

China's Becoming an Innovative Nation by Encouraging College Students' Start-ups

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Abstract: This paper will firstly focus on the development of innovation trend and the start-up encouragement policies in China. Then it proceeds with a discussion of the advantages and challenges these policies bring about for both the central and local governments to achieve innovation, followed by policy implications.

Keywords: China; Start-up; College students; Innovative nation

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1. Introduction

With its rising economy and global influence, China emphasises innovation as its top concern under current conditions several times. In 2013, President Xi Jinping announced the Belt and Road, combining many countries and regions to realise a higher level of globalisation and economic development. During the 9th learning session of the 18th Political Bureau of CPCCC (Communist Party of China Central Committee), President Xi pointed out the future direction of China's development, that is, as the second-largest economy in the world, China had to transit into an innovation-driven growth as soon as possible. In 2014, Xi delivered a speech in He'nan claiming the idea to promote the transition from "Made in China" into "Created in China" and from "Chinese products" into "Chinese brands". Thus, innovation in China attracted the attention of all walks of people, especially college students.

2. Innovation

2.1. Domestic circumstances

In 2012, President Hu Jintao formally announced that China would transit into an innovation-driven economy in the 18th National Party Congress. With this foundation, since President Xi Jinping came into power, innovation has been emphasised several times a year, reflecting the central government's ambition. In 2014, Xi proposed the innovation-driven development strategy at the 7th meeting of the Central Leading Group on Financial and Economic Affairs. One year later, the concept of "New Normal" came out and was set as China's basic logics in the current and future economic growth. Thus, innovation was attached much more importance to, primarily technological innovation. It also became the keyword of the 5th plenary of the 18th CPC (Communist Party of China) Central Committee. Besides, Xi concluded in the National Science & Technology Innovation Conference that history has proven that technological revolution would always enormously change the development of the world so that innovation was a global trend.

2.2. International megatrend

The global economy is undergoing a significant change of innovation. Based on the past and current development, the economy's future growth has to rely more on technological innovation in almost every field. Under such conditions, for developing and even undeveloped countries and regions, the global trend of innovation will facilitate their manufacturing industry and their capacity among international competitions.

However, Asia has become one of the regions where share the most extensive R&D expenditures and the fastest increase in application number of patents. Current Asia is the manufacturing basis for global production and the critical zone for international innovation. Thus, in the future decades of the economic transition period, both the wealth and economic potential will move from the west to the east together with the global innovation centre.

3. Entrepreneurship encouragement policies

3.1. Background

In 2002, the State Council, together with the Ministry of Education of the People's Republic of China, released a document about the revolution on the employment scheme of the university graduates, making it clear to simplify registration and approval procedures in Administration for Industry and Commerce as well as Administration for Taxation for those graduates who start their businesses. More people would like to have a try at the Internet-related businesses with the help of an angel and venture capital. And, in 2015, university students are allowed to adjust their studying process to start a business as a student. Under this guidance, more than 20 provinces have been conducting the revolution to encourage university students' entrepreneurship.

3.2. Incentives

According to the Ministry of Education of China (MOE) ^[4], to achieve China's goal of "Enhance the self-innovation ability to establish an innovative nation" and "Promote entrepreneurship to increase employment", it is necessary to have innovation and entrepreneurship education in universities because of students' immense potential of innovation. Therefore, in the campus, universities are strongly advised to organise various innovation practices to broaden students' horizon, such as innovation competitions, lectures, forums.

However, the government needs to trace the success rate, which can be used as an essential index to assess the quality of innovation education. Besides encouraging entrepreneurship, the MOE also makes joint efforts with the Ministry of Science and Technology to build an entrepreneurship practice base for university students. Moreover, according to the form of the enterprise, the founder might be able to enjoy different kinds of tax incentives.

As for the local aspect, provincial institutions are advised to coordinate with related departments to encourage local governments to provide the angel or venture capital for university students. Beijing government provides a maximum reward of 50,000 yuan for each excellent entrepreneurship university student team and a reward of 500,000 yuan for each selected university as the demonstrative entrepreneurship centre ^[5]. However, the financing in 2020 for university students in Chongqing was with stricter and more complex selection. The 600,000 yuan was open for 30 selected start-up programs on average ^[7].

4. Advantages & Challenges

4.1. For the central government

4.1.1. Strength

According to the Ministry of Human Resources and Social Security of the People's Republic of China ^[5], there will be 9.09 million university graduates in 2021, making it a heavy burden for the government to provide enough job positions. Therefore, through the encouragement of entrepreneurship, those founders will achieve self-employed on the one hand. Also, more job positions will be created via these new enterprises.

From the individual perspective, people, especially those with solid abilities and clear plans, would like to have their businesses after graduation. Thus, these policies are beneficial to this group of people because sometimes the lack of some particular support will lead to the failure of an excellent project such as venture or angel capital in the first stage.

On account of the convenience provided by the government, students are given more freedom to put their innovative ideas into practices further. Thus, the Chinese government will be much closer to its original goal of becoming an innovation-driven economy on the macro level.

4.1.2. Weakness

Many people now want to engage in entrepreneurship only because it seems a shred of evidence for the individual capabilities. On the contrary, this should be a method for those with innovative ideas and abilities to realise their dream and help the country and society achieve the goal of innovation-driven development. When it comes to university students' entrepreneurship, not all are innovative enterprises, while some are only businesses with normal- even low-skilled working. The outcome of education and policies promoted by the government should not only be measured by the number of new start-ups ^[3]. Innovation actually should be the centre and focus of entrepreneurship. In addition, to start a business, what a student needs are beyond a simple idea but should with a relatively complete plan and thorough consideration of his or her capabilities and competencies. In a word, try to avoid blind entrepreneurship.

4.2. For local governments

4.2.1. Strength

Local governments in China enjoy certain rights to have their own rules and regulations under central rules and regulations. To better encourage university students' entrepreneurship in their specific regions, local governments have diverse sets of concrete policies to attract more university students or fresh graduates by providing funding support, tax incentive, local Hukou. Because of the different strengths of each region, policies in each region are more specific and have different priorities. Thus, those new entrepreneurs can select a more suitable place to start their businesses.

Therefore, local governments can attract more university students or fresh graduates not only from universities in their region. On the one hand, these talents will help the local government achieve better economic development. Though these enterprises can enjoy the tax incentives, the local government still benefit from the increase in tax revenue in total. On the other hand, it enhances the local government's competence in the competition among regions.

4.2.2. Weakness

Due to the initial differences among regions, the developed regions might be more developed by attracting more talents with better incentives while the relatively less developed regions will become worse out of a brain drain. For example, with the largest number of first-tier universities in China, Beijing has the biggest advantage to transfer those newest innovative concepts or technologies into manufacturing. However, for

remote regions with fewer innovative students or geographical advantages, the “attractive” policies they released might not be attractive enough for students who want to develop themselves in megacities.

Local governments also have to worry about the unhealthy competition among local universities. According to the national and local policies, the outcome of education on innovation and entrepreneurship in these universities will be measured through the number of entrepreneurship competition and real start-ups. However, for these universities, holding such competition is just used to finish the upper-level government's goal rather than cultivate the innovative concept of their students. The worse thing is that the related professors or tutors do not support these students after the competition. Therefore, those students with an existing and feasible innovative idea for entrepreneurship would not like and do not dare to start their businesses.

5. Policy Implications

5.1. Clear focus of university students

Now that one's time and energy is limited, university students who focus more on entrepreneurship will undoubtedly miss their opportunity to learn more academic knowledge. However, this may result in the future dilemma that many university graduates graduate without enough professional knowledge in their majors. Therefore, the innovation and entrepreneurship education in universities should adjust its concentration from seeking the outcome of entrepreneurship to cultivating students' innovative spirits in each field rather than only in starting a business ^[3]. It is more suitable for the universities to take full advantage of the tracking system on their alumni's entrepreneurship as the feedback to their innovation and entrepreneurship education on campus. Then entrepreneurship will no longer be a so-called “prouder” choice for university students so that the trend of blind entrepreneurship will be cooled down but will welcome a wiser era for those who are well prepared with innovative and ambitious entrepreneurship plan.

5.2. Implementation of policies

Although innovation and entrepreneurship have won the public's attention, the governments have not thoroughly combined them with China's demand for transition into an innovation-driven economy ^[6]. As mentioned above, differences exist among local governments about their particular incentives for these young entrepreneurs causing the following two problems. First, it is too difficult for university students to command the various policies and incentives in different regions. From another aspect, it reflects that the entrepreneurship service system still lacks internal coordination among regions and inside and outside the campus ^[2]. Second, there are disparities among regions on the encouragement.

The recommendation here is to gradually establish a special zone only for student enterprises with corresponding service system including information desk and tutor scheme to better tackle such issues. With a regional or even a national information system, it will be easier for students to know the updated policies even in other regions. As for the tutoring scheme, local governments can consider establishing a tutor group consisting of professors, entrepreneurs, professional consultants, to increase the success rate vastly.

6. Conclusion

As the college students are the backup force for a nation, China has vigorously promoted the encouragement policies on the university students' entrepreneurship, which leads to some problems such as the potential unhealthy competition among regions and universities and the low success rate of student enterprises.

However, the root cause of such problems can be concluded into the inadequate implementation of the policies and regulations. The above recommendations are to implement the existing policies and incentives better, while what we also have to consider is the main goal of university education for these young

generations. The focus of innovation and entrepreneurship education in universities should be cultivating innovative talents. The number of entrepreneurs should not be the measurement of this education nor the innovation level

Disclosure statement

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