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China Youth Entrepreneurship Development Report 2022



Newsletter from All-China Youth Federation

NOTE

This e-magazine is a product of All-China Youth Federation, China Youth Daily and China International Youth Exchange Center to introduce the youth work and youth development in China on a regular basis. We hope that it can provide you with updated information about Chinese youth, youth policy and youth programs, and we sincerely look forward to feedbacks and suggestions from friends all over the world.

Contact us:

Email: acyf@263.net

Twitter: 全国青联 - ACYF (@ACYF1949)

Facebook: 全国青联 - Acyf 公共主页

Instagram: [acyf.1949](https://www.instagram.com/acyf.1949)

China Youth Entrepreneurship Development Report 2022

Excerpts of the report from China Foundation for Youth Entrepreneurship and Employment

Young people are the vital force for innovation and entrepreneurship. In order to carry out the strategic plans of accelerating the building of an innovation –oriented country and implementing the rural revitalization strategy initiated by the CPC Central Committee and to further boost youth entrepreneurship, China Foundation for Youth Entrepreneurship and Employment (CFYEE) and Zeping Macro Research Team have jointly conducted a questionnaire survey on the youth entrepreneurship in China

in July 2022.

The report specifically portrayed the image of the young entrepreneurs in China from the following six aspects: their basic features, their start –up capital, their driving force, their status quo, their current difficulties, and their representative population. Well –targeted, and inclusive of all groups of young entrepreneurs, the report is of great value for the understanding and study of China’s young entrepreneurs. The report also constructs China’s youth entrepreneurship development

index from the three dimensions of environment, entrepreneurship, and entrepreneurial outcome. It made a tentative study of the relationship between youth innovation and entrepreneurship and urban development.

Young people in China are very active in innovation and entrepreneurship. Their practices are of great significance to youth development around the world and to the realization of the sustainable goals set by the United Nations.

I. Portrait of China’s young entrepreneurs



We are drawing a full portrait of China’s young entrepreneurs from their basic features, start–up capital, driving force, status quo, current

difficulties, and the representative population. The data comes from the survey on Chinese young entrepreneurs conducted in July

2022 by CFYEE and Zeping Macro Research Team. The number of questionnaires filled in was 13,574. Following the definition of young people aged between 14 and 35 in the “Medium – to Long –Term Youth Development Plan (2016 – 2025)”, and after the rejection of the biased samples that would mislead the results, 8,520 were obtained, accounting for 70.1% of the valid questionnaires. Based on the data from the valid questionnaires, the portrait of the young entrepreneurs in China is as follows.

1. Basic Features: Over 90% of the young entrepreneurs holding bachelor's degree and above

In terms of age and career background, the main body of the young entrepreneurs in China are college undergraduates, graduates and graduates looking for jobs aged between 19 and 23. In terms of age, youth between 19 and 23 years old accounts for 51.1% of the group, and the age of 20 is the peak for starting a business. In terms of career background, 51.3% of them are registered college undergraduates; 11.8% of them are fresh college graduates; and 10.7% are college graduates who have been unemployed since graduation. The three groups made up 73.8% of the total young entrepreneurs, an increase of 5.1% over the previous year.

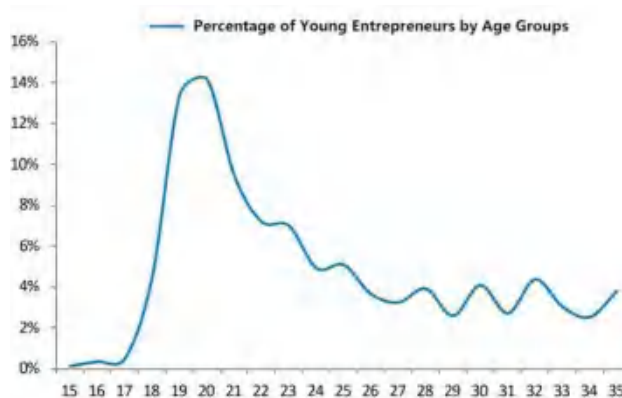


Figure 1. Unimodal distribution of the percentage of the young entrepreneurs by age groups

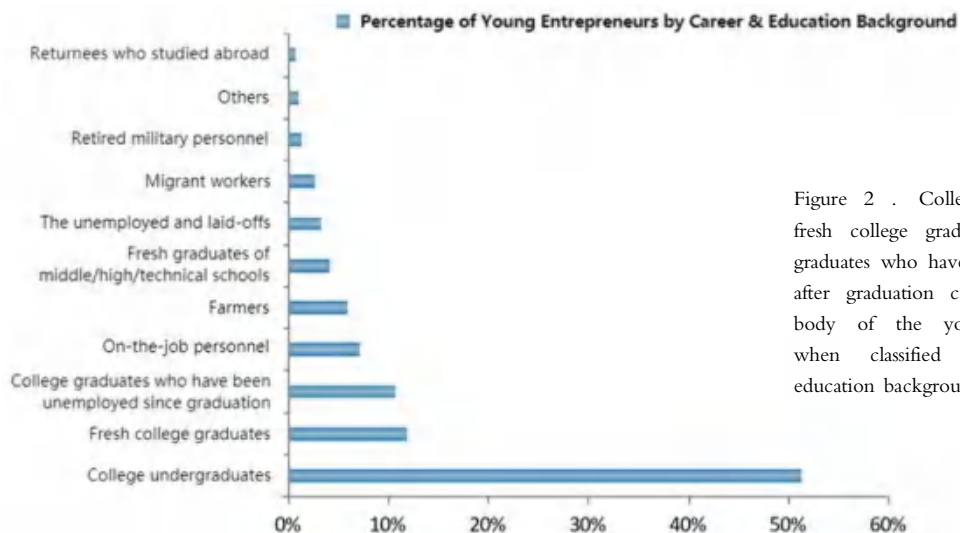


Figure 2 . College undergraduates, fresh college graduates, and college graduates who have been unemployed after graduation constitute the main body of the young entrepreneurs when classified by career and education background.

In terms of the educational background, the proportion of college or above degree holders is up to 90% of the group, an increase of 4% over the previous year. According to the survey, there is an inverted U-shape distribution in the number of young entrepreneurs if classified by education, as is shown in figure 3. This indicates that China has made great progress in fostering innovation awareness and entrepreneurial ability.

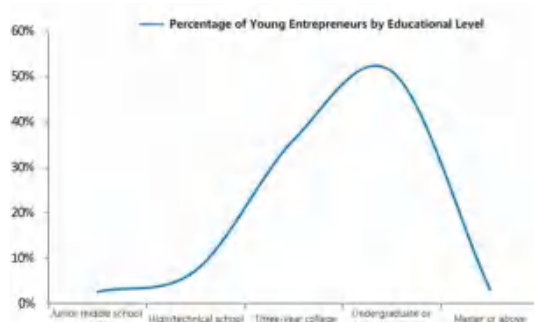


Figure 3. College or above degree holders constitute 90.3% of the young entrepreneurs in China.

If classified by industry, nearly 70% of the young startups fall into agriculture, forestry, animal husbandry and fishery (16.3%), wholesale and retail (16.1%), education (13.2), culture, sports, entertainment (12.1%), catering and accommodation (12.1%). The result shows that people's demands for entertainment consumptions are soaring in China in recent years, which would attract more young entrepreneurs to start up new business in the related fields.

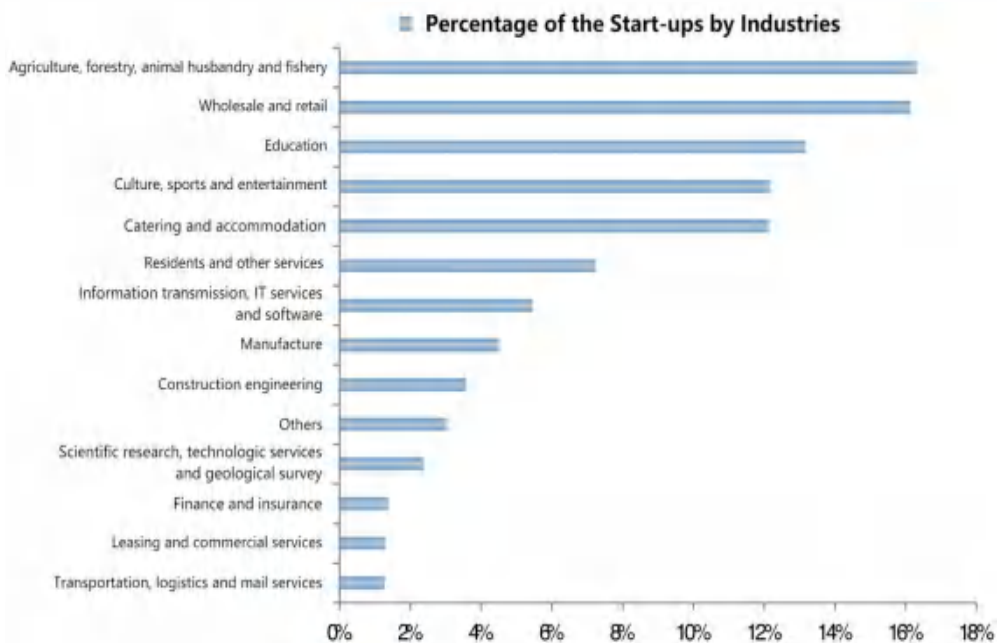


Figure 4 . 46% of the startups are concentrated on agriculture, forestry, animal husbandry and fishery, wholesale and retail, education, and culture.

2. Start-up capital: Nearly 70% of the young entrepreneurs starting their business with a venture capital lower than RMB 100,000 yuan

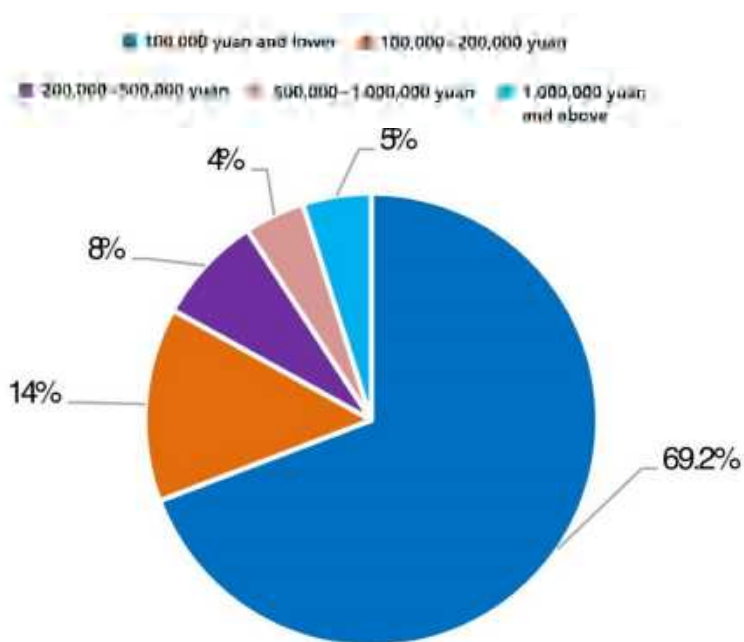


Figure 5 . Nearly 70% of the young entrepreneurs started business with venture capital of less than RMB 100,000 yuan.

In terms of the start-up capital, nearly 70% of the young entrepreneurs started their business with a venture capital lower than RMB 100,000 yuan. Young entrepreneurs generally do not have adequate venture capital. Those who started their business with less than 100,000 yuan account for 69.2% of the group, down 1.5% from that of the previous year. Entrepreneurs with initial venture capital between 100,000 to 500,000 yuan take up 22% of the total, and only 4% of them started with 500,000 to 1 million yuan.

In terms of the funding gap, nearly 60% of the young entrepreneurs have a funding gap of 50,000 yuan or less, and less than 10% of them have a funding gap of 500,000 yuan or more .

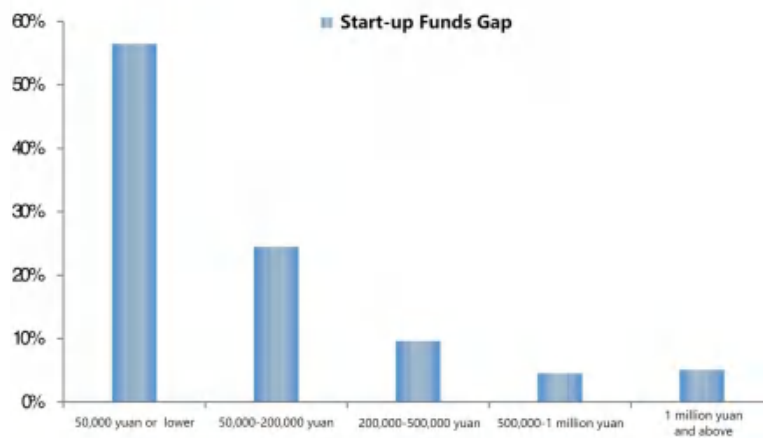


Figure 6 . Nearly 60% of the young start-ups have a fund gap of less than 50,000 yuan.

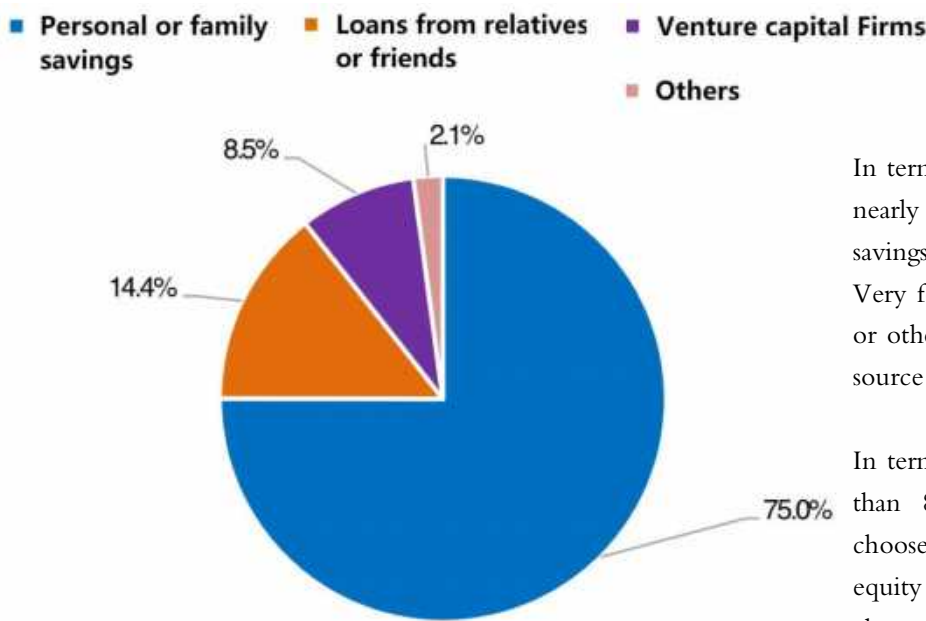


Figure 7 . Nearly 90% of the start-up funds come from personal or family savings, or loans from relatives or friends.

In terms of the sources of start-up capital, nearly 90% come from personal or family savings, or loans from relatives or friends. Very few come from venture capital firms or other channels, showing a rather simple source of funds.

In terms of venture financing mode, more than 80% of the young entrepreneurs choose to get bank loans or cooperative equity investment, and few of them choose pawn or mortgage or loan guarantee.

3. Entrepreneurial driving force: Failure in securing an ideal job, and the experience or support from family members or friends are the two main motivations for young people to start businesses.

First-time entrepreneurs account for over 70% . Over half of the entrepreneurs aged 31 and above have the experience of creating start-ups more than once. As a whole,

first-timers take up 73.4% of the entrepreneurs , and those who have experienced start-ups more than once account for 26.6% . This indicates that many of the first timers

may not be so successful due to their lack of practical experience in running business or the lack of related resources. As they become older and try more times, the

multiple – time entrepreneurs may have accumulated more experience and relevant resources and become more mature. Therefore, they may create start-up companies with higher quality and better prospects. Meanwhile, successes of the multiple-time entrepreneurs may also stem from their stronger motivation and their willingness to bear more trial and error costs.

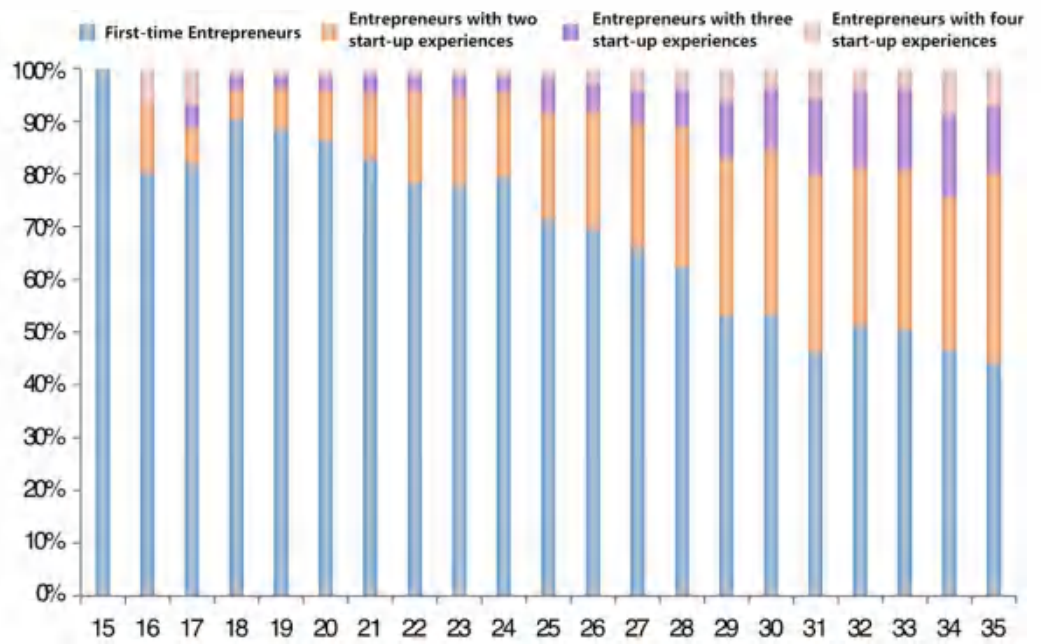


Figure 8 . The number of start-up times of the young entrepreneurs increases with the growth of their age.

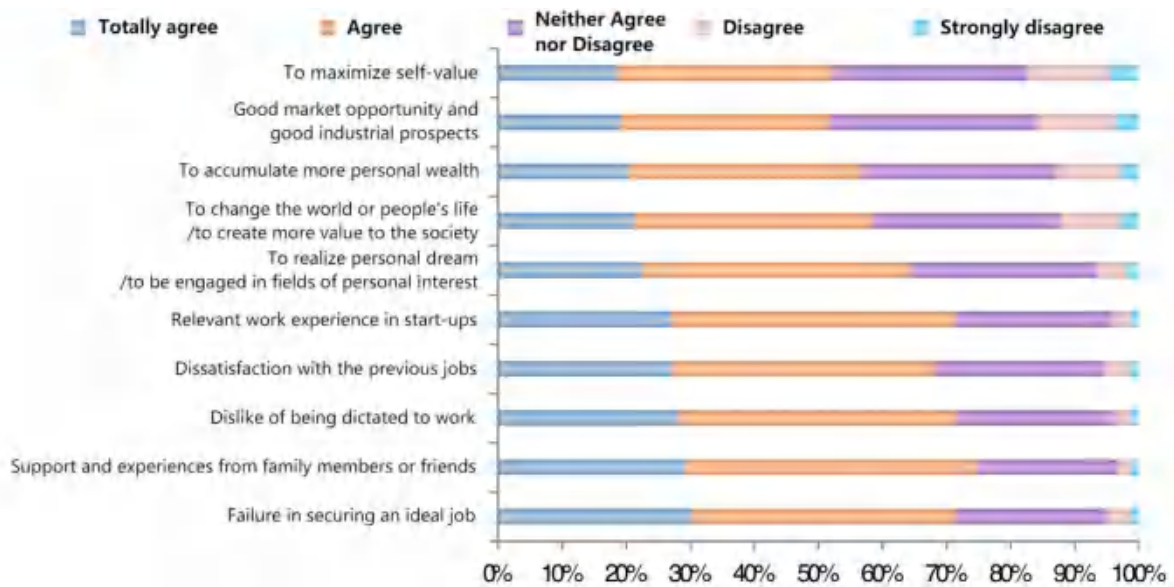


Figure 9 . The two main motivations for entrepreneurship are failure in finding an ideal job and the support and experience from family members or friends.

“Failure in securing an ideal job” and “the experience or support from family members or friends” are the two main motivations for youth entrepreneurship in China. This

reveals that nowadays young entrepreneurs in China are independent in thinking and willing to do solid work. They have prudent considerations to their living stress and to the

actual difficulties in starting a business. They weigh entrepreneurial decisions with reference to professional and family background, and their expected working conditions.

4. Status quo of the start-ups: More than half of the start-ups are fluctuating between profit and loss. 70% of them start making profits within three years.

In terms of the forms of entrepreneurship, over 90% are proprietorships or partnerships, while family entrepreneurship accounts for a relatively low proportion.

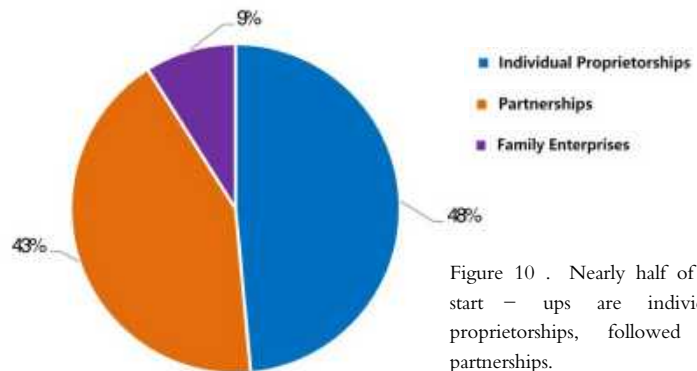


Figure 10 . Nearly half of the start - ups are individual proprietorships, followed by partnerships.



Figure 11. 70% of the entrepreneurs begin making profit within three years.

In terms of the profit situation, more than half of the start - ups fluctuate between profits and loss, while 70% of them begin making profit within three years.

In terms of the size and number of employees of the start - ups, more than half have significantly expanded their scales during the initial stage of operation, while majority of the startups maintain a stable number of employees.

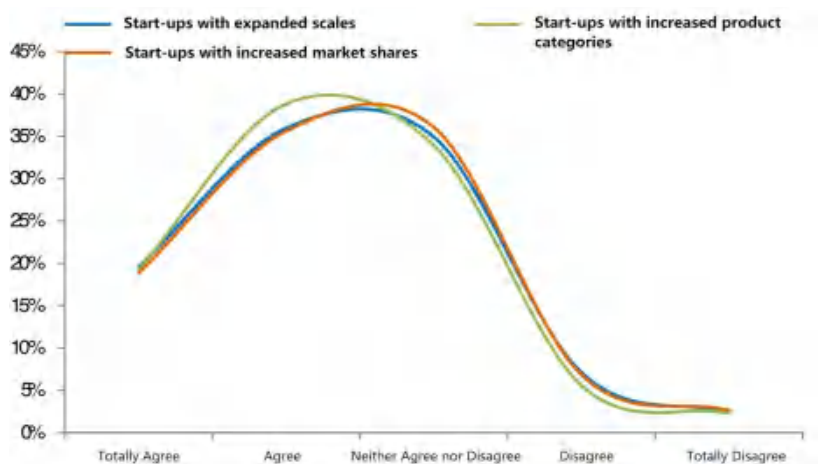


Figure 12 . Scale expansion of the startups coincides highly with the increase in their market share and product categories.

5. Difficulties:

Shortage of start-up capital, lack of social resources, and inadequate capacity or knowledge reserve are the three main difficulties that the Chinese young entrepreneurs are now facing. 46.2% of the respondents believe that the biggest obstacle for young entrepreneurs is the gap of their initial fund; 26.5% of them think that they have few social resources or weak connections; While 15.6% say that they lack corresponding knowledge and abilities. In addition to the financing difficulties, young entrepreneurs also face disadvantages such as lack of resources and low technological innovation capacity, aspects of which young entrepreneurs are usually not so competitive.

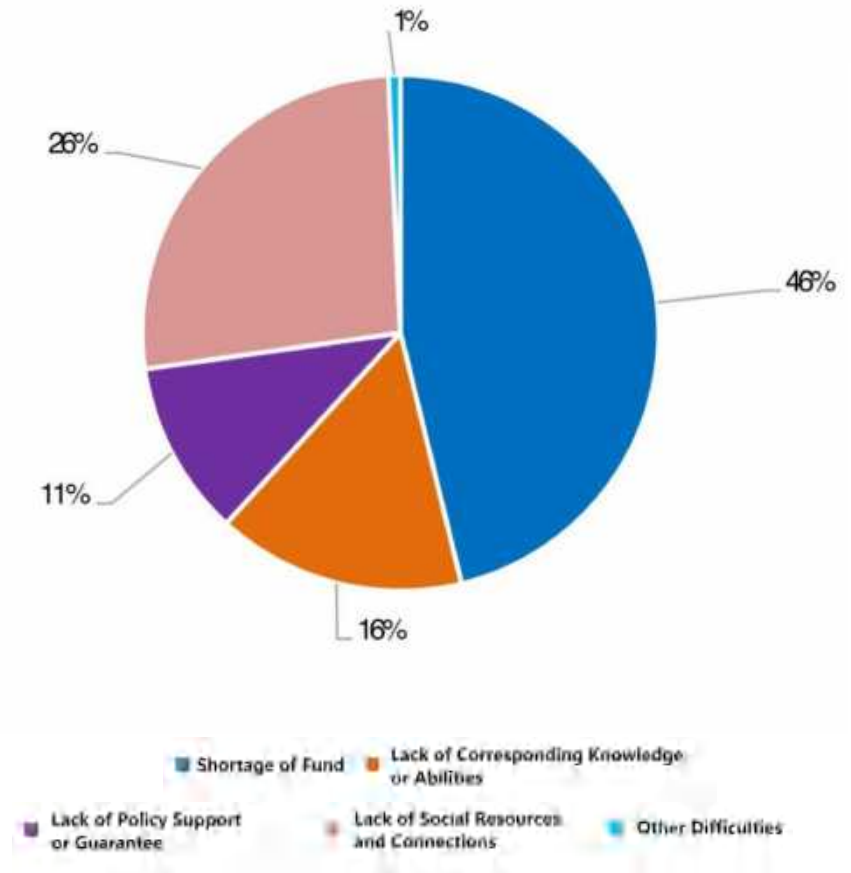
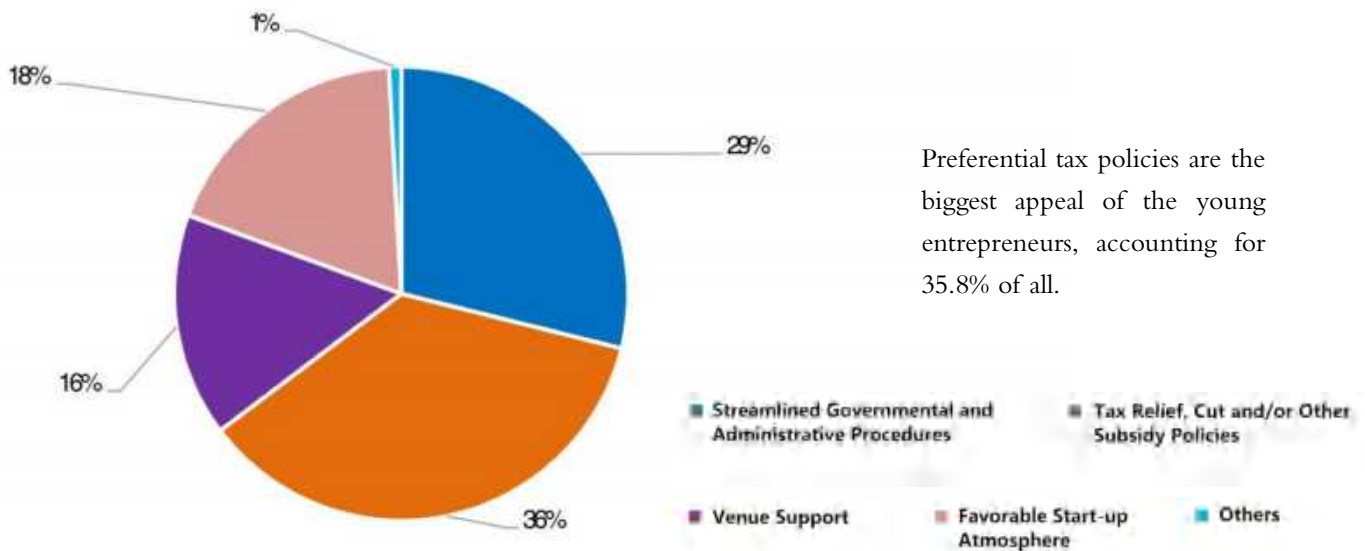


Figure 13 . The main difficulties facing young entrepreneurs are low capital reserves, weak social resources and poor innovation capacity.



Preferential tax policies are the biggest appeal of the young entrepreneurs, accounting for 35.8% of all.

Figure 14 . Streamlining the governmental and administrative procedures, tax relief or cut for young start-ups or other subsidy policies are the main appeals made by the young entrepreneurs.

There is much room for improvement in funding channels, financing costs, recruitment of talents, and the service platforms.

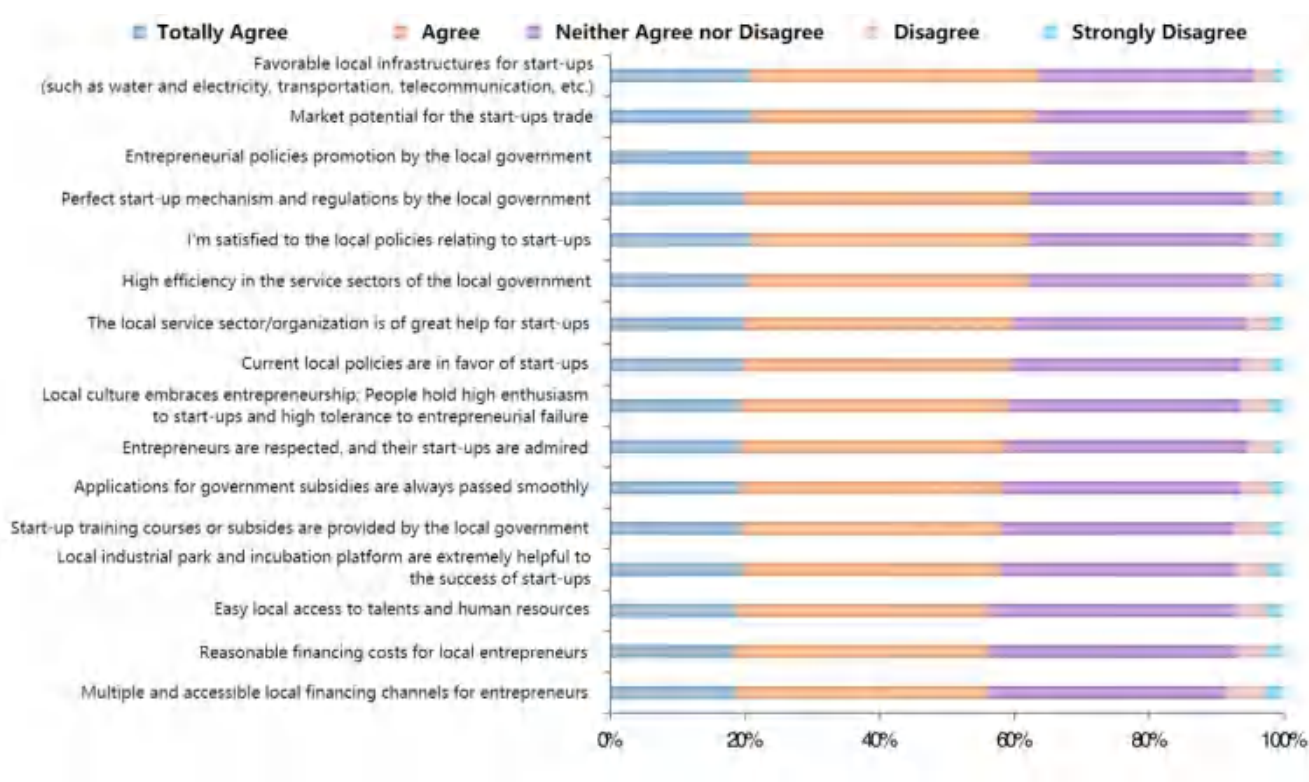
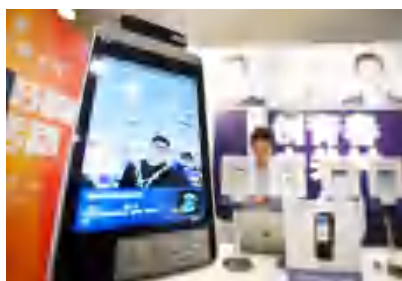


Figure 15 . Young entrepreneurs' evaluation of the various elements concerning the entrepreneurial environment.

6. Representative population:



Differences in personal backgrounds of Chinese young entrepreneurs also lead to discrepancies in their specific

situation, main difficulties, and routes for solutions. For further analysis of the specific features of the population, and for better understanding of their respective demands with targeted analysis, we regulate the Chinese young entrepreneurs into the following six categories: the college student entrepreneurship, the emerging technology entrepreneurship (start-ups of new

energy, digital economy, etc. similarly hereinafter), the rural entrepreneurship (including returnees), the executive entrepreneurship (start-ups by senior executives who left large companies and started business on their own similarly hereinafter), family entrepreneurship (based on family resources similarly hereinafter), and other entrepreneurship.

1) More than half of the college student entrepreneurs have participated in entrepreneurial competitions and possess some rudimentary theories or knowledge about how to start a business. But it is a popular problem for them facing lack of initial start-up capital, weak social connections and little experience. Most college student entrepreneurs have been active in participating in the various entrepreneurial programs on campus making full use of the resources provided by campus platforms. Over half of the college undergraduates took part in college entrepreneurial competitions. 27% have attended courses for innovation and entrepreneurship and 15.3% attended lectures by entrepreneurs. They gain entrepreneurial experience through various channels.

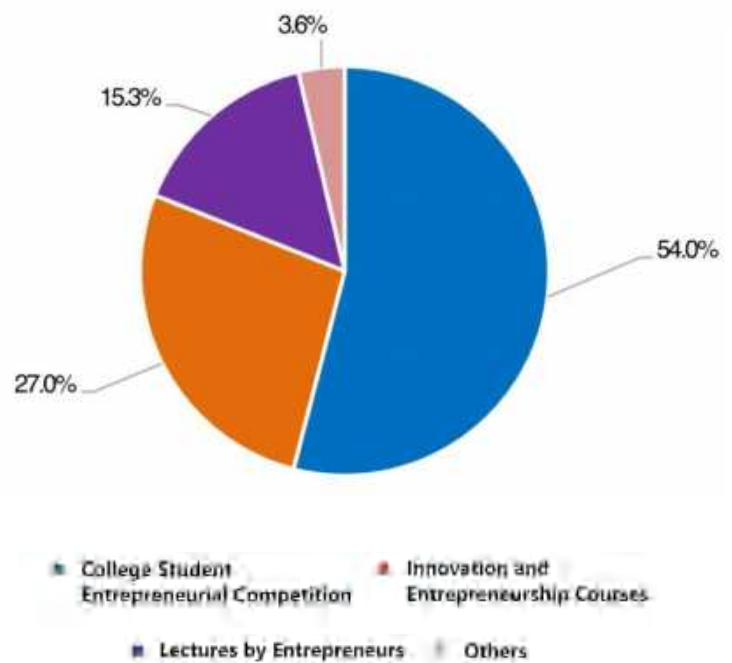


Figure 16. More than half of the college student entrepreneurs have participated in entrepreneurial competitions.

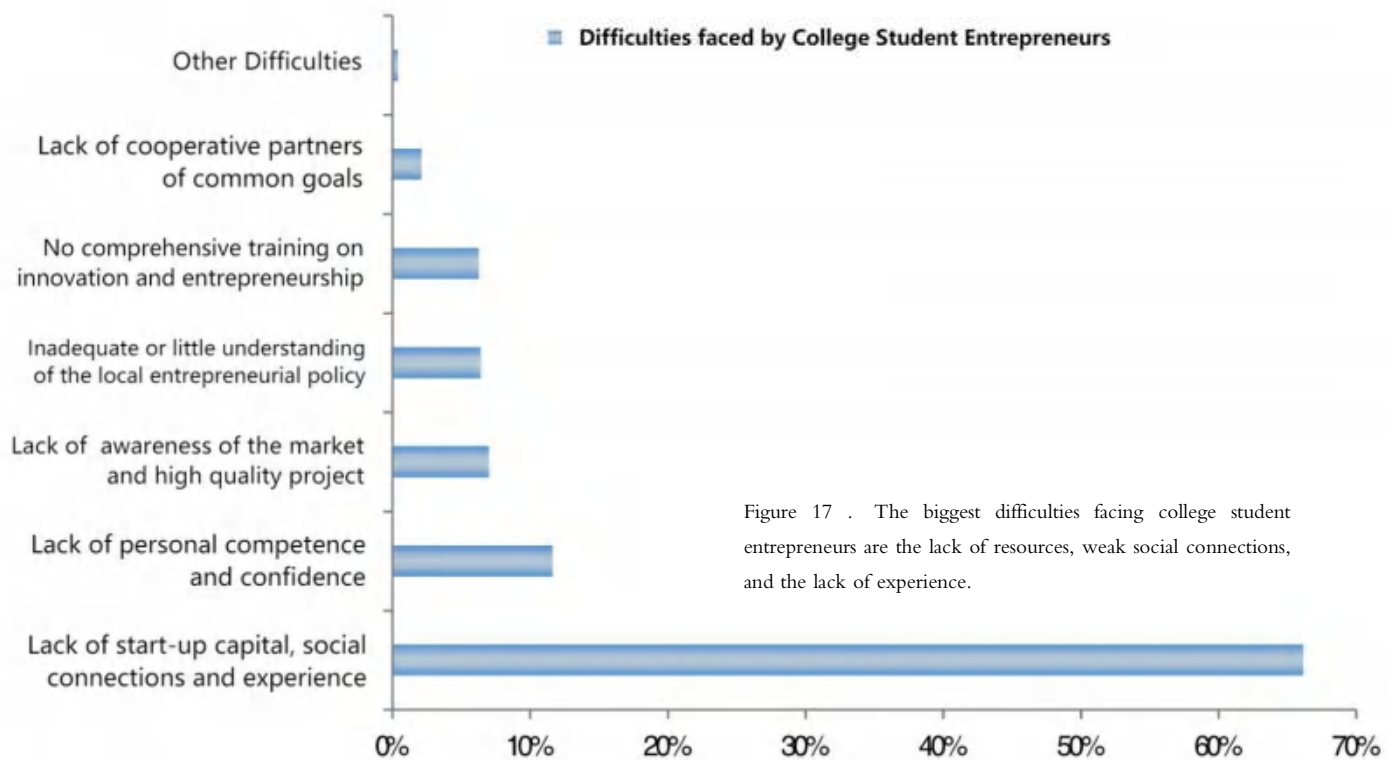


Figure 17 . The biggest difficulties facing college student entrepreneurs are the lack of resources, weak social connections, and the lack of experience.

2) The emerging technology entrepreneurs mostly are people from higher learning institutions, small and medium – sized enterprises, and scientific research institutes. They possess great advantages in technology but are still faced with the lack of venter capital. Over 60% of this group agree that the local industrial parks and incubation platforms are extremely helpful to the success of their start-ups. This indicates that the majority entrepreneurs of this group are from academia, the phenomenon of which is conforming to the characteristics of high knowledge and technology threshold for emerging technology entrepreneurship.

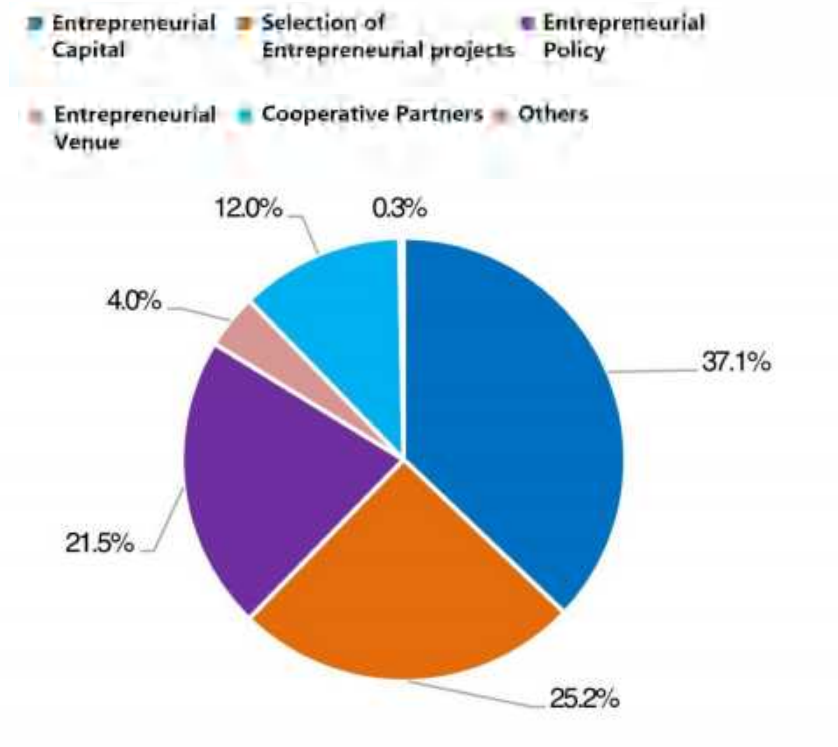
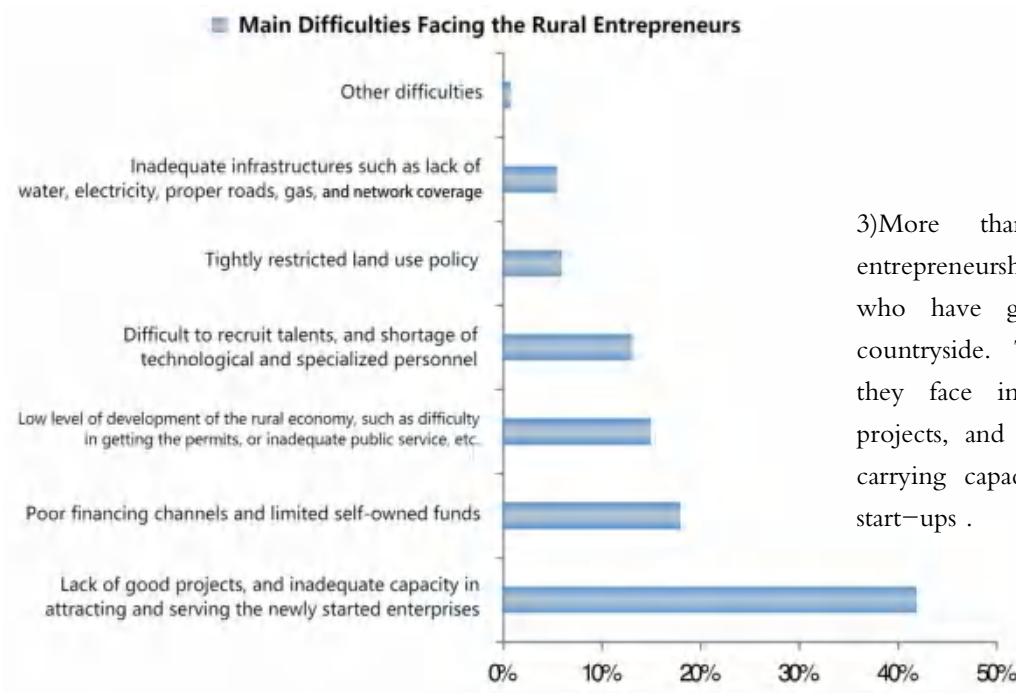


Figure 18. The main objective factors affecting the emerging technology entrepreneurs are venture capital, the selection of appropriate projects, and the entrepreneurial policy.



3) More than half of the rural entrepreneurship are university students who have gone or returned to the countryside. The main difficulties that they face include the lack of good projects, and the limited absorption and carrying capacity in the rural areas for start-ups .

Figure 19. “Lack of good projects, limited absorption and carrying capacity for the start-ups” are the main difficulties faced by the rural returnee entrepreneurs.

4) Most of the executive entrepreneurs worked in private enterprises before. They resigned and started their own business mainly because of their desire to achieve self-realization and their social values. Nearly 50% of this group create enterprises relating to the trades from which they have resigned.

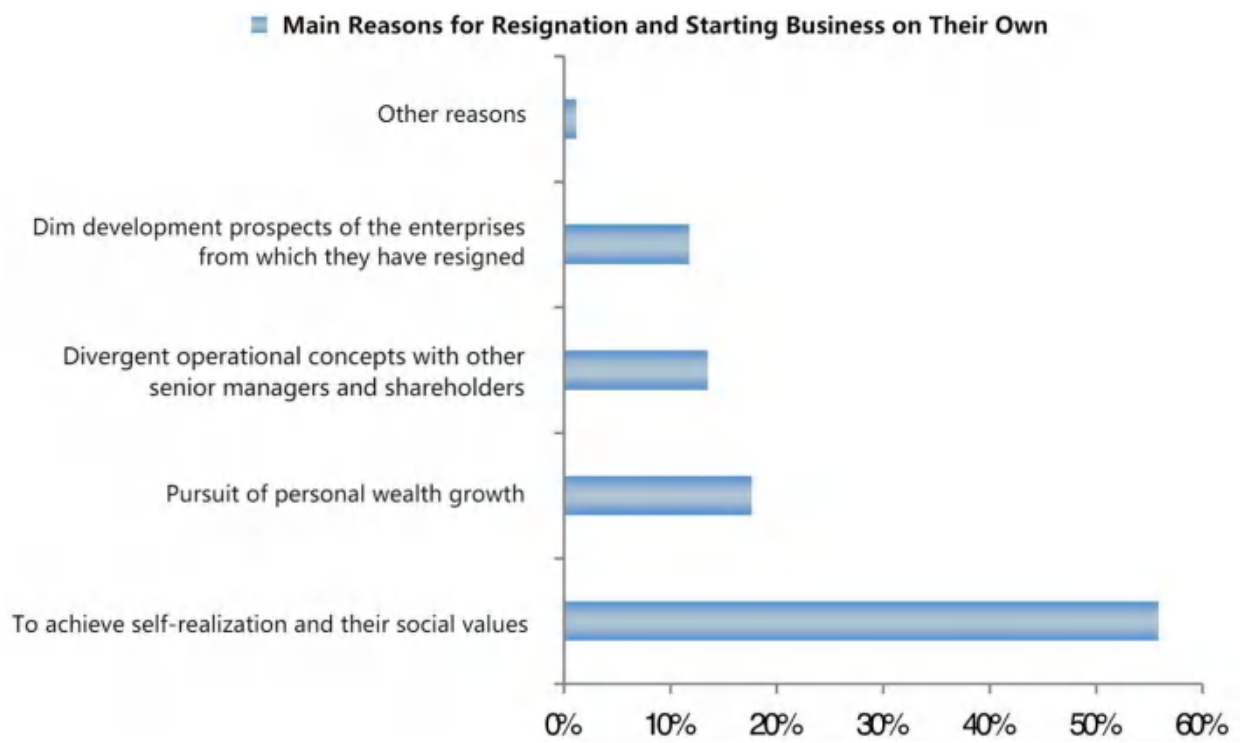


Figure 20. Over 50% of the executive entrepreneurs quit their former jobs to start new business for the reasons of achieving self-realization and social values.

5) Family entrepreneurs have the advantage in capital resources, social connections, and business experience. They create start-ups mainly based on their family businesses and management model. 60% of the entrepreneurs of this group have succession plans or have already taken over their family business.

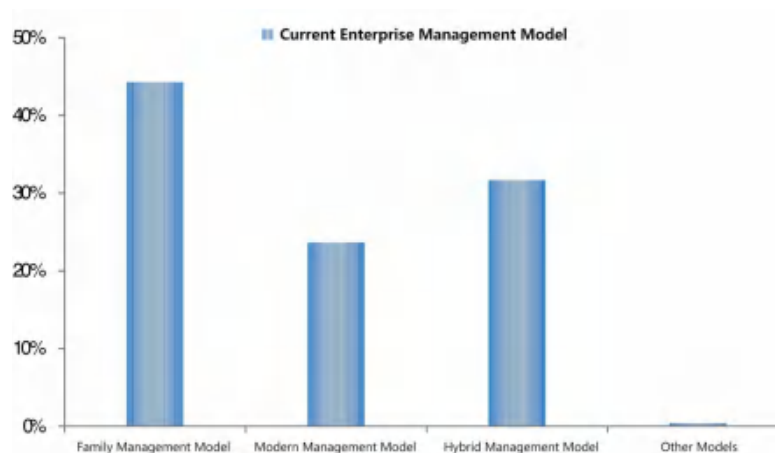


Figure 21. 40% of this entrepreneurial group adopt the family management model.

II. China Youth Entrepreneurship Development Index

1. Dimensions of China Youth Entrepreneurship Development Index

It is clear in sorting out the existing entrepreneurial theories that entrepreneurial spirit, opportunities, and resources take key positions in the development of entrepreneurship, while the entrepreneurial environments have great impact on the fostering of entrepreneurial spirit, identifying and grasping the opportunities, and the providing of resources.

Based on the existing entrepreneurial theory, with reference to the relevant studies home and abroad on innovation and entrepreneurial measurement, and combining the entrepreneurship reality in China, we constructed the framework of China Youth Entrepreneurship Development Index from the three dimensions of environment, spirit, and outcome of the young entrepreneurship. Seventeen specific indicators of the previous year are reserved and remained. Given the above, as well as the principles of purpose, comprehensiveness, science, gradation, and operability, we have constructed the framework for China Youth Entrepreneurship Development Index from the three aspects of entrepreneurial environment, entrepreneurial spirit, and entrepreneurial outcome, a



measurement system that allows sustainable tracking and update. Among the three, the environment forms the foundation for entrepreneurial development; the spirit serves as the internal driving force, and the outcome is the fruits of entrepreneurial development. Also, the outcome is determined jointly by the environment and performance of entrepreneurs.

1). Entrepreneurial environment consists of two secondary indicators, i.e. policy environment and market environment, covering various environmental elements of policy,

intermediary services, finance, and talents.

2). Entrepreneurial spirit consists of two secondary indicators as well which are innovation spirit and entrepreneurial spirit, which respectively reflect the innovative capacity and the pioneering spirit of the entrepreneurs.

3). Entrepreneurial outcome also includes two secondary indicators, i.e. entrepreneurial vitality and quality, which reflect respectively the quality and vitality of the new enterprises.

Statistics of the entrepreneurial environment, spirit, and outcome are taken from publicly available sources. Given the fact that the 2021 data or indicators of certain areas has not yet been published, we extrapolate them based on the

2015 –2020 trends or use the statistics from the same year. For data processing, to eliminate the dimensional differences of the original data, the method of “maximum data – minimum data” is adopted for data standardization.

The monotonic increasing index is converted linearly to 0–100, and the monotonic decreasing index is converted backward linearly to 0–100. For weight processing, AHP is adopted to set the index weights at all levels in a top–down manner.

2. China Youth Entrepreneurship Development Index

With 2015 as the base period, the 2015 – 2021 China Youth Entrepreneurship Development Index has increased from 100 to 171.0. Among them, the Environment Index has increased from 100 to 159.3, the Spirit Index has increased from 100 to 160.6, and the Outcome Index, from 100 to 368.9. With the continued improvement in China’s entrepreneurial environment and spurred by the various factors such as more refined supportive policies, China’s youth

entrepreneurship development index has continued to rise in the past 6 years. If in comparison with that of 2015, which is made as the benchmark of 100, the Index from 2016 to 2021 is 109.4, 120.0, 132.2, 145.1, 154.1, 171.0 respectively, showing an obvious upward trend. Among them, the Entrepreneurial Environment Index is 108.3, 118.0, 128.1, 139.4, 146.1, 159.3, and the Entrepreneurial Spirit Index is 116.8, 131.1, 144.3, 152.9, 154.4, and 160.6, both increasing steadily. This

may be attributed to the government’s policy support and the investment in education, science, and technology. The Entrepreneurial Outcome Index for the six years is 115.2, 134.6, 176.4, 222.0, 279.4, and 368.9 respectively. The Entrepreneurial Outcome Index of 2021 shows a significant increase from the year 2020, which is mainly due to the increasingly active moves in fields of private equity, venture capital, technological and market investments.

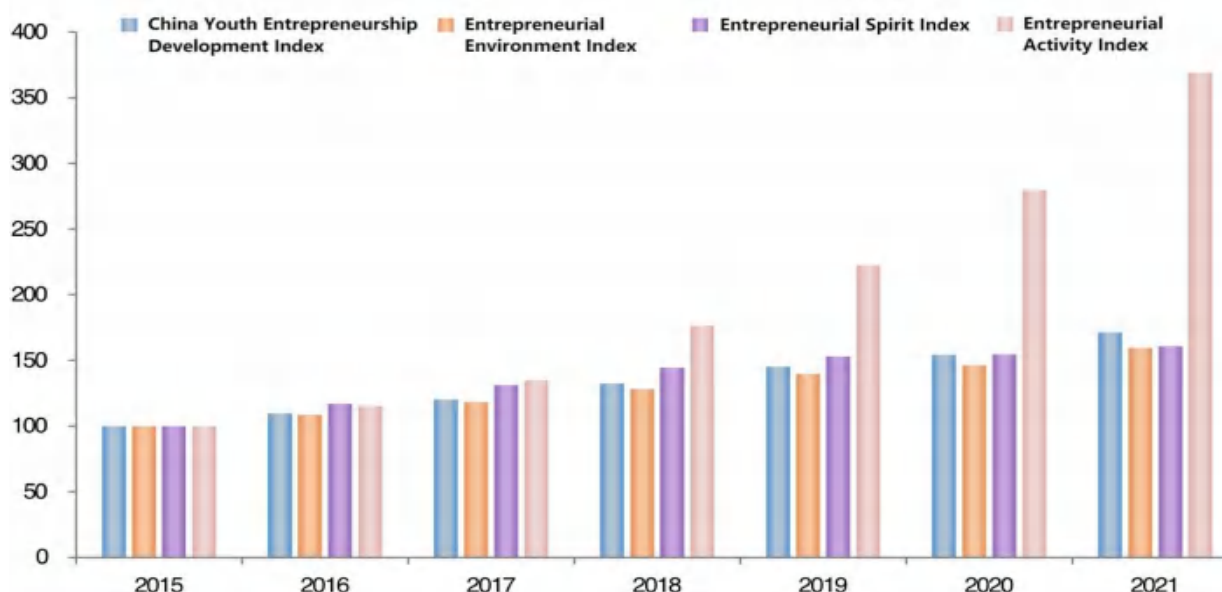


Figure 22. China Entrepreneurship Development Index 2015–2021