

# ► Policy Brief

## Innovative Approaches to Reach Youth Entrepreneurship Excellence

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### Background

Entrepreneurship is a key driver of employment creation and economic growth. It is a powerful tool for promotion of equality and empowerment. Despite the emerging opportunities, full potential of entrepreneurship is not being utilized.

Entrepreneurship is viewed as an unstable and high-risk career, whilst many opt for white-collar jobs. Even those who pursue entrepreneurship do so due to 'push' factors, including the lack of awareness and difficulty in finding jobs, need of sustaining a livelihood, etc.

Ideally, entrepreneurship should be propelled by 'pull' factors, where individuals are inspired by opportunities and potential to fulfill existing gaps and to generate novel paths, through personal desires and creative business ideas.

This policy brief has been prepared incorporating insights from the policy dialogue held in Colombo on 15th of June 2022, under the theme of **"Innovative Approaches to Reach Youth Entrepreneurship Excellence"**. This was the first of policy dialogues, organized by the [International Labour Organization](#) in association with the [Ceylon Chamber of Commerce and](#) the [Central Bank of Sri Lanka](#) under the [South Asia Leadership in Entrepreneurship](#) (SALE) Program.

The SALE Program is implemented in Sri Lanka and Nepal, by the [ILO](#), with the financial assistance of the United States Department of State. The main objective of SALE is to promote youth entrepreneurship, by facilitating a change in the entrepreneurial ecosystem and encouraging youth transition into the entrepreneurial world.

As a key intervention, the SALE project organizes a series of policy dialogues on key thematic areas related to youth entrepreneurship promotion.

The first policy dialogue brought together entrepreneurs, Heads of state institutions related to entrepreneurship, eco-system players, representatives of academia and leading development partners.

## Entrepreneurial context

According to the [Annual Labour Force Survey \(2020\)](#), only 2.5 per cent of the total working population in Sri Lanka were employers, whereas in Thailand, Vietnam, Brazil and Indonesia the relevant proportions are 27.5, 19.6, 16.9, 15.3 and 11.6 respectively. Meanwhile, Sri Lanka has a higher number of Own Account Workers (self-employed persons) of 33.2 per cent, which clearly depicts the influence of “push entrepreneurship”.

Lack of entrepreneurial readiness is a critical hindrance for young people starting a business. This is further constrained by the under-optimized entrepreneurial eco-system: including the less access to resources, training, awareness and exposure to enterprise development support.

For several decades, promoting entrepreneurship has been advocated as one of the best solutions to address the high rate of youth unemployment in Sri Lanka. Still, only less than 30 per cent of

youth view entrepreneurship as a viable career option, according to a 2018 study.

The Generation Z (born between 1995 and 2010) is widely acknowledged as the first generation born in the digital era with a strong penchant for entrepreneurship. According to the [ALFS \(2020\)](#), the youth (15 – 24 yrs.) are with the highest rates of Computer Literacy (above 60 per cent) and the Digital Literacy (above 80 per cent).

Despite the comparative advantage of cutting-edge digital technologies available in Sri Lanka, the extent of optimizing such technologies for entrepreneurial purposes is very lacking. The COVID-19 pandemic has witnessed a surge in digitalization, with rapidly evolving digital economies and technological innovations. As a result, new opportunities are opening up for young people to penetrate much larger markets.

As per a recent report on [Youth Employment and Entrepreneurship \(2020\)](#), despite the impressive advances in the health and educational outcomes of women, they have faced numerous challenges in economic participation.

## Outcomes of the Forum

Against this backdrop, the policy dialogue explored the following sub-topics:

1. Start Young – develop entrepreneurial readiness
2. Holistic Approach Towards Fostering Women Entrepreneurship
3. Favorable ecosystem - access to finance and business support programs
4. Celebrating mistakes
5. Promotion of intrapreneurship

## Macro Issues and Concerns

### Gaps in Entrepreneurship Education

Entrepreneurial education is key to changing the current attitudes of the youth in encouraging entrepreneurship. The current public education system requires a significant overhaul, including the way of teaching entrepreneurial studies. In the current school education, the Entrepreneurial Studies is delivered as an optional subject at G.C.E. (Ordinary Level). Although a few universities have proactively launched study programmes in Entrepreneurship development, the majority of universities do not include this subject into the curricular. In vocational education system, some short-term training programs are delivered, but the coverage of student population and extent of training impact are inadequate.

Ideally, entrepreneurship education should be mainstreamed into the school core-curricula and further supported at the university and vocational training levels. In the UK, for example, [Personal, Social, Health and Economic \(PSHE\) education](#) was declared compulsory in all schools from 2020. Such programs should be implemented in Sri Lanka as well in order to foster innovation among youth and arm them with enhanced knowledge of business-related concepts.

The school culture should also encourage entrepreneurship as a viable career path for students. With careers such as those in medicine, law, engineering, and accounting seen as the preferred options, entrepreneurship stands little chance of being hailed as a suitable career.

### Negative Social Attitudes and Cultural Concerns

An attitudinal shift amongst the younger generation as well as society in general, is required to consider entrepreneurship as desirable career path. The current preference is for a career in the public sector. Apart from social attitudes, parents, especially those from remote areas, lack awareness of and exposure to the avenues and benefits of youth entrepreneurship, and are therefore wary of it. This lack of awareness arises mainly due to language barriers as well as the lack of access to and familiarity with technology.

The fear of failure is another great stumbling block – arising from published statistics as well as a tendency to see an initial failure as a permanent failure, rather than a building block of success. The absence of public recognition for entrepreneurs in Sri Lanka is another key problem and a reason that entrepreneurship is not pursued.

### **Concerns for Women Entrepreneurs**

Stakeholders highlighted that the issues and drawbacks that affect entrepreneurs are amplified when it comes to women entrepreneurs in Sri Lanka. This is mainly due to negative perceptions, attitudes and cultural norms towards women. There are gaps in entrepreneurship experience and skill/education levels between men and women and a significant difference in access to resources and support systems for young women. Young women are among the most affected by the current economic crisis.

Most women entrepreneurs operate micro level establishments, with no growth ambitions, mainly due to the fact that they do not approach businesses from a business perspective. They view it more as a requirement, to supplement the family income, rather than an opportunity. On the other hand, the digital divide (widened due to the pandemic and resultant socio-economic conditions) has curbed young women (especially in rural and marginalized

areas), forcing them towards engagement in less-productive employment or contribution to family work. A discussant in the policy dialogue, referring to a study, stated that that only 3 per cent of women take up careers in the tech field. Measures should be taken to encourage more women to pursue tech-related professions and innovations.

Lack of self-esteem among women is also another reason for them not to become entrepreneurs, which requires direct attention. Family and peer pressures were also outlined as a key problem that discourage female entrepreneurs.

### **Lack of Coordination in Providing Institutional Support**

Both Government and private institutional support should be rendered to entrepreneurs, especially to overcome the current economic challenges. However, a lack of coordination among regulatory and facilitatory institutions is evident across many sectors, and significantly affects efficiency. The discussion underlined that this is a critical concern relating to startups. Delays at government institutions, in respect of business registration, obtaining permits, transfer of ownership of property/assets, connectivity to utility services pose significant challenges to budding entrepreneurs. Red-tapes and delays in permitting industrial operations, logistics (including imports and exports) and

industrial relations (including labour dispute settlement) as well as complexity and inconsistency in policies related to taxation and trade facilitation discourage the growth of business. Lack of a holistic and coordinated approach by different institutions should be addressed to create a conducive environment for young entrepreneurs. Ensuring a proactive regulatory space for digital businesses, including the prevention of cybercrimes and safeguarding the intellectual property rights, will promote the inclusivity of youth in digital entrepreneurship.

### **Role of Financial Inclusion**

Accessing and using formal financial services is another key barrier in Sri Lanka for entrepreneurs and startups. This has been a major concern for many long years, despite numerous preferential and concessionary schemes introduced by the Central Bank of Sri Lanka. In general, banks prefer lending based on collateral to project-based lending. The lack of coherent and supportive policies is also seen as a barrier for entrepreneurs to access capital and financing options. Discussants further highlighted that most of the policies in place are outdated. Financial management is also another key concern, whereas 95 per cent of MSMEs do not maintain accounts. The lack of financial literacy among entrepreneurs, especially among women, is another area that requires attention.

### **Unawareness of Service Providers**

The policy dialogue highlighted that most of the entrepreneurs are unaware of the available support services and service providers. The '[Enterprise Sri Lanka](#)' programme launched in 2019 has had a youth entrepreneurship promotional component ('[Thurunu Diriya](#)'), and during the COVID pandemic the Central Bank (CBSL) introduced a special relief loan scheme ('[Saubagya](#)') to provide liquidity facility to affected enterprises. However, the deficiency in awareness creation and application procedure as well as considerable delays in loan processing, result in considerable failures of these well-intentioned projects. In 2021, the CBSL has launched the first ever "[National Financial Inclusion Strategy](#)" of Sri Lanka.

### **Skills and Knowledge Gaps**

Being armed with the right knowledge, skills and attitudes is essential for an entrepreneur. Communication, planning and financial skills are essential to start and improve businesses. However, skills and knowledge gaps are evident especially among the rural youth, due to the difficulties in accessing quality education, technology and support systems as well as lack of conducive culture that promotes entrepreneurship. Entrepreneurial knowledge, skills and attitudes should be imparted from a very young age and further improved through recognized support and guidance.

## Recommendations

### Support programs and mentoring

Youth could be seen as one of the most vulnerable during a state of a crisis, due to the lack of new job creation in a struggling economy. Business mentoring should be widened, while improving access to entrepreneurial, technical and financial education and skills enhancement. Such programmes should be affordable and equitably available island wide.

Consistent and relevant mechanisms that encourage innovation should be established to support budding young entrepreneurs. Such programs would ideally ensure entrepreneurial readiness and inspiration from a very young age.

In addition, current gaps in the youth's skills and knowledge should be assessed and addressed through relevant upskilling programs. It was also recommended to introduce adequate preparedness and crisis management measures to ensure financial resilience and sustainability, while also having coordinated mitigation strategies in the management of an entrepreneurial economy.

### Entrepreneur ecosystem

Directives should be implemented, ideally through a structured coordinated system, to elevate Sri Lanka's entrepreneurial ecosystem's strengths, optimize the current scenario and focus on the

opportunities available, while addressing existing weaknesses. The ecosystem should be regulatory and not restrictive. Such measures are necessary for youth to set up businesses, and even when needing to shut down unsuccessful businesses.

The lack of awareness regarding relevant service providers, which was highlighted, should be addressed by facilitating access to relevant information, through awareness programs, online resources, etc.

A monthly 'Entrepreneurship Open Day' would raise awareness amongst entrepreneurs and the public in general, regarding the opportunities available. In addition, a favorable ecosystem can be enabled by building capacity and empowering those who support entrepreneurs, including the officials of regulatory institutions, banks, technical education and vocational training institutions, etc.

Establishing an online platform that allows young people to create and sell products, especially those that could help alleviate the energy and food crises, which should be promoted island wide in order to ensure visibility for new entrepreneurs. In addition, bridging facilities should be in place to connect Sri Lankan entrepreneurs with foreign investors, in order to bring in more finance and enterprise support to the country.

## Updated education system

Entrepreneurship education is the key to developing entrepreneurial mindsets and changing current attitudes on entrepreneurship. The Education Ministry has a key role to play in this regard. Entrepreneurship education should be made available from a young age, with engagement specifically accelerated at the school level. The development of a new curriculum and updating the school system accordingly will ensure that youth develop skills that are in line with current tech and market needs.

Leadership building, enterprise and coding camps should be initiated at the school level. Entrepreneurial clubs in schools and universities should be created and provided with required and sustained support. The discussion also stressed the introduction of reforms in the teaching systems by incorporating more practical experiences for students and avoiding segregation of schools.

## Entrepreneurial practice at Schools

Programs should be introduced at school level that help inculcate qualities such as creativity, risk appetite, confidence and collaboration from a young age. Entrepreneurial challenges and inter-school enterprise competitions can be planned with the aim of promoting self-learning and developing students' entrepreneurial skills. These competitions can be designed aligning action towards a

more sustainable, greener and cleaner economy. Innovations and new business ideas of school children should be recognized and provided with adequate financial support and guidance.

Teachers are the main foundation, after parents, in shaping a young child's perception and attitudes. Therefore, entrepreneurship development programs should be designed for teachers to encourage a change in their attitudes regarding education and new career paths. Another program should be introduced for parents, to make them aware of entrepreneurship, which could assist in transforming their influence in child's career choice. Conducting such programs in girls' schools will have an impact on reducing family pressure and creating a supportive environment for budding women entrepreneurs from a very young age.

Further, the school alumni network should be encouraged to support young school entrepreneurs, by facilitating funding and mentorship opportunities. Initiating short-term internship opportunities was recommended in order to offer the school students with real-world experiences of being entrepreneurs, which can reduce the high failure rate in business within the first few years. The business community has a responsibility to create such internship opportunities for school children.

## **Support Women Entrepreneurs**

As aforementioned, women in particularly face many challenges to become successful entrepreneurs. However, they can constructively contribute to the economy in terms of elevating economic productivity and employment.

It is apparent that women, especially those from rural areas, find it difficult to reach or attend educational and vocational training programs due to family responsibilities taking priority. As a solution, learning options should be made available facilitating women with flexibility and remote access. On the other hand, support and mentoring programs should have proactive and pragmatic gender-responsive approaches.

Awareness and educational programs should be carried out in both urban and rural areas to ensure that family and peer pressure do not restrain women from pursuing entrepreneurship. Support programs should be designed in a way to elevate micro-level women entrepreneurs to higher levels by educating them on business tools and technology.

## **Digital inclusion**

At present, the Information Technology sector is considered as the only pathway for jobs and entrepreneurship. However, Fintech solutions in Sri Lanka should be developed to encourage young entrepreneurs to integrate digital tools.

Digital means were identified as elements of overcoming adversities of COVID pandemic, but can also provide options for Sri Lanka to emerge from the present crisis. Lack of digital inclusion is more apparent among young women, with the IT sector considered only as a source of employment, whereas IT should also be viewed as an area of expertise for women. Measures should be taken to encourage more women to pursue tech-related professions.

While also focusing on a digital inclusive economy in order to reduce the digital divide, there should be ways to reach these marginalized young entrepreneurs to provide undivided support in their entrepreneurial journey. Youth should be encouraged to utilize digital tools and technologies in their businesses and authorities should provide required ICT facilities. Not having native language for use of ICT is one of the biggest cause for digital divide. Therefore, programmes should be designed to cater both the need of improving use of English language and ICT for young entrepreneurs.

## **Access to finance**

The need for a significant level of collateral to ensure financing through banks, is increasingly pushing entrepreneurs to seek informal methods of financing. The banking sector has a major role to play in improving the regulatory environment for start-ups and

entrepreneurs. In addition, the information and coordination asymmetry between the government, banks and people should be reduced.

### **Change of culture and attitudes towards entrepreneurship**

A change of attitudes towards entrepreneurs can be achieved, exploring ways of integrating entrepreneurship into society. Portraying entrepreneurship as being beneficial, could help to overcome adverse societal attitudes. With the current economic crisis, entrepreneurship can be highlighted as one of the most important paths towards creating an output-oriented economy, in turn portraying it in a positive light and encouraging youth towards that path.

Youth entrepreneurship can also provide a partial solution to youth unemployment which has prevailed at high rates for many years. While Sri Lankans are generally risk averse, the youth can help change this attitude. Youth entrepreneurs' socio-economic contribution can positively impact perceptions and attitudes.

### **Promote Innovation**

Focus on innovations that identify existing challenges and understand the demand for solutions, shall be pursued to develop those solutions in an inspiring, profitable and impactful way. As mentioned before, youth have a higher risk appetite than adults, which is vital to fostering

innovation. Open innovation should be initiated at young age and should be encouraged in businesses as well. Auxiliary entrepreneurship should be encouraged to take a pull approach where entrepreneurs are passionate and are motivated to start innovative businesses that address pressing societal needs. This type of entrepreneurs tends to sustain in the market in the long term and will act as role models for future entrepreneurs.

### **Addressing the aspirations of new generations**

Youth plays a pivotal role in transforming society and bringing a change to existing systems. The voice of youth should be amplified and their inputs should be considered in this stagnant economy. Using technology has become a part of youth, hence are well informed on global events and can access globally shared contents within seconds.

There are many talented inventors in the country. However, these new idea generators should be provided with sufficient support, mentoring and career guidance programs. The nature of all these initiatives and efforts should be encouraging to bring life to their new thinking patterns. Furthermore, programs designed for these budding entrepreneurs should also be constructive to induce them to create more job opportunities in the economy. Aspirations of new generation can bring

into life while also addressing issues in the economy indirectly. On the other hand, these budding entrepreneurs do not sustain in the long run. Support is required from various institutions to ensure their sustainability.

### **Access to global markets**

Market access and facilitation is one of the key barriers faced by the young entrepreneurs. Labour force survey data (2012-2016) revealed that 27% out of total unemployed youth who are seeking self-employment required market access support from the Government to sell their products. This clearly shows the need for business support programs targeted for the youth. There are certain programmes initiated by various institutions in this regard. However, as mentioned before, the degree of how much these initiatives actually reach the targeted audience is uncertain. 'Made in Sri Lanka org' was established in 2020 to provide support in market access to national and international market arena. So far approximately 560 entrepreneurs are registered with this initiative. Public sector involvement is vital to support young entrepreneurs to access both domestic and global markets and private companies have a greater role as well to play in connecting markets with potential young entrepreneurs.

### **Celebrating mistakes**

Being an entrepreneur and more specifically young entrepreneurs with limited experience is hard and the odds of success are low. The chance of such individual to drop out being an entrepreneur to go for a secured job with a fixed salary is high. Of an environment that fosters innovation, celebrating mistakes shall necessarily be integral. A resilient entrepreneur community should be built and for that these individuals should be acknowledged and their failures should be celebrated. There are many examples in the world, where entrepreneurs have developed and played better by learning through their mistakes and failures. A platform should be created to share success stories of entrepreneurs who have started young. These programs will inspire budding entrepreneurs and bring positive change to their perception of being an entrepreneur.

### **Intrapreneurship**

Promotion of intrapreneurship that encourages entrepreneurial culture within existing organizations is also another innovative approach to uplift young entrepreneurs. Within an organization, with the internal support, individuals will find more supporting environment to develop their entrepreneurship as opposed to emerging solo. However, it is generally

observed that organizations prefer maintenance of status quo as opposed to innovation owing to sheer fear of being threatened.

### Aspects for private sector

- ▶ Lead an influencing role in requesting support from government organizations and institutions to develop a coordinated system which is recommended above.
- ▶ Engagement in initiatives such as providing internship opportunities for school children and entrepreneurship development programs for schools.
- ▶ Development of mentoring and success story sharing programs, targeting both urban and rural areas, with the engagement of private sector.

- ▶ Assist in conducting regional mentoring programs for entrepreneurs and start-ups, through the Ceylon Chamber's Startup Council.
- ▶ Taking forward the proactive role of the Chamber to encourage youth entrepreneurship, by strengthening the information dissemination service aimed at entrepreneurs and startups.
- ▶ Fostering development partnerships with the ILO and other donor community to devise more pragmatic and sustainable approaches for promoting youth entrepreneurship education and training, developing support systems, and ensuring conducive business environment.