


Chapter 78

Challenges to Necessity–Driven Nascent Entrepreneurship

Mufaro Dzingirai

 <https://orcid.org/0000-0002-1518-8275>

Midlands State University, Zimbabwe

ABSTRACT

Necessity-driven nascent entrepreneurship, which often associated with new firm creation and innovation, has emerged as a topical issue in entrepreneurship scholarship across the globe in recent times especially in developing countries. While the increase in necessity-driven nascent entrepreneurs appears to be widely regarded as a powerful tool for the reduction or elimination of unemployment and poverty worldwide, insufficient attention has been given to the challenges faced by necessity-driven nascent entrepreneurs. With this literature gap in mind, this chapter aims at providing a comprehensive understanding of challenges faced by necessity-driven nascent entrepreneurs. The research establishes six challenges, namely, personal or family problems, lack of entrepreneurial self-confidence, lack of information, lack of entrepreneurial mentorship, legal and regulatory issues, and lack of adequate personal funds. The recommendations to deal with these challenges are proffered and the suggestions for further study are captured.

INTRODUCTION

During the past decade, many governments of both developed and developing countries have witnessed the significance of nascent entrepreneurship when it comes to innovation and new firm creation. It is within this context that nascent entrepreneurship is hailed for economic development and growth around the world (Mohan, Strobl, & Watson, 2018). With this in mind, nascent entrepreneurship has received much attention from scholars and researchers in recent times. It appears to be most appropriate to extend our understanding of the concept of entrepreneurship through fine-grained analysis of nascent entrepreneurship. In this regard, it is deemed necessary to mention that business cycle movements have an effect on nascent entrepreneurship. Unfortunately, little is known about the challenges faced by necessity-driven nascent entrepreneurship.

DOI: 10.4018/978-1-6684-4503-7.ch078

Challenges to Necessity-Driven Nascent Entrepreneurship

Going forward, there is a great deal of entrepreneurship literature that captures the motivation for entrepreneurship. In this respect, the motivation for entrepreneurship can be categorized into two distinctive groups, namely, opportunity and necessity. More interestingly, González-Pernía, Guerrero, Jung, and Legazkue (2018) underscored that people can establish new ventures with different motivations in different contexts. Nonetheless, high unemployment levels can decrease or increase nascent entrepreneurship in different contexts. Notably, unemployed people are inclined to entrepreneurship provided that the opportunity cost of being employed is very low as compared to being an entrepreneur (Gonzalez-Pernia et al., 2018). It is within this context that Simón-Moya, Revuelto-Taboada, and Ribeiro-Soriano (2016) expressed that unemployment and entrepreneurship can be linked to the business cycle.

By definition, nascent entrepreneurship is closely linked to people that are actively engaged in co-owned ventures or creating new ventures and such ventures have not yet paid wages, salaries, or any other form of payments to the founders for more than three months (França, Frankenbach, Vilares, Vereb, & Moreira, 2017). Given this definition of nascent entrepreneurship, it is salient to observe that this concept has led to the emergence of necessity-driven nascent entrepreneurship in the academic literature as a new entrepreneurial concept given the high levels of poverty and unemployment. Practically, necessity-driven nascent entrepreneurship as a phenomenon has attracted attention from policymakers of both developed and developing countries as they are now supporting necessity-driven nascent entrepreneurs more aggressively than before. Following a thorough survey of recent entrepreneurship scholarship, it is necessary at this juncture to mention that individuals are motivated to start-up a business venture by two factors, that is, necessity-driven and opportunity-driven (Benz, 2009; Nasiri & Hamelin, 2018; Williams & Williams, 2014).

Drawing from the existing literature on entrepreneurship, the issue of how the business cycle can influence entrepreneurship is controversial. Nonetheless, a thorough examination of available entrepreneurship scholarship shows that two issues surround the explanation of the linkage between entrepreneurship and economic recessions. These two issues are counter-cyclical and pro-cyclical prediction (Gonzalez-Pernia et al., 2018). In the case of counter-cyclical prediction, it is accepted that a recessionary economic environment can positively affect entrepreneurial activity (Gonzalez-Pernia et al., 2018). This suggests that people can be pushed into entrepreneurship owing to the shrunk of the job market. On the other hand, the pro-cyclical prediction is based on the view that a recessionary economic environment negatively affects entrepreneurship activity (Gonzalez-Pernia et al., 2018). This implies that business opportunities are very difficult to locate during a recessionary economic environment due to contraction in demand. Accordingly, the debate on opportunity-driven and necessity-driven entrepreneurship is linked to the business cycle. To this end, entrepreneurship literature has yielded mixed results when it comes to the nexus between entrepreneurship and business cycle.

In light of the above analysis, it salient to observe that nascent entrepreneurs face many challenges in setting up businesses. Admittedly, nascent entrepreneurs face challenges such as limited resources limited information related to the market forces, government regulations, family or personal problems, poor inventory management, and lack of self-confidence (Vagesh, Thaddaeus, & Udhaya, 2017). Nonetheless, the author submits that the challenges that can be faced by opportunity-driven nascent entrepreneurs are not the same as those that can be encountered by necessity-driven nascent entrepreneurs. With this in mind, it appears to be the right time to unmask the challenges to necessity-driven nascent entrepreneurship in an attempt to inform practice and enrich entrepreneurship scholarship. Extensive literature review methodology was employed in this research with which journal articles published as from 2010 to 2020 were analysed.

15 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/challenges-to-necessity-driven-nascent-entrepreneurship/297376

Related Content

Increasing Pressure on Forest Resources and its Consequences in India: A Review

Kesari Singh (2022). *International Journal of Social Ecology and Sustainable Development* (pp. 1-15).

www.irma-international.org/article/increasing-pressure-on-forest-resources-and-its-consequences-in-india/315310

Application of Machine Learning Algorithms in the Mitigation Phase of Disaster Management: A Review

Elrich Joshua Miranda, Kaushhal Narayanaswami Kumarji, Srilakshmi Ramesan, Thomas Varghese, Vinay V. Panicker and Devendra K. Yadav (2022). *International Journal of Social Ecology and Sustainable Development* (pp. 1-13).

www.irma-international.org/article/application-machine-learning-algorithms-mitigation/292079

Impact of Waste Management in Transforming Dharamshala to a Sustainably Developed Tourist Destination: An Empirical Investigation

Amrik Singh, Rajan Sharma and Reshma Sucheran (2025). *Sustainable Waste Management in the Tourism and Hospitality Sectors* (pp. 209-244).

www.irma-international.org/chapter/impact-of-waste-management-in-transforming-dharamshala-to-a-sustainably-developed-tourist-destination/362924

Analysis of the Absence of Corporate Social Responsibility in the Cooperative Savings and Credit Sector: The Case of Ecuador

Arturo Luque González and Cristina Raluca Gh. Popescu (2025). *Building Inclusive Global Knowledge Societies for Sustainable Development* (pp. 245-274).

www.irma-international.org/chapter/analysis-of-the-absence-of-corporate-social-responsibility-in-the-cooperative-savings-and-credit-sector/361959

Highways, Photogrammetry and Computers: The Road to the Moon

Ivan Martines and Pedro Wagner Gonçalves (2025). *Bridging Technology and Development for Sustainable Innovation and Geopolitical Dynamics* (pp. 397-456).

www.irma-international.org/chapter/highways-photogrammetry-and-computers/376166