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Master's Thesis of International Studies

Study on China's Youth Startup: focusing on the comparison with Korea

중국의 청년창업 연구: 한국과의 비교를 중심으로

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Abstract

Youth entrepreneurship has been greatly encouraged for many young college students in China since the success stories of innovative companies such as Baidu, Alibaba and Tencent. And in a globally slowing down economy without employment, starting up a business has become a new alternative to employment in China as well as in Korea. Therefore, the government is trying hard to promote youth entrepreneurship as a way to solve the problem of youth unemployment. This paper aimed to find out why in a capitalist country, Korea, the challenges of youth entrepreneurship are so burdensome and difficult, while in a socialist country, China, youth entrepreneurship seems more tempting and easier.

According to the study, there exist positive and negative factors that affect promoting youth entrepreneurship in China and Korea. In China, central government and the communist youth league together are providing various opportunities and supports to the youth, and this was possible because China is a country with one-party system. While in Korea, the government policies towards youth entrepreneurship seemed rather sporadic. And also, the education was more practical in China while Korea was focusing more theoretically. In Korea, the regional governments were giving various promoting policies not only limited to innovative scientific field but various

fields with different regional characteristics.

One of the negative factors that interrupt young people from starting up a business in China is Hukou system. Since the opportunities are given only in big cities, young people without urban hukou are hard to receive the benefits from the government. China has also experienced difficulties with slowing down economy; however, since the population is huge and the size of internal market is incompatible with other countries, it seems to be comparatively more stable. In Korea, chaebols, family owned conglomerates, tend to impede small companies from growing. Cultural factors are also affecting Korean youth from starting up a business. People tend to think that when one fails from getting a quality job, they start up a company. When one doesn't have a stable job, it is even quite hard for one to get married. There were other impeding factors for Korean youth entrepreneurs such as military service, political instability and lack of proper exiting plans.

However, there were limitations due to lack of data collecting and quite a lot of problems are still remained to be solved. They can be included in the future study in order to have more in-depth understanding of youth entrepreneurship in China and Korea.

Keywords: youth entrepreneurship, startups, China, Korea

Student ID: 2014-24307

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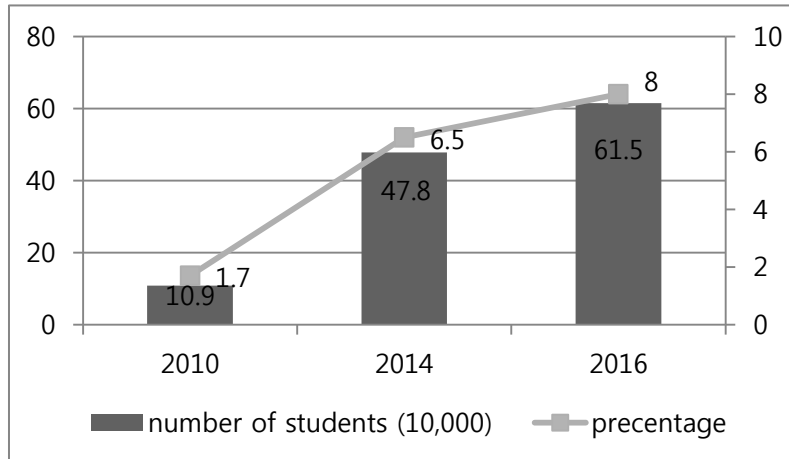
I. INTRODUCTION

1. Statement of the Problem

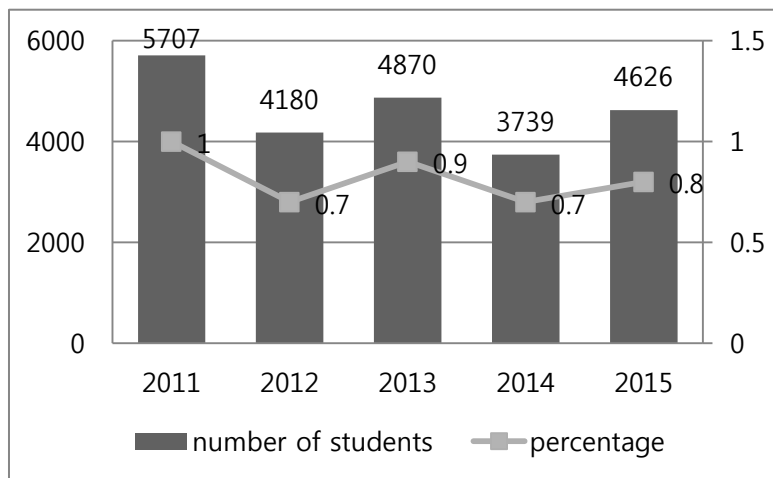
According to a report from KITA(Korea International Trade Association) released in 2017, as of the end of 2016, the number of newly established enterprises in China increased by 24.5% from the previous year to 5,528,000. In contrast, the number of newly established companies in Korea increased only by 2.5% from the previous year to 960,155. The number of university graduates started up a company in China reached 615,000, accounting for 8.0% of all graduates, increasing every year from 1.7% in 2010 to 8.0% in 2016. On the other hand, the ratio of young entrepreneurs in Korea is estimated to be 0.8% as of 2015. According to a survey of 310,000 university students in China by 2016, 89.8% of the respondents answered that they are interested in starting a business. However, in a survey of university students conducted in 2017 by Chungang University in Korea, only 2.8% and 1.1% of students said that they would start a business or willing to work at a start-up company, respectively (KITA, 2017).

<Figure 1 - Number of university graduate entrepreneurs and their proportion>

CHINA



KOREA



Source: China Development and Reform Commission

Korean Educational Development Institute

Source recited from the KITA market report, 중국의 대학생 창업 현황 및 시사점, 2017

Table and graph arranged by the author

In China, the young generation who are experiencing economic slowdown and changes in existing social order are choosing to start up a business as a new breakthrough. The success story of the so-called BAT(Baidu, Alibaba, Tencent) has become a catalyst for young and talented people to start their businesses. Korea, also, is suffering from serious youth unemployment rate and the government is trying to promote youth entrepreneurship. Despite the efforts of the government, however, the rate of young entrepreneurship seems much lower than that of China's. In a capitalist country, Korea, the challenges of youth start-ups seem burdensome and difficult, while in a socialist country, China, youth start-ups seems more tempting and easier. So why are Chinese young people more active in starting a business than Korean young people?

The concept of entrepreneurship has a wide range of meanings. Entrepreneurship has been defined as a behavior to create new ventures (Gartner, 1989: 49). An alternative behavioral definition of entrepreneurs refers to independent ownership, active management, and expressed intention to do so (Stewart & Roth, 2001: 146). Other definitions of entrepreneurship describe tasks, such as the recognition and exploitation of opportunities, as central to entrepreneurship (Shane & Venkataraman, 2000:

220). This study uses a behavioral definition of entrepreneurship, the creation of new ventures. Youth in this study means of age, not newly established companies. Young people who can get help from the government policies in both countries are usually under 40. Thus people in their 20s and 30s are those government is targeting as young entrepreneurs. This study will be mainly focusing on people in their 20s, who are still attending in universities and preparing to start up a business or have graduated recently.

2. Scope and Significance of the Study

Although people are quite interested in the issue, there is only limited literature on the youth entrepreneurship in China and Korea since it is still an ongoing procedure and the outcome is not clear yet. Thus there is not much systematic analysis conducted to compare youth entrepreneurship in China and Korea. In this study, the author will summarize supportive policies of the government, investigative reports, and papers conducted by both governments and scholars. This study will reflect the significance of different characteristics of two countries on youth entrepreneurship by a comparative study. It will show the changes in economy and job market in China by studying government policies and will be able to see what characteristics Chinese society has.

The study is basically a comparison of factors promoting or impeding youth entrepreneurship in China and Korea. The focus will be on the capital cities of the countries and most innovative cities, namely, Beijing and Seoul; Shenzhen and Pangyo, respectively. More specifically, the comparison will be based on how government policies encourage youth entrepreneurship, the challenges that prevent youths from starting a business, the possibility of growth of startups even with the slowdown of the economy and last but not least, whether startups will be a lasting solution to social stratification.

3. Research Methodology

The thesis mainly relies on document analysis method of data collection which includes literature reviews, secondary sources such as government reports, data collected and utilized by other scholars and information collection from newspaper articles. All documents and articles will be carefully selected and reviewed to fit the study topic and the set objectives. Document analysis method is a type of data collection method in qualitative studies in which documents and various forms of literature are read and interpreted by a scholar after which they are given meaning and voice based on the assessment of the topic at hand (Bowen, 2009: 27). The analysis of documents entails the conversion of content into various themes

just like it is in the case in the use of interview scripts and focus group discussions (Bowen, 2009: 27). In this study, the rubric will be developed to score and issue grades to various documents used depending on their relevance on articulating the research topic. The analysis of documents is a method of social research and it is a very critical research tool of its own. It is a valuable process during triangulation which is a combination of different methodologies in the study of one particular phenomenon (Bowen, 2009: 30). For purposes of achieving corroboration and convergence of data, scholars involved in qualitative research normally use multiple resources by employing different methods of data collection and data sources. The study will, therefore, apply triangulation method in order to establish a confluence of data meets the set standards of credibility in a qualitative research of this nature (Bowen, 2009: 30). The process of supporting findings with evidence across all sets of data will help minimize the likely effect of bias by examining and confirming the data collected from different documents directly. Given that no study is entirely qualitative or quantitative, this research will embrace a mixed method by use of a variety of documents to help answer all research questions conclusively and comprehensively.

The author chose a document analysis method of research because of

a number of reasons. It is a very effective and efficient method of data collection because documents and texts are physical resources which are very easy to manage. Documents are found almost everywhere and exist in different types making them reliable and accessible sources of information. The process of analyzing and obtaining information from documents is usually more economical in terms of time and cost than the use of experiments, questionnaires, and interviews among other methods of research (Bowen, 2009: 37). It is also important to note that the author will use document analysis because documents do not react and are always have a stable content. This means that the information contained in them can be read and verified as many times as possible without the influence of the research process (Bowen, 2009: 37). In addition, document analysis has the ability to strengthen and supporting research in several ways. It can be applied in many fields, regardless of whether they are sciences or arts, as a major source of data or as a complementing research method. Documents are able to provide supplementary data and are, therefore, needed for most researches. They are able to provide more information about the background of a given research topic making it very easy for researchers to contextualize their research and stick to the topic (Bowen, 2009: 38).

II. LITERATURE REVIEW

1. Background

Over the past few decades, China's reform and the opening have been evaluated as very successful. Especially in terms of growth, no one will disagree with such an assessment when China has shown a 9% annual growth rate in average since the 1980s. But China, along with economic growth, is facing some problems to solve. Among these problems, unemployment is one of the most prominent ones. In fact, unemployment is an issue not only for China but for all countries around the world. China's unemployment rate has been rising from 1.8% in 1985, 2.5% in 1990, 2.9% in 1995, 3.1% in 2000 and 4.2% in 2005 and has remained at more than 4% since 2002(Data from Ministry Of Human Resources and Social Security of the People's Republic of China). However, official statistics released by the Chinese government are much lower than they actually are, and economists believe that more urban populations are unemployed. If we add redundant laborers in rural regions and laid-offs from state enterprises, the actual unemployment rate would probably reach over 10% (Belsie, 2015). China's

exports at the beginning of the reform were centered on labor-intensive industries based on low wages. However, in order to survive in the increasingly competitive world economy, China fostered technology and capital-intensive industries by actively attracting foreign-invested enterprises and focusing on technology transfer. The advancement of China's industrial structure has resulted in growth with less employment. Current unemployment can be seen as an inevitable consequence of economic restructuring.

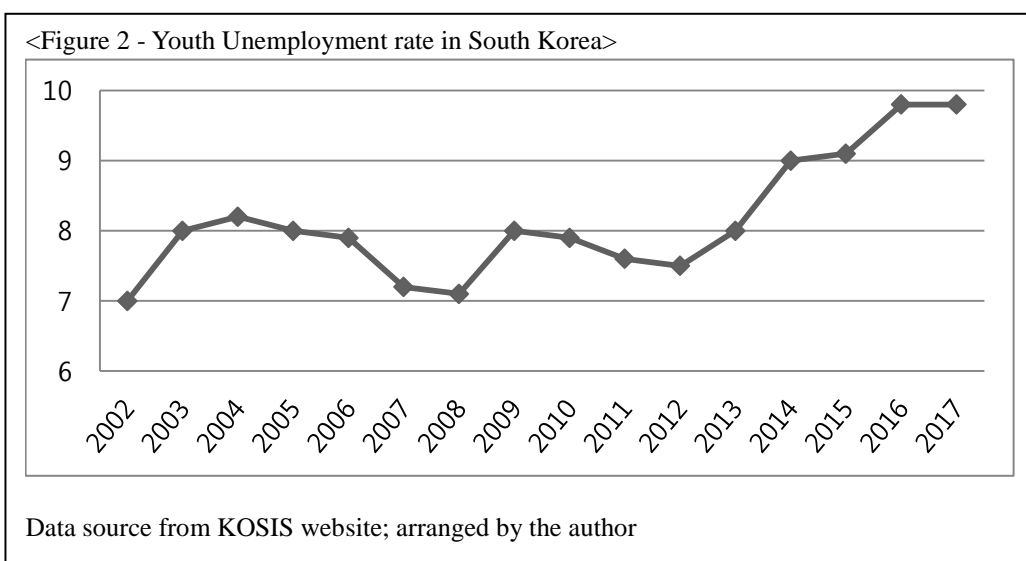
Employment elasticity is a measure of the percentage change in employment associated with a 1 percentage point change in economic growth. The employment elasticity indicates the ability of an economy to generate employment opportunities for its population as per cent of its growth (development) process. The larger the number, the greater the size of employment expansion compared to economic growth. At the level of developing countries, employment elasticity is high, but as the economy matures and technology develops, it tends to fall. This is because the main industries shift from labor-intensive industries to capital-intensive industries. The problem is that the rate of decline in Korean economic employment elasticity is too fast. As in other countries, the decline in the elasticity of

employment is due to the reorganization of the domestic industrial structure into capital and technology-intensive industries. The emergence of new technologies such as smart farms, smart factories, unmanned kiosk expansion in retail, smart finance, and chatbot are also factors that accelerate growth without employment. It is also affected by the economy. The uncertainties surrounding the domestic and global economy are growing, and companies are reluctant to invest and hire their workers. In addition, it added to the policy of improving working conditions such as minimum wage increase, adoption of 52-hour week, and regularization of irregular workers. Positive policies to improve the quality of employment have a negative impact on the amount of employment. Most organizations expect the number of employed workers to grow to below the 100,000 mark in 2018, the lowest level since 2009. The Bank of Korea expects to increase the number by 90,000 and the Korea Development Institute (KDI) by 70,000(김수현, 2018).

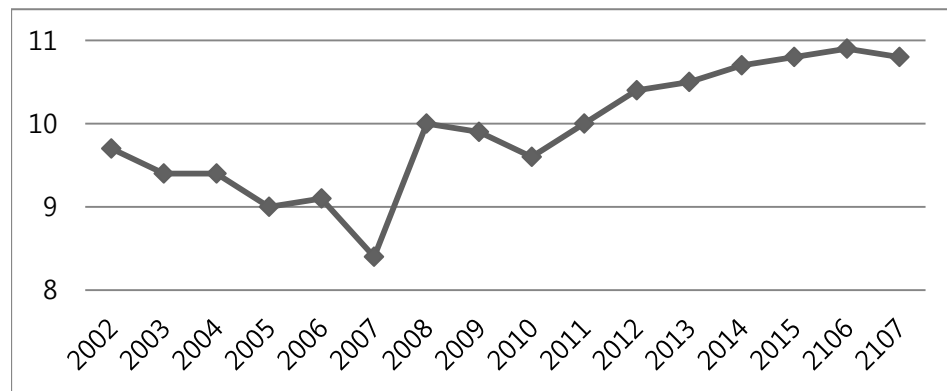
2. Unemployment and Youth Entrepreneurship as an alternative

With the development of the economy in recent years in two East Asian neighboring countries, China and Korea, the problems of youth employment and unemployment have also gradually emerged. As global economic growth slows down, youth unemployment is becoming a global

phenomenon that China and Korea cannot avoid. Youth unemployment, according to OECD, means the number of unemployed 15-24 year-olds expressed as a percentage of the youth labor force. Unemployed people are those who report that they are without work, that they are available for work and that they have taken active steps to find work in the last four weeks. However, considering Korea's high university enrollment rate, most people in this period are still attending school; so the KOSIS (Korean Statistical Information Service) sees up to 29 years old as a youth when measuring the unemployment rate. The youth unemployment rate in Korea has been around 9% for the last decade according to data from OECD. To see the data from KOSIS, it has been steadily rising from 7.0% in 2002 to 9.8% in 2017.



<Figure 3 - Youth Unemployment rate in China>



Data source from ILOSTAT website; arranged by the author

The youth unemployment rate in China has risen from 9% in 2005 to 10.8% in 2017 based on the data from ILO. China's youth population will actually have shrunk by a quarter over those seven years, to 181 million, but the number of young people without jobs will have dropped by only 1 million over the same period (Miles, 2015). The number of youth unemployed has always accounted for about one-third of the total unemployed population in China, and the number of newly-emerged youth unemployment has increased year by year (黄洁, 2007). As Korea is also experiencing a 9% youth unemployment rate since 2014, the problem of

youth unemployment is serious (이신정, 2017). It is said that the youth population is the largest in human history and youth unemployment is also facing the most serious period. In the era of the so-called fourth industrial revolution, robots produce products and customized services appear based on artificial intelligence. The production entity will be diversified from company to individual, and if anyone has an idea, it will be able to provide innovative products and services that they want. Given the Fourth Industrial Revolution's rapid pace of change and broad impacts, the government must continuously adapt to a new, fast-changing environment. To do so, governments and regulatory agencies will need to collaborate closely with business and civil society.

Amaghouss and Ibourk (2013) have demonstrated the theoretical and empirical evidence of the impact of entrepreneurial activity on economic growth, and found that entrepreneurs contribute to job creation and wealth creation as a result. Looking at the results of the Kauffman Foundation (2009), net employment growth in the United States for the past three decades has largely declined if exclude start-ups. However, the number of jobs increases if include start-ups, indicating that start-up entrepreneurs contribute more to job creation than existing entrepreneurs.

Since startups give vitality to the economy and create employment, both developed and underdeveloped countries are concentrating their policy competence in promoting entrepreneurship. In the case of Korea, the "Small and Medium Business Establishment Support Act" was enacted in 1986, and various support policies have been prepared to promote business start-up. Especially, after the financial crisis, a common consensus has emerged that small and medium enterprises and venture companies should be developed as new growth engine of the Korean economy. In addition to this, various support projects for small and medium enterprises by different ministries are being promoted. Recently, activation of entrepreneurship, which can create new value by energizing the economy, emerges as a new alternative (이희하, 2017). Especially, fostering the entrepreneurial spirit of the college student is believed to be one of the solutions for reducing the level of unemployment (Yang & Puput Ichwatus, 2015).

3. History of Youth Entrepreneurship in China

Since the Chinese economic reform started in 1978, new investment avenues for young people have also opened up, and China has been making quick progress regarding new opportunities and markets. Youthful entrepreneurs have kept playing a pivotal role in creating a vast market

economy which went beyond the expectations of reformers. Most young entrepreneurs went to the extent of having the state monopoly broken by creating new jobs and opportunities (Bai, Tao & Lu, 2006). Since the year 1989 up until the year 2004, the number registered small and medium enterprises which were mostly controlled by the youths had risen by approximately 30%.

This rapid growth can undoubtedly be attributed to the changes in institutions and policies. However, economists now claim that minimal scrutiny has been carried out to ascertain the exact influence of China's firm policies and youth entrepreneurship as a way of determining whether the country needs to advance her strategies to focus more on research and development forms of youth entrepreneurship or not (Steinfeld, 2007). The characteristics of the Chinese economic reform agenda have always been experimentation in various economic sectors alongside making of a few reforms (Gregory, Wagle and Tenev, 2000).

According to Nee (1996), the economy in China had been regionally organized and not centrally like in the Soviet Union from about 1958. Some regions were more economically advanced than others and this affected youth entrepreneurship in different ways. Youth from those regions that were

economically advanced were therefore much more advantaged to invest in small businesses compared to those in less developed regions.

From the year 1980, revenue generated from tax and other promotions was mainly set aside for economic development. Therefore, every region benefited from its revenue. It was, therefore, the obligation of state officials mandated to manage the revenue to come up with favorable regulations and become creative enough to support private enterprises owned by young entrepreneurs. It became possible for various economic reforms which were tried successfully in other regions to be adopted by others. Regions like Jiangsu, Zhejiang and of course the capital Beijing, had focused much on youth entrepreneurship and were a target for most economic experiments in China as a whole. Other economic reforms saw regions share their revenue with the national government in what was seen as a move to promote the equitable development of entrepreneurship across all provinces in Chinese provinces (Qian, 1999: 152). In the late 1980s, with the start of so-called 'Spark Leaders Program' organized by the central committee of the Communist Youth League, various government institutions began to give support to start-ups by young entrepreneurs. Apart from financial support, young entrepreneurs also enjoyed zero discrimination from the ownership of

private property, lower taxation in their businesses as well as opportunities to invest in other countries (Qian, 1999: 155).

Since the advent of the 21st century in 2000 to date, the institutional environment towards entrepreneurship can be said is more supportive regarding issuing start-ups to young entrepreneurs especially to those who have a potential of investing in more technologically oriented enterprises. The difference between this century and the pre-1999 period regarding the institutional environment is that this century has been mostly focused on nurturing young people to invest in science and technology-based ventures as a way of promoting research and development. There has been an overall emphasis on tertiary institutions of education on modifying their curriculum towards the long-term goal of a scientifically and technologically driven economy. In 2006, the Chinese government developed a strategic plan whose main pillars were science and technology as a foundation for a stronger policy on the same in years to come (Eesley, 2009: 8). Therefore, most young entrepreneurs in China today have been focused on these scientific and technological innovations to get support from the government and to create lots of opportunities for themselves given that the country is one of the leading producers of machinery and technological equipment across the

globe.

4. History of Youth Entrepreneurship in Korea

Youth entrepreneurship is a critical element to consider for the growth of any nation. Chaebol system is a significant factor to consider when tracing the history of youth entrepreneurship in South Korea. Chaebol is an arrangement which is the same as a family business, and it said to have started back in the year 1920 when the Japanese had occupied the whole of Korea. Members of the founding families were the ones who were charged with the responsibility of controlling and managing the chaebol (Roibu, 2017: 12). They were a group of firms which were subordinate to the government and managed by different families. Chaebols provided an opportunity for young members of the family to learn how to operate and manage companies before they took over or start their own at a later time. They grew and became so powerful that they were able to act on behalf of the government at that time. Because of this power, chaebols starved small and medium enterprises from development, and this created a massive imbalance to the Korean economy. This meant that only those youths who were privileged to come from families which controlled chaebols managed to become successful entrepreneurs. The fact that the Korean economic market was

pseudo-liberalized became a recipe for so many differences and conflicts among markets and small businesses (Roibu, 2017: 12). Even though the Korean government has made efforts to tame the powers of the chaebols, its efforts were not entirely successful.

Though a lot still needs to be done, South Korea has made successful efforts to be in the global limelight as a country that has promoted the welfare of young entrepreneurs. From the year 2004 to the year 2008, just like it was the case of many nations throughout the world, Korea had an average growth in the economy of 4% as a result of massive internal consumption and increase in exportation. Consequently, this led to the rise of many young entrepreneurs given that the business environment was friendly (Roibu, 2017: 13). And also, the Korean government had realized that it had much-unexploited potential among the youth and it decided to pump much money in sectors such as culture and tourism to create more opportunities for them (Wong, Ho & Autio, 2005: 336). However, the year 2009 came with a big crisis in the Korean economy, and as a result, the country became a victim of high rates of unemployment among the youth.

Even though the economy of South Korea is still being controlled by the chaebols, who are apparently the owners of Samsung, Hyundai, LG, etc.

the government is trying to create an excellent businesses environment for young entrepreneurs. Low taxation, financial assistance, and promotion of research and development in colleges and other tertiary institutions are some of how the Korean government has used to support youth entrepreneurs for the overall growth of the Korean economy. The government has also invested heavily in education and innovation among young people. For example, since the early 1990s, universities and the Ministry of Education together are opening lectures about entrepreneurship, setting up various programs to be joined by college students.

However, the success in entrepreneurship in Korea has not been realized without obstacles, and one of them is the system of education. The curriculum development is still insufficient due to the short history of entrepreneurship education in Korea and there is a limitation in providing systematic entrepreneurship education due to lack of faculty staff, teaching method and material development. Accordingly, entrepreneurship education in Korea is being offered in the incomplete form both in terms of the subject for education and stage, and there is a need for systematic cooperation between educational institutes and support agencies for each stage (Kim, 2016). This is a problem because many graduates may end up looking for

jobs which may be limited instead of becoming entrepreneurs. Even so, the success rate of youth entrepreneurship in Korea remains high thanks to the friendly environment and government support despite the domination of the chaebols in the economy (Roibu, 2017: 15).

5. Differences shown in youth entrepreneurship in two countries

In China, people have high intention to start a business. They are interested in innovation-based entrepreneurship, active in overseas expansion, and are usually related to IT field. However, in Korea, there are many cases in which people are considering starting a business as an alternative to employment. They are concentrated on low-value business such as cafes and restaurants, and fear of start-up failure is great among people because people think that there is no second chance given after the failure. In both countries, wholesale and retail ranked the first accounting for more than 30% in types of business people start up. While in China, IT related industries ranked the second, but for Korea, it was accommodation and restaurant. For the third, it was service industries in both countries. According to the survey, males tend to start up a company more than females do, taking around 60%.

<Table 1 - Percentage of Different Types of Business People Choose for a Startup>

China	Korea
Wholesale and retail (34.5%)	Wholesale and retail (37.8%)
Info-communication, computer services and software (13.7%)	Accommodation and restaurant (18.9%)
Service industries (9.5%)	Service industries (10.7%)
Accommodation and restaurant (8.6%)	Manufacturing (4.3%)

Source: 한중일 청년창업, 중국 열풍, 일본 미풍, 한국은..., KITA연구보고서(2015)

There are some other characteristics in two countries. In China, Less educated people have a relatively large proportion of entrepreneurship in the wholesale and retail industry. Highly educated students' choices are in information, computer services, and software industries. In Korea, in most of the metropolitan cities, online sales ranked first, the second was restaurants and for the third, regional characteristics were well reflected for example, for Seoul it was software business, for Gwangju and Daegu it was clothing retail stores, for Sejong it was lecturer and tutor, and for Jeju Island it was accommodation. (김보경,2015)

III.COMPARISON OF YOUTH ENTREPRENEURSHIP IN CHINA AND KOREA

1. Factors affect promoting youth entrepreneurship

In China, the central government is highly involved especially communist youth league, which is led by the Chinese communist party. China's youth entrepreneurship is started and supported mostly by government and the party with financial support, lower taxation, and etc. In October, 2018, so called "Creating Youth", which is the largest youth innovation and entrepreneurship competition in China, was held in Suzhou, Jiangsu Province. It has been successfully held in other cities for four times up to now and this was the fifth event. The event is cosponsored by the Central Committee of the Communist Youth League with other government ministries. The Chinese government is encouraging entrepreneurship with a variety of support programs aimed at university students. The types of support programs are also substantial, including guidance on start-ups, transfer of credits, provision of facilities, funding, and tax benefits. There are few cases in which the Korean youth support policy is aiming especially for

university students, and education and consulting is main support programs for university students rather than giving out practical supports.

Beside “Creating Youth” competition, there is another large-scale star-up competition for college students which is called ““Internet +’ College Students Innovation and Entrepreneurship Competition”. However in Korea, it is difficult to find similar cases.

<Table 2 - Comparison of Start-up Competitions in China and Korea>

	China	Korea
Name	“Internet+” College Students Innovation and Entrepreneurship Competition	Korea Entrepreneurship League
Organizer	Ministry of Education, National Development and Reform Commission, Ministry of Industry and Information Technology	Ministry of SMEs and Startups, Korea Institute of Startup & Entrepreneurship Development, Ministry of Science and ICT, Center of Creative Economy and Innovation
Target	Undergraduate Students	Prospective entrepreneurs and entrepreneurs within 3years of start-ups

Participant	750thousand students from more than 2,000 universities (2017)	1,599 teams (2017)
Award	Investment / Loan Matching and Incubating Services Gold Award 30 teams, Silver Award 90 teams, Bronze Award 480 teams	14million Korean Won, 120 teams

Sources: Internet; recited from 중국의 대학생 창업 현황 및 시사점, KITA Market Report(2017)

Since the advent of the 21st century, the institutional environment towards entrepreneurship can be said is more supportive especially to those who have the potential of investing in more technologically oriented enterprises. Therefore, most young Chinese entrepreneurs today have been focused on these scientific and technological innovations to get support from the government and to create lots of opportunities for themselves. And also, education in China seems very practical; students will be conditioned to have a real entrepreneurial experience.

One of the negative factors that China has in youth entrepreneurship is Hukou (household registration) system. The opportunity is given only in big cities and there are plenty of resources in the cities. But without urban hukou, it is difficult to get a proper job in a city as well as getting support

from the government to start up a company. In the 1950s, with the rise of industrialization, the massive influx of farmers into the cities caused various problems. Thus, the central government adopted relatively strict measures to restrict the entry of farmers into the city. It is at this point that the Hukou system in China began. The strict household register system has formed a two - dimensional social structure in which urban and rural areas are separated from each other.

After the reform and opening in 1978, the Chinese society showed a great change in the social structure differentiation, and its main features were the decline and disintegration of the various social structures and the formation of the new hierarchical system. China can be said to have implemented this strict hukou system from the mid-1950s to 1979, maybe even to this day. According to this system, once a person registers hukou in one area, it becomes very difficult to move to another area. And as mentioned above, the most important part of the hukou system is to divide people into two groups: urban hukou and rural hukou. It is very difficult for them to change their status, so it is very difficult for people to get into other groups of society. By regulating internal migration and segmenting the population to manage the people accordingly, the Chinese hukou system has

created a powerful institutional exclusion. The excluded rural and small-town residents form the overwhelming majority of the population in today's China, and it is easy to see the ethical problems of discrimination and inequality that are increasingly magnified by the rapid development of a market economy in an era of globalized information (Wang, 2005).

In Korea, also, the government is trying to create a friendly environment for new young entrepreneurs. Local governments are striving to support more local and distinctive entrepreneurship. While the Chinese government is focusing mostly on technology-related fields, the Korean government is trying to support various industries. The Chaebol system, family owned conglomerates, is a significant factor to consider in Korea. Chaebols starved small and medium enterprises from development, and this created a massive imbalance to the Korean economy. Low taxation, financial assistance, and promotion of research and development in colleges and other tertiary institutions are some of how the Korean government has used to support youth entrepreneurs for the overall growth of the Korean economy but the curriculum development is still insufficient and there is a limitation in providing systematic entrepreneurship education due to lack of faculty staff, teaching method and material development. Lastly, cultural factors are also

acting as a negative factor in Korea. People tend to think that they are reckless or it's not a good decision to start up a business, think that they have failed to get in a good company, which can also affect marriage and other factors in their future.

2. Promoting Policies of Central Government

In Korea, two ministries, Ministry of SMEs and Startups and Ministry of Employment and Labor are mainly in charge of start-up support policy. The support is mainly divided into education, facility, mentoring and consulting, commercialization, R&D, financial support and special events. These include support for entrepreneurship education, such as university start-up lectures, start-up club support, start-up graduate school support, and election of excellent start-up items through start-up contests. They also support young entrepreneurs through projects such as youth entrepreneurship school and social venture support projects. In addition, through the entrepreneurship internship, it fosters young people who are interested in entrepreneurship and also by providing financial support. They also play an intermediate role in connecting young entrepreneurs with public institutions, universities, or senior companies.

<Table 3 - Korean Central Government's Supportive Policy for Youth Entrepreneurship>

Department	Supportive Policy
Ministry of SMEs and Startups	Entrepreneurship Internship
	Youth Entrepreneurship School
	Entrepreneurship University
	Start-up fund for youth
	Matching Angel Investment
Ministry of Science and ICT	Support commercialization of re-start business in ICT field
	Established Global Startup Support Center
	Fostering Global Accelerator
Ministry of Culture, Sports and Tourism	Mentoring course in content creation
	Supporting lease and management fee for pre-founder of game field
Ministry of Employment and Labor	Internship for Youth Entrepreneurs
Ministry of Land, Infrastructure and Transport	Startup consulting and matching related technology

In the case of China, the Ministry of Finance, Ministry of Commerce,

and the Communist Youth League are highly involved in promoting startup policies. They provide college students business tax incentives and business guaranteed loans and subsidies. Young entrepreneurs are exempted from related administrative charges and can enjoy training subsidies and other services for free. They also provide various training programs and education courses to develop an innovative entrepreneurship atmosphere. There is enhanced innovation and entrepreneurial practice resources that students can utilize and ministries try to reform the teaching system to adapt to university students. In order to promote college student employment, the CYL is taking various measures including establishment of more than 4000 'youth employment and entrepreneurship apprenticeship bases' and provided more than 120,000 practice places. As can be seen from above, the policies are very much concentrated for college students.

<Table 4 - Chinese Central Government's Supportive Policy for Youth Entrepreneurship>

Department	Supportive Policy
The State Council	Tax benefits and loans for university graduates
	Tax benefits for migrant workers
Ministry of Education	Tax benefits for the rural college students

	Transfer of credit, suspension of credit for starting a business
	Provide resources for the startups of university students with scientific research achievements
Ministry of Human Resources and Social Security	Providing services such as business start-up guidance, loan service, tax reduction, social insurance treatment to returnee students
Ministry of Finance	Tax benefits to entrepreneurs with a business start-up certificate
	Subsidies and benefits for start-ups of scientific and technological personnel

3. Promoting Policies of Local Government: Beijing/ Seoul ; Shenzhen/ Pangyo

The following are the policies for establishing youth startups in Beijing and Seoul, the two capitals. First of all, Seoul provides education to young entrepreneurs, such as running entrepreneurship education programs on and offline for university students. In addition, it provides information by operating a business incubation center and established a youth business center in Gangnam and Gangbuk to provide a space for starting a business. There is also a financial support provided in Seoul that provides start-up

funding with guaranteed support and also there exists whole packages providing all of the above services all at once.

According to previous study, Beijing has formulated various policies for youth entrepreneurship, and each district has set different policies according to the different conditions of their respective regions. Haidian District is mainly supporting all-round innovation and entrepreneurship. In recent years, Haidian has actively created a good environment for entrepreneurial innovation, and has formed a unique entrepreneurial culture atmosphere, and strives to create a service pattern of “one city, three streets”, such as Zhongguancun has gathered the most influential new incubator in the country. At the same time, it also has the “Optimization and Innovation Ecological Environment Support Measures”, which are mainly aimed at innovation and entrepreneurship service carriers, R&D innovation services, intellectual property services, financing services and credit services. In the "Haidian District's measure to stimulate the entrepreneurial vitality support", the approach is focused on the entrepreneurial service docking platform, scientific and technological personnel entrepreneurship, innovation and entrepreneurial talent development and enterprise market cultivation, entrepreneurship exchanges, etc..

Chaoyang District has established special funds for talents. In view of the lack of integrated planning for entrepreneurial talents with overseas backgrounds, Chaoyang District also provides some “soft” services to them in addition to their own hardware conditions. For example, Chaoyang District has issued the “Interim Measures for Encouraging Overseas High-level Talents’ Entrepreneurship and Work in Chaoyang District”. These policies have provided a large amount of help and favorable policies to the returnees of entrepreneurship to a certain extent.

In supporting the youth entrepreneurship in Beijing, Dongcheng District mainly implemented the reform of cultural talent management, established the “Dongcheng Culture Creation Fund” and other measures, and built a cultural talent management reform pilot zone. The district supports youth entrepreneurship and provides a force for innovation and entrepreneurship of cultural talents. While providing financial security, it has created a good cultural environment and attracted and cultivated entrepreneurial talents in the cultural industry.

Xicheng District has increased the funds for science research projects and core supporting facilities, direct or indirect cost support, and support from industrial technology alliances in support of Beijing youth

entrepreneurship. They support special funds for technology research and development, promote the transformation of major industries. In support of independent research and development, the district promotes patent and construction financing service platforms, intellectual property subsidies and other provisions, improve the public service system, and strengthen talent incentives and other policy provisions to support entrepreneurship.

In Fengtai District, they mainly focus on building science and technology innovation and entrepreneurship resources. Fengtai District Government connects young entrepreneurs in Beijing through various channels and in various forms, integrates small and medium-sized enterprises with successful entrepreneurs, venture capitalists and experts, and makes full use of platform resources to build a suitable youth entrepreneurship. They also provide capital and a variety of technologies for the innovative and entrepreneurial talents of Fengtai Technology Enterprises, which has achieved a good connection between talents and enterprises and promoted the development of economic culture.

Shijingshan District mainly adopts the form of covering the entrepreneurial chain. As early as 2015, Shijingshan released policies and methods related to entrepreneurship and clearly stated that it is hoped by the

end of 2020, Shijingshan will realize the popularization of entrepreneurial subjects, and build a marketization of operation, specialization of entrepreneurial services, internationalization of entrepreneurial resources, diversification of entrepreneurial models, and vigorous development of entrepreneurship.

In addition to these policies issued by the major urban areas supporting Beijing youth entrepreneurship, in some suburbs such as Daxing, Changping, Huairou and Mentougou, various governments have also issued policies and measures to support Beijing youth entrepreneurship. In Daxing District, the government mainly adopts the introduction of high-level talents and establishes special talent development funds to support innovative entrepreneurship. In Shunyi District, the government mainly adopts the "cradle of entrepreneurship" plan. Changping is designated as Beijing's first national entrepreneurial city. Huairou mainly gives supports to those talented in the nano field. Students in colleges and universities in Beijing can apply for the "Employment and Startup Certificate" free of charge and may apply for preferential tax policies according to regulations. And also, self-employed industrial and commercial households can also enjoy the registration policy of "five certificates in one license" if they are transformed

into a form of corporate organization.

There are also cities in China and South Korea, each of which is optimized to encourage entrepreneurship. They are Shenzhen, which can be regarded as the mecca of Chinese startups, and Pangyo Techno Valley in Korea. According to reports on Shenzhen by KITA(2018), Shenzhen is a city where many IT innovation companies such as Tencent, electric car BYD, drone DJI, Huawei, Xiaomi, OPPO, VIVO, ZTE are located. Shenzhen, a manufacturing powerhouse, is at the center of transforming China into a technological powerhouse. In particular, patents are emerging every day in new technology fields such as Fintech, AI, big data, and block chain. In addition, there are more than 8,000 venture investment companies from all over the world gathering in Shenzhen. Over the cities such as Beijing, Shanghai and Hangzhou, Shenzhen dominates the fourth industrial revolution technology in China. The key to Shenzhen as a mecca for entrepreneurship is the complete ecosystem of manufacturing, from small businesses to high-tech global companies, which has been developed during the last 30 years of working as world's factory. (KITA, 2018) Shenzhen is the best place to implement the incentive policy initiated by Premier Li. The city has expanded preferential policies for high-class talents and provided various

preferential benefits. They have systems to support start-up systematically, and are actively conducting industry-academia research by providing startup support space and attracting the Shenzhen campus of Pecking University and Tsinghua University. Shenzhen's manufacturing infrastructure is very good, and it has the advantage of easy supply of parts and easy production of small scale products (KITA, 2018).

Pangyo Techno Valley is a state-of-the-art R&D complex led by the central government and Gyeonggi Province to enhance national competitiveness. Pangyo Techno Valley provides supporting facilities such as Global R&D Center, Gyeonggi Creation Economic Innovation Center, Start-up Campus, etc. to provide optimal enterprise environment with the proximity to the metropolitan area and provides customized enterprise support programs for resident companies. It is possible to maximize the growth potential of advanced technology fields by exchanging international leading technology innovation companies representing Korea in various fields such as SK Chemicals, POSCO ICT, Hanhwa Techwin, AhnLab, and NHN with other national high technology research institutes. Pangyo supports various education, human resources development support projects, and rental deposit support projects. However, unlike Shenzhen, which has a

system that links ideas to the production of prototypes in a short period of time, Korea has difficulties in mass production due to high hardware production costs, even though one has an idea to start up. In addition, in Shenzhen, the government provides incentives without any conditions, and since the start-up support agencies and investment institutions are active, the barriers to entry are low, while in Korea, most of the start-up funds are borrowed which gives young entrepreneurs much burden.

4. Factors impeding Korean Youth Entrepreneurs

Inadequacy of Financial resources

Guttman (2018) had made it very clear that many countries preferred pumping a lot of money on research and development instead of taking money directly to the banks or giving out tax bonuses. At the end of the research and development stage, many companies and small business enterprises that were mostly run by the youths find it difficult to grow and expand due to inadequate cash. This is the reason why many startups failed in Finland among other countries and South Korea is not an exception either. Korea is one of the economic superpowers in East Asia and she puts a lot of money on research and development and this could be a threat to small businesses. One problem that crops when the government allocates a lot of

money for small and micro enterprises is that only a fraction this money is given to deserving businesses in their last stages (Guttman 2018).

Lack of proper exiting plan

Startups need to have well-organized strategies for the exit with a very good intention. They can never be privatized and the only options that remain of them are to be publicized or get acquired (Forrest 2015). Some businesses may consider making their first sale of stock to members of the public which is not always a better option for exiting a startup. Mergers and acquisitions are a far much-favored way of exit because it helps avoid unnecessary problems in the future. Initial public offering (IPO) is considered a time consuming and a very expensive affair particularly when it comes to management given that in the current Korean economy, the amount of money needed for a startup will range from \$0.5 million to \$ 1 million regardless of whether the offer goes through or not (Zwilling, 2013). Despite the fact that the Korean startup system is getting healthier by the day and the environment is conducive for most young entrepreneurs, there is a need for more training and education of best exit strategies. Many Korean business people do not worry about how they will exit their startup until such a time when they run short of money, which is usually too late (Ryu, 2018).

The dominant chaebols, the aging population and the tight bureaucracy that is known to slow down the innovation process have always been known to be the main problems hampering the success of startups in Korea but this is not true. The environment at which most startups exit is usually very immature and uncondusive with possibilities of mergers and acquisitions becoming narrower (Lo, 2016).

There has been a significant increase in the IPO markets. However, the Korean startup index for the year 2017, the market that recovers investments has been doing poorly in the previous years. Even though the number of enterprises and investors had recorded a remarkable increase every year in the most recent past, the challenge is that huge amounts of money are invested in the enterprise ecosystem every other year but the recovery of the money on an investment is never successful (K-ICT Born2Global Centre 2017).

Military service

Many young people in Korea have struggled with their small business despite the milestones that the sector has made in recent times. The section of this sector that is managed by the youth has failed to make international headlines because of the fact that young people are required by the

government to go through a mandatory training and service in the military (Kim, 2015). The mandatory was made possible by the unique demography and political situation in South Korea and all men between the ages of 18 and 35 were required to serve. This cannot be avoided by any Korean male unless they are taking part in the defense of their country at the international level in other avenues such as sports. As a matter of fact, even the biggest music celebrities who have perfected the art of entertainment as a form of entrepreneurship must serve in the country's military.

The service usually takes a period of between 21 to 24 months which is seemingly so long a time for people who do business for a living. It, therefore, means that any Korean man in his 20s can be called upon any time to serve in the military regardless of the plans he had or the economic activity he was involved in at that time. This is a major obstacle to youthful entrepreneurs given that the military service does not have any holidays or other connections with the outside world during the period. Entrepreneurs have therefore no option but to close down their enterprises for some or live it for someone to take care of it. In addition, service in the military has also been said to derail the spirits of risk-taking and creativity that are highly needed in the entrepreneurship world (Kim, 2015)

Political Instability

The impeachment of the Korean president Park Geun-he following a mega corruption scandal in the year 2017 caused a lot of instability in the country which not only affected the political situation but also the economic sector, particularly businesses. Associates of the president were accused of involving themselves in dirty dealings courtesy of their relationship with the president. They interfered with national affairs for their own individual gains by extorting about 70 million dollars from multinational corporations to form private owned foundations for their own benefit at the expense of the Korean public (Yoon, 2016).

Apart from the scandal, the eventual impeachment of the president in the year 2017 also had a negative effect on the startup environment. President Park was regarded as a person who favored research and development and had a very elaborate plan of how to come up with and support startup programs. The analysis of Korean economists revealed the greatest losers in both the scandal and the impeachment that followed were the government at that time gave priority to startups because they were controlled by an incubation center and think tank that was commonly referred to as CEL, which was one of the main agendas of the Park's

government (Yoon, 2016). The president exerted a lot of pressure for Chaebols to pump millions of investments in non-profit organizations. For example, she was able to push Samsung to invest up to \$40 million dollars in the foundations. The push was motivated by the controversy that was caused after the merger of two Samsung partners back in the year 2015.

After the political instability that was caused by the scandal and impeachment of the president, all startups that had been registered for support under the program because the funding had to stop because of the involvement of the president within corruption. The president and her associates by guilty due to their association with the foundations that received public money and startups which benefited from the finding had to be scrutinized and investigated making it necessary to cut the funding (Yoon 2016). However, despite the panic and speculation that resulted from the impeachment, the new president Moon seems to have shown a lot of interest in the continuation of an economy that is creative and adaptive which is good news for young entrepreneurs. As can be seen from above event for an example, even though South Korea is one of the successfully democratized countries in East Asia, the continuation of policy is not guaranteed after the change of the regime.

5. Impact of Economic Slowdown on Chinese Startups

In the event of an economic slowdown, the common problems that entrepreneurs are likely to face include stiff competition, inadequate cash flow, undercapitalization, the hiring of appropriate staff, difficulties in identifying a target market, protection of intellectual property, and legal issues among others. These challenges may prove to be very demanding for small enterprises and maybe a big threat to their viability (Stinchcombe, 1965; Zimmerman & Zeitz, 2002). In the developing world, instability and bureaucracy is a very common problem given that governments find it very difficult to come up with policies and laws for startups.

During times of economic slowdown, China has always experienced difficulties in terms of enforcement of laws pertaining private property, contracts and the complex process of registration of businesses and taxation are a very big hindrance to youth entrepreneurs in startups (Chu *et al.*, 2007). In addition, an economic slowdown which is directly related to a reduction in the economic growth of a country has a negative impact on the returns of investment particularly for startups. Inadequate access to funding in form of loans and grants whether long term or short term were also found to be a major problem that youthful entrepreneurs grapple with during times of

economic slowdown (Chu *et al.*, 2007). The government is usually never spared in times of economic crisis because they need to get money to fund their budget with. In such instances, the government is forced to increase taxes on business enterprises which in turn affect entrepreneurs in startup businesses (Benzing *et al.*, 2009; Chu *et al.*, 2008).

According to Benzing *et al.*, (2005), economic slowdown leads to problems of inadequate capital, for owners of both small and medium enterprises and micro and small enterprises and this is a hindrance to their survival given that they also contribute to the growth of the economy. Many entrepreneurs have also found it very difficult to get commercial loans to boost or start up their businesses because of their inability to raise collateral or even due to extremely high interest rates. All these are the resultant effects of economic slowdown. Entrepreneurs are unlikely to succeed and grow in their businesses if they do not have adequate access to capital (Chu *et al.*, 2008). Despite the fact that entrepreneurs all over the world go through various challenges during tough economic times in their countries, those in developing nations particularly in Africa face a more unique group of challenges compared to their counterparts in East Asia like China and Korea (Chu, *et al.*, 2007; Cook, 2001).

A study conducted by Yalcin & Kapu (2008) established that new business ventures find it very difficult to survive and sustain themselves, unfavorable economic conditions at the time of the startup may worsen the situation. Such conditions may be as a result of transition or development of new structures of the economy. When an economy is undergoing transition, in terms of policies that are directed towards micro-economies, inflation, skyrocketing of interest rates, and a struggle in foreign investment is likely to occur. In most cases, such changes are usually rejected by workers and managers in enterprises that are owned by the state (Benzing et al, 2005: 8).

According to Heberer (2003: 11), the processes leading to the social and economic change in China are very distinct from not only those in Europe and America but even to those of her immediate neighbors like South Korea, Singapore, and Taiwan among others. In Europe, for instance, the economic and social change was so swift and dramatic that all systems had to collapse. In China, the same process was slow and gradual but very sure (Heberer, 2003: 11). The case of an economic slowdown in China may therefore not be a very big surprise for the overall growth of the economy but it is likely that startups and other small business enterprises with feeling the pinch of in terms of poor sales and a reduction in the circulation of cash.

Even so, these challenges will not be long-term as China, given its current economic status, is known to respond to its economic challenges in very amicable ways without the help of other countries. As a matter of fact, China is a self-made superpower and because of this, a lot of credit is given to the Communist Party which is known for its conservative economic ideologies.

6. Impact of Startups in Social Stratification in China

It goes without saying that startups have played a major role in the development of the Chinese economy and has rapidly and positively pushed the lives of Chinese people forward. As a result, the gap that existed between the poor and the rich has significantly been reduced. This has enabled social mobility as many people who were initially poor have moved up and are now seen as equals to those rich. The startup sector has been a very dynamic and key component China's economy. From the year 1991 all the way to 2000, the approximate rate of growth for every enterprises, firm, and industry was at 32%, 28%, and 53% respectively. Even as the private sector was recording significant growth and its ultimate contribution to the domestic economy; On the contrary, the public sector was seen to have declined in terms of shareholding and returns. A steady decline of about 1% was realized from the period between 1998 and 1999. Collectively owned public enterprises

recorded the greatest decline within the period. Investment in the startups being part of the private sector is therefore good for the economy based on the results given. A steady growth rate in the economy is good for job creation and reduction of the social stratification problem (Liu, 2003).

Even though the Chinese society, like any other society in the world, will always be divided into groups, the oppression that may arise based on the uneven distribution of wealth will become a thing of the past. Given that all construction firms in the rural area China are owned by youthful entrepreneurs, they should all be regarded as part and parcel of the private sector. The owners of these firms make very good returns particularly due to the fact that the rural areas of China have much work to do in terms of construction and maintenance of structures. Therefore, such youths end up joining the millionaires club at a very young age, hence, bridging the gap between the different social classes. From the findings, startups play a much critical role in the growth of GDP compared to the public sector. A bigger percentage of China's GDP has been supported by the stable returns and expansion of startups. Many young people have been able to boost their income through startups which have been very crucial in the making of China one of the world's superpowers (Liu, 2003).

In addition, startups have created more employment opportunities for young people more than the public sector has. Over the last years, a head count of employees in the private sector in comparison with those in the private revealed a massive difference in terms of numbers. The number of employees in state-owned enterprises and those that are collectively owned has been rapidly decreasing from the year 1996 up to the early 2000s. However, the private sector kept recording an increase in the number of employees every year which meant many people were able to get themselves out of poverty and joblessness and as a result, they experienced upward social mobility. According to Liu (2003: 6), the public sector recorded a decline of about 30% in the number of employees in comparison with the level of employment in the year 1995. In the private sector startups, there was an increase of nearly 130% by the year 2002, in comparison with the year 1995. However, most startups seem to do well in the urban areas of China compared to the rural areas. The social stratification problem in China has seemed to take a different age due to the gap that exists between the rural and urban dweller. However, from a general point of view, the quality of life of the Chinese population has increased towards the end of the 20th century.

Given the high population of China, the government in its framework

for development knew very well that it could not provide direct employment for the ever-increasing millions of young people, despite the one-child policy. As a result, the only option was to support startups so that young people can employ themselves (Liu, 2003: 6). In addition, the public sector in China has proved to be unattractive to young people due to low pay and frequent layoffs. However, given that not every young person gets an employment in the private or public sector as well as self-employment in form of startups, many who remain jobless end up idling in the streets of Beijing among other cities in the country and in the long run, they become a threat to peace and security in the Chinese Society (Liu, 2003: 6). This is a drawback to the efforts by the government to reduce the gap between the rich and the poor, an indication that social stratification is here to stay.

There is no doubt that the private sector in form of startup has been on the forefront in the enhancement of the lives of Chinese people. People working in the private sector have in recent times enjoyed an increase in their wages which is a sign that most private establishments were growing and amercing a lot of returns in form of profits. The rate of which the wages of employees in the private sector has been increasing is much better than that of their counterparts in the public sector. Even though startups have

their own share of problems, they have a high efficiency and are much easier to operate, making their own to have good returns. When startups do well, the economy grows and the number of people who live below the poverty level is reduced (Liu, 2003: 7).

IV. ANALYSIS OF FINDINGS

This chapter presents an analysis of findings retrieved from a number of documents as highlighted in the previous chapter. These documents included e-books, journals, and magazines among others that have been carefully analyzed in line with the study objectives and questions as presented in the first chapter. This study relied heavily on secondary data which is basically comprised documented findings from studies conducted previously.

1. Government policies and how they impact youth entrepreneurship

In 2011, China developed and launched its 12th five-year plan. The plan targeted seven major industries. The Chinese government had projected that this 5-year plan would have a positive impact on youth entrepreneurship. The plan highlighted on the following: protection of the environment and energy saving, focus on future generation information technology, new energy production, manufacturing, new raw materials and production of vehicles that utilize clean energy (Burlamaqui and Kattel, 2014: 3). The

objective of the plan was to give impetus to the named industries so that they could raise their share per capital from 3% in the year 2011 to 15% by 2020. By the time of the announcement of this plan, all banks in China were already dishing out money to support all long term projects in all the industries targeted by the plan to make its objective a reality (Burlamaqui and Kattel, 2014: 3). It has also been explained that since the launch of the plan to date, many companies of Chinese origin have been able to conquer the global market. This has given room for all upcoming small and medium enterprises most of which are owned and managed by youths to flourish as well. These small and medium enterprises have taken advantage of the high flow of capital in the Chinese market to take their small business to the next level thanks to the helpful business environment created the government. For instance, Huawei, which has been a reputable Chinese mobile phone manufacturing company, has taken the world market by a storm by outdoing the Swedish Erickson among many others to become one of the leading manufacturers of telecom equipment (Burlamaqui and Kattel, 2014: 4). Huawei has become a very powerful player in the global market and as such, many Chinese youths have been able to get employment from it leading to an extended flow of money in the Chinese economy which in turn benefits

small business not only in the information technology industry but across other sectors of the economy. That said, there is a stiff competition between Chinese companies and those in the west. It is not surprising that Huawei among other Chinese based companies has been able to put up with this high-level competition thanks to the support from government and the high quality of their products. The success of Chinese multinationals in the world market is attributed to low-interest rates on loans, subsidies from the government, and generous credits from exports (*Financial Times*, 2010: 4). As a result, many young people who aspire to be entrepreneurs find it very easy and convenient to establish their own small businesses as a way of creating their own employment instead of looking for employment in an economy with a flooded job market due to the high population. It, therefore, goes without saying that China is a force to reckon with as far as technology and industrial policies are concerned. Any economic power making attempts to downplay Chinese capability is unlikely to succeed.

In the year 2010, China was able to invest a whopping 50 million dollars in clean energy. This was the largest investment by any country in the world at that point in time. However, in the year 2010, four years prior to this record-breaking move, two Chinese companies were already making

headlines in the global market as the leading producers of the solar cell. By the year 2010, the number of world-class solar cell producing companies from China had increased from two to six (*Financial Times*, 2010: 4). One such company was Yingli which was established in the year 1998. The company was one of the biggest beneficiaries of cheap loans from the government to enable it to expand and develop its facilities for effective and efficient production. The company is said to have borrowed about 1.7 billion dollars between the year 2008 and the year 2012 (*Financial Times*, 2010: 4). To make true its objective of expansion and maintain its global image, Yingli was able to open up offices across major economic cities of the world like New York and San Francisco in the year 2009. As a result, Yingli commanded at least 27% of the market in California. It should be understood that the returns from the company are invested back home in China apart from expansion to the global market. This is the point at which the home economy is boosted and many Chinese youths are either employed directly or indirectly through taking part in IT and clean energy-related businesses (*The Economist*, 2012: 6). Given that the issue of clean energy is at the heart of the whole world in the wake of sustainable development, the European Investment Bank and the US Federal Financing Bank had issued loans of 8

billion pounds and 3.2 billion dollars respectively in support of the Chinese wind and solar energy companies. To a large extent, this financing empowered other local industries in China especially those involved in the supply of essential materials and services needed in the day-to-day operation of this clean energy (*The Economist*, 2012: 6).

In terms of the telecom sector, Huawei has been seen to take the lead role as a result of the helpful business environment created by the Chinese government. Despite the stiff competition from without and within China, Huawei has succeeded in getting many customers given the affordability of their high-quality mobile and internet gadgets. This access to telephone and internet devices has made it easy for young entrepreneurs to access the internet which is very key in the establishment and management of their business (*The Economist*, 2012: 6). The internet can be useful in doing business research before establishing. It is one of the most effective sources of information not only in business but in all other fields. Moreover, the internet has been used not only by young entrepreneurs but also corporations to market their products. Today, many shops are operated online and clients can make payments and order for products through this platform. This has made business pretty easy to manage and operate. Today, Huawei is one of

the biggest business empires in the Peoples Republic China and the world over. The company has more than 150,000 direct employees spread across 150 countries. Almost 70% of the revenue collected from Huawei comes from other countries other than China. Moreover, Huawei has been termed as one of the best and the fastest 4G networks, especially in Europe. This is also been very beneficial for small businesses operated by young people because of the efficiency of the network and affordability of the telecom equipment produced. As a matter of fact, the company is valued at more than 35 billion dollars with a greater percentage of the returns from the business being invested in corporate social responsibilities locally among other development and empowerment projects targeting the youthful entrepreneurs (*The Economist*, 2012: 6).

In China, Huawei is just but one example of a successful business that has greatly contributed to the mushrooming of young entrepreneurs. The truth of the matter is, as a result of the overwhelming support from the Chinese government in terms of both policies and funding, many businesses which started small several decades ago have made tremendous steps forward making them traverse not only the Asian market but the world at large (*The Economist*, 2012: 6). A country that enjoys great business success

in many companies is able to create jobs for its youths which further create the need for the establishment of business in other sectors like agriculture, customer care, repair and maintenance, hospitality among others (Burlamaqui, 2015). As a country, China is the world's leading exporter of many products ranging from automobiles, electronics, and many other household items. As such, the government has done its best to empower all local industries to be able to offer services and produce goods that are up to the world-class standard in order to compete favorably with other neighboring business rivals like South Korea and Japan (*The Economist*, 2012). Despite the fact that there are some loopholes in the business sector with as far as the youths are concerned, it is fair to say that Chinese youths are at a better position of starting and succeeding in small business compared to most countries the region. Unemployment is still a major problem faced by Chinese youths but with a good business environment, many youths are likely to employ themselves by engaging in different businesses based on different services and goods that may be needed not only in Beijing but in other Cities throughout China (Burlamaqui, 2015: 730).

2. Factors impeding Korean Youth Entrepreneurs

Findings indicate that despite a significant success that has been

registered by Korean youths in entrepreneurship, there are quite a number of imbalances that are visible. The government of Korea can be said to have invested so much in the field of education as well as Research and Development and it ranks among the top in terms of scientifically biased research. However, none of the Korean universities is internationally recognized to be a leader in scientific research like those in European and American countries (Kim and Vogel, 2011: 5). Korea has a big number of youthful students that pursue their higher education overseas but despite this, it mostly hosts a small number of international students drawn from the other developing countries across Asia. The statistics of the Korean government with regards to its expenditure on research and development have been below the expected level and therefore not impressive at all for a country that is hoping to be among the world's economic giants like China. The number of engineering, science, and business papers among others has increased from about 700 in the year 1988 to a total of close 14,000 by the year 2003 (Kim and Vogel, 2011: 6). The latter figure may look great but it was only 2% of the worldwide statistics. Korea is known to be one of the highest in terms of Ph.D. holders per every 100,000 population, even so, engineering and science papers in Korea per every 1 million people stands at an average of

250 which is much lower than that of its neighboring countries like Japan, Singapore, and Taiwan. Many politicians, business owners, bureaucrats and academicians in Korea have acquired their education in foreign countries. This then brings the question about the quality of education offered by Korean institutions of learning. It is expected that high-quality education empowers the people of a nation to rise to big positions in society. It should also be remembered that this rise starts from small businesses that have been initiated by the youth as their starting point towards making a living (Kim and Vogel, 2011: 7).

For a long time, Korea has been faced with the problem of improper integration which has been seen to be an impediment to the Korean society, economics (including both domestic and international business) and politics. In the long run, such aspects have an effect on youth entrepreneurship. When the politics and economy of a country are in jeopardy, the establishment and running of small businesses in a country by young people is negatively affected. This kills the morale of youths who have a dream of becoming entrepreneurs. There are still a few challenges with regards to the social, political and economic the Korean people have to grapple with, however, the business environment is much better on this 21st century that it was in the

1980s and 1990s (Kim and Vogel, 2011: 6). Following the recent increase in the number of Koreans migrating to neighboring countries like China and Japan in search of greener pastures, the country has suffered a lot of brain drain. Many young and learned people who have searched for a source of livelihood in vain make daring decisions to travel to other countries which they consider to have a lot of opportunities. It has been said that there are over 3 million Koreans living in different parts of the world with a higher percentage seeking better lives in neighboring countries (Kim and Vogel, 2011). In spite of this fact, the many who remain behind strive to establish themselves through humble beginnings with the hope that one day, their small business will transform into reputable empires. Young people are naturally aggressive and always yearn for more and better. In the event that they are unlucky to get opportunities from abroad, they struggle to make it through thick and thin in the home environment. Even though the standards of education and opportunities for young people are slowly rising, it will take some time for Korean youths to gain the confidence of succeeding in their own country through starting businesses (Kim and Vogel, 2011: 7).

3. Impact of Economic Slowdown on Chinese Startups

It goes without saying that in the 21st century, China has slowly but

surely been rising to become an economic superpower, qualifying to be a formidable rival to established civilizations like the USA, UK, Germany, France and the like. Even so, China has experienced seasons of economic slowdown. There was a time when the Chinese economy was planned thoroughly. The government was single-handedly in charge of appropriating the economic returns of the enterprises that were owned by the state. When such conditions prevail, all youthful workers in government-owned enterprises are usually in no condition to start their own small business because of their poor income (Keidel, 2007: 3). Surveys conducted after the economic reforms in China have all revealed that a majority of young entrepreneurs are either former or current low-ranked workers from state-owned enterprises, factories, state contractors among other collectively owned companies. Most of them decide to establish startups because the money they get paid a salary at the end of every month is not enough for their needs coupled with the fact that some of them may have been trained in business management while in school. In addition, these young employees simply use their jobs as a stepping stone for the acquisition starting capital of their businesses (Keidel, 2007: 3).

For young entrepreneurs, running a startup is not as easy as it sounds.

Some usually have to borrow money from friends, relatives, banks or even credit organizations. Challenges in running a business during times of economic slowdown may force young people to join hands and form coalitions in order to establish sustainable startups. Other young entrepreneurs have gone as far as borrowing money from private money lenders and underground pawnshops. This challenge in raising start-up capitals among Chinese youth explains why many of them prefer forming partnerships or collaborations to enable them to establish and run their businesses during tough economic times (Keidel, 2007: 4). Examples of such firms which are well established in the present day China include Kelong Co. Ltd., Hope Group and Stone Co. Ltd. During the 1980s, most young people opted to borrow from banks and mutual credit financing companies to support their businesses whenever they are on the verge of collapse as a result of economic slowdown. In the early 1990s, the Chinese government began the implementation of liquidation policies which made it very difficult for the Peoples' Bank of China, investors and all other entrepreneurs to access commercial loans from banks (Keidel, 2007: 4). Banks demanded very high stakes of collateral in order for any person or company to qualify for a loan. Because of this challenge, young entrepreneurs resorted to getting

support from friends and relatives to help fill the capital gaps in their businesses.

4. Impact of Startups in Social stratification in China

Being a country that has always stood and supported the idea of communism, entrepreneurs, especially the young who represent both the present and the future are expected to be socialists. Henceforth, young entrepreneurs have been encouraged to reform and impact positively on the social fabric of Chinese society. Successful entrepreneurs, both the young and the old, have been able to extend a helping hand to overall Chinese society made up of people from different social classes. To be a socialist in China is to help the less privileged members of the society with both their material and intellectual needs. In other words, it is a man help man society as opposed to a man eat man society (Heberer, 2003: 12). In as much as entrepreneurs enjoy a lot of respect and power, given their position and influence, they are expected to exercise diligence and adherence to the law to caution them from engaging in corrupt practices which are aimed at taking advantage of the less fortunate in the Chinese society. Many Chinese entrepreneurs have been able to rise up the social ladder from the lower class, through the middle class, finding their way to the high class. It is therefore

important to appreciate the positive impact that entrepreneurship has had on the whole of China.

Ideally, entrepreneurs are expected to act in the best interest of the government of the day. Because the country has gifted them a favorable environment to do business, they should give back by extending the same helping hand to their fellow countrymen who also double up as their customers. Entrepreneurship has helped bridge the gap that existed between the rich and the poor. The Chinese government has always insisted on patriotism and adherence to the political systems and values of the ruling Communist Party. As a matter of fact, citizens who are members of the Communist Party have been very successful in their entrepreneurship endeavors which have not only uplifted their lives for the better but that of their kinsmen and the larger Chinese population (Heberer, 2003: 12). Socialist entrepreneurs in China are considered very different from their capitalist counterparts in other parts of the world. This has earned them a very good reputation and support from the government because of their overwhelming support to their employees and consumers in general.

V. CONCLUSION

This chapter marks the end of the study. It basically discusses the main findings from the document review and highlights on the points which the author focused on as earlier mentioned in the objectives. Further, the chapter provides a well-informed conclusion coined from the study findings. This will be more of a summary of all the findings from the document review. Finally, the chapter provides recommendations on entrepreneurship especially among the youth and how best it be managed by the two countries that were the main focus of the study, China and South Korea. China and Korea are neighboring nations in the Asian continent. Both countries have their own successes and failures in trade and business as far their history of economic policy is concerned. Both nations seem to have learned a lot from their past and have realized tremendous growth of their economy despite the challenges they face. The governments of Korea and China have in the last two decades focused a lot on trade with other countries even as they promote youth entrepreneurship. They have ensured that local industries and small enterprises are supported by being issued with grants and cheap loans.

Lack of adequate employment opportunities is a great concern for these countries and this is why most of their policies have focused on job creation and support for entrepreneurship. This has been successful through the launch of business mentorship programs and support in form of funding to young people who have completed their studies. Even so, because of the high level of competition, not all deserving youths have been able to access cheap loans and funding for their business. Some have had their businesses fail once established due to economic slowdowns. Political instability which affects literally all activities in a country has also been mentioned as a major obstacle that youthful entrepreneurs face in their business. Even so, there are lots of success stories in the two countries in the recent past. China, for instance, has not only been able to satisfy its demand in the provision of opportunities for a good number of youths but has also been on the forefront in encouraging its citizens to export their skills to other countries whenever they are needed. In the long run, the fact that China is a country that encourages the culture of socialism has contributed to the rise of living standards of many people because the culture encourages people to uplift one another as opposed to oppression and discrimination. The same is true for Korea given that in the recent past, the country has become an economic hub

and good example for many middle-income countries across the world.

From the findings, it obvious that young entrepreneurs are the most challenged in terms of business success largely due to financial problems. Most of them have the knowledge but have no capability of establishing and running businesses due to this shortfall. It is therefore advisable for governments to continue supporting young entrepreneurs in starting up their businesses as one way of creating employment. Another finding that has been of great impact is the role played by education in the realization of entrepreneurship by the youth. The government should invest a lot in education including the funding of research towards the development of nation. This will see many graduates with the appropriate skills and knowledge to enable them to run their own companies to realize their business dreams. The success of the country in youth entrepreneurship and the economy in general heavily depends on the formulation and implementation of business-friendly policies by the government. This, therefore, means that governments have a crucial role to play when it comes to the creation of a business-friendly environment as a contributor to the development and job creation.

According to the findings, both China and South Korea have had

their relatively low economic moments. They reacted positively by focusing on long term solutions to the challenges they face in promoting youth entrepreneurship. This then completes the equation of how business success can be achieved, by focusing only on solutions and not the problem. The economy of a country is only as good as its governance and focus on the empowerment young entrepreneurs is not only an immediate solution but a long term solution to the economic challenges facing different countries of the world. Though two countries are working hard to promote youth entrepreneurship, some problems arose within their policies. As the start-up support project is promoted through many support organizations in Korea, the start-up support project is complicated, and the cooperation structure between the central ministries and the local governments is not organized. Therefore, Inefficiency may arise unlike China. As a result, many entrepreneurs have the advantage of being able to receive a variety of support services on the side of entrepreneurs, but they have to find various institutions by themselves, and as the project is planned and executed without mutual consultation between the central ministries and the central and local governments, there is a problem that similar projects are promoted competitively, while in China, specialized support is given to different

sectors which entrepreneurs are involving in.

In China and developed countries such as the United States, in order to facilitate start-ups, the government concentrates its efforts on the expansion of start-up infrastructures such as tech shops and makerspaces. On the other hand, financial resources were invested into individual companies in Korea. In the case of entrepreneurship education, in China, the "Maker start-up" is taking place, which is driven by students and with many practices involved. While in Korea, entrepreneurship education is centered on theoretical lectures. And entrepreneurship programs, distributed by CYL are largely accepted by Chinese universities, whereas in Korea, the quality of the entrepreneurship lecture varies since it depends only on the providing university itself. Through the revision of the law, the Chinese government abolished the minimum requirement for registration and made it possible to start a business even if someone had only "one yuan". In addition, Chinese government promoted the certificate integration system, and established a system to shorten the start-up time from one month to three days. While in Korea, the minimum amount of capital and experience is still needed with longer examination time to get supports from any public sector.

Because two countries have different perception on startups, while Korean

college students concentrate more on preparation of large enterprises and public officials, Chinese university students make various attempts besides these two options. In fact, there are many cases where graduates of Chinese prestigious universities, such as Tsinghua University, Beijing University, Fudan University try to start up a company before they get in to any conglomerates. It is also because they witnessed their seniors becoming a billionaire. There are many cases in which Korean university students give up their business start-ups and work in large corporations using their specifications of winning the start-up competition. This indicates Koreans rather choose a stable position.

In order to activate technological entrepreneurship, it is very necessary and important to expand Business Incubator (BI) for promoting start-up in industrial parks however, in Korea, it is still remaining mostly inside the university. And due to other impeding factors such as military service for Korean male students, and even though Korea is one of the successfully democratized countries in East Asia, the continuation of policy is not guaranteed after the change of the regime. While China is an authoritarian country, the policies are continued with the economic plan that the communist party is guiding.

It is expected that the start-up of university students in China will become more active due to factors such as the increasing number youth unemployment and the expansion of support policies for young entrepreneurs. In addition, with the rapid development of the Internet, the industry using the Internet is rapidly growing, and it is attracting attention as a new business industry target. The Chinese entrepreneurial enthusiasm is expected to continue for a while, as many Chinese university students are focusing on IT related fields such as software, Internet, and mobile, which are dealing with ideas and technology. However, the difference in policy among different regions is pointed out as a problem of Chinese youth start-up support policy. Korean government is also urged to expand its policy to support start-ups aimed at university students. In particular, it is necessary to benchmark specific cases such as supporting start-ups for commercialization, providing incubation platforms and facilities, and supporting start-up education and exchange of credits.

The author is aware of various knowledge gaps that the study was able to fill due to the fact the study fully relied on previous studies and other relevant documents. The question of how startups have been able to solve the challenge of social stratification has not been properly articulated due to the

inadequacy of previous studies on the same. Therefore, this is an area that requires further studies to establish clearly entrepreneurship can be used to solve the issue of class conflict. The greatest limitation of this paper is the indirect description, since it depends only on the secondary data. Therefore, the biggest limitation in this paper is that the author has analyzed the prospects of the Youth entrepreneurship without a direct observation. And thus it can be said that the paper is somewhat subjective and less concrete. More can be included in the future study in order to have more in-depth understanding of youth entrepreneurship in China and Korea.

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초 록

개혁개방 이후 중국의 경제는 지속적으로 높은 성장률을 기록해 왔다. 그러나 이러한 높은 경제성장률에도 불구하고 과거와 비교하여 늘어난 고학력자에 비해 상대적으로 적은 고용이 지속되고 있으며 이러한 상황에서 청년 창업은 취업에 대한 새로운 대안으로 떠올랐다. 현재 중국의 많은 청년들은 창업에 도전하고 있으며 한국 또한 새로운 일자리 창출과 더불어 청년 실업 문제를 해결하기 위한 방안으로 청년들의 창업을 장려하기 위하여 많은 지원 정책을 펼치고 있다. 이 논문은 왜 자본주의 국가인 한국에서보다 사회주의 국가인 중국에서 청년들이 창업에 더 쉽게 도전하는지를 알아보기 위해 여러 가지 요인들을 비교하였다.

본 연구에 따르면, 중국과 한국의 청년창업을 증진시키는 데 영향을 미치는 다양한 요인이 있다. 중국에서는 중앙 정부와 공산당 청년단이 함께 청년들에게 다양한 기회와 지원을 제공하고 있는데, 이는 중국이 일당제 국가이기 때문에 가능한 것으로 보인다. 한국의 청년창업 지원에 대한 정부 정책은 다소 산발적인 경향이 있었으며, 지방정부와 중앙정부가 각각 정책을 계획하고 집행함에 따라 비슷한 프로젝트가 경쟁적으로 추진되는 점이 비효율적으로 보인다. 그러나 중국의 지원 정책이 혁신 및 과학 분야에 치중되어 있는 반면 한국의 경우 다양한 지역 특성을 가진 여러 분야와 관련된 정책을 시행하고 있는 장점이 있다. 중국에서 청년들의 창업을 방해하는 요인 중 한

가지는 호구(戶口)제도이다. 도시 호구를 갖지 못한 청년들은 주로 대도시에 한정된 정부의 혜택을 받기 어렵다. 한국에서는 재벌이 소규모 기업의 성장을 방해하는 경향이 있으며 양질의 일자리에 취업하지 못한 대안으로 창업을 인식하는 측면이 있기 때문에 청년들은 창업에 대한 부정적인 인식을 가지고 있다. 군 복무, 정권교체에 따른 정책의 지속성 문제 등이 또한 한국의 청년창업가들이 가지고 있는 문제점이라고 볼 수 있다. 중국의 경우 청년창업을 대부분 투자를 매칭 받아 진행하는 반면 한국은 대출을 지원해주는 경우가 많기 때문에 창업비용에 대한 부담 또한 무시할 수 없다. 한국도 보다 나은 청년창업 환경을 위해 더 실용적이고 직접적인 정책을 수립해야 할 필요성이 있다고 보인다.

주요어 : 청년창업, 창업지원, 한국, 중국

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