

## **The sustainable development of Youth Entrepreneurship in the R. of Moldova, Ukraine and Latvia**

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### **Abstract**

*The Entrepreneurship is a determining factor for sustainable development for every national economy and Youth Entrepreneurship is especially important being most creative, risk taking and innovative. Youth, because of different education and specific features, are less conformist and more critical thinking oriented. They provide new ideas and solutions on the market, perspectives for better adjustment to challenges and opportunities. Purpose of research is to examine the perception of youth about what prevent starting a business in the R. of Moldova, Ukraine and Latvia, to provide comparative analysis and to define some solutions for sustainable development of entrepreneurship. A youth survey on perception of business environment in different countries was applied. The main findings of research were determined that the most important impediment for all examined countries are financial resources also was confirmed that in the case of youth from the Republic of Moldova and Ukraine the institutional-legislative, entrepreneurial and educational support factors are more important compared to young people in Latvia, and in Latvia personal factors are at least as important as institutional ones. The defined solutions in this paper can be used for sustainable development of Youth Entrepreneurship by governmental institutions, educational institutions, other pro-business NGO in different countries.*

*Keywords: Entrepreneurship, Youth Entrepreneurship, comparative analyzes, sustainable development*

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## 1. Introduction

The entrepreneurship is a determining factor for the sustainable economic development of any country. This is the active element, generator of new ideas and values. The entrepreneurship key competence refers to an individual ability to turn ideas into action. It includes creativity, innovation and risk taking, the ability to plan and manage projects in order to achieve objectives (European Commission/ EACEA/Eurydice, 2016).

Under the conditions of Industry 4.0 development, when the technological changes are of an unprecedented intensity, only by strengthening the entrepreneurial spirit it is possible to capitalize on the opportunities that arise.

So, entrepreneurship is not only related to economic activities and business creation, but more widely to all areas of life and society (Sufian M., Karim A., 2016). This is especially important for former communist countries that have historically been influenced by an educational system that has undermined entrepreneurship, critical thinking and non-conformism. Such changes are particularly complex because they require mutations of mind set, perceptions and approaches.

In this regard, it is interesting to examine the opportunities for the development of youth entrepreneurship. Young people, although they have less knowledge and experience, more easily accept new opportunities, assimilate new technologies and, if ensuring more favorable conditions, would contribute considerably to the development of the economy and determine sustainable perspectives.

Although the economies of countries such as Moldova, Ukraine and Latvia have a common past, the level of development approximately the same at the initial period of transition, yet the trajectories of socio-political development were different. Latvia became a member of NATO and the EU in 2004, Moldova and Ukraine joined the CIS in 1993 and association agreements were concluded with the EU in 2014. Latvia have had a widespread domestic support for Western integration, a national political consensus, but in the case of the Republic of Moldova and Ukraine there was

a continuous hesitation between East and West, a deep social and political division.

In this paper we aim to examine youth entrepreneurship and to identify the perception of main issues about youth entrepreneurship from their point of view, performing comparative analysis and some recommendation for sustainable development to be proposed.

The development of entrepreneurship will be examined through the prism of the comparative analysis, taking into account the different trajectory of development in order to observe the existing differences, but also the similarities.

## **2. Theoretical Background**

Entrepreneurship is a fundamental, active element necessary for the development of the sustainable economy. This ensures the efficient and creative capitalization of resources. However, the notion of entrepreneurship has a multitude of definitions that include different approaches. In this sense, it is necessary to highlight the contribution of Schumpeter that makes the connection between entrepreneurship and innovation, unlike previous visions in which the entrepreneur is examined as a manager with clearly defined attributions and activities. So, for entrepreneur his characteristic task-theoretically as well as historically, consist exactly in breaking up old, and creating new tradition (Sledzik, 2013). This approach of "creative destruction" is very topical in the context of technological changes of the future, such as digitalization.

At present, entrepreneurship is examined through several dimensions. Thus, Shepherd et al systematized the impact factors on entrepreneurship in four categories: a) initiation, b) engagement, c) performance, of entrepreneurial endeavor embedded in d) environmental conditions, in which an entrepreneurial endeavor is the investment of resources into the pursuit of a potential opportunity (Shepherd D.A., Wennberg K., Suddaby R., Wiklund J., 2018). Thus entrepreneurship is a specific behavior characterized by search for economic opportunities (Хайек, Ф.,1989), capitalize on an opportunity, to make rapid changes, to adopt multilateral decisions, to use the capacities of others to direct human relations and to stimulate people to create new

values (Stevenson, H., Gumpert D., 1985) and entrepreneurial talent is a great skill, characterized by initiative, courage and the ability to make decisions, innovations and the desire to develop new products, use new technologies and new forms and methods or organizations and management and the ability to risk with caution (Макконелл, К., Брю, С. 1992).

Youth Entrepreneurship has some specific aspects determined by the more modest capacities of young people regarding accessing financial resources, modest experience, but demonstrates greater enthusiasm and the ability to quickly assimilate new technologies. Youth Entrepreneurship has been examined by scholars such as Williamson, Macdonald and Coffied (1987) with a substantial contribution to the research topic. It is characterized by their specific features like non conformism and critical thinking and, in this way, more oriented to creativity, risk taking and innovation. Current trends in the innovative knowledge economy and the new creative class of young entrepreneurs, as a development platform in global dimensions, update the importance of young entrepreneurial activity. (Гросул В., Дядюк М., Зубков С., 2018) Its development is determined by proper motivation, so entrepreneurial intention which is about consciously waiting to start a business would be a prerequisite for graduates to become an entrepreneur and start their own enterprise and business (Pihkala T., Vesalainen J., Viitala R., 2013). But not just motivation, also knowledge and skills are generally important for the development of entrepreneurship (Mulder M., 2007). We also note the need to include awareness of ethical values and promote good governance. (European Commission/ EACEA/Eurydice, 2016). Further it is proposed to examine challenges and opportunities for Youth Entrepreneurship in the R. of Moldova, Ukraine and Latvia.

### **3. Methodology**

The research was conducted by examining the literature in the field of entrepreneurship and especially the entrepreneurship of youth. The analysis of the factors that have an impact on entrepreneurship was examined, as well as, in particular, the comparative analysis of these factors for some countries if considerable differences are attested.

The method of deduction was used from the general concepts of entrepreneurship to the specific ones that would characterize Youth Entrepreneurship, its specificity for different countries and how to ensure sustainable development.

An anonymous electronic survey was conducted in R. of Moldova, Ukraine and Latvia on the Web Ropol platform in the period from 04/19/2018 to 06/15/2018 financed by EU Commission according to HEIFYE Erasmus + project, and data processing was produced by SPSS.

The survey was completed to characterize the state of youth entrepreneurship in partner countries from the point of the view of the youth itself, to identify the main issues and develop recommendations for their sustainable development.

The questionnaire include introduction that explore- country of origin, gender, level of education, residence, occupation and interest in becoming an entrepreneur. This is followed by factors, which must be evaluated by the respondents on a scale from 1 to 4 (where 1 is „not significant factor and 4 is a „very significant factor”, also 0 cannot be evaluated, there is not information). First block of statements is „Motivation, Awareness”, second is „Knowledge, Education”, „third is „Finance”, fourth is „Support” and fifth „Factors that prevents Starting a Business” and finally „what are your recommendations for improving youth entrepreneurship in your country?” It was ensured 95 % confidence level and a confidence interval of 5, according to Sample Size Calculator (<https://www.surveysystem.com/sscalc.htm#one>). In this order were examined 391 surveys in the case of R. of Moldova, 1845 surveys in the case of Ukraine and 564 surveys for Latvia.

*The profile of the respondents in the R. of Moldova:* Women -32 % and men - 68 %, youth with general education- 6 %, with complete secondary education -18 % and with higher education 76 %. At the same time 62 % interviewed are living in big cities, in towns -17 % and only 21 % in rural areas. Regarding about their occupation the majority of respondents 82 % are students, of which 31 % are employees and 3,5 % are engaged in entrepreneurial activities.

*The profile of the respondents in Ukraine:* Women -56 % and men - 44 %, youth with general education are 41%, with complete secondary education

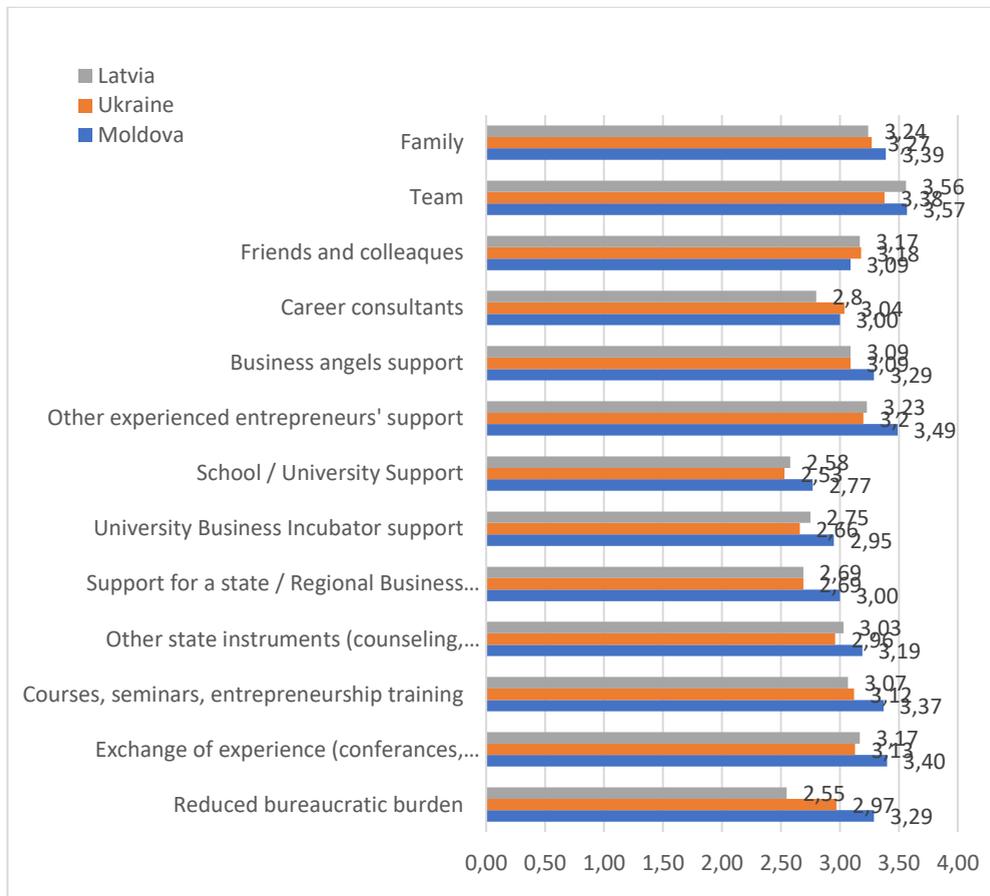
-30 % and with higher education 29 %. At the same time - 27 % of interviewed are living in big cities, in towns – 46 % and 27 % in rural areas. Regarding about their occupation the majority of respondents 43 % are school students, 38 % are students, among them 4 % are engaged in entrepreneurial activities.

*The profile of the respondents in Latvia:* Women -56 % and men - 44 %, youth with general education are 48%, with complete secondary education 36 % and with higher education 16 %. Also, interviewed live in big cities – 66 %, in towns –26 % and only 18 % in rural areas. Regarding about their occupation the majority of respondents 61 % are school students, 34 % students, among them 4 % are engaged in entrepreneurial activities.

#### **4. Comparative analysis of Development Youth Entrepreneurship in the Republic of Moldova, Ukraine and Latvia**

These countries have Common-Soviet past, which printed certain specific economic and cultural aspects. However, with the achievement of independence, their development paths had different directions - Moldova and Ukraine an evasive policy, without a clear strategic orientation to the east or west, and Latvia demonstrated a determined orientation to EU integration and NATO membership. Certainly not to be overlooked are some specific national cultural differences of these nations.

For a sustainable economic development, it is necessary to attract young people in the entrepreneurial activity, which would determine the more efficient use of innovations and the decrease of unemployment among them. Unfortunately, it should be noted that the share of youth for these nations (ages 15-35) is modest and for the Republic of Moldova is 27.7% (18), for Ukraine 25.6% and for Latvia only 23.3%, being determined on the one hand by the phenomenon of population aging and mass emigration on the other hand. Unfortunately, this demographic trend is characterized for the future, including the long term. Therefore, it is even more necessary to pay more attention to youth in order to stimulate their entrepreneurial activity. In this regard, a questionnaire was conducted to examine young people's perception of entrepreneurship development, including by examining the support and to prevent start-up entrepreneurship factors.

**Figure 1. Support scale for development of Youth Entrepreneurship**

*Source: developed according the survey*

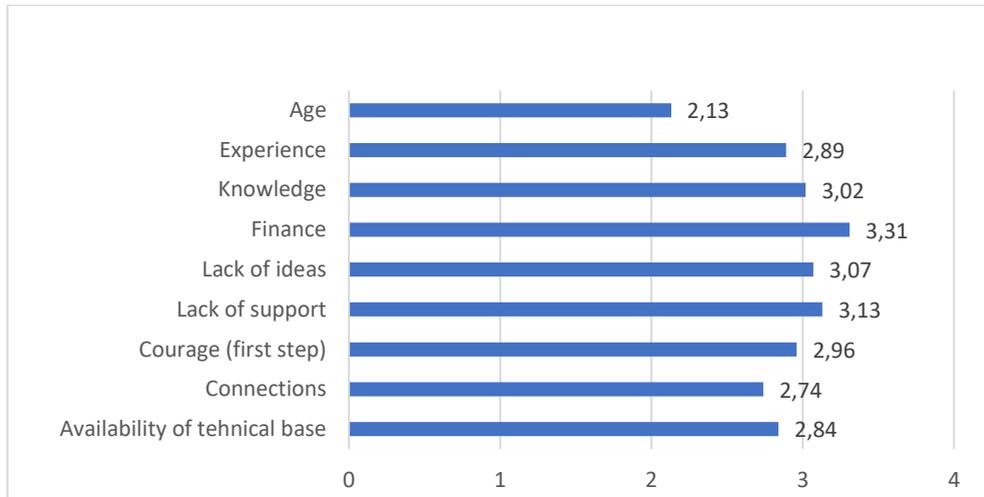
The supporting factors are those that contribute to the development of entrepreneurship from the point of view of youth and refer to the "inner circle" such as family, team, etc. or "external circle" - institutions, environment (reduced bureaucratic burden) etc.

If we refer to the Republic of Moldova, we can see that inner factors (team - 3,57 and family 3,39) are appreciated at the highest level. Regarding Ukraine, we find the appreciation for team-3.38, and family -3.27 are appreciated as well at the highest level, but in absolute values lower than in the case of R. of Moldova. In the case of Latvia, the appreciation is

respectively 3.56 for team and family 3.24. We find, therefore, that the young people from these examined countries appreciate these support factors at the highest level, and in the case of the respondents from the Republic of Moldova the family factor is relatively the most important in relation to other countries. Regarding friends and colleagues, it is attested for R Moldova 3.09, Ukraine 3.18 and Latvia 3.17, a relatively high level of importance for all countries. At the same time, the support and experience of other experienced entrepreneurs is at a very high level for Moldova 3.49, Ukraine 3.2, and Latvia 3.23.

A similar situation is attested regarding other factors that develop practical skills, thus for the Republic of Moldova there are 3.40 for exchange of experience (conference, forums etc.) and 3.37 courses, seminars, entrepreneurship training, respectively for Ukraine 3, 13 and 3.12, for Latvia 3.17 and 3.07. Thus, we notice that for the youth from the Republic of Moldova, for the practical experience, a lot of attention is paid. At the same time, a relatively lower appreciation is attested for school university support 2.77, university business Incubator 2.95, and Regional Business Incubator 3.00 for the Republic of Moldova, for Ukraine respectively 2.53, 2.66 and 2.69. In the case of Latvia school university support 2.58, university business Incubator 2.75, and Regional Business Incubator 2.69. A relatively modest level of university support is determined by the fact that university courses are probably more theoretical than practical, and incubators do not have sufficient spread and impact especially in regions.

If we refer to the reduced bureaucratic burden then the highest level is attested in the R. of Moldova 3.29, followed by Ukraine with 2.97 and Latvia with 2.55. From what is reported, we notice that the bureaucracy bothers the young people from the Republic of Moldova the most, relatively a lot in Ukraine and considerably less in Latvia. Thus, we note that Latvian institutions are business proactive in perception of youth compared to other countries examined.

**Figure 2. What does prevent to start entrepreneurship in R. of Moldova?**

**Source:** *developed according the survey*

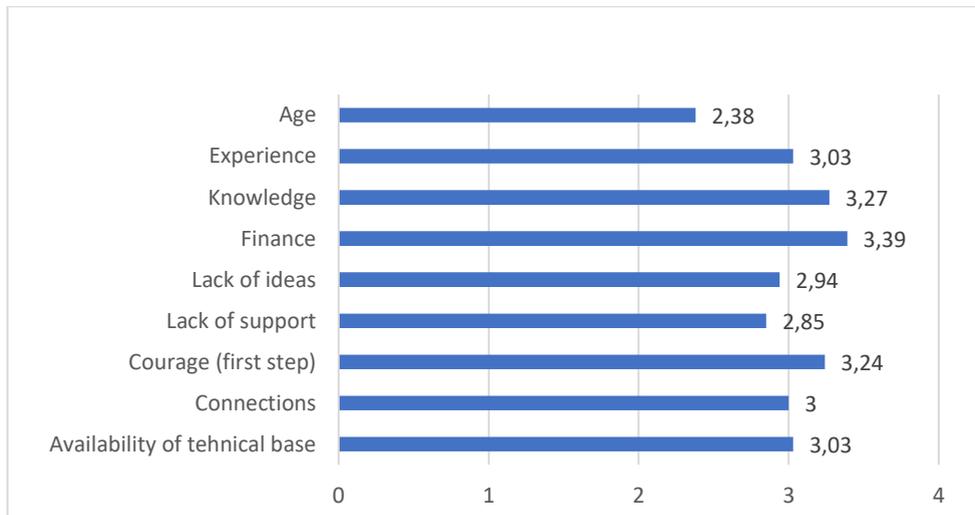
Regarding "what prevents from starting a business" for R. of Moldova these factors are estimated at 2.89 which indicates the average level of importance. The Moldavian Youth consider that main impediment is lack of funding – 3,31 and lack of support – 3,13, lack of idea 3,07 and knowledge is also a significant factor -3,02. At the average level is appreciated courage 2,96, experience 2,89, availability of technical base 2,84 and at the low level is age factor - only 2,13. Therefore, we find that external factors such as financial and support resources, including institutional, are considered an important impediment in the development of Youth Entrepreneurship.

In the case of Ukraine in the top impediments is the lack of finance 3.39, also at a very high level is appreciated the lack of knowledge 3.27 and courage 3.24. At a high level is appreciated the lack of experience and availability of technical base 3.03, luck of ideas 2.94, and connections 3.00, at a modest level is appreciated the importance of age 2.38.

Therefore, we note that access to financial resources is the most important impediment, even relatively higher than in the case of youth entrepreneurs in R. of Moldova, as well as individual factors such as lack of knowledge and courage (an explanation would be that the share of young

respondents in Moldova with higher education is much higher 76% compared to 29% in Ukraine) The age factor does not constitute an impediment for development of a business.

**Figure 3. What does prevent to start entrepreneurship in Ukraine?**



*Source: developed according the survey*

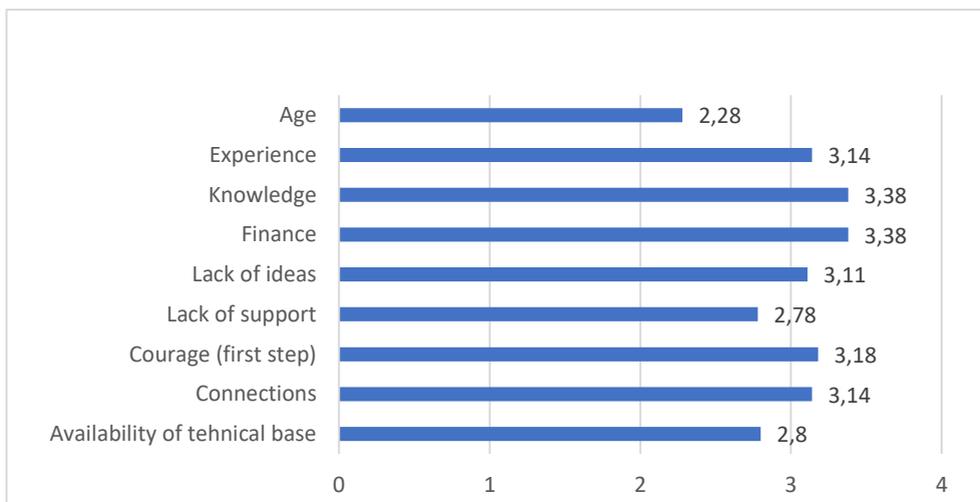
If we examine the factors "what prevents from starting a business", in the case of youth in Latvia at a very high level are knowledge and finances 3.38 and other factors are appreciated so: courage 3.18, experience and contacts, networks 3.14 and luck of ideas 3.11. Therefore, external factors (access to finance) and personal knowledge are equally important. Moreover, such factors as - courage, contacts, experience or luck of ideas are considered more important than the institutional, like luck of support 2.78. The age factor is irrelevantly by importance as in the case of other states examined.

From the above we can conclude that at least the individual factors are as important as the institutional ones, so the entrepreneurial environment is quite developed in the perception of youth in Latvia.

Regarding the question „Your recommendations for improving youth entrepreneurship”, Moldavian youth point out the need to develop special program for improving knowledge necessary for entrepreneurship, and the

need to change the content of education by developing practical abilities. It is underlined the importance of state support and the need to develop special programs (Governmental, educational institutions, NGO etc.) to stimulate entrepreneurial activity and access to financial resources for business development. Other personal factors, like: self-confidence, mentality, responsibility for decisions was less mentioned.

**Figure 4. What does prevent to start entrepreneurship in Latvia?**



*Source: developed according the survey*

The youth in Ukraine often attest lack of finance, lack of education and lack of experience as major problems that do not allow the development of entrepreneurship. So, it is recommended (20 % of respondents) the need to provide and strengthen the state support, that include: legal framework, legislative protection of young entrepreneurs, stable economy etc. A significant part of suggestions relates to reducing the tax and bureaucratic burden. Proposals of youth Ukrainians also are as follows: improving quality and creativity of educational programs, development of business education at all levels, using efficient practical methods like: seminars, consultations, trainings, practical business cases. Also was established necessity of on-line courses, in order to have better distribution of knowledge and expertise. It

was proposed to share experience by creation of network, public meetings with successful entrepreneurs.

For young people in Latvia, the most recommended factors for business development are the motivational factors - faith in their strength, ability to take the risk and take the first step. Another factor of major importance is knowledge and education, so it is considered necessary that entrepreneurship education to be conducted at schools. Considerably less often it is called exchange of experience, the desire to learn from good example, to adopt best practices. Aspects regarding EU support information and financing are announced even less.

## **5. Conclusions and Recommendations**

From what is reported, we notice that in all the examined countries, the access to financial resources is one of the most important impediments for the development of Youth Entrepreneurship. This can be explained by the fact that financial institutions are more skeptical in granting loans to young people due to lack of experience and insufficient pledge. It is confirmed that in the case of youth from the Republic of Moldova and Ukraine the institutional-legislative, entrepreneurial and educational support factors are more important compared to young people in Latvia, and in Latvia personal factors are at least as important as institutional ones. This shows that in Latvia entrepreneurship is better promoted at the state and institutional level, compared to other states examined, better conditions are created for the development of entrepreneurship. At the same time, in the Republic of Moldova and Ukraine the institutions do not create sufficiently favorable conditions for the development of entrepreneurship and the educational system is not well adjusted to the actual requirements. The bureaucracy is an impediment that inhibits the entrepreneurial spirit.

However, a set of measures can be highlighted that can be equally useful for all countries, namely regarding the financial aspect, so we propose low-interest loans to youth, financial assistance, expansion of the specific investment instruments, that is even more important under conditions of pandemic COVID 19. Concerning the Republic of Moldova and Ukraine it is recommended to align to European standards which contribute to institutional

strengthening and, as a result of creating a favorable environment, promote a sustainable development of entrepreneurship and especially for youth.

Recommendations for further research. The survey has its own limits, thus respondents from examined countries have substantially different background and it could be different perception even within each country, especially according their education or where they are living. At the same time, it is not examined youth who works abroad, that more probably 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 them and it would be recommended for future research. It will be interesting to examine dynamics of this indicators during the time and how them was influenced by different factors.

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