

Strategy Studies on Improving College Students' Entrepreneurial Financing Capacity

(PRESENTED)

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Abstract—With Premier Li Keqiang advocated "the public business, the highly innovative", entrepreneurship is becoming a popular vocabulary. As the main force and successors of future society, college students' entrepreneurship can not be ignored. Through our survey, we found that the priority trouble college students faced when they started their business is lacking of funds, how to improve the financing capacity of the student population becomes a serious problem. Based on the financial problems when college students starting their business and analysis of the causes, we proposed some suggestions to enhance the ability of college students' entrepreneurial financing ability, so as to improve the current conditions of college students' entrepreneurial financing ability, further stimulate the entrepreneurial enthusiasm of college students.

Keywords—College students; entrepreneurship; entrepreneurial financing; strategies

I. INTRODUCTION

As soon as the advocate of "the public business, the highly innovative", entrepreneurship becomes a popular vocabulary in 2015. The slogan also shows government's clear and supportive attitude on entrepreneurship. As the main force and successors of future society, college students' entrepreneurship can not be ignored. College students can not only ease the employment pressure, but also create more job opportunities during the entrepreneurial process, and stimulate economic growth, influence and even drive more young people to join the entrepreneurial team. However, compared with the ratio of entrepreneurship in western countries, students in our countries still has a big gap. Through our survey, we found that the priority trouble college students faced when they started their business is lacking of funds, how to improve the financing capacity of student population becomes a serious problem.

II. THE THEORETICAL FOUNDATIONS OF COLLEGE STUDENTS' ENTREPRENEURIAL FINANCING

A. The agent cost theory

This theory suggests that the constitution of financing will influence the work effort and decisions making of entrepreneurs, also will affect the social economy and development direction of the business. In the early days of their entrepreneurship, generally college students will consider low cost financing, such as family financing, partnerships and micro credit financing in the late entrepreneur, when they require a lot of money, they may choose GEM form of financing, equity financing and so on.

B. Industrial organization theory

This theory suggests that the structure of college students' entrepreneurial financing related to the project itself, marketing strategies and so on. Investors pay more attention to revenue-generating projects. If the project is a high value-added project, you can select challenging market strategies appropriately. Just as high-tech enterprises are easier access to capital markets, the greater market demands product, the bigger

debt capacity of corporate, the easier to obtain financing and the greater the amount of financing.

C. The priority order theory

Considered the cost, students mainly start with small and micro enterprises, the financing should be internal source of financing, that is to achieve the highest accumulation of its own funds, then consider external financing, such as bank loans, bonds, angel investment and equity financing.

III. PROBLEMS IN COLLEGE STUDENTS' FINANCING

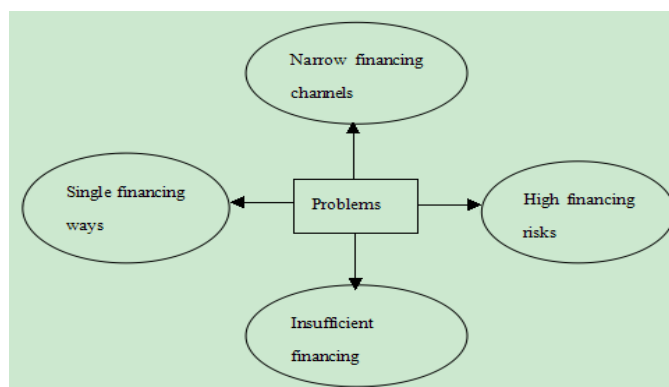


Fig. 1. Problems in college students' financing

By using stratified sampling, we made sample survey in a certain percentage in almost 300 college students in all kinds of Chongqing universities. Among these people, general student population reflected that there are still many problems in their entrepreneurship, which mainly including these four aspects:

A. Narrow financing channels

Entrepreneurship begins in an uncertain environment with high risks, based on students entrepreneurs' financing capabilities and our current risk investment environment, it's difficult for student entrepreneurs to attract capital independently, the main source of their funding are from family members, relatives and friends. Even a small number of people have access to micro-credit funds, it only accounted for a small part of the start-up capitals. Narrow financing channels, not only limits the number of their access to funding, cause potential problems in their following finance, but also affects the culture and access to human resources, social resources, and other business resources and bring great challenges to the growth of enterprises.

B. Single financing ways

Single financing ways narrow the choice of financing. The mainly financing ways for student entrepreneurs are family financing, partnerships and micro credit financing. Through the survey, we found that the man who engaged in entrepreneurial activities are not those students who have superior family backgrounds, but those students who have no family

backgrounds. Therefore financial support they get from family and friends are also very limited.

C. Insufficient financing

Most entrepreneurs don't have a good understanding on capital amount. They believe that it's enough to have sufficient start-up capitals to start a business. Once the business was set up, and forms cash flow, funding will no longer be a problem. However, no matter which financing ways, family financing or angel investment financing, financing amounts are relatively small. This is mainly due to the choice of college students' projects are generally mature industry with relatively small investment, lower risks, investors are more inclined to

invest in high-tech products, so the amount of financing will be subject to certain restrictions.

D. High risks in financing

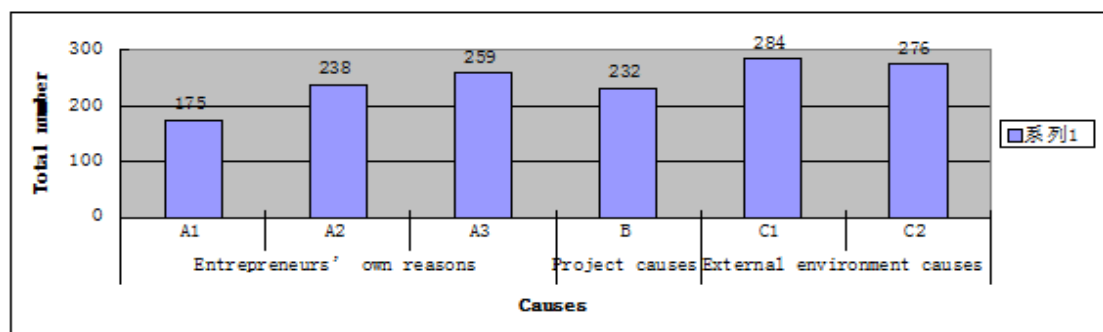
Because of not having too much combat experience, and inadequate planning coupled with single financing channels and ways in the early days, so as to cause big risk to business capital chain. In the process of enterprises' continuous development, due to the shortage of capital chain, the founder had to spend a lot of effort to raise funds, resulting in the less attention on products and management. In the end, it will bring a lot adversely effects to the enterprise, leading to more difficult financing and higher risks.

IV. THE CAUSES OF FINANCING PROBLEMS

Fig.2. The causes of college students' financing problems

By analyzing the surveyed 300 entrepreneurs concerned, we found that the main causes which lead to college students'

inadequate for many college students entrepreneurs concerned. Although some local governments also set up a number of



financing problems are as follows:

A. Entrepreneurs' own reasons

1) Passive entrepreneurial motivation

Generally speaking, the current entrepreneurial motivation of college students are passive. Many graduates desires to enter a large enterprise, holding relatively satisfied salary. Only at the time they failed to reach their employment aspirations do they choose to self-employment. Generally, the motivation produced in this background will be unprepared.

2) Lacking of entrepreneurship preparation

Entrepreneurship must have a sound project plan, abilities to innovate, entrepreneurial qualities, and experience. To college students, lacking of social experience, inadequate marketing and management, and even the project is not perfect. In the absence of adequate preparation, the business failure rate is higher.

3) Lacking of financial planning

On the one hand, lacking of financial knowledge, coupled with saving costs, unsound financial system; on the other hand, inappropriate financial planning made them forget that financing often requires a review process. Therefore, we must do financial planning early.

B. Project causes

projects often has the feature of lower product replacement rate and misty future trends, lacking of effective support, so as to cause great risks in their investment projects. For those investors, they have lower interests in these products, which also causes financing difficulties in their financing process.

C. External environment causes

1) Limited government support

While the government encourages college students to have entrepreneurship activities, the policy level and support efforts for preferential college students is still quite limited. It is always

venture capital funds, the funds are relatively small, and there are more restrictive eligibility criteria, so it's difficult to apply to college student entrepreneurs.

2) Lacking responsibilities of financial institutions

Why students in western countries have so high rates in entrepreneurship field? Because in western countries, it's easy to obtain capitals. There are so many financial institutions, no matter large or small. However in China, before the loan, commercial banks and other financial institutions will have rigorous lender's credit review and also will require lenders and guarantors have some debt-servicing ability. However, it's very difficult for those students who just starting a business. Commercial financial institutions mainly for the purpose of profit, it's difficult to generate interest to those high risks and small profit programs. In addition, China has not yet formed a good environment to broad support students. All these factors will increase the difficulty for college students' financing.

V. MEASURES TO ENHANCE THE ABILITY OF COLLEGE STUDENTS' FINANCING

A. Innovating entrepreneurship projects, improving its maturity

Innovation shortage is a common problem faced by current college students. Based on the consideration of the traditional principles of entrepreneurship, many students will start with mature industries such as entertainment, dining, service and other aspects. Because these industries are less investment, lower risks and quicker benefits. But entrepreneurs have neglected the drawbacks of mature industry, they are low-tech, complex connections and high degree of market segments. If you are a beginner, you will have small profit margins. In order to obtain sufficient funds to support entrepreneurship, student entrepreneurs must pay more attention to project innovation. Such innovations not only include product innovation, but also management

innovation. With the guidance of teachers, universities can hold business forums for entrepreneurs to encourage college students, they also can build platforms for college students' financing.

B. Integrating multiple resources and building a strong team.

Undoubtedly, High-quality entrepreneurial team will become a powerful weapon to attract investors. Studies have shown that a good entrepreneurial team has a crucial influence to business success. It not only determines the immediate development of enterprises, but also related to the future direction of the enterprise. The role of the team is not only reflected in the entrepreneurial skills, but also in mutual

psychological support. Entrepreneurship is a work of high-risk and high challenges, it will inevitably encounter setbacks and difficulties in this process. In face of difficulties, we need entrepreneurs to encourage each other and face all kinds of difficulties together. Thus, university student entrepreneurs should make full advantage of the existing platform to integrate multiple resources, and form a strong entrepreneurial team, then build the core competitiveness.

C. Broaden the financing channels, different financing ways in different stages (just as figure3)

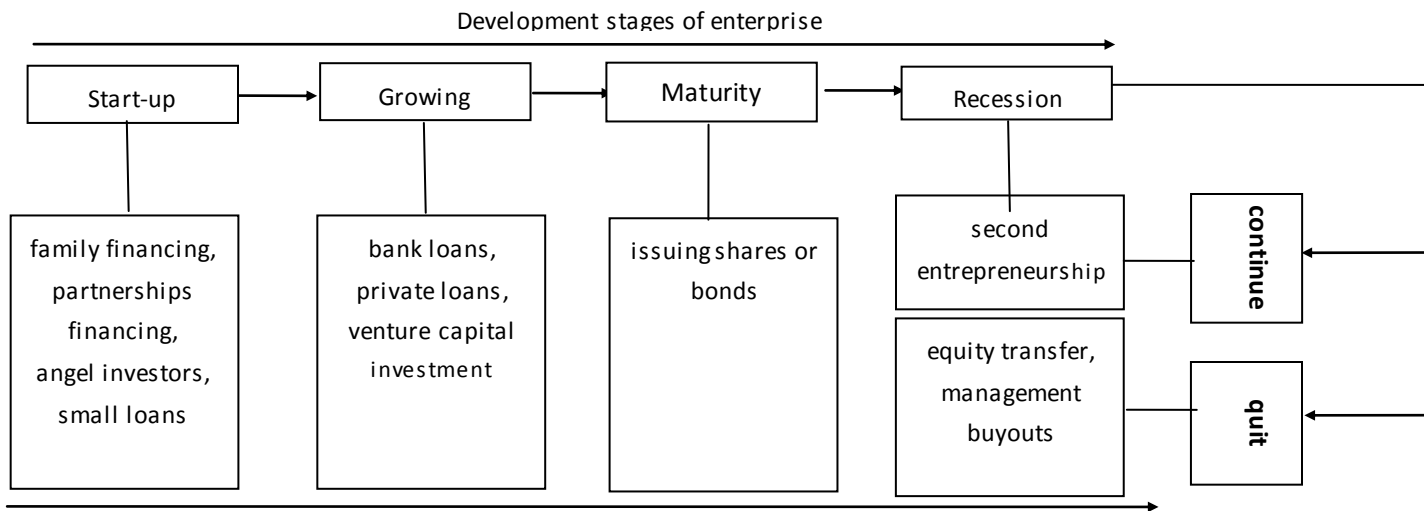


Fig.3. life cycle theory of business development Financing ways

According to life cycle theory, the development of enterprises must go through four stages, they are start-up period, growing period, maturity period and recession period. In the start-up period, the enterprise itself is facing with many uncertainties and risks, stable development strategy has not yet formed, so that external funds rarely intervenes. Under normal circumstances, the capital demand in start-up period is not large. The best way of financing should be the family financing, partnerships financing, angel investors or small loans. With the continuous development of enterprises, the market gradually recognize our products, companies began to increase revenue. according to the actual needs of their own development, managers can select financing ways. Generally speaking, bank loans, private loans and venture capital investment should be used in this period. When firms come to maturity period, the original business has stabilized, new opportunities gradually emerged, managers can consider ways to raise additional capital by issuing shares or bonds. When companies entered into recession period, the original project began to decline, the entrepreneur will be faced with two options, one is to continue the project and having a second entrepreneurship; the second one is to recover fruits by equity transfer, management buyouts and other ways.

D. Improve the external environment, and provide support services

According to the survey, 90% of venture capital financing is mainly by family members. Although the financial loans are an important source of funds to various big enterprises. In terms of venture capital financing, especially college students venture financing, the survey shows that China's financial institutions has small effect. Financial institution should relax the conditions to encourage college students to venture

appropriately. Government should focus on building and improving the external financing environment, and increasing efforts to support college students in venture project. Authorities concerned can provide technical support and consulting services for college student entrepreneurs. In addition, universities should change traditional concept to encourage students to entrepreneurship and provide necessary premises, platforms and financial support, so as to prompt rapid development of their career and enhance their own "blood-making capacity".

VI. CONCLUSIONS

Based on the above theory, the government and society should change traditional concept to encourage students to entrepreneurship, and increase support for students who embark on entrepreneurship, increase publicity through the power of the media; in order to attract more more investors to make sure that their projects can be carried out smoothly, as university student entrepreneurs themselves, they should improve the quality of entrepreneurial team, integrate multiple beneficial resources, and to improve the maturity of their own entrepreneurial projects, enhance their own "blood-making capacity".

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