

NEETs’ Perception on Financing an Entrepreneurial Endeavour

Silvia Ghiță-Mitrescu

Ionuț Antohi

“Ovidius” University of Constanta, Faculty of Economic Sciences, Romania

silvia.mitrescu@365.univ-ovidius.ro

ionut.antohi@365.univ-ovidius.ro

Abstract

Young people aged between 15 and 29, who are not in education or employment, known as NEETs, are a concern within the framework of European Union policies. To support them, projects are being implemented to develop skills in various fields and to provide financial support to those who want to set up businesses.

The objective of the research we carried out was to identify how NEETs relate to the issue of financing an entrepreneurial endeavor. For this purpose, we applied a questionnaire to a group of NEETs from the Constanta region, who expressed interest in starting a business.

After processing the obtained data, we concluded that there is an inclination of these young people for non-reimbursable financing of their entrepreneurial initiatives, associated with an estimation of the risks related to each source, but also that there are several factors that influence the preferences for certain sources of funding.

Key words: NEETs, entrepreneurship, financing sources, non-reimbursable funds, entrepreneurial knowledge

J.E.L. classification: J11, L26

1. Introduction

The term NEETs (young people neither in employment nor in education or training) has its origins in the UK in the early 1980s, when it was used to define young people aged 16 to 17 who were not in any form of education and not in employment (Mascherini, 2019). Over time, the term was taken up by other countries and its meaning expanded, now referring to young people aged 15 to 24 or 15 to 29. There are also differences related to the categories of young people that fall within the scope of the definition. Some of these definitions are contained in European Commission and OECD studies, from which it emerges that, depending on the country referred to, the notion of NEET can include both young people who have completed their studies and are looking for a job, as well as young people who drop out of school, or those who leave school or work to take care of their families (Walther and Pohl 2005; Carcillo et al. 2015).

At present, Eurostat uses two criteria to identify people who are included in the NEET category: they are not employed (unemployed or inactive according to the definition of the International Labor Organization) and they have not received any formal or non-formal education or training in the four weeks preceding the survey (Eurostat, 2022).

At EU level, in the last decade (between 2012 and 2022) the percentage of NEETs has decreased by 4.3%, but there are large disparities between countries. Among the countries with the lowest percentage of young people in this category are Ireland, Norway, and Sweden, while Greece, Italy, and Romania are at the opposite end of the spectrum. The target proposed by EU policies is for member countries to reduce the percentage of NEETs to 9% by 2030. At the moment, Romania is far from reaching this target, with 19.8% in 2022, the highest in the EU.

In this context, we believe that policies and programs are needed to support young people in this category, and entrepreneurial education and grants that finance start-ups by young people have a particularly important role to play in this regard.

The research that we propose to develop next aims to assess the perception of young NEETs on the issue of financing a business. The objective of the research is to determine on the one hand which are the preferred sources of finance for these young people when they consider starting a business and how they evaluate the risks related to each source of finance, and on the other hand to identify the factors that influence these preferences.

To this end, we applied a questionnaire on a group of NEETs from Constanta County, the methodology used, and the results of the data processing being presented in full below, after a concise review of the literature specific to the field.

2. Literature review

As numerous studies conducted over time show, young people are most often endowed with entrepreneurial qualities, which vary according to their background or experience in the field (Harris and Gibson, 2008; Zampetakis et al. 2009). Entrepreneurship education supports the development of these qualities and can be an opportunity especially for young people in vulnerable groups, such as NEETs (Fayolle and Gailly, 2015).

Identifying the appropriate sources of finance for a business is one of the most important decisions an entrepreneur must make. Studies highlight the importance of human and financial capital for the success of an entrepreneurial initiative (Cooper et al., 1994). Experts' opinions converge on the idea that there is a positive relationship between the amount of initial capital a business can raise and its performance, the more finance a business has, the easier it will be for it to survive and outlive the period needed for the entrepreneur to adjust to the business environment (Cooper and Gimeno-Gascon, 1992).

Among the sources identified in the literature as most often used for business start-ups are non-reimbursable grants, bank loans and entrepreneurs' wage income from previous jobs (Elston and Audretsch, 2011). The same source mentions the importance of the existence of own funds held by the entrepreneur when starting the business for its success. Other authors (Chang et al., 2009) stress the role of family and entourage in supporting entrepreneurial initiatives.

Another important issue present in the literature related to access to finance is that of inequality of perception between women and men. Articles on this topic conclude that women perceive the existence of more barriers in obtaining finance than men (Kwong et.al, 2012; Sena et al, 2012).

The above-mentioned studies reflect the importance of finding the right financing sources for the development of a new business, underlining that the choice of these sources can positively influence the performance of future businesses.

3. Research methodology

To assess how young people from the NEETs category perceive the opportunities and problems specific to financing a business idea, we applied a questionnaire between August and November 2022 to a group of participants in an entrepreneurial training course held in the Constanta region. The group consisted of 60 young people from the NEET category and 54 valid answers were collected after the distribution of the questionnaire.

The questionnaire included a section of demographic questions, a section designed to assess the participants' perception of entrepreneurship and entrepreneurship education and a section dedicated to the issue of financing a business. In the latter section, only participants who had a business idea at the time of completing the questionnaire were invited to respond. Thus, out of the 54 questionnaires, 43 responses were selected.

The distribution of the questionnaire was done via e-mail or WhatsApp at the end of the training period of the course.

Based on the collected responses, we first conducted descriptive analysis of the sample and their preferences towards the sources of financing for entrepreneurial initiatives as well as their perception of the risks associated with each source. Afterwards we tried to determine how certain factors influence the choice of a source of financing, using a multiple linear regression model. The five independent variables that we considered were: business domain (representing the field of activity in which one wants to start a business), entrepreneurial knowledge (self-assessed level of

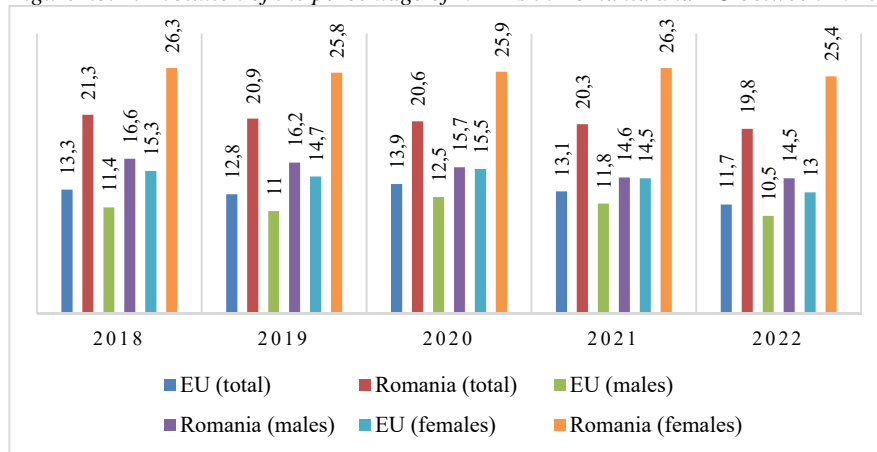
entrepreneurial knowledge), insufficient level of financing (perception of the impossibility of finding sufficient financing for the desired business), reimbursement difficulties (perception of the difficulties in returning the loaned amounts), requirements of the financing institutions (perception of the requirements imposed by the financiers).

Statistical processing of the data was done using SPSS software version 26, and the results are presented in the next section.

4. Findings

Romania has one of the highest rates of young people between 15 and 29 who are neither in education nor employed within the European Union. Compared to the EU average, in the last five years the percentage of NEETs in Romania has almost doubled, the difference being even greater for women. (Figure 1).

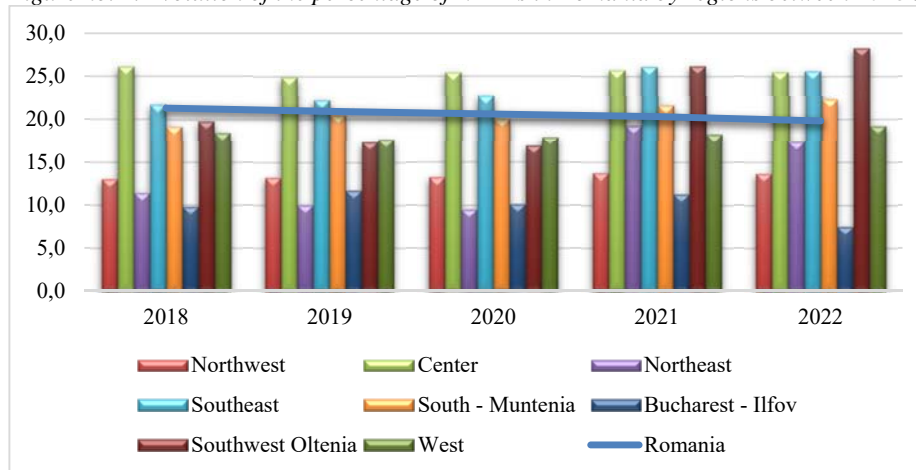
Figure no. 1. Evolution of the percentage of NEETs in Romania and EU between 2018 and 2022



Source: Authors' representation of data from Eurostat

At the regional level, disparities between the regions of Romania can be noticed, with much lower values compared to the national average in the Bucharest-Ifov region and in the North-West region and much higher in the South-West Oltenia and South-East regions (Figure 2).

Figure no. 2. Evolution of the percentage of NEETs in Romania by regions between 2018 and 2022



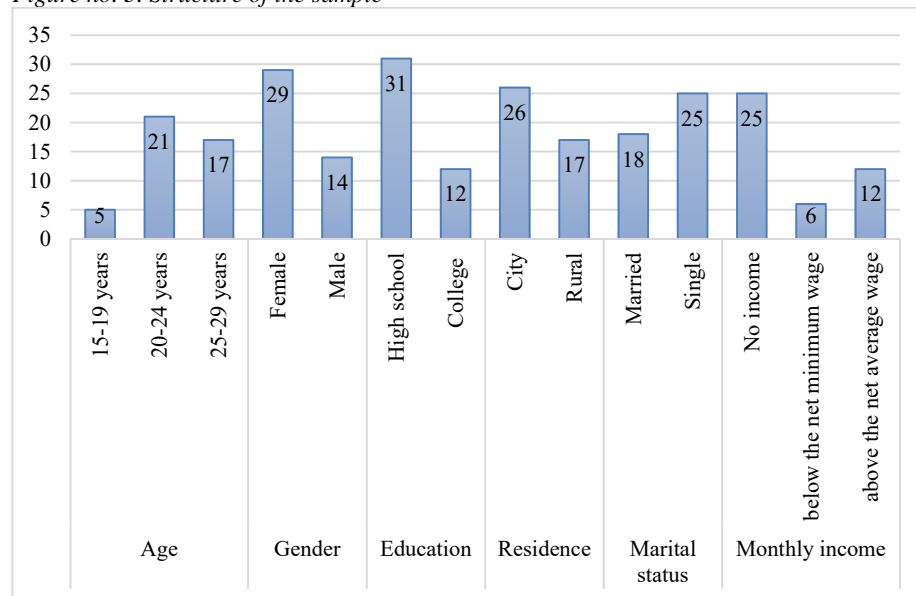
Source: Authors' representation of data from Eurostat

We believe that these data justify a research on the perceptions of young NEETs in Constanta County (part of the South-East region) regarding the opportunities and risks involved in financing an entrepreneurial endeavor.

The participants in our research were 54 NEETs, enlisted in an entrepreneurial skills training course. In a previous research conducted on the same group of young people (Antohei I, Ghita-Mitrescu S., 2022) we found that about 80% of them had a business idea at the time of enrolment in the entrepreneurial training course, which implies that they were also concerned to some extent with the issue of financing such an initiative. For this reason, we have selected only this subgroup for the present research.

Thus, 43 participants answered the questions related to business financing, distributed as follows (Figure 3):

Figure no. 3. Structure of the sample



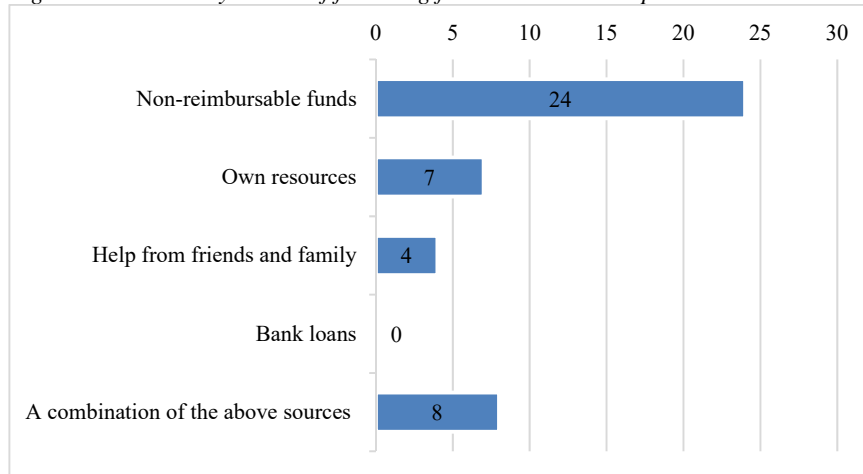
Source: Authors' calculations

The group was made up of 67.44% women. Of these, 17.24% were aged between 15 and 19, 37.93% between 20 and 24, and 44.83% between 25 and 29. The majority of the women participating in the survey (72.41%) had a high school education and lived in the city (62.07%). In terms of income, 65.52% of the women stated that they had no source of income, 27.59% had income above the average net wage, and 6.90% had income below the minimum net wage.

Regarding the men who answered the questionnaire, the predominant age group was between 20 and 24 years old (71.43%), from urban areas (57.14%), with secondary education (57.14%) and without a stable source of income (42.86%).

First, participants were asked to choose the main source of finance they would like to use to open their desired business. Their answers are shown in Figure 4.

Figure no. 4. Primary source of financing for the desired entrepreneurial endeavor



Source: Authors' representation

It is noticeable the preference of more than half of respondents for non-reimbursable funds and the total lack of interest in accessing a bank loan. In the following table we have broken down the responses by categories of participants according to gender, age, residence, education and income (table 1).

Table no. 1. Sources of financing the business idea by demographic category

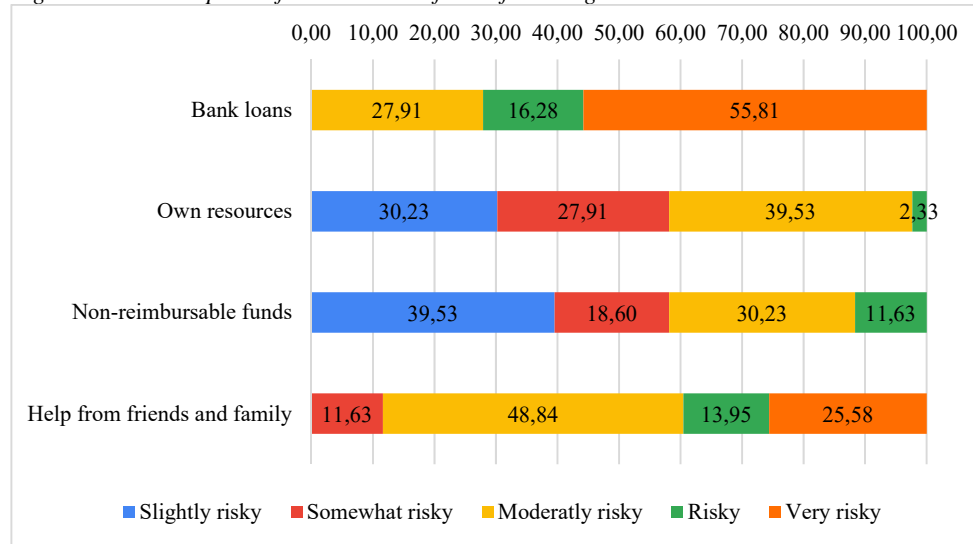
		Non-reimbursable funds	Own resources	Help from friends and family	A combination of sources
Gender	Male	6	4	4	-
	Female	18	3	-	8
Age	15-19 years	-	-	-	5
	20-24 years	14	7	-	-
	25-29 years	10	-	4	3
Education	High school	19	7	-	5
	College	5	-	4	3
Residence	City	15	4	4	3
	Rural	9	3	-	5
Monthly income	No income	14	3	-	8
	Below the net minimum wage	2	-	4	-
	Above the net average wage	8	4	-	-

Source: Authors' representation

Based on the data obtained, we tested for the existence of a statistically significant association between the choice of a particular source of funding and affiliation to one of the above groups, the only such correlation that could be established being between educational level and preference for a particular source of funding. The other correlations were statistically insignificant.

In order to further investigate the group's perception of sources of finance, we asked participants to rate the risks associated with each source of finance using a Likert scale from 1 (slightly risky) to 5 (very risky). The responses are summarized in Figure 5.

Figure no. 5. Perception of the riskiness of each financing source



Source: Authors' representation

Accessing a bank loan was rated as moderately risky to very risky by all participants, which correlates with the fact that none of the participants chose this as their main source of finance. The least risky sources of funding were considered to be non-reimbursable funds and own resources. By correlating the answers to the question regarding the preference for a specific source of financing and the perception of the degree of risk associated with each source, we can conclude that the participants in the study have a level of understanding of the risks specific to each source of financing and that they take these risks into account when choosing how to finance the business they want to start. Thus, the majority of respondents considered that the source they chose fell into the slightly risky to moderately risky risk category, attributing much higher values to the risks associated with the other sources of finance.

In the final stage of the research, we tried to identify the influencing factors on the preference for a given source of funding using a multiple linear regression model:

$$PFS = \alpha + \beta_1 BD + \beta_2 EK + \beta_3 ILF + \beta_4 RD + \beta_5 RFI$$

where:

PFS – preference for a financing source

BD – business domain

EK – entrepreneurial knowledges

ILF – insufficient level of financing

RD – reimbursement difficulties

RFI – requirements of the financing institutions

We ran a multiple regression analysis in SPSS and the results are presented below.

Table no. 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.680 ^a	.462	.390	.95804

a. Predictors: (Constant), BD, EK, ILF, RD, RFI

Source: Authors' representation using SPSS

The multiple correlation coefficient ($R = 0.680$) indicates a good level of prediction, and the coefficient of determination ($R^2 = 0.462$) states that 46.2% of the variation of the preference for a financing source can be explained by the five independent variables taken under consideration.

The next table presents the results of the ANOVA test performed for the variables in question:

Table no. 3. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.203	5	5.841	6.363	.000 ^b
	Residual	33.960	37	.918		
	Total	63.163	42			

a. Dependent Variable: PFS

b. Predictors: (Constant), BD, EK, ILF, RD, RFI

Source: Authors' representation

As it can be observed from Table 3, the independent variables statistically significantly predict the dependent variable, $F(5, 37) = 6.363$, $p < .0005$, therefore the regression model is a good fit of the data.

Based on the coefficients obtained from the multiple regression analysis performed, the regression model presents as follows:

$$PFS = 4.112 + (0.002 \times BD) - (0.503 \times EK) + (0.946 \times ILF) - (1.415 \times RD) + (0.570 \times RFI)$$

The value of the coefficients from the model above allows us to conclude that the business domain, insufficient level of financing and requirements of the financing institutions have a positive influence on the preference for financing sources, while entrepreneurial knowledge and reimbursement difficulties carry a negative influence on the variable.

5. Conclusions

For young people in the NEETs category, the transition from school to work can be difficult. This is why the European Union is constantly concerned about the problems of this group, and reducing the proportion of young people who are not in education and employment is one of the Union's strategic objectives. The aim is that through the policies and programmes implemented, the percentage of NEETs will be reduced to 9% in each Member State by 2030. If for some member countries this objective has already been reached or is easily achievable, the same cannot be said for Romania, currently in last place in the EU, with the highest percentage of NEETs among the population aged between 15 and 29. In Romania, at regional level, there are significant differences in the value of the indicator, which is much higher in the South-West and South-East regions, compared to the Bucharest-Ilfov region. It is also noted that the number of women in this category is much higher than that of men, just as the number of people in rural areas significantly exceeds that of people living in cities.

In this context, entrepreneurial education and helping young people to start a business can be an opportunity to decrease the percentage of NEETs, especially as previous studies have shown the inclination of young people towards entrepreneurial initiatives.

It goes without saying that one of the most important issues in starting and developing a business is identifying and accessing the necessary and sufficient sources of finance. That is why we found it useful to carry out a research on NEETs' perception of the sources of finance for an entrepreneurial initiative.

The study was carried out on a group of participants in an entrepreneurial skills training course that took place in the Constanta region between August and November 2022, through the distribution of a questionnaire. Out of the 60 participants in the course, 54 young people answered the questions, out of which we selected for the research the 43 who declared that they have a business idea already formed and that they want to develop.

After analyzing and processing the collected data, we found the preference of most participants for accessing non-reimbursable funds as the main source of business financing, but also a total lack of interest in bank loans. The answers received are in correlation with the assessment that participants made on the degree of risk of each source of financing.

We also established an influence of certain factors on participants' preference for a given source of funding using a multiple linear regression model. The influencing factors considered were the area in which they wanted to open a business, their self-assessed level of entrepreneurial knowledge and their assessment of three issues that may affect financing, namely the insufficient level of available funds, difficulties in repaying the source of financing and the requirements imposed by financing institutions. The statistical analysis showed a positive influence of business domain, insufficient level of financing and requirements of the financing institutions and a negative influence of entrepreneurial knowledge and reimbursement difficulties.

We believe that the results of this study can be a starting point for the development of future research that will analyze other factors influencing the perception of business financing issues and that will be extended to a larger group of participants.

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