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Problems in the development of youth entrepreneurship in the Republic of Armenia²

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ABSTRACT

Purpose. The study is based on the premise that the development of youth entrepreneurship is a significant factor in the economic development of society and in increasing employment, living standards and economic independence of young people. The purpose of this study is to assess the degree of favourableness of the business environment for the development of youth entrepreneurship in the Republic of Armenia in comparison with other Eastern Partnership countries, identifying barriers and difficulties that Armenian youth face in translating creative ideas into real business.

Methodology. In order to achieve the goal set in the article and to accomplish the objectives of the study, the methods of quantitative research, analytical diagnostics, content observation, statistical analysis, grouping, questioning and interpretation of results were used. The form developed for the survey of young people (aged 13-35) includes questions which characterize the respondents' profile, as well as groups of factors which influence the implementation of entrepreneurial activities.

Findings. In the process of the study, conclusions were made on the presence of a number of factors that restrain and limit the development of the business environment in Armenia. The main barriers hindering the opening of a new business are considered by Armenian

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youth to be the following: the absence (limitation) of start-up capital; lack of courage to take the first step; lack of knowledge and lack of experience; lack of a business idea and business plan. Additional factors constraining youth entrepreneurship in Armenia are as follows: lack of connections, lack of development or lack of a material and technical base, lack of awareness or inefficiency of business support programmes.

Value. The article identifies problems, the elimination of which will improve the environment in order to stimulate young people to start their own businesses. It also identifies barriers to the development of youth entrepreneurship. The results obtained in the study can form the basis for the development of youth policy in Armenia.

Keywords: youth, youth employment, youth entrepreneurship, Eastern Partnership, business environment.

INTRODUCTION

The Eastern Partnership, launched in 2009 as a joint political initiative, aims to deepen and strengthen relations between the European Union, its member states and its six eastern neighbours: Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine. As part of this cooperation, all partners have committed to making concrete improvements in the daily lives of citizens, concentrating their efforts on achieving 20 results by 2020 (Joint Declaration of the Prague Eastern Partnership Summit, 2009).

One of the priorities in the framework of cooperation between the EU and the Eastern Partnership is the support and empowerment of the younger generation, especially in terms of developing their skills and promoting employment.

According to an EU press release (Eastern Partnership – 20 Deliverables for 2020: State of play in 2018, 2018), significant progress was achieved in promoting SME growth, attracting investment, creating jobs in new sectors, and expanding trade opportunities by opening access to new markets.

At the same time, increasing investment in the employment of young people, developing their skills and activating youth entrepreneurship (Sepashvili, 2017; Ikonen and Nikunen, 2018) are among the key vectors of interaction between the EU and the Eastern Partnership countries.

Youth unemployment is one of the main problems of most post-Soviet countries. The Eastern Partnership countries are no exception; in three of them – Armenia, Georgia and Ukraine – the youth unemployment rate is critically high.

According to the National Statistical Committee of the Republic of Armenia, in 2017 the unemployment rate was 17.8%, and one third of all unemployed were young people

(Statistical Yearbook of Armenia, 2018). A number of economic studies indicate that unemployment problems have a negative impact on the sustainability and ability of young people to survive in a dynamic and demanding labour market and on their future income (Arulampalam *et al.*, 2001; Eurofound, 2015; Liu *et al.*, 2016; Haaland, 2018).

Considering that young people are the most physically, economically, and socially active part of the population, and they have innovative potential and mobility, the development (encouragement) of youth entrepreneurship for job creation and sustainable development should become a priority policy of the Republic of Armenia.

The purpose of this study is to assess the degree of favourableness of the business environment for the development of youth entrepreneurship in the Republic of Armenia in comparison with other Eastern Partnership countries, identifying barriers and difficulties that Armenian youth face in translating creative ideas into real business.

LITERATURE REVIEW

Entrepreneurship is a key element of the evolutionary economy (Grebel *et al.*, 2003; Metcalfe, 2004; Grebel, 2007) and a prerequisite for economic development (Audretsch *et al.*, 2006; Fritsch, 2008; Stam, 2009; Lyons, 2015).

The role and importance of entrepreneurship has been repeatedly emphasized in economics. Entrepreneurs, according to C. Mirjam van Praag and Peter H. Versloot, perform a very important but specific function in the economy. They create jobs, boost productivity, commercialize high-quality innovations, and produce important side effects that impact the growth rate of employment in the long run (Praag and Versloot, 2007; Ribeiro, 2017).

The available empirical research on the development of entrepreneurship indicates the importance and social significance of this phenomenon. There is ample empirical evidence showing that the development trend of industrialized countries has changed since the early 1970s and the entrepreneur is increasingly seen as an indispensable factor in economic development (Braunerhjelm, 2010; Ferreira *et al.*, 2017).

Current research conducted by the Global Entrepreneurship Monitor (GEM, 2017/2018) is based on the assumption that the growth of the national economy is the result of the interdependence between entrepreneurial activity and personal qualities and the ability of people to identify and realize opportunities. The GEM survey provides an opportunity to identify factors that encourage or limit business activities. Comparison with other data sets, such as those collected by Eurostat (Flash Eurobarometer) and the World Bank, shows a high degree of correlation between the results of the studies performed (Reynolds *et al.*, 2005). However, despite the fact that the subject of research constitutes almost the same

phenomena and processes, the results and conclusions should be adapted to the specific development of each country.

Entrepreneurship is increasingly recognized as an important and valuable additional tool for creating jobs and improving the living standards and economic independence of young people (Cyril and Chijioke, 2010; Chauhan and Aggarwal, 2017).

Entrepreneurship is also an important source of income and employment for young people (Doran *et al.*, 2016) and is the focus of policies whose goal is to provide alternative employment opportunities to fill job shortages and attract young people to the labour market (Llisterra *et al.*, 2006; Pounder, 2018; Kluge *et al.*, 2019).

Francis J. Greene, emphasizing the need to support youth entrepreneurship, identifies three stages in terms of supporting youth (Greene, 2002). Based on a study of empirical data on changes in the self-employment of young people over 25 years, the author concludes that the period of “free entrepreneurship” (until 1981) was characterized by limited support for young people in their quest for developing their own businesses. The impetus to changing the situation, during the period when there was a direct interest of public and private organizations in the development of youth entrepreneurship (the period called by the author “corporate culture”), was the pragmatic desire to reduce unemployment in the 1980s. The article also defines the third phase, “enterprising people” (since 1992), in which special attention is paid to improving entrepreneurial skills and abilities of young people, which once again underlines the need to enhance the potential of young people towards entrepreneurial activities.

Today, the study of youth entrepreneurship from the point of view of its activation is of particular interest because young people usually have a greater potential propensity for entrepreneurship (Lévesque and Minniti, 2006) and a high level of ambition (Bosma and Levie, 2010).

Identification and research of the factors influencing entrepreneurial activity has received considerable attention from scholars working on the problems of entrepreneurship (Iakovleva *et al.*, 2011; Autio *et al.*, 2001; Krueger *et al.*, 2000; Jongh and Meyer, 2017).

Many researchers emphasize the importance and necessity of entrepreneurial education (Kolvereid, 1997; Miller *et al.*, 2009; Valerio *et al.*, 2014), pointing out that young people with entrepreneurial skills and competencies are more motivated and more successful at opening new business.

Considerable attention is paid to the support of young people in their desire to start their own businesses and the influence of the family and social capital of a young person on the desire to do business. According to Davidsson and Honig (Davidsson *et al.*, 2003), social capital is an important prerequisite for entrepreneurial behaviour. This can be explained by gaining approval in the immediate environment and the ability to access the necessary resources.

Other authors studying the problem of youth entrepreneurship focus on the financial aspects of starting a business. According to Gwija, Chuks and Chux (Gwija *et al.*, 2014), one of the main factors hindering the development of entrepreneurial activity among young people is the lack of equity capital and the difficulties that starting entrepreneurs face in gaining access to start-up capital.

A sample survey performed by M. Dash and K. Kaur (Dash and Kaur, 2012) showed that the majority of young entrepreneurs suffer from a working capital shortage, tax regulation and a lack of adequate incentives from society.

The results of research conducted by J. Jongh and N. Meyer (Jongh and Meyer, 2017) confirm the influence of the above factors on the entrepreneurial activity of young people. The authors found that young people between the ages of 18 and 35 perceived a lack of necessary entrepreneurial skills, difficulties in obtaining the necessary funding, and insufficient support for starting a business as the most important aspects hindering their entrepreneurial activity.

Research on the factors affecting entrepreneurial intentions of young people has intensified in the past few years. At the same time, the absence of such studies in the Republic of Armenia confirms the importance of the tasks set in this article.

RESEARCH METHODOLOGY

In order to achieve the goal set in the article and to accomplish the objectives of the study, the methods of quantitative research, analytical diagnostics, observation, statistical analysis, grouping, questioning and interpretation of results were used.

In order to assess the degree of favourableness of the business environment for the development of youth entrepreneurship in the Republic of Armenia in comparison with other Eastern Partnership countries, the authors use data from the Doing Business 2018 report, a World Bank Group flagship publication. Doing Business is a reputable source of information, presenting quantitative indicators on business regulations and the protection of property rights that can be compared across 190 economies.

The study of the problems of involving young people in entrepreneurship included the development of a questionnaire, an online survey of respondents participating in the study, the initial processing of the data and visualization of the results, an analysis of the results and brief conclusions.

A questionnaire was used to solve the task because it provided an opportunity for individual responses of young people concerning the motives and barriers to creating their own businesses.

Young people between the ages of 13 and 35 who only have an interest in entrepreneurship were the main respondents. They may (or may not) have a business idea, the implementation of which may have started. To obtain representative results, the required number of respondents was calculated by means of a sample size calculator at a 95% confidence level and a confidence interval of 5 (Creative Research Systems, 2018). The total sample size was 416 respondents from various categories of youth.

For the survey, a structured questionnaire was prepared covering issues related to the following:

- youth motivation to develop their own businesses
- availability of knowledge and business education
- financial aspects of entrepreneurship
- the importance of supporting entrepreneurial intentions of young people
- factors hindering the implementation of business activities

The questions were designed as statements, which respondents had to rank on a scale from 1 to 4 (where 1 is a “very small factor” and 4 is “a very important factor”). Since young people over the age of 13 participated in the survey, the researchers also suggested an assessment of factor 0 (“I cannot estimate, there is no information”), having understood that certain factors may be little known and difficult to estimate.

An anonymous electronic survey was conducted on the Webropol platform in the period of 19.04.2018 to 15.06.2018.

FINDINGS

Assessment of the degree of favourableness of the business environment for the development of youth entrepreneurship

In a dynamically developing world, a favourable environment is becoming increasingly important for encouraging young people to start their own businesses.

According to the Doing Business 2018 report, Armenia ranks 47th in terms of favourable conditions for doing business, dropping 9 positions compared with the previous year (Table 1). According to the World Bank, Georgia is the leader in the overall ranking among the countries of the Eastern Partnership, improving its position compared to the previous year by 8 points.

Table 1

Eastern Partnership Countries, Doing Business 2018 Ranking

Country	Ease of doing business ranking	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Georgia	9	4	29	30	4	12	2	22	62	7	57
Belarus	38	30	22	25	5	90	40	96	30	24	68
Moldova	44	23	165	80	20	42	33	32	35	62	65
<i>Armenia</i>	<i>47</i>	<i>15</i>	<i>89</i>	<i>66</i>	<i>13</i>	<i>42</i>	<i>62</i>	<i>87</i>	<i>52</i>	<i>47</i>	<i>97</i>
Azerbaijan	57	18	161	102	21	122	10	35	83	38	47
Ukraine	76	52	35	128	64	29	81	43	119	82	149

Source: Doing Business, 2018

In terms of different assessment indicators, Armenia shows a lag among the countries of the Eastern Partnership in the criteria of “obtaining building permits”, “protecting minority investors”, “taxation”, and “insolvency resolution”.

According to the indicator of creation of enterprises, Armenia ranks 15th among 190 countries. Creating a business in Armenia requires 4 procedures (in Georgia only 2), and the time required to complete these procedures is 4.5 days (Table 2, Procedures). It should be noted that in Armenia, the cost of registering a business is quite low, in % of per capita income (although the country ranks third in the rating of the Eastern Partnership countries by this indicator). Reducing the number of procedures and business registration time in Armenia would improve the position for this indicator, making it more attractive to start a business in the country.

Table 2

Indicators of "Starting a business" for Eastern Partnership countries

Country	Starting a business (rank)	Procedures (number)	Time (days)	Cost (% of income per capita)	Minimum capital (% of income per capita)
Azerbaijan	18	4	4.5	1.8	0
<i>Armenia</i>	<i>15</i>	<i>4</i>	<i>4.5</i>	<i>0.9</i>	<i>0</i>
Belarus	30	5	5	0.6	0

Continue on the next page

Table 2 (continued)

Country	Starting a business (rank)	Procedures (number)	Time (days)	Cost (% of income per capita)	Minimum capital (% of income per capita)
Georgia	4	2	2	2.5	0
Moldova	23	4	5	5.6	0
Ukraine	52	6	6.5	0.8	0

Source: Doing Business, 2018

The positions of Armenia according to the indicator “Dealing with construction permits” look less advantageous compared to the rest of the Eastern Partnership countries (Table 3). In particular, a rather large number of procedures is envisaged as well as a longer period (in comparison with Georgia and Ukraine) in days. At the same time, there is an average quality control of construction (8 points out of 15 possible), which indicates the average quality of regulatory acts relating to construction, the effectiveness of quality control and safety mechanisms, liability and insurance regimes, as well as requirements for the level of professional qualifications. Thus, the most realistic way to influence the improvement of Armenia’s positions for this indicator is a reduction in the number of procedures and deadlines for obtaining building permits.

Table 3

Indicators of "Dealing with construction permits" for Eastern Partnership countries

Country	Dealing with construction permits (rank)	Procedures (number)	Time (days)	Cost (% of warehouse value)	Building quality control index (0-15)
Azerbaijan	161	21	242	6.8	12
Armenia	89	19	98	0.9	8
Belarus	22	16	115	0.7	13
Georgia	29	11	63	0.3	7
Moldova	165	28	276	1.6	12
Ukraine	35	10	76	3.1	8

Source: Doing Business, 2018

According to the indicator “Getting electricity”, Armenia is in 66th position among 190 countries (Table 4). Despite the small number of procedures and the lowest cost in comparison with the countries of the Eastern Partnership, the connection period in the country is one of the longest (127 days). Thus, the settlement of bureaucratic issues related to the reduction of the connection duration, as well as an increase in the “transparency” of tariffs, would improve Armenia’s position in the attractiveness of doing business.

Table 4

Indicators of "Connecting to the power supply system" in the countries of the Eastern Partnership

Country	Getting electricity (rank)	Procedures (number)	Time (days)	Cost (% of income per capita)	Reliability of supply and transparency of tariffs index (0-8)
Azerbaijan	102	7	69	141.4	5
<i>Armenia</i>	66	3	127	78.9	5
Belarus	25	4	105	110	8
Georgia	30	3	71	176.8	5
Moldova	80	6	87	721.4	7
Ukraine	128	5	281	525.2	6

Source: Doing Business, 2018

According to the indicator “Registration of property”, Armenia lags behind such countries of the Eastern Partnership as Georgia and Moldova (Table 5), which is explained by a large number of procedures and the time and cost for registration. Thus, the indicator “Registration of property” reflects the need to regulate the existing procedures, terms, costs, and improvement of the land management system.

Table 5

Indicators of "Registration of property" in the countries of the Eastern Partnership

Country	Registering property (rank)	Procedures (number)	Time (days)	Cost (% of property value)	Quality of land administration index (0-30)
Azerbaijan	21	3	5.5	0.2	14.5

Continue on next page

Table 5 (Continued)

Country	Registering property (rank)	Procedures (number)	Time (days)	Cost (% of property value)	Quality of land administration index (0–30)
<i>Armenia</i>	13	3	7	0.2	21.5
Belarus	5	2	3	0.0	23.5
Georgia	4	1	1	0.0	21.5
Moldova	20	5	5.5	1.1	22
Ukraine	64	7	17	1.8	14.5

Source: Doing Business, 2018

The country's position for the indicator “Getting credit” (Table 6) is less attractive compared to Georgia and Ukraine, which is explained by lower values of protection indexes of credit operations and the credit information index in comparison with these countries. Since the financial aspect is of great importance for the development of entrepreneurship and can be a decisive factor in making decisions about opening a new business, this indicator directly affects the attractiveness of the business environment in the country.

Table 6

Indicators of “Getting credit” in the countries of the Eastern Partnership

Country	Getting credit (rank)	Strength of legal rights index (0–12)	Depth of credit information index (0–8)	Credit bureau coverage (% of adults)	Credit registry coverage (% of adults)
Azerbaijan	122	2	6	37.5	0
<i>Armenia</i>	42	6	8	0.0	77.2
Belarus	90	3	7	72.2	0
Georgia	12	9	8	0.0	95.7
Moldova	42	8	6	0.0	13.6
Ukraine	29	8	7	0.0	47.3

Source: Doing Business, 2018

The existence of problems in the protection of minority shareholders is evidenced by the average values of the conflict of interest indices and shareholder management (5.3 and 6.3

points out of 10, respectively), which are lower in Armenia than in other Eastern Partnership countries (Table 7). Therefore, the implementation of mechanisms to improve the security of minority shareholders should be a priority to increase the attractiveness of business.

Table 7

Indicators of “Protecting minority investors” in Eastern Partnership countries

Country	Protecting minority investors (rank)	Index of conflict of interests (0-10)	Extent of corporate transparency index (0–10)
Azerbaijan	10	7.7	7.3
Armenia	62	6.3	5.3
Belarus	40	5.7	7.3
Georgia	2	8	8.3
Moldova	33	6.3	7
Ukraine	81	5	6

Source: Doing Business, 2018

According to the indicators reflecting the situation in the tax sphere, Armenia is significantly inferior in the rating to other Eastern Partnership countries (Table 8). Thus, Armenia has the worst indicators among the countries studied by the number of payments per year, the time required to comply with tax laws, and the index of procedures after filing reports and paying taxes. In this regard, reducing the tax burden and the time required for passing the profit tax and VAT audit would improve the position of Armenia in the ranking of favourable business conditions.

Table 8

Indicators of “Paying taxes” for Eastern Partnership countries

Country	Paying taxes (rank)	Payments (number per year)	Time (hours per year)	Total tax and contribution rate (% of profit)	Post-filing index (0–100)
Azerbaijan	35	6	195	39.8	83.79
Armenia	87	14	313	18.5	49.08
Belarus	96	7	184	52.9	50
Georgia	22	5	269	16.4	85.89
Moldova	32	10	181	40.5	90.79
Ukraine	43	5	327.5	37.8	85.95

Source: Doing Business, 2018

Armenia occupies relatively low positions in the “Trading across borders” indicator both in the world ranking and in comparison with the countries of the Eastern Partnership (Table 9). Despite the low rates of time spent on paperwork for export-import operations, the cost of paperwork for exporting products is quite high at \$150 (Georgia \$35, Moldova \$44) and the time for border and customs control in the implementation of export-import products is one of the highest of the Eastern Partnership countries (39 hours for export and 41 hours for import). Thus, almost all sub-indicators of the “Trading across borders” indicator show that there are difficulties in the implementation of export-import operations, which requires significant adjustments in the procedures and implementation of trade policy in order to increase the attractiveness of international business activities.

Table 9

Indicators of “Trading across borders” for Eastern Partnership countries

Country	Trading across borders (rank)	Border compliance of export (hours)	Border compliance of export (US\$)	Documentary compliance of export (hours)	Documentary compliance of export (US\$)	Border compliance of import (hours)	Border compliance of import (US\$)	Documentary compliance of import (hours)	Documentary compliance of import (US\$)
Azerbaijan	83	29	214	33	300	30	300	38	200
<i>Armenia</i>	52	39	100	2	150	41	100	2	100
Belarus	30	5	108	4	140	1	0	4	0
Georgia	62	48	383	2	35	15	396	2	189
Moldova	35	3	76	48	44	4	83	2	41
Ukraine	119	26	75	96	292	72	100	168	212

Source: Doing Business, 2018

In the rating of the Eastern Partnership countries by the “Enforcing contracts” indicator, Armenia is inferior to neighbouring Georgia, Azerbaijan and Belarus (Table 10). The time for the execution of contracts in the Republic of Armenia is 570 days, which is almost two times more than in the indicated countries, and the quality index of the court system is 9.5 (out of 18 possible). Changing the approaches to the execution of contracts, bringing the

main sub-indicators characterizing this indicator to the level of the leading countries in the ranking, would help improve business conditions in Armenia.

Table 10

Indicators of “Enforcing contracts” for Eastern Partnership countries

Country	Enforcing contracts (rank)	Time (days)	Cost (% of claim)	Quality of judicial processes index (0–18)
Azerbaijan	38	277	18.5	6.5
<i>Armenia</i>	<i>47</i>	<i>570</i>	<i>16.0</i>	<i>9.5</i>
Belarus	24	275	23.4	9
Georgia	7	285	25.0	12.5
Moldova	62	585	28.6	9.5
Ukraine	82	378	46.3	9

Source: Doing Business, 2018

Among all the indicators that form the overall rating of favourable conditions for doing business, Armenia occupies the lowest position (97th place in the ranking) according to indicators characterizing the procedures related to the resolution of insolvency (Table 11). Against the background of the considerable time required to repay funds in Armenia, the debt repayment ratio for creditors with secured obligations is low and amounts to 36.4 cents per dollar, which indicates a rather low efficiency of insolvency proceedings. The efficiency index of the regulatory framework in Armenia (7.5) is the lowest in comparison with other Eastern Partnership countries, which certainly does not contribute to the attractiveness and improvement of the business climate in the country. Thus, the current 97th position of Armenia for this indicator necessitates significant efforts to remedy the situation, since such a low value of the rating indicator greatly affects the overall image of the country and the degree of favourable environment for creating a business.

Table 11

Indicators of “Resolving insolvency” in the countries of the Eastern Partnership

Country	Resolving insolvency (rank)	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)	Strength of insolvency framework index (0–16)
Azerbaijan	47	40.2	1.5	12.0	13

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Table 11 (Continued)

Country	Resolving insolvency (rank)	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)	Strength of insolvency framework index (0–16)
<i>Armenia</i>	97	36.4	1.9	11.0	7.5
Belarus	68	37.2	1.5	17.0	10
Georgia	57	39.4	2.0	10.0	11
Moldova	65	28.0	2.8	15.0	12
Ukraine	149	8.9	2.9	40.5	7.5

Source: Doing Business, 2018

Thus, the indices considered indicate the presence of a number of factors that restrain and limit the flexibility of the regulatory system applicable to doing business in Armenia and also provide a more complete picture of the business environment in the country and contribute to the identification of new areas for developing reform programmes.

On the other hand, understanding the patterns of formation of the entrepreneurial potential of young people, identifying barriers to the development of their businesses, is the basis for developing a strategy for the development of youth entrepreneurship in Armenia.

Identification of barriers to the development of youth entrepreneurship in Armenia

In order to accomplish the task during the implementation of the project “Higher education institutions for youth entrepreneurship” (the main idea of which is to activate youth entrepreneurship in the Eastern Partnership countries), in 2018 a study of the attitude of young people toward entrepreneurship and the conditions for its development was conducted in the Republic of Armenia.

The survey results show that the percentage of young people who plan to open their own business (or are interested in starting a business) significantly exceeds the percentage of those who have already become entrepreneurs. Of the total number of respondents to the question “Interest in becoming an entrepreneur”, 44% of young people indicated that they are interested in starting their own business, 15.1% have thought about having their own business, but are not confident in their abilities, 25.5% are interested in entrepreneurship, 6.2% already have a team, and 7.2% are already entrepreneurs.

The study concluded that the involvement of young people in entrepreneurial activities takes place at the upper boundary of their age group, which is due to a number of reasons, which further research was directed to identify.

Based on the analysis of respondents' answers to questions related to motivation and understanding of how to run their business (Figure 1), it was revealed that 67.7% of respondents believe that self-reliance is a very important factor for starting a business. Among the respondents, 57.6% of young women and men with secondary education give greater importance to this factor.

Personal motivation for starting a business is considered a very important factor by 60.2% of respondents, and only 5.2% of respondents do not attach importance to this factor. 56.6% of young people rather highly appreciated the ability to generate their own business ideas, 55.6% clearly understand the importance of building their own business, and 88% have higher education or are students. The ability to form a business team was highly appreciated by 92.3% of respondents.

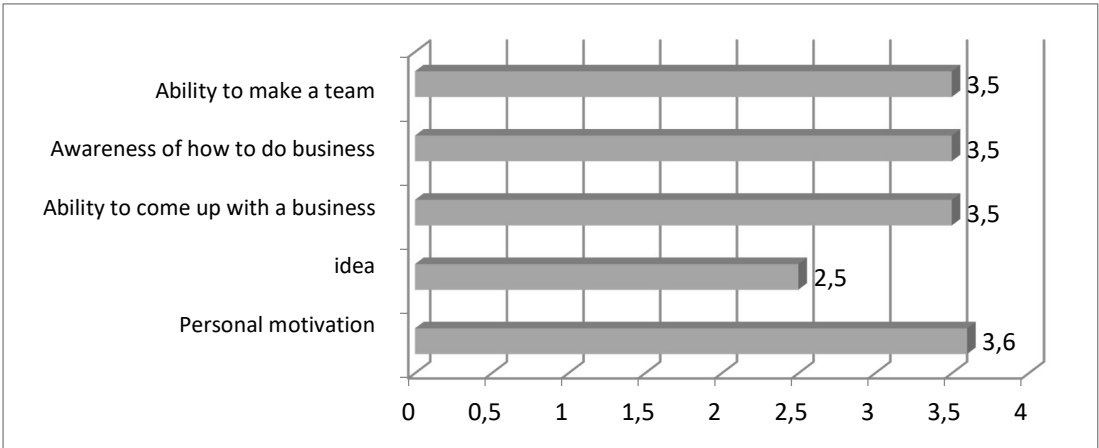


Figure 1 Average ratings of respondents according to the “Motivation, awareness” scale (1 is a less important factor, 4 is the most important factor)

In the course of the online survey, it was revealed that the level of readiness of the young generation to engage in entrepreneurial activity is influenced by factors related to the availability of knowledge and entrepreneurial education (Fig. 2). In particular, 47% of respondents in Armenia think that knowledge of the basics of business and an understanding of creating a business idea is an important factor for starting and successfully running their own business. The introduction of innovation and the formation of a business model is considered an important prerequisite for a successful business by 88.7% of respondents.

The survey data show that 50% of respondents consider knowledge of sources, accessibility and funding opportunities as the fundamental factor in starting their own businesses, and 51.6% of respondents consider knowledge of taxes as well as tax and other financial reports to be an important factor. 37% of young people consider themselves armed with sufficient knowledge of tools to support new entrepreneurs, and 39% of

respondents are fully aware of the importance of networking (83.2% of respondents consider this factor to be important). Young people include lack of higher education as a factor hindering the start of a new business (69% of respondents).

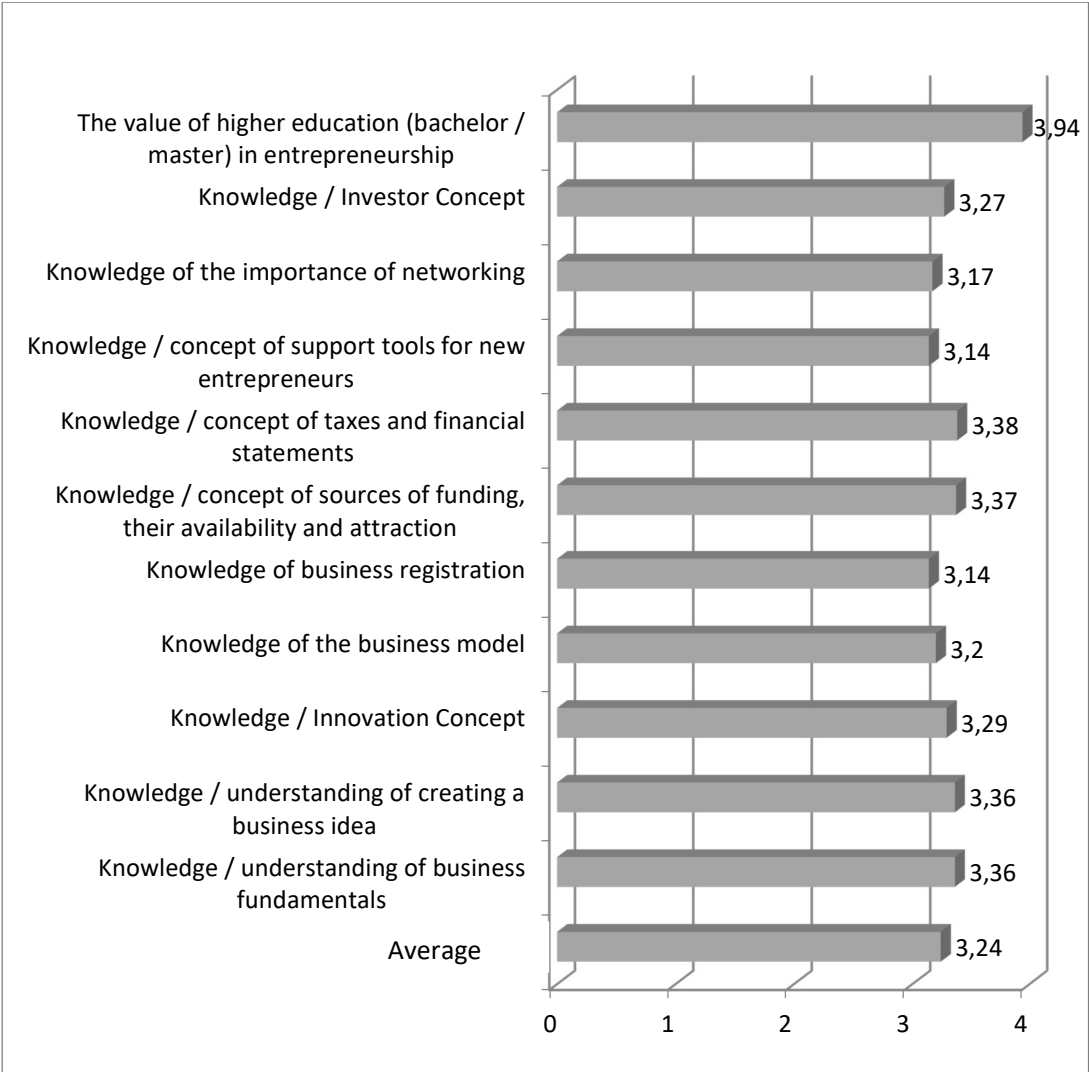


Figure 2 Respondents' average scores on the “Knowledge and Education” scale (1 is a less important factor, 4 is the most important factor)

The data obtained in the study on the basis of the survey of young people suggests that one of the most important prerequisites for enhancing youth entrepreneurship is the availability of funds (89.2% of respondents rated the significance of this factor highly). At the same time, the presence of one’s own savings is important for 80% of respondents, and young people do not consider financial support from family or friends as a potential possibility for financing a business (Figure 3).

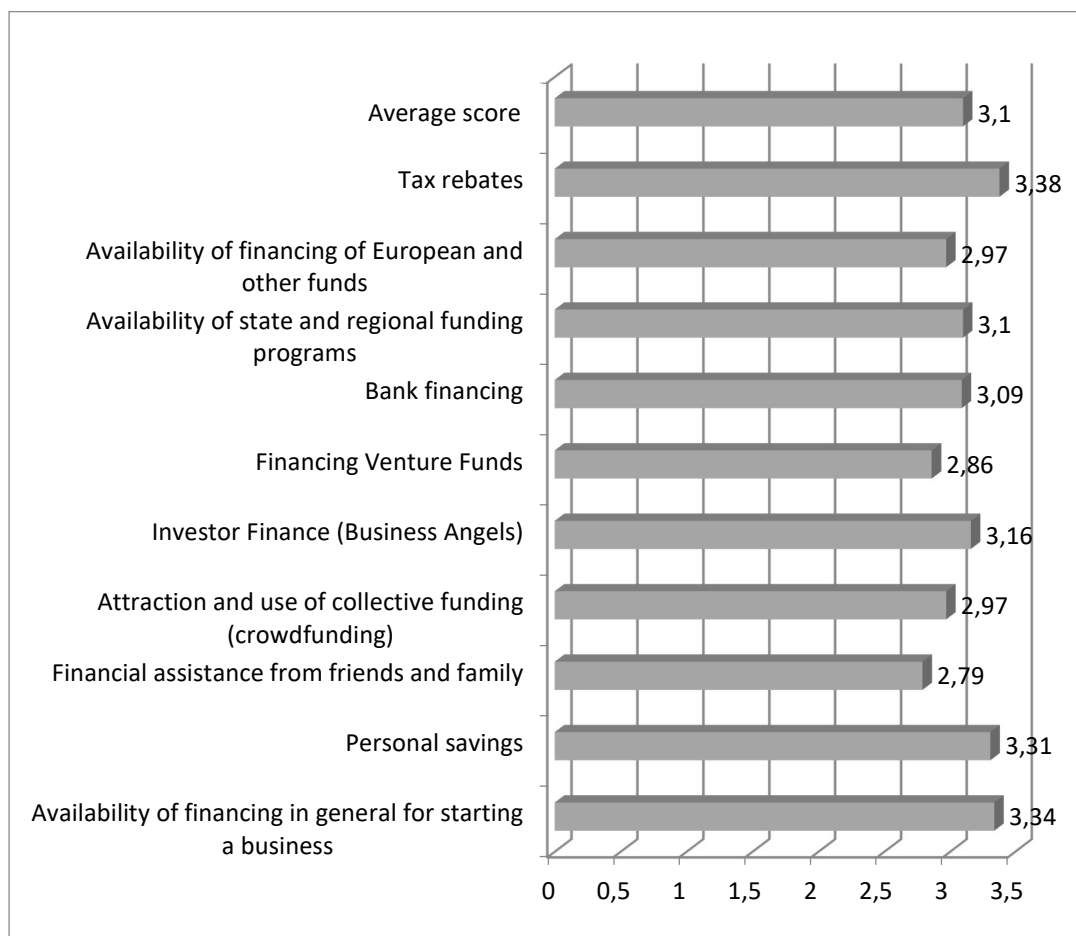


Figure 3 Average scores on the scale “Finance” (1 is a less important factor, 4 is the most important factor)

The survey data allow us to conclude that young people consider the following as sources of financing for entrepreneurship: the use of crowdfunding (76%), attracting investors (business angels) (41.7% of respondents), and venture funds and credit resources (32.6% and 33.8% of the surveyed youth, respectively).

79.6% of the respondents consider state funds as an alternative source of financing for business, 34% of young people in Armenia consider the access to European and other funds to support youth entrepreneurial projects important, and only 3.5% of respondents do not consider such funds as a source at all. Among young people who plan to open their own business, 87.3% count on tax breaks.

The inclusion of young people in entrepreneurship and the enhancement of their potential can be facilitated by support at various levels.

In the implementation of youth business initiatives, family support is often crucial and can be a serious guarantee of business success. 77% of respondents consider this factor important for the realization of their own undertakings (Figure 4). The presence of entrepreneurs in the immediate environment, including among relatives and friends, and support from the team are among the significant motivations for creating their own business for 89% of respondents.

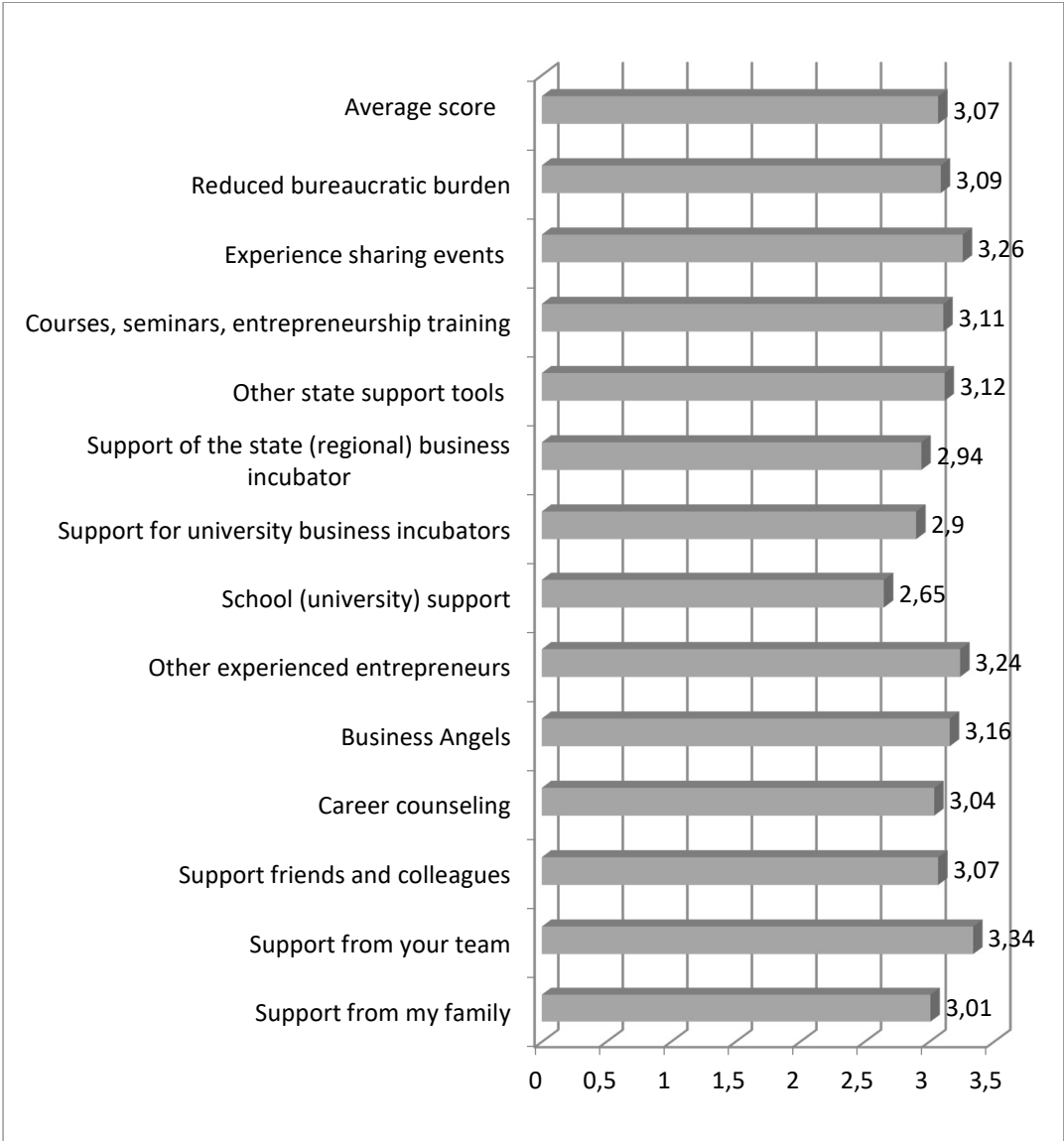


Figure 4 Average scores on the “Support” scale (1 is a less important factor, 4 is the most important factor)

These studies indicate that 41% of young people surveyed in Armenia would like to receive support from experienced investors and other successful entrepreneurs, while the percentage of young people who underestimate or ignore the support of schools and university business incubators is quite high: 43.7% and 32.4% respectively. 27.3% and 18.7% of respondents, respectively, do not give importance to the support of state business incubators as well as other instruments of state support at all.

According to respondents, quite effective methods of attracting them to business are organizing training seminars and courses (37.6%) and conducting activities on youth entrepreneurship in order to exchange experience (44%). These factors are considered quite important by 78.6% and 83.9% of respondents, respectively, and 21.4% and 16.1%, respectively, underestimate these factors.

According to the study, the main barriers that prevent starting a business are considered by young people to be the following: lack of start-up capital; lack of courage to take the first step; lack of knowledge and lack of experience; and lack of a business idea and business plan (Figure 5).

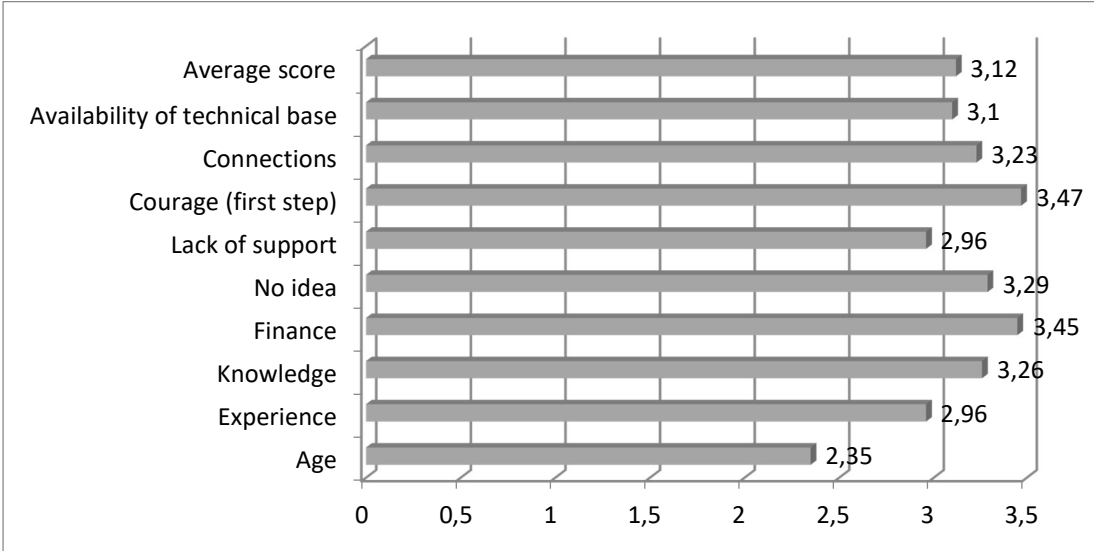


Figure 5 Average scores on the scale “What prevents you from starting a business?” (1 is a less important factor, 4 is the most important factor)

Lack of start-up capital and the ability to attract sources of financing their own business, according to 90% of the surveyed Armenian youth, is one of the main barriers for the development of entrepreneurship.

Survey data among potential entrepreneurs show that 89% of the surveyed Armenian youth consider lack of courage to take the first step as one of the main constraints of youth involvement in entrepreneurship.

Despite the fact that 60% of young people in Armenia do not characterize age as a factor hindering entrepreneurial activity, 85.6% of respondents believe that lack of experience and lack of knowledge are serious obstacles for entrepreneurship. It is characteristic that lack of experience is not perceived as a barrier to starting a business by 25.9% of young people, while lack of knowledge is only perceived as a barrier by 14.4% of respondents.

Lack of a business idea is a key obstacle to starting entrepreneurship according to 48.9% of Armenian youth, and for 35.3% this is a rather important obstacle, while only 15.8% believe that this factor is not a barrier to starting their own business.

In addition, young people think that lack of connections (83.4% of respondents), underdevelopment or lack of a material and technical base (78.9% of respondents), and lack of awareness or inefficiency of business support programmes (73.1% respondents) are factors constraining opening a business.

CONCLUSIONS

Based on the analysis of the business environment's degree of favourableness for the development of youth entrepreneurship in the Republic of Armenia in comparison with other Eastern Partnership countries, and through identifying the barriers and difficulties that Armenian youth face in translating creative ideas into real business, the following conclusions can be made:

1. Armenia, according to the rating of favourable business conditions, has lost its position in comparison with the previous year and occupies 47th place in the overall ranking. In terms of individual indicators, Armenia shows a lag among the countries of the Eastern Partnership for the criteria of “obtaining building permits”, “protecting minority investors”, “taxation”, and “insolvency resolution”.
2. The most effective tools for influencing the improvement of Armenia's positions for these indicators are: a reduction in the number of procedures and deadlines for obtaining building permits; implementation of mechanisms to improve the security of minority shareholders; reduction of the tax burden, reduction of time required for passing an income tax and VAT audit; reduction of time required to recover funds, improving the efficiency of insolvency proceedings.
3. The study indicates the presence of a number of factors that restrain and limit the flexibility of the regulatory system applicable to doing business in Armenia and also provides a more complete picture of the business environment in the country, contributing to the identification of new areas for developing reform programmes.
4. On the basis of the research conducted on the attitude of young people towards entrepreneurship and the conditions for its development in the Republic of

Armenia, it has been established that the main barriers hindering the development of youth entrepreneurship are as follows: lack of (limited) start-up capital; lack of courage to take the first step; lack of knowledge and lack of experience; lack of a business idea and business plan. In addition, Armenian youth consider lack of connections, underdevelopment or lack of a material and technical base, and lack of awareness or ineffectiveness of business support programmes as factors hindering the opening of a business.

Although the study is limited to one country, this limitation can be overcome in the process of further research and comparison of the results obtained with analogous results of research in the Eastern Partnership countries.

Taking into account the importance of enhancing the entrepreneurial potential of young people for the socio-economic development of the country, reduction of unemployment and integration of young people into the labour market as well as an understanding of the factors influencing entrepreneurial activities can contribute to the development of the youth policy of the Republic of Armenia.

The study demonstrates the necessity to further examine the influence of society, social capital, and business education on the formation and implementation of entrepreneurial intentions of young people.

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