

## Reflections on the Legal Policy Supporting Systems of Undergraduates' Entrepreneurship

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### Abstract

*Posing great challenges to the government's legal policy, the enthusiasm of undergraduates to start a business, has been faced with problems including tiny policy supports from the government, the scarcity of starting capital, the insufficient capacity of students and so on. In need of the whole society's joint efforts, a legal and policy support system shall be set up and improved, which gives priority to governmental and universities' regulatory support system while takes mechanism of enterprises' support as supplement, so as to escort undergraduates' entrepreneurship, protect the interests of the university entrepreneurs cogently as well as push on the development of the building of undergraduates' entrepreneurship.*

**Keywords:** Undergraduates; Entrepreneurship; Legal Policy; Support System

As an upward trend, undergraduates' entrepreneurship has been the focus issue of the society and the "new favorite" of fresh graduates. According to <Employment Report On Chinese Undergraduates in 2014>, the proportion of those starting their own enterprises among all fresh graduates in 2013 was 2.3%, 0.3% higher than that of 2012. More evidently, recent three years have witnessed a slight climbing trend in entrepreneurial proportions and numbers of undergraduates and a notable steep rising trend in those of higher vocational schools students.\* Meanwhile, a craze of supporting entrepreneurship has been evoked in the society. Since the First Business Plan Of Tsinghua University was held in June 1998, all kinds of venture contests has emerged, including national venture contests such as "Challenge Cup" held by Youth League Central Committee and "Innovation and Entrepreneurship Training Program" held by Education Ministry as well as countless local venture contests. Entrepreneurship has become more and more undergraduates' option yet current social contexts and supporting policies are still incomplete, making ambitious undergraduates step back.

### 1. The realistic dilemma of undergraduates' entrepreneurship

#### 1.1 The poor feasibility and insufficient supports of governmental policy

Although a series of laws represented by <Law on Promotion of Small and Medium-sized Enterprises> and <Law on Individual Proprietorship Enterprises> have been enforced as legislative authority while some preferential policies also have been published by government sectors, these laws policies lack specific rules for implementation, contributing to complex entrepreneurial procedures in reality. Taking the registration and approval of an enterprise as an example, it takes 7 steps in China but only 2 in Canada while it takes only 2 days from registration to opening for a Canadian enterprise but 111 days in mainland China. Besides, these policies are of poor feasibility and can hardly reach their targets during enforcement, especially on key aspects like management field, financing channel and tax preferences.

#### 1.2 The shortage of entrepreneurship capitals

For entrepreneurs, capital is an essential as well as indispensable foundation. However, most entrepreneurs, especially those undergraduates, are always confronted with plenty of difficulties - considering that the primary patterns of personal commercial loan are pledge loan, deposits mortgage loan and third party guarantee, banks will not make advances to university entrepreneurs in general due to their scarcity of proper pawns or guaranties. let alone venture capital investors, who focus on on large-scale investment projects rather than undergraduates'

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\*<http://www.studentboss.com/job/newsjj.php?id=148711>, 2014.6.18

entrepreneurship projects. Therefore, the available capital sources for fresh graduates are merely self-owned capitals, borrowings from relatives and friends and other private equity investments, which means great difficulties for undergraduates with common family economic strength to stride over the first step of entrepreneurship. In conclusion, a considerable part of undergraduates are compelled to abandon their entrepreneurial dreams in lack of capitals in spite of their preferable entrepreneurship projects.

### **1.3 Insufficient entrepreneurial ability of undergraduates**

In current society, most undergraduates have not possessed themselves with consciousness and ability of entrepreneurship. As a rough process, to start a new business demands undergraduates' entrepreneurship consciousness initially and then well-preparation for pioneering efforts as well as undertaking financial and social risks. Undergraduates without good mentality may be burnt to the ground after frustration as they have to undergo enormous psychological pressure during entrepreneurship. When starting a business, undergraduates are always beset with numerous difficulties although they can bring forward outstanding entrepreneurship plans as they are short of social and practical experience and may be armchair strategists. Except some management knowledge learnt in university, they know little about personnel administration, financial management, manufacturing management, marketing management and legal knowledge closely related to enterprise development like economic law, tax law and intellectual property. Secondly, undergraduates need to improve their skills of leadership management, cooperative communication and interpersonal interaction. Above all, the main issue to be discussed and addressed in this article will be how to set up and improve the legal policy supporting system of undergraduates' entrepreneurship to create an favorable environment and provide strong legal supports for university entrepreneurs.

## ***2. Reflections on the legal policy supporting system of undergraduates' entrepreneurship***

As the legalization process is moving forward continuously in recent years, laws and regulations have great influences on the society and undergraduates' entrepreneurship is in need of legal and policy supports. This policy contains multiple aspects - from a macro-perspective, it requires government to enact and improve laws and policies in support of undergraduates' entrepreneurship; from a micro-perspective, those specific rules and regulations aimed at entrepreneurial education, including school regulations and management standards, should be implemented. As the "mentors" of undergraduates, social enterprises should undertake their social responsibilities by increasing their supports for undergraduates' entrepreneurship.

### **2.1 The supporting subsystem of laws**

Owing to incomplete laws and policies in support of undergraduates' entrepreneurship, many undergraduates are worrying about their legal guarantee though they hold the ideas of entrepreneurship. Besides, they need aids from the authority to solve problems like tiny scale of business, low credit, insufficient capitals and experience.

#### **2.1.1 Simplify the procedures of enterprise registration**

The procedures of enterprise registration should be simplified for undergraduates by carrying out registered capital subscribed registration institution as well as lessen restriction of commercial premises' registration conditions. Secondly, undergraduates should be allowed to create sole proprietorship, partnership and corporate. Thirdly, electronic business licenses and electronic registration management should be promoted while related administrative charges like registering and licensing fees should be reduced or remitted in accord to the regulations.

#### **2.1.2 Establish a taxes and fees relief policy system**

Under this system, the authority should make policies in favor of taxes on undergraduates' entrepreneurship and give reasonable tax support to undergraduates' entrepreneurship to aid these enterprises survive from tough initial stages of entrepreneurship. Besides, more tax preferences should be provided for enterprises and universities concerning entrepreneurial education to strengthen entrepreneurial education as well as popularize it to related groups as alluring entrepreneurial tax preferences can attract more undergraduates to choose entrepreneurship, leading more people devoted to vocations related to entrepreneurship and promoting the development of entrepreneurial activities.

To improve laws on tax preference for undergraduates' entrepreneurship, on the basis of Chinese conditions, we can draw on the experience of developed countries, whose tax preferences play an important role on

undergraduates' entrepreneurship. Firstly, longer tax preferences periods should be given to those remaining unemployed after graduation. Secondly, simplified tax imposition modes by simplifying tables, lessening materials and combining business taxes and business income taxes to their pressures from administrative departments. Thirdly, lessen or remit the business taxed of agents providing service for undergraduates' enterprises so as to encourage more aids from agents for these enterprises.

### **2.1.3 Amend laws and regulations on technological innovation**

Innovation is primary productive force while undergraduates are fresh troops of technological innovations. To reduce obstruction of entrepreneurship, laws, regulations and norms can be enacted to ensure innovations as it is important prerequisite and guarantee for small and medium enterprises' innovations. A designated chapter regulating technological innovations in SME Promotion Act; meanwhile, we should strengthen technological innovative legislation such as laws on high-tech risk investment, laws on technological innovative funds, laws on scientific research institutions and laws on intellectual property protection.

## **2.2 The supporting subsystem of governmental policies**

In 2014, the Ministry of Human Resources and Social Security, National Development and Reform Commission and other seven ministries and commissions decided to implement a new round of 'Undergraduates' Entrepreneurship Leading Project', which was a boost of motivation for undergraduates' university entrepreneurs.

### **2.2.1 Create social environment in favor of undergraduates' entrepreneurship**

Firstly, administrative approval procedures of undergraduates' entrepreneurship should be simplified. As for venture capital, the National Development and Reform Commission has informed that the petty guaranteed loans policy should be implemented earnestly. On the premise of complying with provisions, the government should strengthen their support for university entrepreneurs, simplified counter guarantee procedures, intensify the independent guarantee function of guarantee funds, extend the warranty periods of guarantee funds aptly, carry out bank loans and financial discounts and give primary support for start-up enterprises with more undergraduates.

Secondly, we should make full use of SME developing specific funds by encouraging financial supports from enterprises, guilds, groups and angel investors and establishing angel investing and entrepreneurial investing funds. For that investment in favor of start-up enterprises, we should provide them with more income tax preferences and other policy encouragement. Thirdly, eligible areas should integrate available employment and entrepreneurship funds and improve management and operation systems to provide substantial entrepreneurial supports. Meanwhile, the government can establish entrepreneurial parks to aid the development of entrepreneurial developing service departments and nurture service markets, in which all kinds of entrepreneurship training activities can be carried out, enriching undergraduates' entrepreneurial knowledge as well as cultivate their abilities.

For example, to encourage undergraduates' entrepreneurship, the Shanghai Government formulate norms that university entrepreneurs can enjoy preferable polices including free risk assessment, free policy training courses, free loan guarantees and partial tax relief. Specifically, it includes that self-employed undergraduates can enjoy a maximum start-up loans guarantee of 70,000 yuan from banks and loan discount; a entrepreneurial education training center aimed at fresh graduates was established to provide free projects risk assessment and guidance, funded by 'employment promotion fund' affiliated to Labor and Social Security Bureau\*. As another example, Chengdu Industrial and Commercial Bureau also put forward implement opinions on promoting the employment and entrepreneurship of graduates, which allows zero down payment and unlimited loan amounts for university entrepreneurs as well as other six preferable measures including administrative fees relief, encouraging trial operation, open green access, guiding service, campus entrepreneurial guidance and administrative warning†.

### **2.2.2 Provide all-round information service**

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\*Li Xiaojing, Zhang Qun: 'Looking for angel investment: an effective measure of SME entrepreneurial financing', <Public Finance>, No.9 of 2004, Page 106.

†<http://news.sohu.com/20090508/n263838416.shtml>, 2014.6.18

The government can set up a perfect information consulting organization for innovative enterprises, collecting operation, business development, technology and market information and publishing it to entrepreneurial undergraduates. Besides, setting up national provincial information net, inside which face-to-face and online consulting service on educational training, information, technological guidance will be offered to potential entrepreneurs, as well as providing entrepreneurial related information are also effective measures.

Lastly, the authority can also pave a 'green channel' for undergraduates' entrepreneurship and establish entrepreneurial special funds to supply interest-free loans and loan guarantee.

### **2.2.3 Establish social security system of entrepreneurial education**

Due to scarcity of fixed working companies or non-local household registration, entrepreneurial graduates in start-up periods can hardly enjoy basic social security. Therefore, policies should be promoted to ensure their basic social security such as endowment insurance, medical care and housing support.

### **2.3 Establish supporting subsystem of enterprises assistance**

In the supporting system of undergraduates' entrepreneurship, enterprises are undoubtedly irreplaceable forces as they are internal bases of entrepreneurial teachers and entrepreneurs are important forces of mentors teams. Enterprises are not only bases for entrepreneurs' practice, giving them chances to experience the process of entrepreneurship, but also capital channels for university entrepreneurs, whose influence is prominent while the government is setting up and improving capital channels for undergraduates. For instance, since 2006, Intel has cooperate with Youth League Central Committee, Huanquan students joint association and host schools to support "Challenge Cup" undergraduates' entrepreneurial projects competitions: inviting judges for quarter-finals and finals; providing some funding assistance for host schools; selecting and fully funding three teams and send them to America to take part in Global Technological Entrepreneurial Contest\*. Wanda Group, as another example, have promoted a ten-year project in support of undergraduates' employment and entrepreneurship since 2013: Wanda would employed 80,000 graduates from 2013 to 2022 and create 300,000 posts in Wanda Squares, five-star hotels and cultural tourism programs; it also invest 0.5 billion entrepreneurial funds and no less than 500 Wanda Square physical stores to support 1000 entrepreneurial graduates†.

#### **2.3.1 Encourage enterprises to provide risk investment for undergraduates' entrepreneurship**

Enterprises can make equity investment on undergraduates' enterprises and gain capital additional profits after the maturation of them. Besides, the authority also enacts a series of encouraging and guiding policies for venture capital enterprises. For example, Regulations on The Implementation of The Enterprise Income Tax Law provides great support in tax aspects; Interim Measures for The Administration of Venture Capital Enterprises provides considerable preferable policies in aspects like carrying out project investment using banks' loans. Secondly, enterprises can also invest them directly by intangible assets, currencies or other physical assets to gain more profits by means of profits distributions, etc.

#### **2.3.2 Encourage enterprises to provide outsourcing projects**

Enterprises can supply enormous working project in two ways: decompose a big projects into several sub-project or distribute non-core and temporary projects to undergraduates' entrepreneurial teams; cooperate with them to make scientific researches. In this way, they can no only reduce their costs and avoid overexpansion, but also make use of the undergraduates' wisdom to save developing costs and speed up development.

#### **2.3.3 Guide enterprises' cooperation with schools**

Nowadays, with strong social responsibilities, enterprises always aid undergraduates' entrepreneurship as public welfare undertaking. In aspect of education, the solid mentor sources can better cultivate the consciousness and abilities of entrepreneurship. Besides, universities should attract enterprises forwardly to support university entrepreneurs in all aspects. They can analyze each other's sources and needs on the basis of understanding and respecting the needs of enterprises and search common grounds between schools' educational needs and benefits and win-win development, we can combine the talent and technology advantages with the capitals and devices of enterprises to develop deep level cooperative relationship.

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\*<http://tech.qq.com/a/20090714/000459.htm>, 2014.6.18

†[http://epaper.dfdaily.com/dfzb/html/2013-09/10/content\\_814614.htm](http://epaper.dfdaily.com/dfzb/html/2013-09/10/content_814614.htm), 2014.6.18

In fact, schools and enterprises share comprehensive cooperative contents: universities can cooperate with enterprises in project application, products research and development, overcoming technological difficulties, patent application and drawing up industrial standards; they can also send outstanding graduates to cooperative enterprises, provide preferable recruitment sites and encourage enterprises to set up research organs and experimental centers in campus. In this way, they can form a win-win momentum.

#### **2.4 Supporting sub-system of university's rules and regulations**

Universities are cradles for nurturing undergraduates as their rules and regulations have direct influences on the quality of students. Colleges have been spearheads in cultivate students and the improvement and establishment of their rules and regulations may reflect whether undergraduates' entrepreneurs can succeed.

##### **2.4.1 Carry out entrepreneurial practical activities; draw up rules to cultivate practical talents**

Many developed countries have form a complete entrepreneurial educational system from primary and middle schools to colleges and cultivate their spirits and consciousness of innovation. Nevertheless, in China, teachers and parents pay more attention to scores instead of quality and there is disconnection between practice and theory. Students are compelled to work hard to fulfill teachers and parents' dreams of key middle schools and colleges. Therefore, colleges should stress great significance to entrepreneurial and innovative practice and enrich students' knowledge and experience of entrepreneurship and innovation as well as raise their spirits and abilities of entrepreneurship by holding entrepreneurial and innovative contest, courses, forums and mock practice.

##### **2.4.2 Carry out entrepreneurial training, improve entrepreneurial training systems**

Colleges should integrate all kinds of resources to introduce mature entrepreneurial training projects into campus and explore suitable projects. Meanwhile, universities should strengthen education of undergraduates' entrepreneurial risk avoiding consciousness and teach them various difficulties and problems in this process, raising their abilities and consciousness to avoid risks.

##### **2.4.3 Introduce policies and measures to promote undergraduates' self-employment**

College can collect capitals in various methods including applying supports from local governments and society, establishing "entrepreneurial capitals for graduates" and "angel funds" by means of finance and society. They should also improve the organism of entrepreneurial investments and encourage foreign and domestic capitals to invest local entrepreneurship based on campus technology parks, entrepreneurial bases and other scientific research platforms. Meanwhile, eligible colleges should encourage teachers and students to transform their scientific fruits, inventions and patents into entrepreneurial projects by combining majors and scientific projects' characteristics.

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