

# Venture Risk and Financing of College Students

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**ABSTRACT.** *Under the background of advocating independent entrepreneurship, College students, as the most dynamic and potential group, have become the main force in the independent entrepreneurship camp in China. With the introduction of the national incentive policy for entrepreneurship and innovation, more and more college graduates hope to start from scratch and work out their own field. However, the social experience of College graduates' entrepreneurship is relatively insufficient, and they face many problems and frustrations in entrepreneurship. In this paper, the risks and financing problems of College Students' entrepreneurship are sorted out, and the social topic of College Students' entrepreneurship is discussed.*

**KEYWORDS:** *Venture financing for College Students*

## 1. Current situation of College Students' Entrepreneurship

Since the expansion of university enrollment in China, the number of university graduates has steadily increased, the market has become saturated, and the limited employment posts can not meet the needs of a large group of graduates. Faced with the severe employment situation, many college graduates have chosen the path of self-employment, hoping to promote employment by entrepreneurship. Compared with developed countries, China's universities have less time and experience to carry out entrepreneurship education. It can be said that the entrepreneurship of university students in China is still in its infancy. Although some progress has been made after more than ten years of exploration, there are still many deficiencies in the development of independent entrepreneurship of college students in China. We should learn from the advanced experience of foreign countries, actively explore the Entrepreneurship Model of college students suited to our national conditions, and lead China's entrepreneurship to a new era.

## 2. Classification of entrepreneurial risk factors for College Students

According to the classification of entrepreneurship risk in domestic and foreign literature and the summary of the results of investigation and interview, the source of entrepreneurship risk of college students can be roughly divided into the following risk factors.

### ***2.1. Market risk***

Because of the law of market economy, market risk is the first or uncontrollable risk that college students need to face in their entrepreneurship. In the interview, we found that the economic crisis in the market, inflation factors, such as rent, raw materials, rising labor costs, etc. have become the main bottleneck of college students' entrepreneurship, and also one of the main reasons for their high financing costs. Due to the time and capital of entering the market, experience restrictions and so on, it is usually forced to accept market pricing, changes in the bargaining power of buyers and suppliers, and changes in various economic costs, thus reducing its profitability and increasing the risk of College Students' continued success in entrepreneurship.

### ***2.2. Operational and managerial risks***

At the beginning of their entrepreneurship, some college students tend to blindly pursue business scale, resulting in blind financing and waste of funds, out of their strong desire for success and urgent expectation. This makes many college students, even before the start of their business, have fallen into financial difficulties. In addition, the literature also shows that the failure of College Students' entrepreneurship caused by decision-making errors, as well as the unscientific organizational structure and improper employment, are particularly evident in college students' entrepreneurship.

### ***2.3. Lack of legal consciousness of entrepreneurs***

With the continuous development of the socialist market economic system with Chinese characteristics, the means of regulating and controlling the economy by law are becoming more and more perfect. The behavior of every market economic subject is protected and restricted by law. Undergraduates' entrepreneurship is a kind of legal behavior for university students to participate in market competition. Their main behavior activities must be carried out in accordance with the provisions of national laws and the agreement of contracts. Therefore, in the process of entrepreneurship, entrepreneurs face many legal risks in exercising their rights and fulfilling their obligations. Its contents cover the establishment, operation and management of enterprises, financing loans, creditor's rights and debts, labor and personnel, and industrial and commercial taxes. Business, safety in production and many other fields. However, in the practice of entrepreneurship, many college students lack the necessary legal common sense and insufficient forecasting and judging of the legal risks they face, resulting in legal disputes in enterprise management, affecting the normal operation of enterprises, and then leading to the failure of entrepreneurship.

### **3. Analysis of Venture Capital Financing**

In recent years, some college students choose to start their own businesses during or after graduation. However, in today's society with rapid economic development, the problem of funds has been accompanied by every enterprise and individual. Then, from the perspective of funds, how much capital is needed in the process of starting a business, when it is needed, how long these funds can support, how to raise these funds and other important financial matters, the data show that the proportion of successful financing of college graduates is less than 20%, and the satisfaction of entrepreneurs to financial policy is gradually decreasing. Therefore, entrepreneurs must have a clear plan, so as to ensure the survival and development of enterprises can get continuous financial support.

#### ***3.1. Analysis of Start-up Capital Demand***

Generally speaking, the more important start-up funds for college students are fixed assets and liquidity funds.

##### ***3.1.1 Fixed Assets***

Fixed assets investment refers to the things that enterprises purchase with high value and long service life, such as houses and buildings, machinery and equipment. The first category is enterprise land and buildings, mainly referring to the acquisition of enterprise land and buildings. Undergraduates usually have insufficient initial capital to start their own businesses, but they need more capital and high cost to purchase land and buildings for enterprises. Therefore, the possibility of this kind of purchase is relatively small. The office space of a start-up enterprise usually takes the form of leasing. The second category is equipment, which refers to the machines, tools, working facilities, transportation equipment, office furniture needed by start-ups.

##### ***3.1.2 Liquidity***

Liquidity refers to the funds that an enterprise needs to pay in its daily operation, such as wages, rents, raw materials, product storage, cash in stock, bank deposits, receivables and prepayments, insurance premiums, water and electricity charges, office charges, transportation charges, taxes, etc.

#### ***3.2. Venture financing channels***

Financing channel refers to the direction and channel for enterprises to raise funds. Undergraduate entrepreneurship, in most cases, may only have a good idea, no mature products, there are greater risks and uncertainties, relatively few financing options. According to the entrepreneurship cases around us, we can see that college

students choose the following ways to finance in the early stage of entrepreneurship.

### ***3.2.1 Partnership Financing***

Partnership financing refers to the joint contribution of partnership entrepreneurs and their respective shares according to the proportion of contribution. Partnership entrepreneurs do a good job in dividing the work of each person, and make clear their respective responsibilities and rights. Advantages of partnership financing: Partners invest in partnership enterprises according to their share of shares, and share profits, pressures and risks according to their share of investment. This channel will generally formulate the company's articles of association, with institutional and legal guarantees, generally speaking, less disputes. The financing cycle is also short. This is one of the most popular financing channels for Contemporary College entrepreneurs. The disadvantage of partnership financing: the decision-making process requires partners to make decisions together and reach agreement, which may affect the efficiency of decision-making. Partners may have differences in power allocation, development strategy and business decision-making, which may lead to contradictions.

### ***3.2.2 Family Financing***

Family financing refers to entrepreneurs who raise funds from family members or relatives and friends. The advantages of family financing: funds are generally paid in one lump sum, and the speed of fund raising is faster. Generally, there is no need to bear interest, low financing cost, less risk, and no need to mortgage and record credit records. Family financing shortcomings: to borrow money from family members or relatives and friends to start a business, if the failure of the business leads to failure to repay on time, it may bring financial risks to relatives and friends, and then affect the feelings of relatives and friends, and it will be very difficult to borrow again next time.

### ***3.2.3 Commercial Loans***

Commercial bank loan refers to the amount borrowed from fixed-term interest expenditure. However, the risk of start-up enterprises is relatively high, and it is difficult to evaluate their value. Commercial banks are generally reluctant to take greater risks to provide such loans. And such loans generally require entrepreneurs to provide guarantees, such as mortgages, pledges, third-party guarantees and so on. Start-ups are generally difficult to obtain. But with family support, entrepreneurs can obtain commercial loans by mortgage of their home property, which can be planned as start-up capital. In addition, in recent years, some small and medium-sized commercial banks have launched venture loans specifically for start-up enterprises. Advantages of commercial banks' venture loans: The interest rate of commercial banks' venture loans is generally low, and there are certain subsidies in some areas. The disadvantage of commercial banks' venture loans is that they have high

application threshold and strict requirements for applicants.

#### **4. Analysis of the Reasons for the Difficulty of College Students' Venture Financing**

##### ***4.1 Government level***

(1) The policy propaganda is insufficient. Government policy financing is an important source of College Students' venture financing. However, the introduction of the policy on College Students' venture financing is too little. Most college students do not understand the relevant government funding policy, which makes the policy unable to be implemented and play a fundamental role.

(2) The policy implementation is insufficient. The complicated procedures of policy financing and the lack of practical experience of many executing units to solve the problems encountered in the application process can only be implemented in accordance with the provisions of policy documents, resulting in low efficiency and low execution.

##### ***4.2 Social Level***

(1) The conditions for bank loans are harsh and the threshold is high. Bank loans often require good credit guarantees from the lenders, which is really difficult for college students just out of school to form a strong credit guarantee. There is also a lack of risk guarantee mechanism in society to guarantee the credibility of College students. In addition, the risk of College Students' entrepreneurship projects is higher, which makes it difficult for college students' Entrepreneurship projects to be favored by banks.

(2) Information asymmetry. Information asymmetry restricts the capital structure and financing mode of enterprises.

Although college students as entrepreneurs have a clear assessment of future earnings of their own entrepreneurship projects

Have a clear understanding of the operation of enterprises. However, for investors, because of information asymmetry, it is difficult for them to have a clear assessment of the project and to measure risks and returns. As a result, investors will be more cautious about the estimated financial data provided by entrepreneurs, which limits the scale of financing to a certain extent.

##### ***4.3 Personal Levels***

Most college students' entrepreneurs lack the ability of enterprise management, which results in inefficiency and waste of capital utilization, affects the enthusiasm of investors, and then leads to the deterioration of the environment for college

students' venture investment; some college students lack technology, low barriers to entrepreneurship projects, easy to replicate, high failure rate, and difficult to obtain financing from investors; college students lack social reputation and social resources, and are not good at rectification. Joint venture resources and formulate corresponding financing schemes according to their own projects to broaden financing channels.

## 5. Summary and Suggestions

Government, universities and society also have a significant impact on the success of college students' entrepreneurship. To improve the success rate of college students' entrepreneurship, it is far from enough to seek solutions from college students themselves. Therefore, it is hoped that the government will continue to improve college students' entrepreneurship policies, provide better financing policies, and put them into practice to build an entrepreneurship policy support system; universities should attach importance to entrepreneurship education, improve the curriculum of innovation and entrepreneurship, and build an entrepreneurship education system; in the whole society, a strong entrepreneurial atmosphere should be formed, Entrepreneurship Management service system should be improved, and entrepreneurship social clothing should be constructed. Service system. Only by working together at these levels can we play a synergistic role in improving the success rate of college students' entrepreneurship.

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