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Development of youth entrepreneurship in Latvia: A comparison of youth's and experts' opinions ¹

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ABSTRACT

Fostering entrepreneurial initiative and business skills at an earlier age are the key factors for successful foundation of new enterprises and development of entrepreneurship.

The aim of this research is to study the youth business environment and indicate the main factors important for development of youth entrepreneurship in Latvia. The importance of more than 40 different factors such as knowledge, education, access to finance sources, motivation, support, etc. is assessed by a survey of young people aged 15-35.

Methodology. The mixed method design was used for this research. The opinions of prospective young entrepreneurs, as the results of a quantitative survey and qualitative questions, are compared with a business environment assessment by experts, using quantitative indicators and qualitative argumentation. The experts evaluated support instruments of youth entrepreneurship, political and economic stability, level of corruption and bureaucracy and other factors. The experts' views are also studied to identify the

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impact of state tax policy, access to funding, level of financial and entrepreneurial literacy and other factors on opportunities for starting a new business.

Findings. It was found that there are some differences in perception between experts and young people of support instruments in early stages of entrepreneurship, the importance of entrepreneurial education, funding and the main factors hindering the development of youth entrepreneurship.

Value. Practical recommendations have been worked out to develop youth entrepreneurship in Latvia.

Keywords: business environment, youth entrepreneurship, business education, state support instruments, funding of youth entrepreneurship.

INTRODUCTION

The collapse of the Soviet Union almost 30 years ago led the post-Soviet countries into different conditions. The Baltic states – Latvia, Estonia and Lithuania – started to get closely integrated into the Western European environment, became members of the EU, NATO and the OECD, and received EU financial support and experience to equalize living standards. Other countries such as Ukraine, Belarus, Georgia, Armenia, Moldova and others missed out on such opportunities. This study is devoted to youth entrepreneurship in Latvia and constitutes the first part of broader research with the aim to investigate and compare the business environment in the post-Soviet countries as well as identify the possibilities for higher education institutions to support youth entrepreneurship.

The objectives of this research are to study the youth business environment in Latvia, indicate the key factors important for development of youth entrepreneurship and work out recommendations for further improvement of the youth business environment in Latvia. To achieve these goals, the authors carried out an online survey of young people and conducted structured interviews with a carefully selected group of experts in order to obtain quantitative and qualitative results from both sources.

LITERATURE REVIEW

Successful entrepreneurship is seen as the basis for economic growth and prosperity (Maritz and Donovan, 2015). Entrepreneurs drive business, create new jobs and are very important for any economy; for example, they have led the US out of every recession (Lumsdaine and Binks, 2003).

The European Commission (EC) claims that small and medium-sized enterprises (SMEs) are the backbone of Europe's economy, that is, a key to ensure economic growth, innovation and job creation (European Commission, 2017). In the United States, small firms represent 99.7% of all employer firms that employ about half of all private sector employees (Solymossy, 2008). The situation is similar in the EU and also in Latvia. If we perceive entrepreneurship as “the capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit” (Business Dictionary, 2015). It is important to understand what the main drivers of entrepreneurship are (motivation, knowledge, skills, or experience). What kind of support (financial, educational, mentoring or other) should be provided to young entrepreneurs for successful development of their business?

What drives young people to go it alone and set up a business? The Global Youth Entrepreneurship Survey published on the occasion of Global Entrepreneurship Week 2011 (GYES, 2011) showed that turning their dream into a reality is the main **motivation** for more than a third (36%) of young entrepreneurs: they had always wanted to start their own business. In China, this rises to more than half (58%). Entrepreneurial intention, which is about consciously wanting to start a business, would be a prerequisite for graduates to become entrepreneurs and start their own enterprise and business (Pihkala *et al.*, 2002). Some authors have shown that not just motivation but also knowledge and competences are generally important for development of entrepreneurship (Mulder, 2007; Mitchelmore and Rowley, 2010). Entrepreneurship is multifaceted. Shepherd *et al.* (2018) reviewed more than 100 papers devoted to entrepreneurship to generate a meta-framework for organizing entrepreneurship's dependent variables into four categories: (a) initiation, (b) engagement, and (c) performance of entrepreneurial endeavours embedded in (d) environmental conditions, in which an entrepreneurial endeavour is the investment of resources into the pursuit of a potential opportunity (Shepherd *et al.*, 2018). The term “resources” should be understood in a broader sense, not only as financial funding but also as mental resources, knowledge and competence. According to the European Commission (2016), the entrepreneurship key competence refers to an individual's ability to turn ideas into action. It includes creativity, innovation and risk taking, and the ability to plan and manage projects in order to achieve objectives (European Commission, 2016).

In ensuring such a wide range of capabilities, **education** plays an important role. Entrepreneurship education is essential not only for shaping the mindset of young people but also for providing the skills and knowledge that are central to developing an entrepreneurial culture. A study carried out by Kolvereid and Moen (1997) has confirmed that students who have learned entrepreneurship have a greater interest in becoming entrepreneurs and have acted more entrepreneurial than other students to start a new business. Sufian and Karim (2016) showed how important in entrepreneurship education an integration of knowledge, skills and experience can be (Sufian and Karim, 2016). The European understanding of entrepreneurship as a key competence indicates a dual focus. Firstly, the development of entrepreneurial attitudes, skills and knowledge should enable

the individual to turn ideas into action. Secondly, entrepreneurship is not only related to economic activities and business creation, but more widely to all areas of life and society. Innovative and creative action can be taken within a new venture, or within existing organizations, i.e. as 'entrepreneurial activity' (European Commission, 2016). The European Commission framework defines eight key competences and describes the essential knowledge, skills and attitudes related to each of these. These key competences are communication in the mother tongue, communication in foreign languages, mathematical competence and basic competences in science and technology, digital competence, learning to learn, social and civic competences, sense of initiative and entrepreneurship, and cultural awareness and expression (European Commission, 2016). These key competences are all interdependent, and the emphasis in each case is on critical thinking, creativity, initiative, problem solving, risk assessment, decision taking and constructive management of feelings. Basically, the focus should be on one of the eight competences, e.g. sense of initiative and entrepreneurship. This is the ability to turn ideas into action. It involves creativity, innovation and risk-taking, as well as the ability to plan and manage projects in order to achieve objectives. Lately the importance of digital skills and digital education has been highlighted. In a recent report of the Global Youth Entrepreneurship Survey (EandY, 2017), the digital dimensions of entrepreneurship were measured and compared across G20 countries, and it was found that Canada, Germany, Japan, the UK and the US had the leading digital entrepreneurial environment, while Argentina, Brazil, India, Mexico and Russia lagged behind (EandY, 2017). The report highlights five areas for action where the leading nations can maintain and further improve conditions for entrepreneurs, and those who are behind can catch up (EandY, 2017): 1) Access to finance: promote the development of early-stage financing; 2) Entrepreneurial culture: introduce entrepreneurship as a specialized stream in higher education and integrate it throughout courses at primary and secondary levels; 3) Digital business environment: promote the development of support networks for newly arrived entrepreneurs in G20 host countries and establish clear guidelines on data privacy and security; 4) Digital skills and entrepreneurial education: prioritize science, technology, engineering and mathematics (STEM) in schools; 5) Digital knowledge base and ICT market: foster multi-stakeholder digital clusters and networks, along with coaching and mentoring schemes, and support university-entrepreneur collaboration, including through funding incentives for universities (EandY, 2017). Young people are the closest to evolving digital technologies and should be best placed to take advantage of the benefits they offer in business. But to do so, they need adequate support: better access to finance and education and the right exposure to different markets. This will require an entirely different policy approach: one that is cross-border, education-focused and collaborative. The individual is aware of the context of his/her work and is able to seize opportunities that arise. It is the foundation for acquiring more specific skills and knowledge needed by those establishing or contributing to social or commercial activity. This should include awareness of ethical values and promote good governance (European Commission, 2016).

Hence, entrepreneurship education can and should be offered to students for them to become entrepreneurs.

One of the key resources for turning a good idea into a successful business is **financing**. The Ernst and Young G20 Entrepreneurship Barometer (EandY, 2013) showed that more than half of young entrepreneurs think that lack of access to finance is the greatest constraint to the growth of their business. A fifth of young entrepreneurs do not feel capable of applying for a commercial bank loan after their business is up and running. On the other hand, the European Central Bank (ECB, 2017) pointed out that only for 9% of European medium-sized enterprises (MEs) was access to financing the dominant problem in 2017. However, the share of enterprises that saw access to financing as their most important problem remained higher among MEs than among their larger-sized peers (Kraemer-Eis *et al.*, 2017). Regular studies in the EU (carried out, for example, by the ECB, EIB and OECD) provide a deeper and more detailed assessment of access to financing for companies, in particular micro-enterprises and business start-ups. The ECB, for example, in its surveys on assessing the factors that have an impact on the availability of external financing in the euro area, have made inquiries concerning the general economic outlook, the firm-specific outlook, the firm's own capital, the firm's credit history and the willingness of banks to lend (European Central Bank, 2014). In order to understand the experience, needs and obstacles of Latvian companies in obtaining external financing, the JSC development finance institution ALTUM has carried out the most extensive research by surveying 2255 Latvian companies (ALTUM, 2018). Based on the entrepreneurs' past experience in obtaining loans, it was found that banks rejected funding of about 1.1 billion euro a year for business for various reasons. Almost a third of this could be financed by ALTUM. According to the study, ALTUM currently finances 40% of the amount that could potentially be supported, as most entrepreneurs do not turn to it at all (ALTUM, 2018). It is important to take note of the responses to the question "If you need external financing to realize your growth ambitions, what type of external financing would you prefer most?". The majority of MEs gave preference to "bank loans" (64%), whereas "loans from other sources" were selected by only 14% of the respondents, and "equity investment" was selected by only 6% (Beizitere, 2018). The survey of entrepreneurs showed that 75% of the respondents were not aware of the available financial instruments. Many sources indicate lack of availability or constraints on financing, particularly for start-ups and micro-enterprises. The study shows that the situation is somewhat ambiguous. The "lack of availability" might be explained by the unwillingness of companies to borrow or insufficient awareness of the financial instruments available (Beizitere, 2018). This also applies to venture capital funds (VCFs), which are used as little as possible. Most of the investments made by state-subsidized VCFs in Latvia are not investments in young innovative companies (Prohorovs and Jonina, 2017). Unlike VCFs of the US and the UK, Latvian VCFs subsidized by the state and not specializing in financing innovative companies in the initial stage of financing do not seek to finance young innovative companies (and innovative companies). One of the reasons for VCFs' unwillingness to invest in young innovative companies is the small demand for VCF investment from young

innovative companies (only 42.5% of the total number of applications). As the Latvian economy develops, the number of private VC investors, including business angels, investment companies and regional VCFs ready to finance promising companies is increasing. One of the reasons for the lack of quality demand for VC is low awareness about alternative sources of funding (Prohorovs and Jonina, 2017). Availability of financial resources to enterprises is essential for business development. In particular, micro and small business performers have experienced financial constraints over the past few years. Despite numerous financial instruments designed in the EU to facilitate access to external financing for enterprises, a popular opinion about financial constraints still prevails, especially as regards micro-enterprises and business start-ups (Beizitere, 2018). With regard to the poor access of MEs to public funding, researchers (Masiak *et al.*, 2017b) also pointed out that there is a prevailing uncertainty associated with the lack of awareness of public funding programmes, or *vice versa*, the programmes do not meet the requirements of micro-enterprises, for example, due to the associated administrative burden. Surveys of UK SMEs carried out to investigate the relationship between bank credit availability and awareness of government initiatives provided evidence that the SMEs that had better knowledge of the funding scheme conditions were less likely to have their financing requests rejected (Calabrese *et al.*, 2017). Another study (GLI Finance, Ltd, 2015) showed that better awareness of the availability of financing would have a positive economic effect. This study reports that increased awareness of an alternative sector where financing could be obtained would help the small and medium-sized enterprises in the UK to understand their financial capabilities, secure adequate funding and materialize their economic growth potential. 70% of young entrepreneurs find that improved financial literacy is the main business benefit of **non-financial support** (EandY, 2013).

YBI (Youth Business International) is an organization helping underserved young people aged 18-35 start and grow a business, and central to their approach is the combination of financial (in the form of no or low-interest loans) and non-financial (in the form of mentoring and training) support. YBI carried out the Global Youth Entrepreneurship Survey with a focus on how young entrepreneurs value the non-financial support they receive (GYES, 2011). It is remarkable that in one third of the twenty-one countries surveyed, young entrepreneurs place more value on their mentor than on money. This survey provides insights into the views of more than 1,000 young entrepreneurs from 21 countries about the challenges of start-ups and the positive difference that mentoring and training can make. 55% of young entrepreneurs agree that their business is more successful as a result of the non-financial support they received (GYES, 2011). YBI is calling on all sectors to recognize the value of non-financial support in order to increase access to financing for young entrepreneurs. Young entrepreneurs feel more confident: 84% of young entrepreneurs feel more confident running their business as a result of the non-financial support they received (GYES, 2011). Similar results were obtained among Latvia's young entrepreneurs. A study has shown that Riga start-ups perceive high levels of social support from family and friends. This supports the entrepreneurial personality trait of high levels of perceived social support. Riga start-ups evaluate highly perceived

social capital in all three dimensions addressed: structural, cognitive and relational. The main findings showed that statistically significant correlations exist between perceived social support and two dimensions of social capital: cognitive and relational (Cirule, 2018). Business incubators are among the initiatives that provide mainly non-financial support and stimulate economic growth by facilitating the creation of new companies (Ratinho *et al.*, 2011). Incubation is a support process that nurtures the development of beginning and emerging companies through a range of resources and services. The primary goal of a business incubator is to produce organizations that will leave the incubation programme as a self-supporting organization during the start-up period when they are most vulnerable (Hackett and Dilts, 2004). The primary reason for beginning and emerging organizations to join an incubator is to build successful enterprises and to connect and network within their community. A quantitative study of tenants of Latvian university business incubators revealed that open innovation strategies and motivation to engage in open innovation activities are positively associated with the use of incubation services. Among factors contributing to the success of incubation, incubator service networking appeared to be the most important, followed by the open innovation inside-out strategy and incubatees' age (Cirule *et al.*, 2017).

According to the Ernst and Young G20 Entrepreneurship Barometer, only 15% of entrepreneurs say their country has a culture that fully supports entrepreneurship. 83% say that an increase in tax incentives focused on innovation would improve the health of entrepreneurship in their country. 84% of entrepreneurs want tax systems to be simplified (EandY G20 Entrepreneurship Barometer, 2013). Latvia is not ranked among the 20 countries of the Ernst and Young G20 Entrepreneurship Barometer. What is the situation with business and especially with youth entrepreneurship in Latvia? Latvia ranks 1st out of 24 European Union countries participating in the Global Entrepreneurship Monitor (Krumina and Paalzow, 2016), with 12.2% of its adult population (aged 18-64) involved in early stage entrepreneurial activity. In 2014, young Latvians (aged 18-24) were as active as 25-35-year-old Latvians among their age group. However, national attitudes towards entrepreneurship as well as growth ambitions of early stage entrepreneurs have declined compared to 2013 (Krumina and Paalzow, 2016).

RESEARCH DESIGN AND METHODOLOGY

The aim of this research is to study the youth business environment and indicate the main factors important for the development of youth entrepreneurship in Latvia.

Three research questions were set out:

- What are the main business environment factors influencing the development of youth entrepreneurship from the point of view of young people?
- What are the main business environment factors influencing the development of youth entrepreneurship from the point of view of experts?

- What are the main differences in youth's and experts' opinion?

To achieve the goal of the research, a descriptive research design was used, which shows how the business environment factors are perceived from the point of view of young people and experts. The research is based on the design of mixed methods QUAN -> QUAL, which includes a complementary application of two methods both including the quantitative and qualitative part of the research. The point of integration of the quantitative and the qualitative parts is in the processing of the results. The purpose of such a design application is to expand the scope using various components of the study (based on Schoonenboom and Burke, 2007).

The research design was created based on findings from Education and Science Ministry research (IZM, 2016) and the Global Youth Entrepreneurship Survey (YBI, 2011).

- Youth survey *QUAN->qual*. The quantitative part of the youth survey includes 48 factors, which are combined in 5 scales: Motivation; Knowledge and Education; Finance; Support; and Hindering factors. Young people were asked to evaluate all included factors on a Likert-type scale from 1 (not important) to 4 (very important) according to how important they are in encouraging them to start a business or promoting their business development. In order to get a deeper insight and awareness of factors not included in the survey, an additional open question was included. Both quantitative and qualitative methods of data analysis were used for the youth survey results.
- Expert survey *quan->QUAL*. Experts from business and education were invited to participate in the current study. Experts made a quantitative assessment of 18 different factors on a scale of 1-10 and gave qualitative justification for each evaluation. The expert survey was carried out in June 2018 and characterized the situation at the time. For the analysis of expert assessments, both quantitative and qualitative methods were used.
- A mathematical and statistical analysis was conducted in Excel and SPSS. Cronbach's alpha indicator was calculated to identify the level of internal consistency of the questionnaire, the Kolmogorov-Smirnov test was used to verify the normality of distribution, the Pearson coefficient was used to calculate descriptive statistics and identify the correlation between indicators, and qualitative characteristics of each indicator were analyzed using NVivo tool.

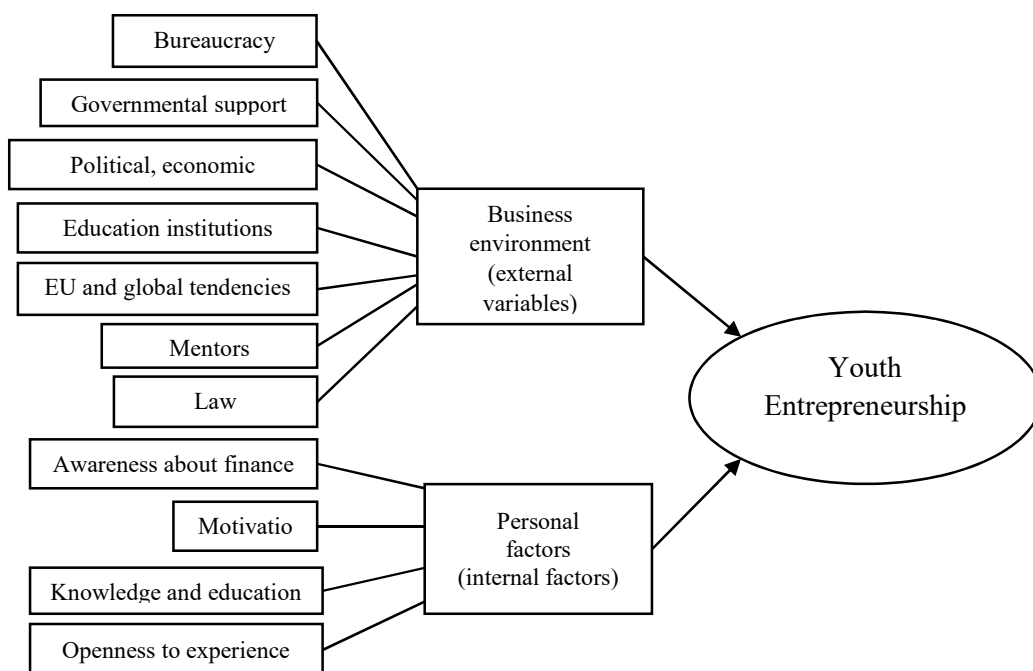


Figure 1 Conceptual model of the research (created by the authors, 2019)

RESPONDENTS OF THE STUDY

Sample for the youth survey

There are 451,343 young people in Latvia aged 15-34 (CSP, 2018). The sample size with confidence level 95% and confidence interval 5 is 384 respondents (Creative Research Systems, 2018). Similar data on the representativeness of the sample are also indicated by other sources (Paniotto and Maksimenko, 2007).

Table 1

Young people aged 15-34 in Latvia in 2018

Age	13-19	20-25	26-35	36 or older	Total
Young people in Latvia (N)	86,834	92,989	131,714	139,806	451,343
Percent (%)	19.2	20.6	29.2	31	100

(CSP, 2018)

The survey was carried out through an online platform, www.webpolsurveys.com, from 19.04.2018-15.06.2018 in the Latvian and Russian languages.

564 valid questionnaires were received, 73% ($n_{LV}=409$) in Latvian and 27% ($n_{RU}=155$) in Russian. The distribution of respondents by age is shown in Table 2.

Table 2

Age distribution of respondents

Age	13-19	20-25	26-35	36 or older	Total
Number of respondents in sample (n)	392	107	54	11	564
Percent (%)	69	19	10	2	100

(created by the authors based on the results of the youth survey, 2018)

The limitation of this research is linked with the different age distribution of respondents in the survey and the population in Latvia (see Table 1, Table 2 and Fig. 1). In the survey, 88% of respondents are aged 13-25, while in Latvia's population only 40% of young people correspond to this age group. Therefore, this research is focused mostly on young people aged 13-25 (the age of schoolchildren and students); the results are basically applicable to this age group and cannot be attributed to the whole population aged 13-35.

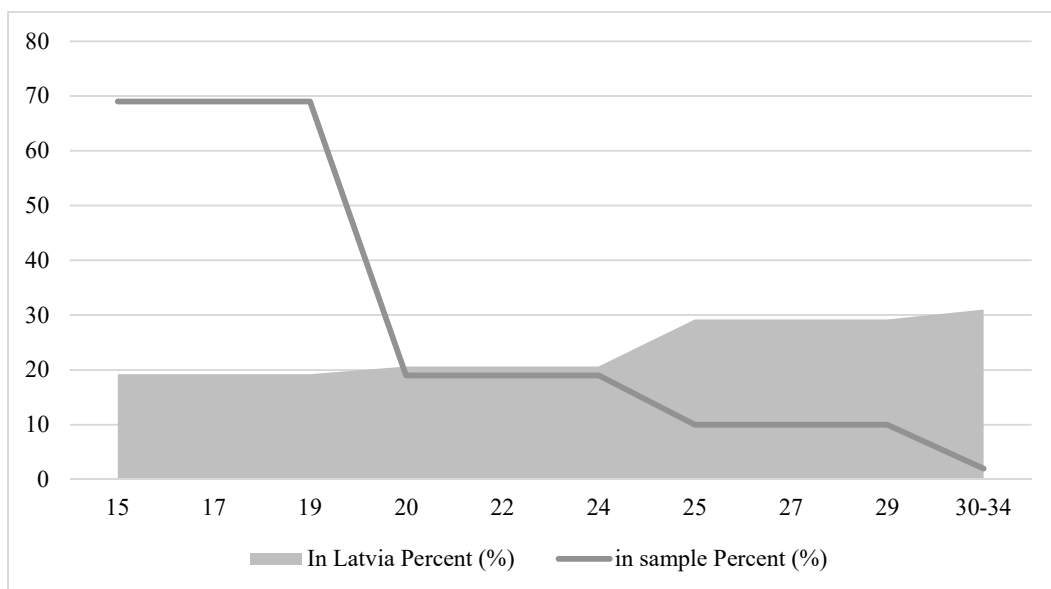


Figure 2 Age distribution of the population and respondents, $n=564$ (created by the authors based on the results of the youth survey, 2018)

32% of respondents indicate that they are interested in starting their own business, 28% are thinking about their own business but are not confident in their abilities, 14% are interested

in entrepreneurship, and 10% do not have an interest in entrepreneurship. A full profile of respondents is shown in Fig. 3.

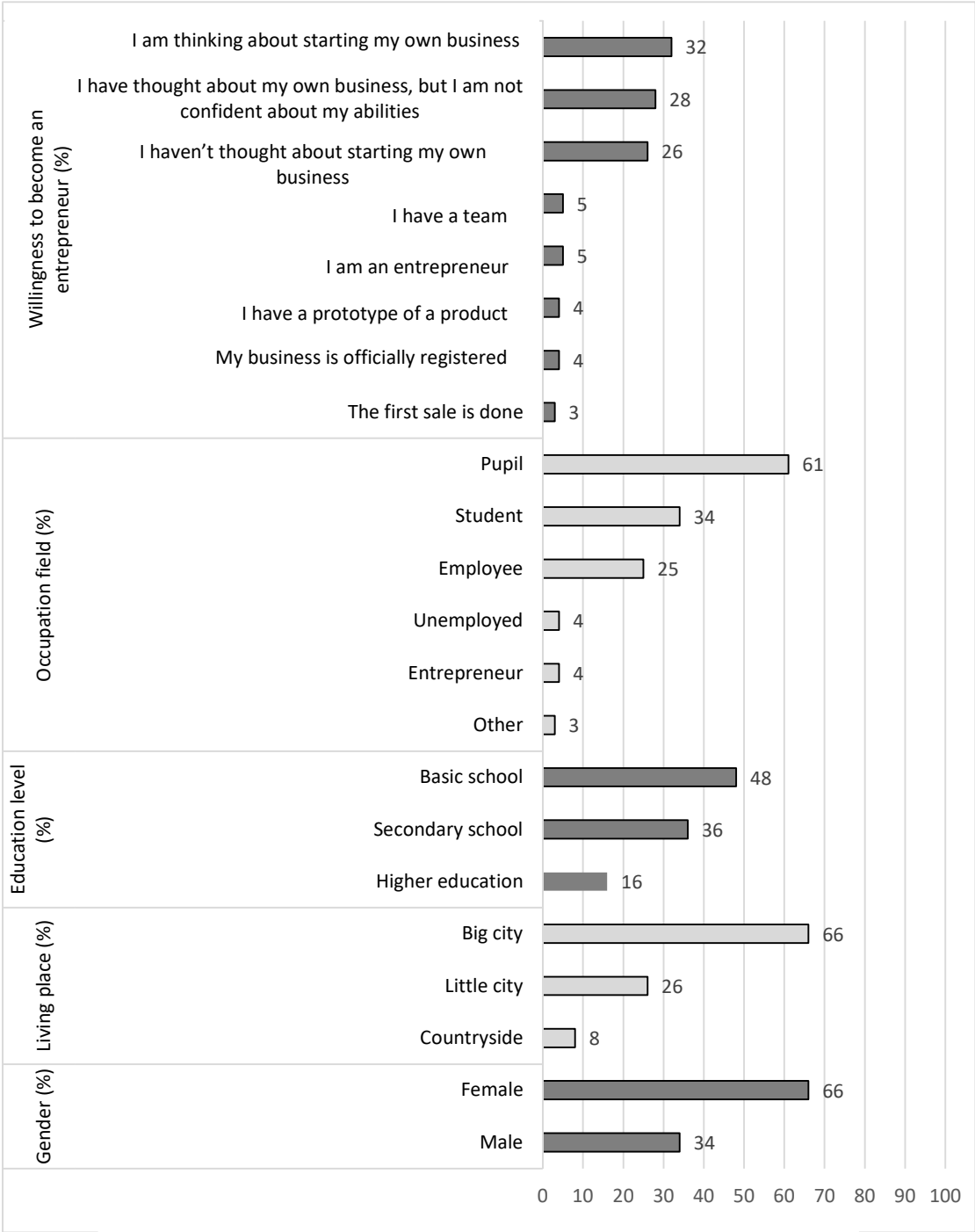


Figure 3 Profile of respondents, n=564 (created by the authors based on the results of the youth survey, 2019)

Selection of experts

Experts from Latvia were invited to participate in an expert survey. The following selection criteria were formulated for the experts:

1. At least 3 years of experience in business, business management or business policy development
2. Business management education (master's, doctoral student, doctoral degree)
3. Academic research activities over the past 5 years
4. International experience in various activities related to entrepreneurship (projects, trainings, expertise, cooperation)
5. Representative of state bodies or organizations for the development of the economy, business or entrepreneurship (for example, a representative of the Chamber of Commerce)

The level of expertise was confirmed by meeting at least two of the above criteria.

14 experts were selected for the study; 10 of them met 3 or more criteria, and 4 of them met 2 criteria.

RESULTS AND DISCUSSION

Results of the youth survey

The survey was conducted with the aim to access the business environment in Latvia and identify the most significant driving and inhibiting factors in the development of youth entrepreneurship. Young people were asked to evaluate 48 factors from 1 (not important) to 4 (very important) according to how important they are in encouraging them to start a business or promoting their business development. All factors were divided into 5 thematic scales and the significance of each scale was also assessed. The Cronbach's alpha coefficient was calculated for the entire questionnaire and separately for each scale. As we can see from Table 3, the Cronbach's alpha coefficients obtained range from 0.77 to 0.93 and demonstrate a sufficiently high reliability and internal consistency of the entire questionnaire and scales (see Table 3).

Table 3

Mean and Cronbach's alpha of factor scales

Scale	Number of factors in scale	Mean	Cronbach's alpha
Motivation	5	3.47	.773
Knowledge, education	11	3.08	.869
Finance	10	2.99	.829
Support	13	2.91	.878
Hindering factors	9	3.02	.781

The significance of all the scales is rather high. The scale “Motivation” (3.47) has the highest score. Hence, factors of this scale are the most important for new entrepreneurs. The scales “Knowledge” (3.08) and “Hindering factors” (3.02) are also significant. Close behind is the scale “Finance” (2.99).

The scale “Motivation” contains 5 factors (statements to evaluate). The average value of the scale (3.47) shows that all the factors indicated in the scale are significant and very significant. The mode 3.60 and indicator of negative asymmetry suggests that the values are concentrated in the range above the average. Due to the prevalence of evaluations above the average, the distribution does not correspond to the normal one, which confirms the Kolmogorov-Smirnov Z criterion ($Z = 5.514$; $\alpha = 0.000$; $\alpha < 0.01$). The five factors evaluated in the scale “Motivation” are shown in Figure 4.



Figure 4 Factors evaluated in the scale “Motivation”

The evaluation of the factors in the scale “Motivation” reveals that young people place the highest importance on the factors self-confidence and personal motivation to start a

business. The ability to come up with a business idea for a new business is also very important for young entrepreneurs.

Factors of the scales “Knowledge and education” and “Finance” are shown in Figure 5 and Figure 6.

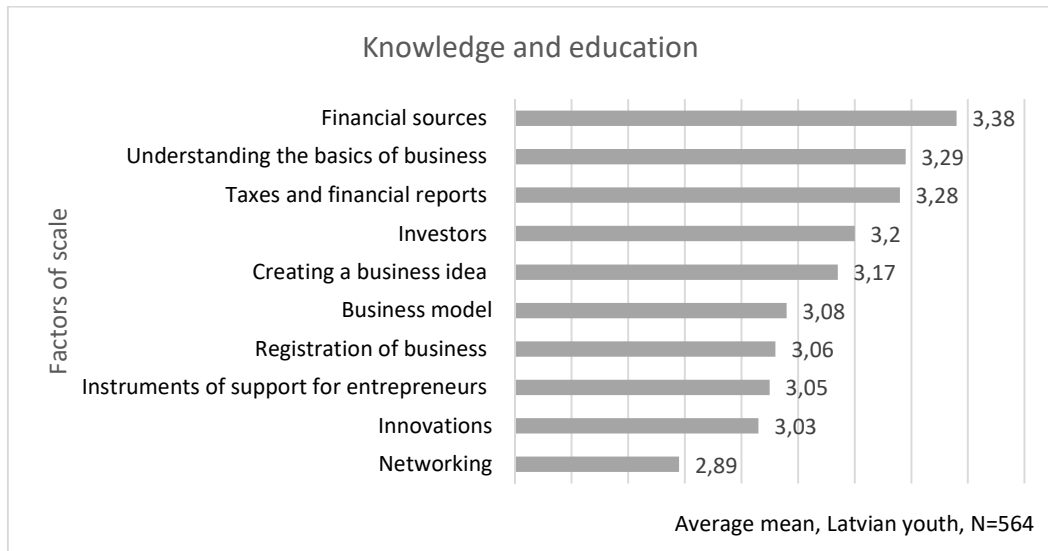


Figure 5 Factors evaluated in the scale “Knowledge and education”

The distribution in both scales also does not correspond to the normal one. This is confirmed by the Kolmogorov-Smirnov Z criterion (“Knowledge and education” $Z=2.259$, $\text{sig}=0.000$, $\text{sig}<0.05$; “Finance” $Z=2.193$; $\text{sig}=0.000$; $\text{sig}<0.05$). The asymmetry shifted to the right indicates that these factors are also estimated by young people mostly above average – as important and very important. Among 11 factors evaluated in the scale “Knowledge and education”, the most significant factor is “knowledge about sources of financing” (3.38). This is followed by “knowledge of the fundamentals of business” (3.29) and “knowledge of taxes” (3.28). “Higher education” (2.50) and the “Significance of networking” (2.89) are rated as the least important factors in this scale.

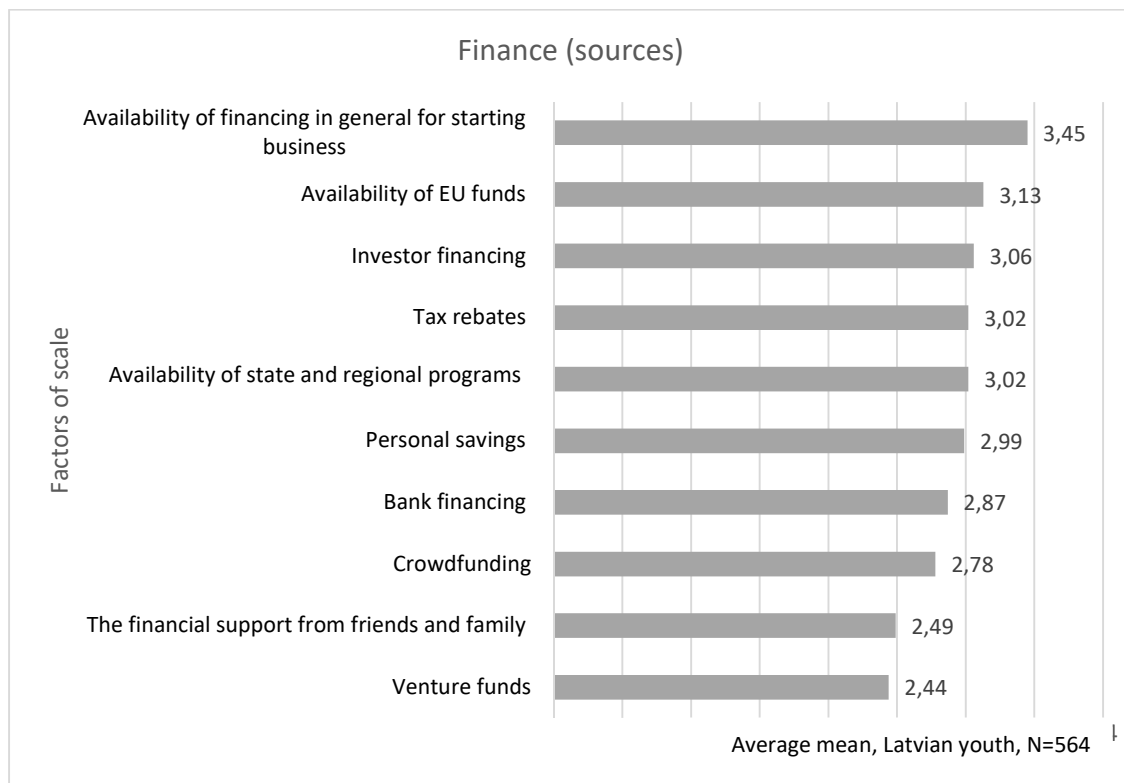


Figure 6 Factors evaluated in the scale “Finance”

In the scale “Finance”, the factor “Accessibility of financing in general” has the greatest importance (3.45) for Latvian youth. The factors “Accessibility of EU funds” (3.13) and “Financing from investors” (3.06) are also important. Financial assistance from friends and family (2.49), as well as venture funds (2.44) and crowdfunding (2.78), are considered the least significant factors.

The authors suggest that the youngest respondents may not have enough information about certain financial instruments, and the low estimation of “venture funds” and “crowdfunding” is caused not so much by assessing the significance of the factor, but by low awareness about the capabilities of these sources. 16.5% of respondents indicated that they do not have information about the factor “venture funds” or they find it difficult to evaluate. 7% of respondents did not have information about “crowdfunding”.

The scale “Support” is important for understanding the needs and expectations of young people regarding how to start their own business. This scale contains 13 statements about various support factors (Figure 7).

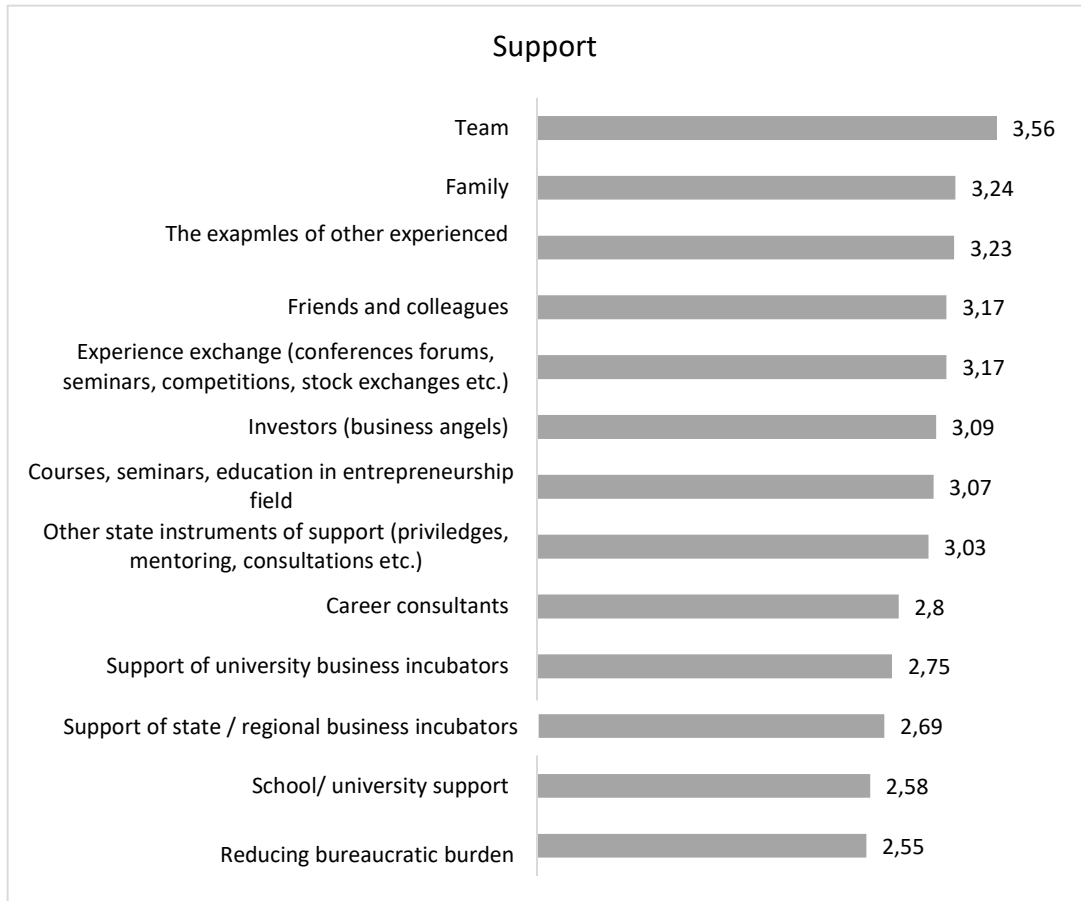


Figure 7 Factors evaluated in the scale “Support”

In this scale, the asymmetry is also shifted to the right, indicating that these factors are also estimated above average – as important and very important (Kolmogorov-Smirnov criterion $Z=2.193$; $sig=0.000$; $sig<0.05$). The scale “Support” indicates that among 13 support factors, the highest rated is support from the team (3.56) and from the family (3.24). Young people also need support to start their own business from experienced entrepreneurs (3.23), support from friends and colleagues (3.17) and exchange of experience in conferences, forums, and business idea competitions (3.17). It is remarkable that investor support is only the sixth priority (3.09), while support from the university and state business incubators (2.75 and 2.69) and educational institutions (2.58) seemed to them less important. Young people do not feel that the bureaucratic burden should be reduced (2.55).

The scale “Factors hindering entrepreneurship” indicates factors such as lack of experience and knowledge, lack of support, lack of courage, etc., which may act as impeding youth entrepreneurship (Fig. 8).

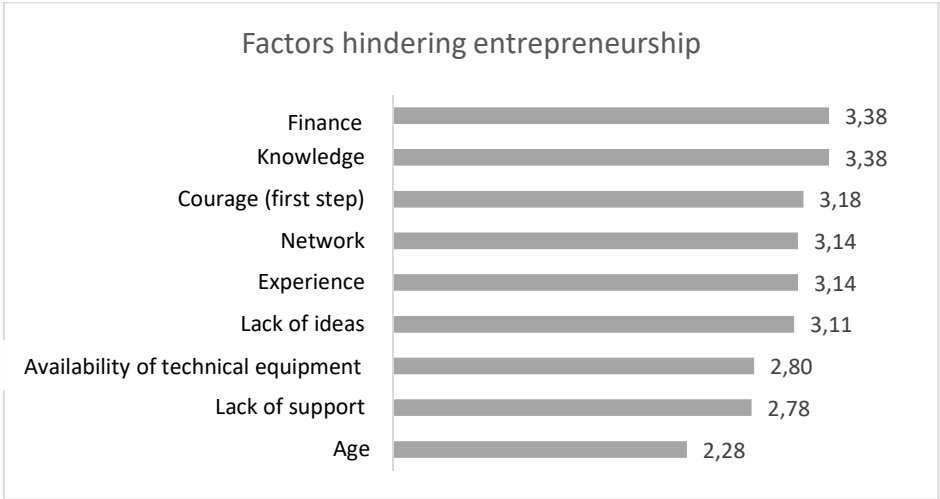


Figure 8 Factors hindering entrepreneurship

On average, the factors of this scale are estimated at 3.02 and are quite important. The main factors hindering entrepreneurship are “lack of funding” (3.38) and “lack of knowledge” (3.38). The “lack of courage” to take the first step is also a significant factor (3.18). “Lack of a network, contacts” (3.14) and “experience” (3.14) as well as “lack of ideas” (3.11) are also recognized as important inhibitors.

An interesting indicator is the factor "age", which respondents rated as the least significant in this scale. The low importance of the factor (2.28) shows that age doesn't prevent them from starting entrepreneurship.

A separate block of the survey contained an open question to young people: “What are your recommendations for improving youth entrepreneurship?” A total of 478 valid textual answers were obtained (324 in Latvian and 154 in Russian). 568 proposals from these answers were analyzed by using thematic content analysis. All recommendations were divided into eight categories. For example, the category “Finance” included such proposals as the following: Allocate financing to youth startups; Increase financial support at the initial stage; Support youth with financial support to help promote new ideas; Help to attract start-up capital; More funding assistance, etc.

The number of thematically linked proposals in each category to some extent characterizes the importance of the factor for young people (see Table 4).

Table 4

Number of proposals on how to improve youth entrepreneurship	
Factors	Number of proposals
Motivation, awareness	143
Knowledge, education	137
Exchange of experience, examples of professionals	78
State and EU support	57
Information	56
Finances	49
Support, help	33
Business incubators	7
Other	8

According to the analysis of this qualitative issue, young people attach the greatest importance to motivation for their business development (143) – the ability to take risks and take the first step, faith in their strength, etc. Particular emphasis is placed on knowledge and education (137). Teaching business knowledge is proposed already at the school level, which would allow much more successful development as an entrepreneur. Also, knowledge needs to be deepened and expanded, through seminars, trainings and consultations. Less theoretical and more practical methods to develop business skills are desirable. Knowledge is considered by respondents as a necessary initial resource.

Results from the expert survey

The mean, median, mode and standard deviation were calculated for each expert's assessment of the particular factor.

The Cronbach's alpha indicator for the entire expert survey was 0.835, which indicates high consistency and was considered as reliable for analysis. The analysis of each individual indicator also showed a high correlation with the other elements of the questionnaire. With the exclusion of any indicator, the internal consistency of the questionnaire remained consistently high, ranging from 0.809 to 0.848. Fig. 9 shows the distribution of the average expert assessment of each indicator.

Qualitative analysis was conducted by grouping responses into two blocks: positive assessments / contributing factors and negative assessments / hindering factors (Table 5).

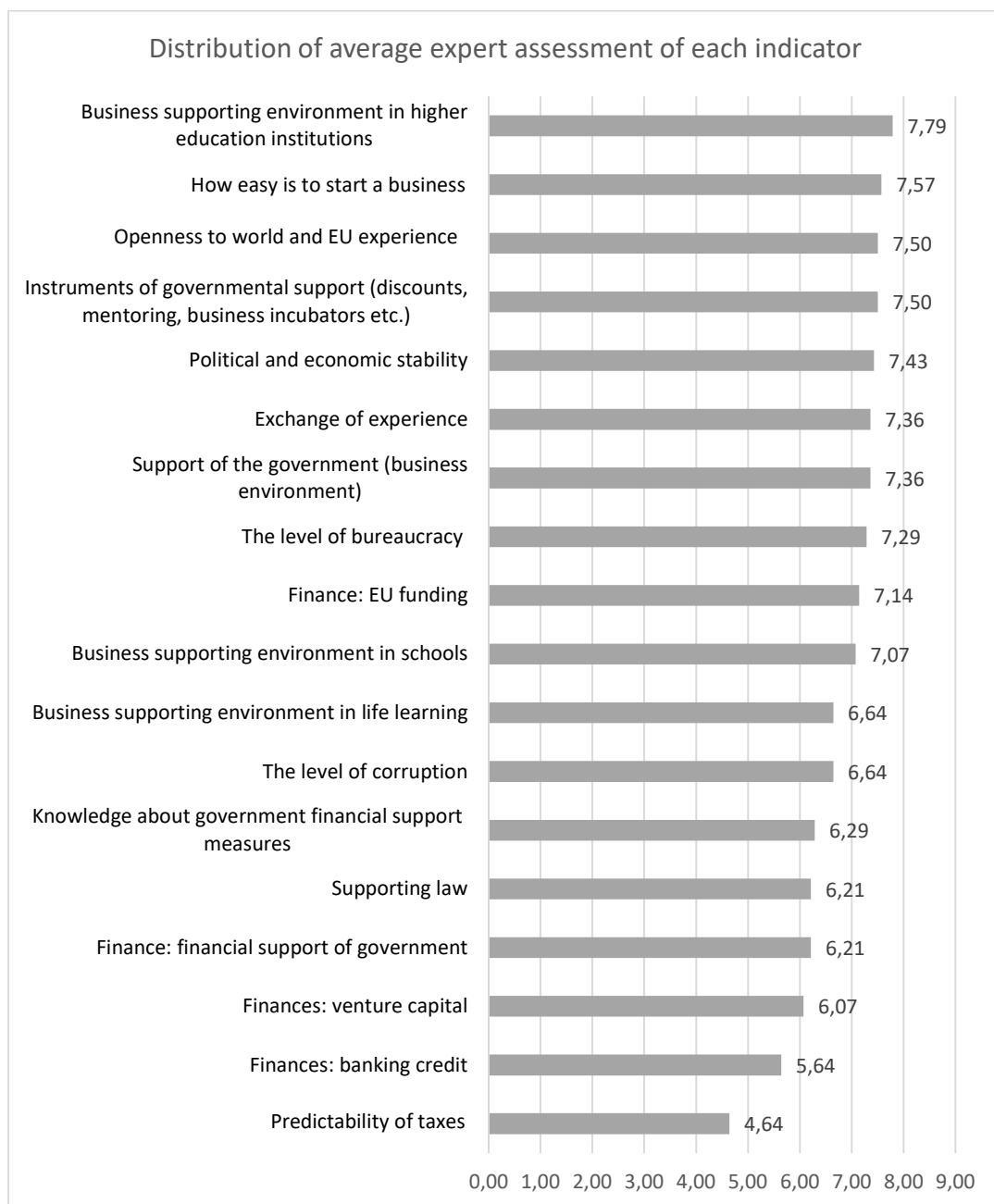


Figure 9 Average expert assessment of each indicator

The statistical analyses showed that the values of indicators differed in variance by 7 points (for instance, in evaluating the indicators “Level of bureaucracy”, “Governmental financial support”, “Favourable tax system” or “Awareness about governmental support instruments”). This means that experts don’t have a uniform opinion about these indicators

in Latvia. So further analyses were made based on the mode in each distribution in the framework of qualitative data / arguments of experts.

The highest expert assessment was given to the significance of the education environment in Latvia, supporting entrepreneurship in both schools and non-formal education and especially at universities (mean = 7.79). The ability to start a business was also highly evaluated (7.57). This was followed by availability of start-up support tools (7.50) and openness to EU and global experience (7.50). Political and economic stability in the country was also highly evaluated (7.43), including the low threat of terrorism.

The lowest assessment was given by the experts to tax relief (4.64) and availability of financial resources (on average 5.97, including the lowest score to bank loans (5.64), venture capital (6.07) and state support funding (6.21)).

Qualitative analysis was conducted by grouping responses into two blocks: positive assessments / contributing factors and negative assessments / hindering factors. Some examples of responses to describe each indicator are shown in Table 5:

Table 5

Examples of experts' responses (arguments) about each indicator

Indicators	Positive assessments / contributing factors	Negative assessments / hindering factors
Supporting environment at higher education institutions (mean 7.79)	A streamlined system of international projects exists at higher education institutions ...	The quality of education at HEIs is not good enough ...
How easy it is to start a business (mean 7.57)	Relatively low costs Existing e-services and consultants ...	Lack of knowledge and skills of new entrepreneurs Weak economic opportunities ...
Openness to EU and global experience (mean 7.50)	Many international projects, contacts and networks Many channels of information Openness is promoted at many universities ...	Doubts about one's own abilities Focus on negative examples Psychological barriers, incompetence
Government support tools (mean 7.50)	Actively develop and operate, but not always effectively Instruments are also available in the regions Non-taxation of reinvested capital has a positive effect on entrepreneurship ...	The level of development of state instruments is lower than in Estonia and Norway ...
Political and economic stability in the country, security (mean 7.43)	Low threat of terrorism Influence of the EU Participation in NATO and the OECD ...	High level of shadow economy Spontaneous decisions in entrepreneurship Too changeable tax system ...

Continue on next page

Table 5 (continued)

Indicators	Positive assessments / contributing factors	Negative assessments / hindering factors
How much taxes are favourable for the development of entrepreneurship (mean 4.64)	Non-taxation of reinvested capital has a positive effect on entrepreneurship ...	Taxes are not friendly for start-ups The highest labour taxes in the Baltic States Significant level of shadow economy ...
Opportunities for obtaining financing: bank lending (mean 5.64)	Lending is well developed in Latvia Has the potential to develop further There are many types of loans ...	Conservative banking policies High requirements for the borrower The main difficulty is the availability of collateral ...
Opportunities for obtaining financing: venture capital (mean 6.07)	Venture funds have a serious potential for development in our country ...	Is not yet sufficiently developed Often works as a bank and issues financing very carefully There is no opportunity to attract funding for innovative, risky, but interesting and promising ideas Young people do not have enough knowledge about the possibilities of using venture capital ...
Opportunities for funding: state funding (grants, support programmes) (mean 6.21)	There are many different programmes (ALTUM and VIAA) Programmes are well developed for various types of activities ...	Funding is connected with bureaucratic delays Funding is not enough for all interested parties It is difficult to meet the criteria ...

(source: expert survey conducted by the authors)

Of course, one has to take into consideration that individual experts' arguments are to some extent subjective, but in any case, this complements and enriches their quantitative assessment of indicators.

Comparison of results from the youth survey and expert survey

Looking at the opinions of young people and experts, one could expect that young people's opinion (especially at the early age of 15-25) about the business environment in Latvia would differ from the view of experienced experts. In some cases, this happens; however, in many cases opinions on different aspects of the business environment coincide.

Education. The importance of education in the development of entrepreneurship is positively assessed by both young people (the second most important factor) and experts (the third most important factor). Young people mentioned “knowledge about sources of funding” and “their availability and attraction” as the most important factors, followed by “knowledge of the fundamentals of business” and “knowledge of taxes”. While the value of higher education was assessed by young people unexpectedly low (2.05), experts assessed the impact of university environment on development of entrepreneurship as one of the highest (7.79).

How easy is it to start a business? Experts consider that it is relatively easy to start a business in Latvia (high average rating of this factor: 7.57) due to quick registration, relatively low costs, the existence of e-services, consultants, etc. Young people expect the main support in starting a business from their team, family and friends as well as experienced entrepreneurs and the exchange of experience. Support from state and educational institutions from young people’s perspective seems less important.

Sources of funding. Expert views largely coincide with young people's view that funding sources play a major role in starting a new business. Like young people, experts highly evaluate the availability of EU funds (mean = 7.14) and indicate that EU funding is well developed and widely available in Latvia but fundraising is hindered by bureaucratic procedures, and there is not enough information and knowledge among young people on how to attract EU funds. They also mentioned that there is some risk that the availability of EU funds in the future could decrease. Although, according to experts, lending is well-developed in Latvia (mean = 5.64), the main difficulties of bank lending are connected with the lack of collateral and insufficient experience of young entrepreneurs. Most likely, the inability to meet high bank credit requirements is the reason why young people assess bank loans relatively low (mean = 2.87). Experts (contrary to young people) highly appreciate the availability of venture capital in Latvia (mean = 6.07). The authors assume that young people aged 13-25 do not have enough knowledge about the possibilities of venture capital.

Support. Young people and experts have different views on this factor. Experts consider state support instruments, the availability of EU funds, the impact of the university environment, and business incubators as important support factors which contribute to the development of young entrepreneurs. According to young people’s assessment, the support of universities as well as state and university business incubators is less important. The main support for starting a business is expected from the team, family, friends and from experienced entrepreneurs. According to young people’s perspective, what is most important in the development of their business is motivation, faith in their own strength, ability to take risks and courage to take the first step.

Factors hindering entrepreneurship. In this area, young people and experts have rather similar views. In young people's opinion, funding and lack of knowledge are the main factors hindering starting a business. There is also lack of courage to take the first step as well as insufficient experience and knowledge. According to experts' views, lack of knowledge and skills of new entrepreneurs, low awareness of young people about accessibility of tools and lack of financial support are essential hindering factors. Experts also point out that taxes are not friendly for start-ups and that there are frequent changes in regulations, lack of centralized information about the possibilities for state support and a still high level of bureaucracy.

The results of this study show that the entrepreneurial environment in Latvia and the needs and opinions of young entrepreneurs to a great extent correspond to G20 countries as shown in the report of the Global Youth Entrepreneurship Survey (EandY, 2017). Hence, it would be important to conduct further studies on how applicable in Latvia tools and driving forces of youth entrepreneurship development that worked out for G20 countries could be (EandY, 2017).

CONCLUSIONS

1. In general, the environment for the development of youth entrepreneurship in Latvia is favourable due to political and economic stability, the low level of terrorism, the positive influence of participation in the EU, NATO and the OECD, and high openness to European and global experience.
2. For successful start and development of entrepreneurship, the most important factors for young people in Latvia are self-reliance and high personal motivation followed by knowledge and funding.
3. Knowledge and entrepreneurial skills should be developed in all levels of education. Young people consider knowledge about sources of financing, business fundamentals and the tax system of the country as the most important. At educational institutions, knowledge is sometimes given too theoretically. Attention should be paid not only to theoretical knowledge but also to workshops and sharing experience with experienced entrepreneurs.
4. The driving force of entrepreneurship development is the creation of an entrepreneurial environment in schools, particularly at universities and university business incubators, which contribute to the development of young entrepreneurs.
5. One of the most important factors for youth entrepreneurship is the availability of financing, including EU funds. Among the factors preventing starting a business, Latvian youth also cite lack of knowledge about the available instruments of funding (venture capital, crowdfunding, state support instruments). There is no

centralized source where one can find complete information about support and funding instruments.

6. Taxes in Latvia in general are acceptable in comparison to other EU countries, although they are not always friendly for start-ups. Labour taxes are the highest in the Baltic States, which reduces the competitiveness in the region. Frequent changes in taxes and regulations prevent the development of entrepreneurship.

RECOMMENDATIONS

Several practical recommendations were formulated according to the study results.

For policymakers, it would be advisable to:

1. Provide direct support for new enterprises, but also to focus on tools and instruments that develop young entrepreneurs' psychological readiness for entrepreneurship, increasing their self-reliance and personal motivation.
2. Develop a single centralized information source on business support instruments available in the country and to local governments.
3. Revise the existing laws and work out changes in regulations with the aim to support early stages of entrepreneurship. For instance, synchronize tax laws, decrease labour taxes, simplify taxation for micro enterprises and avoid further frequent changes in regulations; review and reduce bureaucratic application procedures and further reporting for EU support funds.

For education institutions, it would be advisable to:

4. Start planning the development of entrepreneurial knowledge and skills at schools as early as possible; develop and promote business incubators at universities; include topics not only on sources of business finance, financial management, the tax system and business management, but also on personnel management, team building, business psychological aspects and motivation in the curriculum of study programmes. Special attention should be paid to the development of practical skills and to the development of students' own enterprises during the study period, strengthening theoretical knowledge.

For the Latvian Venture Capital Association (LVCA), the Latvian Business Angel Network (LATBAN), and the financial institution ALTUM, it would be advisable to:

5. Provide broader information to young entrepreneurs about the possibilities of venture capital funds and business angels as appropriate sources of funding in the early stages of entrepreneurship.

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