



Developing Entrepreneurship Evidence from Argentina.

by

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In 2012, with support of the UK Department of International Development (DFID) and the International Development Research Centre (IDRC)- Canada, PEP launched a new program to support and build capacities in “Policy Analyses on Growth and Employment” (PAGE) in developing countries.

This brief summarizes the main features and outcomes of one of the projects supported under the 1st round of the PAGE initiative (2013-2014). The full paper is available at the PEP website.

Introduction

The youth, defined in Argentina as those 15 to 24 years old, has become more vulnerable economically. The entrance to the labor market either as entrepreneur or as a worker is increasingly delayed. Also, youth unemployment is concentrated in the most vulnerable social groups. These unemployed youth come from low-income households, many of which are in poverty. It is worth noting that there is a higher incidence of unemployed youth among women from low-income households. This creates a vicious cycle of intergenerational poverty.

Entrepreneurship plays an important role in economic development. Recently, public institutions and the government in Argentina are particularly giving special interest to young individuals. However, several factors hinder the development of entrepreneurship in Argentina, particularly among the young. Some of these factors include a very underdeveloped financial system,

lack of microcredit, and lack of training and supporting policies.

The community-based monitoring system (CBMS) was implemented in two municipalities in the province of Buenos Aires in Argentina. Aside from the implementation of the CBMS census, a rider questionnaire was addressed to the youth (defined as those 15 to 26 years old) to analyse youth employment and entrepreneurship in Olavarría (2014) and Tandil (2015).

Findings

Results show that there are external constraints affecting the probability of becoming an entrepreneur. The factors that make people interested in becoming an entrepreneur are not the same as the factors that really make an individual an entrepreneur. Intent and event are driven by different forces.

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Table 1. Youth classification according to intent and event

Classification	Magnitude	Proportion (%)
Not interested in entrepreneurship	50.2	44.5
With Entrepreneurial Intent	2.7	2.2
Entrepreneurs	22.0	32.2
Total	22.0	32.2

Source: CBMS Census, Olavarria (2014) and Tandil (2015)

Around 38.7 percent of the youths surveyed wanted to be an entrepreneur and only a few (5.8%) are current entrepreneurs (Table 1).

The study estimated the probability of entrepreneurial event and entrepreneurial intent among youths given several factors (Table 2). On the one hand, family background affects the likelihood of someone to be an entrepreneur. Family wealth is a major contributing factor as capital is needed in putting up a business. Results show that having a close family member who is already an entrepreneur increases the probability that youth can be an entrepreneur. One can learn from his/her relatives about the essentials of entrepreneurship. These two factors are variables that are not driving the intention to be an entrepreneur but the eventuality of becoming an entrepreneur. These findings suggest that financial constraints and lack of information and ability to accumulate specific capital are major factors affecting the entrepreneurship.

On the other hand, the personality factors affecting intent and event are also different. For intent, major factors are risk aversion (the more risk averse is an individual the less willing is to start up a business), flexibility desire, and outgoing

Table 2. Results of the probit model in determining the likelihood of entrepreneurial event and the entrepreneurial intent

Independent Variables	Entrepreneurial Event	Entrepreneurial Intent
	Coefficient	Coefficient
Does not know any entrepreneur	-0.353***	-0.234***
Has an Entrepreneur in the Family	0.309**	-0.037
Family Wealth	0.126*	0.004
Gender (=1 if male)	0.176*	0.266***
Age	0.055***	-0.014
factor01 (outgoing attitude)	-0.03	0.195***
factor02 (flexibility desire)	0.099	0.118***
factor03 (risk aversion)	-0.068	-0.124***
factor04 (social avert)	-0.235***	-0.08
factor05 (effort)	-0.223**	0.014
Emancipated from parents house	0.267**	0.184**
Constant	-2.735***	0.054

Sig. codes (***) 2.5%), (** 5%), (* 10%) , (. 15%)

Source: CBMS Census, Olavarria (2014) and Tandil (2015)

attitude. For event, social avert and the willingness to make high effort.

Youth perceive entrepreneurship as a labor market opportunity, and entrepreneurship attitude is relatively high. In fact, as already mentioned, there are respondents who have started up their own business. However, most of these businesses are low scale, low productivity, with no potential to

spur economic growth in these towns to a new level. They are not really expanding the production frontier which innovates and creates new product as well as generate employment. Most of the young entrepreneurs are in the commerce sector.

Policy Recommendations

Given the results of the study, some recommendations are drawn.

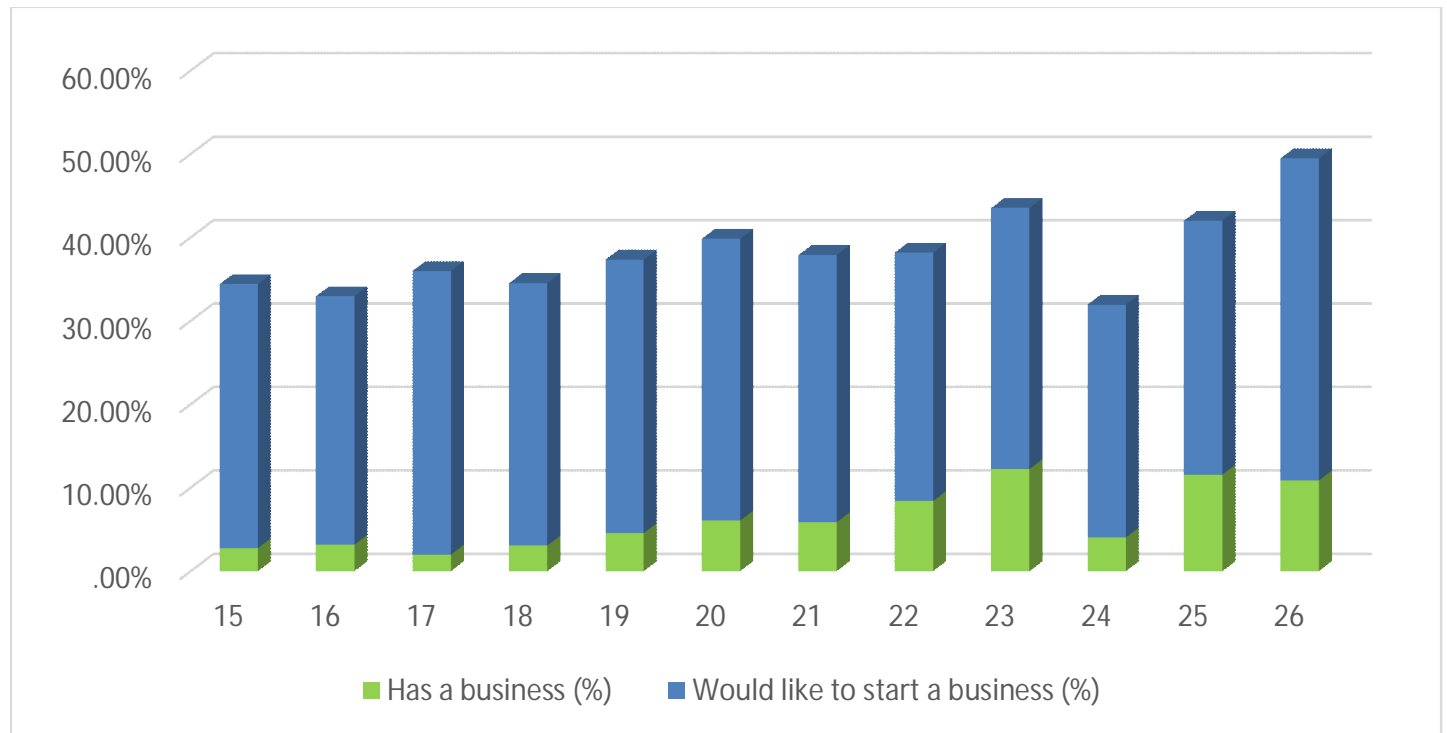
At the moment, there are no particular government policies with impact on the enhancement of skills and knowledge of the youth on entrepreneurship. It might be a good investment to support early training, exposure to entrepreneurship cases, or even a class in secondary school of the youth on

16.3% of youth have received some kind of training on entrepreneurship

35.3% of the current entrepreneurs have received any training (either before or after beginning their businesses)

89.9% never heard of any program (national, provincial, regional or local) to promote entrepreneurship. Only 4,7% of them are entrepreneurs.

Figure 1. Entrepreneurship and age



Source: CBMS Argentina 2014-2015



COMPREHENSIVE TRAINING. Young individuals with different intellectual disabilities participated in a training workshop to craft tiles and lamps made of red clay which they sell afterwards. (Photo courtesy of CBMS Argentina)

entrepreneurship. These are essential foundations to a good entrepreneurship development.

As most of the entrepreneurs from these locations are young individuals who decided not to migrate to pursue higher education, the secondary school has a great potential to train and foster more high quality entrepreneurship.

In addition, government and universities can help those who are starting up with training, support and financial aid to facilitate the ease of access of

entrepreneurs to doing business. This will create an enabling environment to interested young individuals to pursue their chosen businesses.

Also, local markets are very small in the towns or relatively satisfied in the city. Thus, a support should aim to promote new ventures focused on external demand. In the case of Tandil, the industries pushed local development by looking at bigger markets through providing tourism, software, and food.