

YOUTH ENTREPRENEURSHIP IN THE PHILIPPINES AND THE EXPERIENCE OF THE PHILIPPINE YOUTH BUSINESS FOUNDATION

BACKGROUND:

According to ILO estimates, 66 million young people are searching for work but cannot find any with about 80% of them in developing countries and transition economies. The Philippine Situation is not very different where the ILO estimates that there are 21 million people aged between 15-30 years. Of these, 12 million are either employed or actively seeking employment. Unemployment and underemployment are higher amongst the youth as compared to the wider population. Hence, young people can be considered as underutilized national assets and are generally disadvantaged.

On July 2001, a joint mission to Manila was held and attended by the ILO, Youth Business International (YBI) a division of Prince of Wales IBLF, International Organization of Employers and Rotary International. This led to the establishment of the Philippine Youth Business Foundation or PYBF.

PYBF aims to bridge the unemployment gap by assisting disadvantaged young people between the ages of 18 – 30 become self-sustaining entrepreneurs. With the support of the ILO Manila office and with the technical expertise of its partner YBI, A pilot youth initiative was implemented in the Philippines under the YBI / Prince's Trust model for youth entrepreneurship.

1. **Access to Funding** – Without access to informal sources of funding, young people who have viable business ideas cannot find the necessary capital to start their businesses. PYBF aims to provide capital which could not be accessed either through the formal banking systems or through micro-financing.
2. **Involvement of the Private sector** – Through its partnership with the private sector, young people benefit from continuous business advice from volunteers. By accessing the expertise available from private sector, PYBF has leveraged business competencies by engaging corporate volunteers and well meaning entrepreneurs into the community. Through mentoring program, competencies as well as values that improve character are transcended into a young person making a lifelong impact in a person's life. Furthermore, private sector participants actively participate in the selection of young entrepreneurs through panel interviews.
3. **Continuous Monitoring** – The monitoring of beneficiaries due to the mentoring programme and other continuing technical assistance go well beyond the loan typical loan tenor of 18 months. PYBF consistently monitors and supports the businesses in its programme to track the success, failures and transition of its beneficiaries for case documentation.

Since its establishment in 2003 PYBF has assisted 17 young entrepreneurs. Of the 17, 9 or 53% are young women. In addition to the 17 young people who became self employed, 15 additional jobs were created by the business totaling to 32 jobs created by the pilot. Their profiles are indicated in the following table:

LIST OF BENEFICIARIES

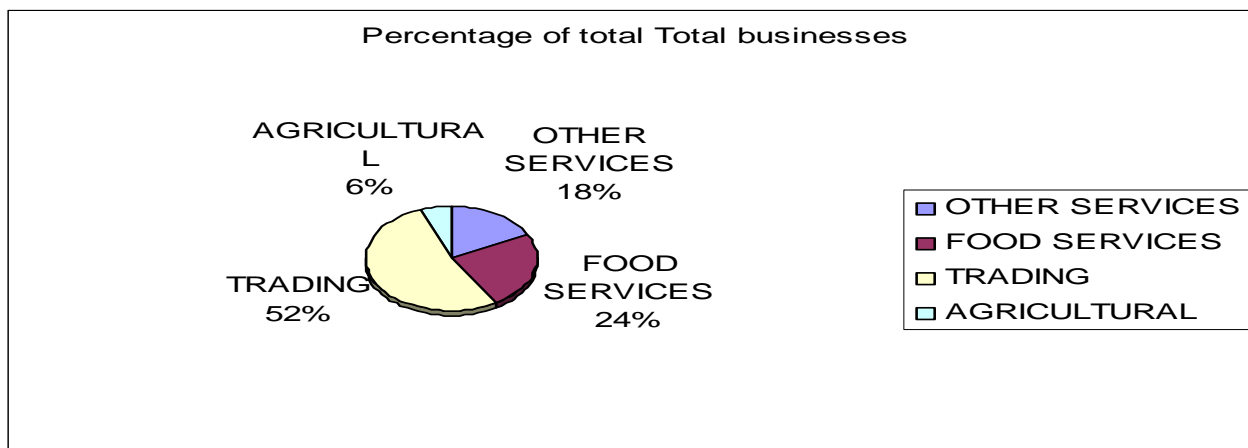
As of August 30, 2004

	TYPE OF BUSINESS	AMT OF LOAN	DATE GRANTED	
FIRST BATCH AUGUST 13, 2002				
1	SUPEDA, BENEDICTO I	COMPUTER TYPING		
		MOUNTAINEERING EQUIPT	30,000.00	24-Oct-02
2	BUNSOL, JOWELL B	SARI-SARI STORE	5,000.00	5-Nov-02
3	HAPIZ, JENNYLYN M	EATERY	15,000.00	12-Nov-02
4	LUNA, GILBERT IAN	QUAIL FARM	25,000.00	6-Jan-03
	TOTAL	75,000.00		
2ND BATCH JANUARY 17, 2003				
1	GARCIA, WELMENA B	REPACKING SNACK FOODS	12,000.00	31-Jul-03
2	LECAROS, CHRISTINE G	RICE DEALERSHIP	11,000.00	31-Jul-03
3	MENDOZA, MELMENA G	BEVERAGES TRADING	10,000.00	31-Jul-03
4	PENTINIO, JULIAN E	RICE DEALERSHIP	25,000.00	31-Jul-03
5	VERGARA, CATHERINE S	RTW SELLING	12,000.00	31-Jul-03
	TOTAL	70,000.00		
3RD BATCH AUGUST 06, 2003				
1	ANGEL, ANGELICA A	BAKERY & VARIETY STORE	100,000.00	15-Oct-03
2	ANGELES, AGNES T	MINI CANTEEN	19,304.00	15-Oct-03
3	IGNACIO, ANALYN S	SARI-SARI STORE	10,000.00	15-Oct-03
4	PIMENTEL, RICARDO M	MOBILE PHONE REPAIR SHOP	25,000.00	15-Oct-03
5	SIAPCO, LORIZA L	GENERAL MERCHANDISE	21,144.00	15-Oct-03
4TH BATCH MARCH 05, 2004				
1	ANTIPORDA, ALDRIE E	MOTORCYCLE TIRE RECAPING & SPARE PARTS	50,000.00	2-Jul-04
2	JOVEN, FERDINAND G	SIOMAI DISTRIBUTOR	40,000.00	2-Jul-04
3	RANCES, ROGELIO JR.	FROZEN DELIGHTS	40,000.00	2-Jul-04
	TOTAL	130,000.00		
GRAND TOTAL OF LOANS GRANTED		450,448.00		

A quick look and analysis of the projects funded by PYBF would reveal the composition of its portfolio.

TYPES OF BUSINESSES AND THEIR CHANCES FOR SURVIVAL

Illustration A.

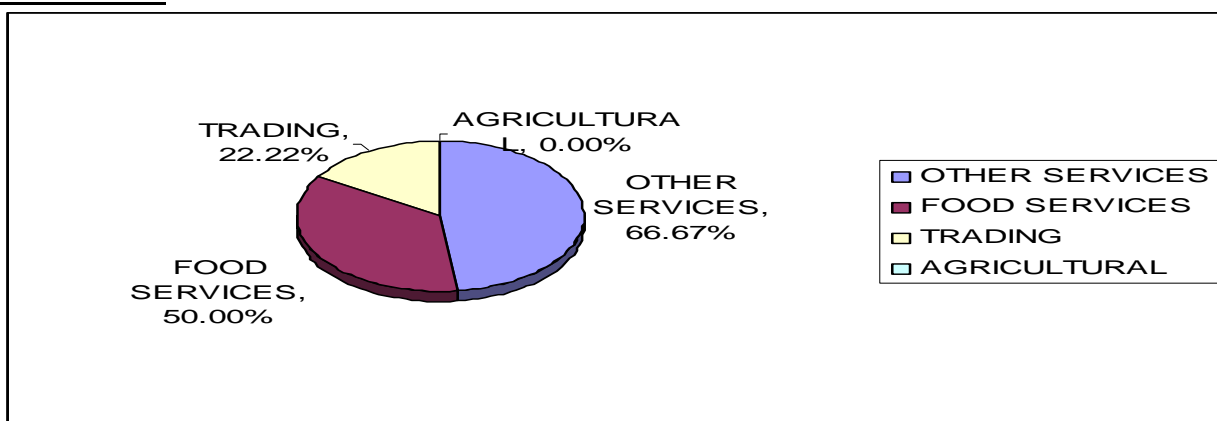


A majority of businesses which applied and got funded by PYBF are Trading or retail type businesses. These are composed primarily of small sari-sari stores and rice trading businesses which comprise 52% of the entire portfolio followed by food services at 24% and Other Services at 18%.

The proportion of the types of businesses is also a direct reflection of the composition of types of businesses which apply into the programme. Given that the businesses models are common to both prospective entrepreneurs and the selection panelist these retail type businesses have a high rate of approval into the programme.

However our knowledge and experience would indicate that that though trading businesses are most common, they are not necessarily the most successful or sustainable.

Illustration B.



According to our statistics, 67% of Service businesses such as cell phone repair, motorcycle tire recapping etc. survive well beyond their 1st year. This is followed by food services such as ice-cream manufacturing, small restaurants etc.

Furthermore these businesses have a tendency to employ 3 or more people and have a higher potential for growth. In addition, these businesses tend to have a higher degree of value addition in terms of skills employed in their businesses and the utilization of fixed assets which they acquired through their loans.

A quick look at the graphs would also indicate an inverse relationship between the composition of the PYBF's portfolio in terms of the type of businesses being approved and the sustainability of these businesses.

LOAN SIZE AND SUSTAINABILITY

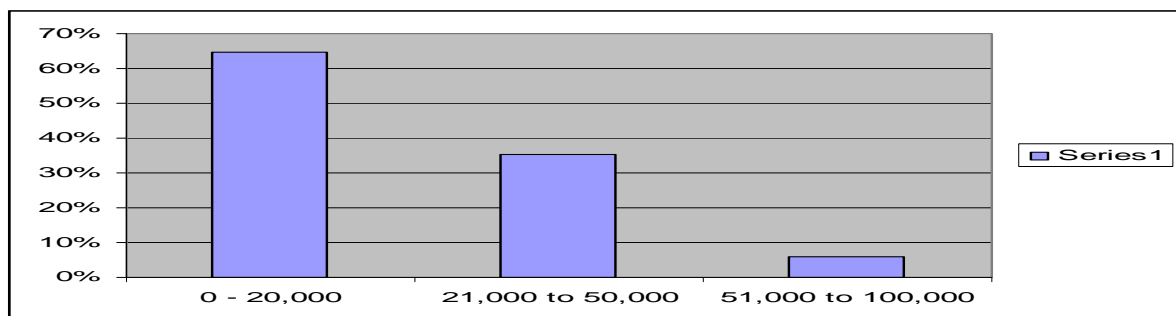
The average loan size of PYBF stands at **PHP 26,500.00** while the amount of funding ranges from **PHP5,000.00** to **PHP100,000.00**

The composition in the types of businesses likely to be approved by the panel as seen in illustration A. also reflects the panel's attitude towards risk where the bias favors loan application amounting to less than PHP 20,000.00

We are assuming that the panelists are typically risk averse as they have a great tendency to reduce the financial exposure to the client to less than P20K

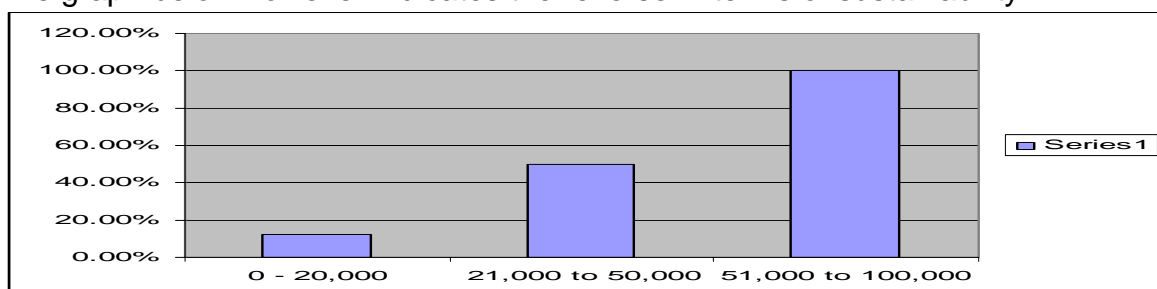
Again data would indicate an inverse relationship between the size of loans versus their sustainability.

As we dissect the loan amounts in to three segments we could again see loan sizes versus sustainability.



As seen above most businesses or 65% being supported by PYBF are capitalized between the P0 to P20K followed by 35% of total which is funded between P21K to 50K and lastly less than 10% which are funded between P51K to 100K.

The graph below however indicates the reverse in terms of sustainability.



As seen in the graph above, all businesses funded between the amounts of 51K to 100K are still operational to this very day, followed by half or 50% which are funded between 21K to 50K.

Again the data will indicate that businesses funded above the level of PHP21,000.00 are more likely to sustain their businesses. Our research also indicates that most businesses funded above this number have a greater tendency to apply their funds towards the acquisition of fixed assets such as equipment and other hard items needed for their business. It is also interesting to note that all businesses which have been funded at this level have been formalized.

POSSIBLE ACTION:

Volunteer panelists should be educated or informed of following tendencies to guide them in their decisions in approving businesses that will enter the programme. Some of the highlighted facts would indicate the following:

- That although opening a small variety store seem to be a very feasible and common business idea, service oriented and food related businesses tend to survive longer and generate more employment.
- Despite the panel's tendency to approve businesses that have a capitalization need of less than P20K, businesses with a capitalization of P20K and above seem to have a higher rate of survivability.

FACTORS FOR SUCCESS:

Based on the experience of PYBF there are other qualitative factors which determine the sustainability and growth of the enterprises. Below are qualities which are usually present in our successful entrepreneurs.

- **Motivation** - A successful young entrepreneur usually demonstrates a desire or a preference to be self-employed. Most of them also have a clear vision of where they want to be in the long term and how the business will grow with them. Success in their business is the end which they want to achieve.
- **Perseverance** – Businesses will naturally go through its cycles and the entrepreneur should be ready to weather the challenges. Successful entrepreneurs usually have a persevering character that keeps them focused on what lies beyond the challenges.
- **Initiative** – Entrepreneurs usually want to be the 1st and be leaders in type of enterprises that they operate. They are not afraid to introduce something new even at the risk of the business.
- **Risk taking abilities** – Entrepreneurs usually are risk positive and view risks as opportunities.
- **Ability to reconcile the business with family** – Successful entrepreneurs are those who have ability and the leadership to reconcile the business with the interest of their family.

- **Commitment** – Successful entrepreneurs tend to prioritize their businesses over everything else. This can easily be measured by the time they spend in their businesses.

THE MENTORING FACTOR:

Though mentoring and training tend to be integral part in the success of the entrepreneur, the qualities mentioned above should already be present. Mentoring and training could only enhance the qualities mentioned above while addressing the skill gaps and specific competencies which the young person needs during the course of running his business.

All of the successful beneficiaries we have worked with are greatly enhanced by the mentoring experience as well as continuing support from PYBF.

FACTORS FOR FAILURE

In contrary to the qualities of successful entrepreneurs, the following have been noted on beneficiaries who have ceased business operations in favor of minimum wage employment and those who are on willful default on their loans.

- **Motivation or lack thereof** – The motive in operating a business is limited to a perspective of seeing the business as a default of unemployment. Their long term motive is to be employed. Most of these young people also suffer from a “beneficiary mindset” continuing to benefit from well meaning organizations that continue to train, support and provide livelihood options to a given set of young people in the communities where they operate. There is no genuine desire for them to undertake the businesses that they are in.
- **Inability to reconcile business with family issues** – Unfortunately the financial needs of the family always come first, severely affecting cash management decisions of the young entrepreneur. It is very common to see businesses fall into insolvency as the cash position of their businesses are depleted due to family emergencies.
- **Risk aversion** – In addition to family issues, families that do not have an entrepreneurial culture tend to be risk averse and discourage risks which entrepreneurs have to take in running a business. This is usually the case when there is a co-dependency of income and parents see their children as potential providers

It should be noted that most of the unsuccessful entrepreneurs mentioned has had entrepreneurial training from other organizations. It is the failure of other training organization that they did not recognize the absence of entrepreneurial qualities and factors before they processed the young beneficiaries. We believe that no organization could turn every young person into entrepreneurs the entrepreneurial qualities and desire to be one should already be present. Furthermore, businesses that floats indefinitely without any long-term vision or goal benefit very little from advice and continuous support as their capacity for growth and ability to employ remain limited.

We should clarify in saying that mentoring and training are still beneficial to young entrepreneurs however, applied to beneficiaries and businesses which do not possess the factors and qualities in running a successful enterprise, it is a waste of time and resources.

OPPORTUNITIES AND POSSIBLE ACTION:

If training was done in such a way where entrepreneurial qualities and factors are determined before a young person is processed, skill gaps as well as planning skills will have been addressed prior to the start of their businesses. We continue to entertain queries from young people who we have determined to possess the qualities of a successful entrepreneur however it is difficult for them to turn their ideas into a workable business plan.

By implementing the GYB/SYB modules, young entrepreneurs could process their business ideas in a structured learning experience where the output of their activities is a business plan which they could present to the panel for funding. The GYB/SYB module also has a mechanism where entrepreneurial qualities are determined during the start of the programme.

Volunteers such as mentors and panelists could discharge their duties more effectively if they have an understanding of the qualities needed to be a successful entrepreneur. Knowledge of the social factors which affect the sustainability of the business would also be helpful to the mentors. Also, by understanding the needs of the entrepreneur, mentors will be better guided on how to enhance the value that is being added on to the character of a young person.

A two phase strategy should be implemented in order for a young entrepreneur to develop his full potential.

The 1st phase should concentrate on reinforcing and developing the factors and character that make a successful entrepreneur.

The 2nd phase enters when a young person could be endorsed to a business specialist which could address specific issues in order for the young business to grow. The second phase is not open ended. The engagement of the volunteer would be on a per project basis. Upon completion of the 2nd phase it is only then that PYBF could end its formal relationship with the client.

CONCLUSION:

There is no question about the effectiveness of the PYBF/YBI programme in creating employment for young people as it has impacted the lives of more than 32 people and their families. However, if improvements mentioned earlier such as training of both beneficiaries and volunteers are implemented the employment generating factor could be raised from .88 to 3.

By implementing the GYB/SYB, young entrepreneurs who have difficulty in conceptualizing and planning out their businesses can gain assistance and turn their ideas into workable business propositions. The programme suffers from significant

wastage as the interest of applicants are dampened by their inability to create a business plan.