" theory considers that the entrepreneur characteristic task consists in breaking down old, and creating new tradition [13]. The innovation process

can be divided into 4 dimensions: invention, innovation, diffusion and imitation [1]. And in turn, innovation can be divided into five types:

1. Launch a new product or a new species of already known product
2. Application of a new production or product sales method (not yet proven in the industry)
3. Opening of a new market (the market for which a branch of the industry was not yet represented)
4. Acquiring new sources of supply or raw materials, or semi-finished goods
5. New industry structure such as the creation or destruction of a monopoly [14].

Therefore, the activity of an entrepreneur is focused on innovation in its diversity, which causes the model to change from "circular flow" to the dynamic development of economy, due to "creative destruction". This concept was not accepted at that time, but currently, under the conditions of 4.0 Industry Development, this approach is representative.

Second Schumpeter's Entrepreneurship theory is different, so entrepreneurship is examined not individually but collectively, including as country, based on the development observations of the US economy. Schumpeter also places much greater emphasis on innovation than on entrepreneurship [15].

According to the modern concept [22] entrepreneurship is a specific behavior characterized by economic opportunities search. Another view [21] describes entrepreneurship as initiative, courage and decision-making ability, new product elaboration, new technology and methods of organization development, management development and reasonable risk taking. The concept of entrepreneurship [16] is described as an opportunity by rapid change and multilateral decision to stimulate people to develop new values and to use their potential.

The youth entrepreneurship was examined by researchers such as Williamson H. [17] Macdonald R. Goffield F [4] who describe organizational culture, risk assumption and innovation orientation. Youth entrepreneurship is important from the perspective of development oriented to innovation, due to the greater flexibility compared to the older people, especially in IT.

The youth entrepreneurship activity in R. of Moldova is characterized by the fact that "for the majority of Moldovan entrepreneurs, especially youth, there are not enough own resources for business development" [3] and "the development of youth entrepreneurship determines the reduction of migration to developed countries and represents the prospects of socio-economic development of the country" [20].

### **Support and impediments factors of entrepreneurship development**

The sustainable economic development of the Republic of Moldova can be ensured by training of youth who are open to innovation, are more flexible, open-minded than previous generations. This is especially important when IT represents an opportunity but also a challenge.

Unfortunately, we must highlight that the share of young people from the Republic of Moldova (age 15-35 years) constitutes a little more than 30% of the total number of the population [25] and the tendency is to decrease further. The birth rate is low, the emigration processes, especially among youth, are at a high level and have increased, so the expectations are not too favorable for the future. In these conditions it is necessary to fully involve young

people in the entrepreneurship through education, the creation of platforms, consulting, infrastructure development and so on.

In order to examine the perception of youth regarding the entrepreneurial environment, a questionnaire was elaborated in which there was included a set of issues, among which - the support factors and the challenges for the development of entrepreneurship.

An anonymous electronic survey was conducted on the Web Ropol platform in the period from 04/19/2018 to 06/15/2018, and data processing was produced by SPSS. It was completed a total of 391 surveys that ensure 95 % confidence level and a confidence interval of 5, according to the Sample Size Calculator.

To determine the importance of factors affecting the entrepreneurial activity of youth, it was established a scale from 0 to 4, having the following values: 0- I can't evaluate, no information, 1- a very minor factor, 2- unimportant factor, 3- quite important factor, 4- a very important factor.

The respondents of the survey in the R. of Moldova have the following profile:

- women - 32 % and men - 68 %,
- young people with general education- 6 %, with complete secondary education -18 % and with higher education 76 %.

Also we have to emphasize that basically interviewed are living in big cities – 62 %, in towns -17 % and only 21 % in rural areas.

Regarding the type of activity, the majority of respondents are students 82 %, of which 31 % are employees and 3,5 % are engaged in entrepreneurial activities.

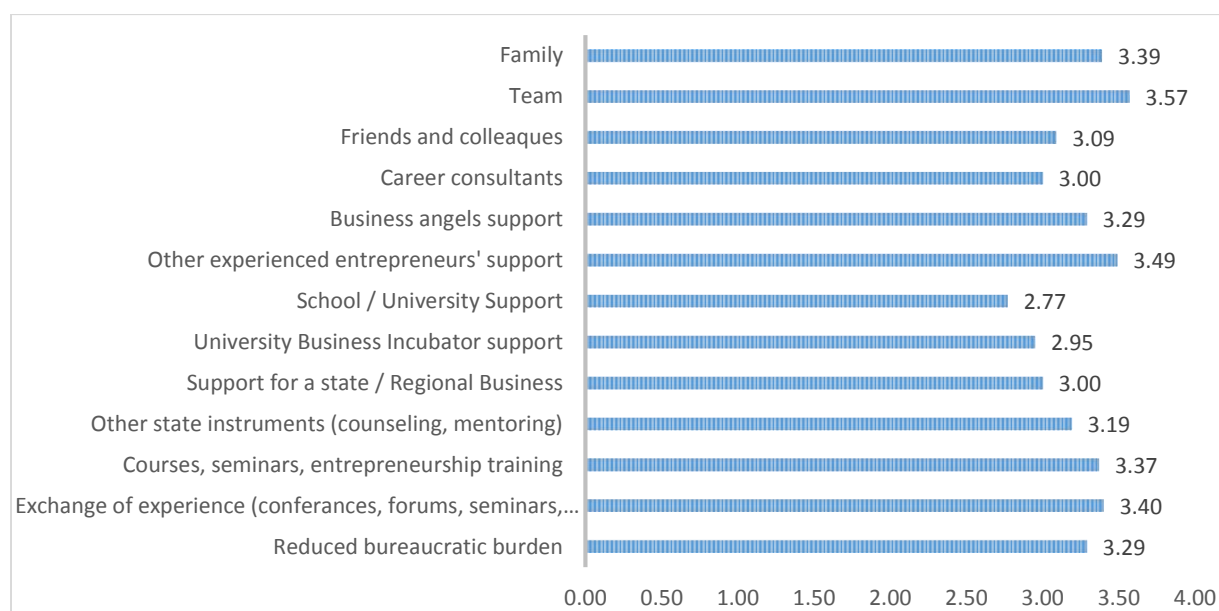
Of the total number of survey participants who are interested in entrepreneurship only 23 % respond that they have a business idea, just 3 % of interviewers respond „I have a team” and „ I have developed a product prototype”, only 5 % responded „First sale took place” and 7 % are already engaged in entrepreneurship.

Table 1

Descriptive statistics, Support		
N	Valid	390
	Missing	
Mean	3,21	
Std. Deviation	0,877	
Variance	0,784	
Skewness -	1,494	
Std. Error of Skewness	0,124	
Kurtosis	0,835	
Std. Error of Kurtosis	0,247	
Range	4,00	

The support factors relate to the attitude of the interviewees regarding network, educational and governmental institutions, experienced entrepreneurs, etc. which can contribute favorably to the development of the business are presented. The average score of the factors on this scale is relatively high- 3.2.

The youth highlighted that the most important support factor is the network - inner circle (team - 3.57 and family 3.39), as well as external circle - support and experience of other experienced entrepreneurs - 3.49.



**Figure 1.** „Support” scale.

Therefore, the respondents for the business development consider that it is very important to develop a team spirit, and have the moral support of the relatives and the support of the experts. The need to develop practical skills is also confirmed by the very high score of 3.40 for exchange of experience (conference, forums, etc.) and 3.37 for courses, seminars, entrepreneurship training.

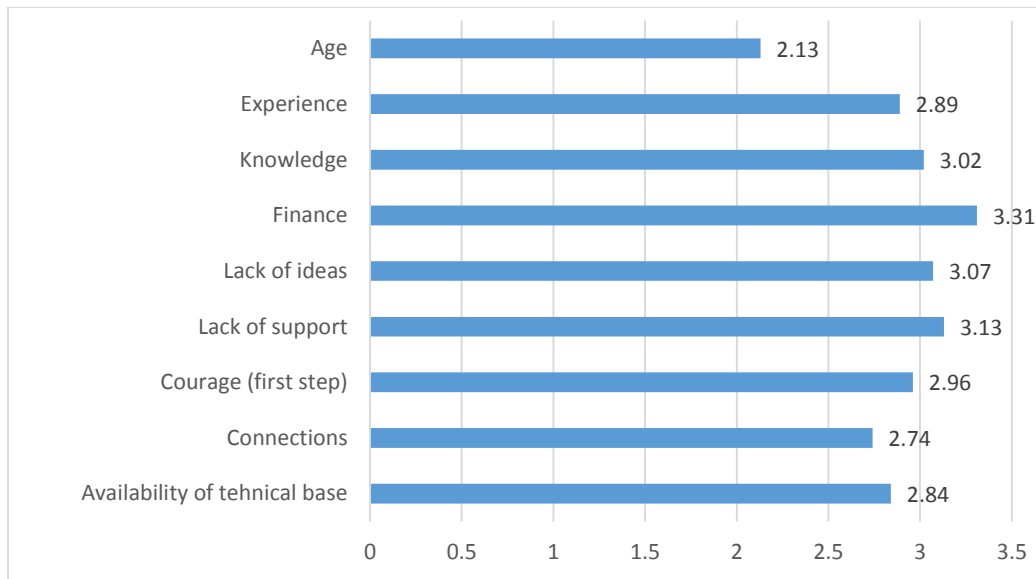
At the same time, we can see the relatively lower importance for school / university support -2.77, which can be explained by the perception of the curricula of these institutions as excessively theoretical. At the same time, the importance of the University Business Incubator represents a relative modest value - 2.95 and Regional Business Incubator - 3.00, probably due to the relatively modest results of their activity in the Republic of Moldova. Therefore, we can underline that young people more value the support for the development of practical skills by mentors, entrepreneurs with experience in comparison with theoretical knowledge. It is also considered very important for business development to create a consolidated team and family support.

"What prevents from starting a business" examines the factors that constitute impediments to the development of the business. For analysis, a variety of factors have been included.

*Table 2.*

<b>Descriptive statistics, What prevent to start a business</b>		
N	Valid	390
	Missing	
Mean	2,89	
Std. Deviation	1,063	
Variance	1,134	
Skewness -	1,082	
Std. Error of Skewness	0,124	
Kurtosis	1,006	
Std. Error of Kurtosis	0,247	
Range	4,00	

The factors of this scale are estimated at 2.89 which indicates the average level of importance of factors that prevent to develop entrepreneurship.



**Figure 2.** What does prevent to start entrepreneurship?

This diagram shows that the biggest problem is lack of finance -3,31, indeed young people can hardly access financial resources from banking institutions, due to the lack of pledge most of the time, and the appreciation of their activity with a high degree of risk. Unfortunately, it should be noted that in the Republic of Moldova for this category of beneficiaries no sufficient incentives are granted.

At a relatively high level, the lack of support 3.13, the lack of the idea 3.07 and the knowledge 3.02 are considered as an impediment in starting the business. The importance of the support confirms the results of the previous diagram about the need to develop a support network, also knowledge and ideas are a foundation for entrepreneurship development. Surprisingly, the lack of experience is appreciated with only 2.89 although in the previous diagram it has a greater importance. Thus further investigations are needed in this domain. The importance of age is appreciated with only 2.13, a positive fact, so the interviewees do not consider that there would be impediments for youth while developing business. Therefore, we can find that young people to develop a business are limited firstly by the lack of financial resources and secondly, the lack of emotional and consulting support from the inner and external circle, as well as the lack of ideas or insufficient knowledge.

### **Conclusions and recommendations**

Entrepreneurship is the driving force for the development of a national economy, and the development of youth entrepreneurship contributes to creating opportunities for economical strategic development, easy assimilation of innovations, and determines flexibility. In this sense, a survey of opinions was conducted.

It was found that youth have limited access to financial resources, which is a major impediment to business development. An important factor in business development is support –especially family and team. This shows a low level of self-confidence, so additional family's support is needed either moral or financial. The importance of team is appreciated

at a high level. Indeed, for SMEs at the initial stage, necessary for survival, a motivated and consolidated team is the most important factor.

A greater appreciation is attested to the need for practical training, than the theoretical one, so tacit knowledge is of major importance. Traditional training at educational institutions is less appreciated than exchange of experience, training and consulting. At a high level it is estimated the need to develop the business idea. The age factor is not an impediment to the development of the business in the Republic of Moldova.

As a result of research, we can find that it is necessary to organize entrepreneurship studies at all levels, focusing mainly on the transfer of experience, the development of practical skills by entrepreneurs. In a broader context, it is necessary to educate self confidence, risk-taking skills - important components for the formation of an entrepreneur. The access to the financial resources of the youth is limited, in this sense, we propose an instrument that would facilitate by granting subsidies and thus reducing the risks of activity.

Therefore, institutional, educational and even cultural set of measures is needed to stimulate the development of youth entrepreneurship.

### **Recommendations for further research**

The survey has its own limits, thus more students were interviewed, and less those with baccalaureate or professional studies, also less those from rural areas. It may be that their perception is different - especially in terms of access to financial resources and entrepreneurial education. At the same time, a lot of young people who work abroad, who frequently already have an initial capital and it would be needed to determine their impediments to opening a business. Another limitation of the research is the relatively low number of the interviewees who run their own business, so it is difficult to appreciate what problems are characteristic for the real entrepreneurial activity, and it would be useful to conduct a survey for young entrepreneurs.

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