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**Difficulties in Starting a Business:
A Study on Youth Entrepreneurship**

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Difficulties in Starting a Business: A Study on Youth Entrepreneurship

Summary Report

Starting one's own business has been the dream of many young people; yet not many are able to make this a reality, and even fewer are able run their businesses successfully. The underlying reasons for this happening are worth discussing.

In the Millennium Development Goals Summits, the United Nations proposed four strategic measures to solving youth employment problems, with promoting and supporting youth entrepreneurship being one of them¹. To promote youth entrepreneurship became a global strategy with targets including the creation of jobs and the reduction of unemployment, while trying at the same time to be a great potential for economic and social development.

The Hong Kong Federation of Youth Groups (HKFYG) has always been concerned with the needs of young people in the employment area. To encourage more young people to realize the ambition of starting their own businesses, HKFYG launched the "Youth Business Hong Kong" (YBHK) scheme in 2005, which not only provided financial access to successful applicants who lacked resources, but also assisted them in developing a network in the commercial sector with business coaching. Until February 2011, YBHK received more than 1,500 young applicants, and successfully allocated funds to 157 in 97 business projects.

In the 2011-12 budget, the HKSAR borrowed overseas experience and proposed to study the feasibility of establishing a sustainable "Microfinance" scheme and the demand for such facilities in Hong Kong. This was aimed at financially assisting people at the grass-root level who wished to start their own business. It is believed that such a measure would benefit the youth by helping them to identify career objectives and promoting entrepreneurship as an alternative to traditional modes of employment.

Promoting youth entrepreneurship enhances social and economic development by injecting new energy to the commercial sector. However, doing so requires a

¹ United Nations General Assembly, A/56/422: <http://www.un.org/documents/ga/docs/56/a56422.pdf>. Four top priorities for all national action plans: employability, equal opportunities, entrepreneurship and employment creation.

holistic way of thinking and strategy. Certain areas are of particular interest in this study: What is the general attitude of the young people of Hong Kong towards entrepreneurship? What factors do they consider before starting a business? What are the major obstacles and challenges? What are the barriers that stop them from being businessmen or women? What kind of support would they need? What are their opinions towards the government's proposal of the "Microfinance" scheme? What could we do to build a better environment favourable to youth entrepreneurship? This study aims at examining all the above issues.

The targets interviewed in this study are young people aged 18 to 35. To grasp a full picture of young people's experiences in setting up businesses, respondents selected in the case studies are young people aged 18 to 35 during the time of their business start-up. "Entrepreneurship" is understood as a process of seeking opportunity to create value². In this study, youth entrepreneurship generally refers to any activity done by an economic enterprise which targets creating wealth and accumulating profit.

This study is conducted through (1) a territory wide telephone survey, (2) case studies of enterprises started by young people and (3) in-depth interview with experts and academics. Moreover, in order to deepen our understanding of young people's opinions towards entrepreneurship and related matters, self-administrated questionnaires were distributed to and filled by young people who aspired to start their own businesses.

The telephone survey was conducted by random sampling from territory-wide registered household landlines. 523 Hong Kong youth aged between 18 and 34 were successfully polled, yielding a response rate of 57.4%, with a standard error within $\pm 2.2\%$.

Case studies were conducted between March and May 2011, and a total of 20 interviewees from 18 companies were selected by referral from our service units and the "Youth Business Hong Kong" scheme. Respondents were selected based on the following criteria: 1) they were running the business they started by themselves at least one year prior to the interview. 2) Aged between 18 and 35 when they started their businesses. 3) Accepted being interviewed voluntarily.

² Unrich Schoof. Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people. International Labour Office. Geneva. 2006.

In-depth interviews with experts and academics were conducted between March and May 2011. A total of 11 people were interviewed, among them academics, professionals, entrepreneurs, government officials and executives from non-governmental organizations. Respondents were asked to share their observations and opinions about youth entrepreneurship in Hong Kong, as well as to give advice on how to promote youth entrepreneurship.

The self-administrated questionnaire survey was conducted by convenience sampling from three events related to entrepreneurship³. Young participants of the events were invited to fill in and return the questionnaire on the day of the event. 202 valid questionnaires were received.

After reviewing the literature and existing local data, the following summarizes the major findings and analyses of the survey, related discussions and recommendations for reference.

Discussion

1. Many respondents indicated running a business to be a preferred career. Meanwhile, there are signs of a revival in confidence to setting up a business. The results showed that young people of Hong Kong generally take a positive stance towards entrepreneurship.

In the territory-wide young people survey, of 523 respondents aged 18 to 34, 42.0% agreed that “running one’s own business is a preferred choice in career”, while 34.7% disagreed that “employment is better than entrepreneurship”. The findings showed that young people tend to take a positive attitude towards entrepreneurship.

Based on the statistics shown in Youth Trends in Hong Kong 2011 published by HKFYG, there is a revival in young people’s confidence in entrepreneurship. The percentage of respondents who believed that “entrepreneurship is better than employment” increased from 52% in 2007 to 61% in 2009⁴.

³ The three events are: (1) “Tips for Starting Up a Business with Small Capital” seminar, organized by the Trade and Industry Department, co-organized by HKFYG. (2) “Youth Business Hong Kong” scheme, first phase application 2011. (3) “Entrepreneur Day” exhibition organized by Hong Kong Trade and Development Council.

⁴ The Hong Kong Federation of Youth Groups. Youth Trends in Hong Kong 2011.

From a traditional career point of view, most people tend to take a secure job that offers a stable income, rather than go for the riskier choice of running a business, which very few people would opt for. However, this study showed that such a mentality has started to change; nowadays to some young people, entrepreneurship is considered a rather ideal career option.

Below are some common reflections shared by the 20 interviewees who put their entrepreneurial dream in to action. During the process of setting up a business, all of them experienced ups and downs; felt the joy and bitterness of success and failure; enjoyed the gains and suffered the losses from the business. When asked to conclude their entrepreneurial experience, respondents saw it as a self-learning process, which enhanced personal growth, enriched their experiences and gave prosperity in life. Some respondents therefore regarded entrepreneurship as a good chance to exhibit their personal talents and hence it should not be considered as a last resort in the career path.

Likewise in the interview with experts and academics, they also stated that entrepreneurship should not be taken as a last resort, but one of the many choices in youth career development. They explained that in the process of entrepreneurship, any young business starter would face various kinds of challenges. By learning to solve problems and overcome obstacles in the business, one would be inspired to become more a proactive and independent person.

In the Millennium Development Goals Summits, the United Nations proposed four strategic measures to solving youth employment problems, with promoting and supporting youth entrepreneurship being one of them. The appearance of new corporations creates new positions in the job market; as proven in our case studies, on average four people were hired in one company; showing that entrepreneurship is a direct mobilizing force of employment.

Entrepreneurship is an essential driving force of continued economic growth. The increase in the number of new corporations injects a new energy into the economy by diversifying the kinds of businesses in the commercial sector. To entrepreneurs, business provides a platform for them to employ creatively minded people and show personal capability at work.

In short, this study showed that through entrepreneurship, young people can contribute to creating jobs and promoting economic development; in the process they

develop personal skills, creativity and the ability to deal with contingencies. By all means entrepreneurship increases young people's overall competitiveness in the employment market. Therefore, entrepreneurship is beneficial to both society and the individual; it widens career prospects by providing an alternative from the traditional mode of employment.

2. The findings showed that while many young people approved of the idea of youth entrepreneurship, only a minority have put their ambitions in to practice. The main considerations are a lack of capital, related business skills and knowledge.

Many young people have dreamt of running their own business not merely for obtaining an income or a higher social status, but also for actualizing a goal, gaining autonomy and independence at work, as well as for taking a life challenge. As shown in the territory-wide young people survey, of the 523 respondents aged 18 to 34, the majority (74.6%) approved of youth entrepreneurship, stating that young people have ambition, courage and dare to innovate; this result implied that young people possessed some of the fundamental prerequisites required of an entrepreneur.

Nevertheless, only a small number of people would actualize their aspiration to entrepreneurship. In this survey, of the 523 respondents aged 18 to 34, 34.6% (181 respondents) indicated that they had had a business idea; while only 7.5% actually carried it out, the remaining 27.1% had let their thoughts go astray. Those who never thought of entrepreneurship accounted for 65.4% from the poll.

According to the figures from a poll on youth's views on running a business conducted in 2005⁵, of the 501 respondents aged 18 to 34, 34.5% (173 respondents) indicated that they had had a business idea, while only 7.9% actually carried it out. The result showed a similar statistical figure to this Study, implying that young people in Hong Kong still take a conservative stance when actualizing their aspirations towards entrepreneurship in the past five years.

The question is what has prevented young people from starting up a business? In the territory-wide survey of 342 young respondents who never thought of owning a

⁵ The Hong Kong Federation of Youth Groups. Youth Poll Series No.141 – Youth's Views on Running Business. July, 2005.

business, most people named the main constraints as lacking capital (29.8%) and lacking knowledge in entrepreneurship (21.1%).

Similarly, in the case studies of 20 young people with entrepreneurial experience, “lacking capital” was also raised as a major barrier in youth entrepreneurship. One respondent mentioned that he had to put off a business project due to lack of funds, others needed to live modestly and spared the living expenses to the business instead. Another respondent stated that lacking entrepreneurial knowledge and skills had caused him hardship in the early stages of his business, when he made a lot of mistakes and was obstructed by obstacles all the times. He believed that if he was equipped with the necessary business knowledge and skills, he could have overcome the difficulties more easily. These examples implied that start-up capital and entrepreneurial knowledge are two pivotal factors in the actualization of entrepreneurial dreams.

Collecting opinions of the experts and academic respondents indicated that unfamiliarity with the market, lack of experience, capital and entrepreneurial knowledge were the main constraints faced by young people in starting a business. It is envisaged that if these limitations could be pinpointed and appropriate assistance given accordingly, youth entrepreneurship could be better promoted.

As mentioned, starting a business requires capital, and demands effective management skills and related business knowledge; without the above prerequisites, even a person with entrepreneurial aspirations may not be able to realize his/her dream. Therefore, if financial support and the necessary business knowledge are available to potential young entrepreneurs, it is believed that many would find incentives and the confidence to take action and open up their career in entrepreneurship.

3. Apart from evaluating external factors, personal qualifications and pre-requisites should also be taken into consideration for entrepreneurship. The findings showed that personal networks, capital and innovative ideas are the decisive factors.

Hong Kong is a cosmopolitan city where the rule of law, private property rights and the spirit of contract are highly respected and legally protected. The government of Hong Kong pursues a liberal economic policy, whereby corporations

can operate businesses with a large degree of autonomy and such freedom is also highly valued, as these create pulling forces favourable to entrepreneurship. However, commented by experts and academics in the interviews, business people still face many challenges in the private sector, for instance the increase of shop / office rent and work wage, lack of heterogeneity in the business sector and the absence of the need to nurture innovation; all these have undermined the potential of entrepreneurial activities in Hong Kong. The limited prospect of entrepreneurship becomes a concern to young people when they decide to start a business.

Moreover, in the case studies, many respondents also shared the difficulties in starting a business in Hong Kong, such as the lack of heterogeneity in the industry, the high cost for doing business and low receptiveness to new local products.

On the other hand, apart from evaluating the external factors, the experts and academics in the interviews claimed that the young business starters should possess the following characteristics: (1) One should have creativity and passion. While young people are known for their creativity as a merit, a passionate heart towards related work and business is indispensable. (2) One should be clear about his / her ambition in entrepreneurship, and should be willing to work in the field for a certain period of time to gather experience before starting the business. (3) One should have courage, determination and be brave enough to take risks. (4) One should believe in his / her business and remain persistent, and should not be afraid to suffer or fail.

Aside from the external factors, personal qualifications and pre-requisites must also be taken into account when deciding whether to do a business or not. In the territory-wide young people interview, of the 523 respondents aged 18 to 34, most stated that “personal network” (51.3%), “capital” (50.1%) and “innovative ideas” (44.2%) are the top pre-requisites of a business starter. Many people also thought that it is better to start a business after getting 3 to 5 years of work experience (33.7%).

To summarize, many factors must be taken into consideration when deciding whether or not to start a business. Apart from reviewing personal pre-requisites, the larger external environment also plays an influential role. Undoubtedly it is not an easy decision, after all it may be a personal choice; what matters is whether ambitious young people are well prepared for the challenge and if there is enough support from the society to youth entrepreneurship.

4. Entrepreneurship is not an easy path. The findings showed that during the most difficult time of the business, persistence, faith, pro-active problem solving abilities, family support and professional guidance were factors essential for the success of a company.

Entrepreneurship has no quick fix measures, there is no easy way out - it requires a great deal of time, money and effort; the business starter needs to have strong determination and courage to conquer various challenges. A business starter needs to withstand the psychological pressure and the financial risk that comes with the business.

In the case studies, respondents shared their rugged road of entrepreneurship; some of them fell midway but finally managed to rise again and continued to operate the company. They stated that persistence and faith were the deciding factors that helped them get through the most difficult period. One respondent said that in the early stage of her business, she just had her stall on an uncovered ground. She was exposed to harsh weather like the burning sun and heavy rain storms. During this period of hardship she wanted to give up but finally she persisted because she had faith in her business and believed in herself. Ultimately with her utmost effort her company survived.

In another case, the respondent said that in the low times of the business, it was vital to proactively search for the root of the problem and change strategies accordingly. He mentioned that when the business came to a bottleneck, aside from being persistent and having faith, one must take the initiative to seek solutions; by flexibly changing ones strategy one may turn the situation from negative to positive.

Last but not least, family support and professional guidance would help young entrepreneurs to be more confident in operating their businesses. One respondent thanked his family who showed understanding and trust during a time when he could not financially contribute to the family; their tolerance had become the greatest encouragement for him to persist in his business. Another respondent remembered that she seriously considered shutting down her company, fortunately after getting some precious advice and help from her mentor, she overcame the difficulties.

Entrepreneurship is not an easy path. Young people must equip themselves with appropriate knowledge, bear a good attitude and have the courage to overcome challenges and difficulties that come with the business. In short, for a company to get through the difficult time and stand firm, the following are important: the business owner should be determined, have faith, solve problems proactively and be able to get family support and professional guidance.

Entrepreneurship requires much internal preparation from the young individual, yet external support such as professional guidance and advice are also necessary. Therefore, to assist young people starting a business, society can consider supportive measures in the following two directions: (1) Education of Entrepreneurial knowledge and skill; and (2) Entrepreneurial support and advisory service.

5. Interviewees from the case studies revealed that the main reasons for a business failing were the following: (1) insufficient time spent on the business; (2) lack of entrepreneurial experience; (3) not enough understanding of the field; and (4) mistaken positioning and strategy. Although they failed, they had learned valuable lessons which became important assets for themselves which would be useful when returning to the employment market.

As said, entrepreneurship has no easy shortcuts, not every businessman succeeds. Needless to say, doing business is risky and challenging. In fact, both local and overseas experiences inform us that very few companies last for three years or more, the majority just emerge and disappear from the market.

In one of the case studies, the respondent set up three companies in ten years time and not one of them lasted for three years before it closed down. The respondent concluded the reasons for his failure as follows: in the first business he only worked there on a part-time basis, the respondent finally chose to close the company as he had no time to take care of it. The second time, he was unfamiliar with the related industry; so to stop risking further loss he shut the business down. As for the last one, he pointed to a wrong positioning of the business and finally he chose to withdraw from the company due to a lack of consent between the partners.

The above respondent failed three times in running businesses and yet his determination to be an entrepreneur has not been knocked down. He shared the

fact that he enjoyed the process of running every single business and had earned precious experiences, which became important assets when he returned to the employment market. Currently the respondent is working hard in his job and preparing well for the next entrepreneurial challenge.

In another case, the respondent ended the business reluctantly because he did not think he could handle the company alone when his partner withdrew from it. The respondent however did not regard the closing down as something bad but merely a decision to minimize loss. From the experience he learned to avoid similar mistakes in his next try.

Succeeding in a business is undoubtedly something to celebrate, but failing one is not necessarily something to be ashamed of; it depends on how the person faces the failure and how she / he makes use of such failing experiences to make the most from them. After all, a business start-up itself is a challenge; it gives the business starter a unique life experience that nurtures personal growth.

6. Business requires space. As information technology advances, on-line business has become a popular choice among young people. But to young entrepreneurs who need real space in their business, high office / shop rent becomes a major barrier to their business plans.

Business requires space; it could be a virtual environment or a concrete place. Many young people who are knowledgeable in information technology (IT) choose to start their businesses using the internet, for online business not only requires a much lower start-up cost, but also allows young people to exhibit their IT proficiency. However, there are still many others who need real space in their businesses, be it a shop, an office or a studio and the high rental cost in Hong Kong becomes a major barrier that hinders the actualization of their business plans.

Summarizing opinions in the case studies, shows that high rental cost is a major barrier in a business start-up. One respondent claimed that it was very difficult for a first time business starter who has a small capital to bear the high rental cost, because the down payment and first rental instalment usually add up to several tens of thousands of dollars; this amount takes up a significant percentage of the start-up capital, worsening the already straining financial situation.

Other respondents said as first time business starters they could not afford the high-rent shops, hence they sought to rent the cheaper options but were turned down by the shop centre management for they did have related prior experience. They also concluded that it was not easy for young entrepreneurs to find a suitable place to do business in Hong Kong.

Hong Kong is well known for its high rent and high business start-up costs; it may not affect those who turn to online business, but for people who need real space, it is obviously killing their chances of survival. How can we help young people whose ambition is to set up a business but face the problem of high rent?

7. The findings showed that experts, academics and young respondents held a positive opinion towards the “Microfinance” scheme proposed by the HKSAR in the budget 2011-12. Besides, they opted that the positioning and the criteria of the scheme be clear and simplified.

In the Budget 2011-12, the HKSAR pinpointed that “some people at the grass-root level may wish to start their own businesses or take self-enhancement training. However, they may not have sufficient financial resources to do so. What they need is not a large sum. However, their loan applications may be rejected by banks or finance companies because they cannot provide collaterals nor do they have a stable income, or they may have to bear a high interest rate on the loan. This may frustrate their plans to start their own businesses or deprive themselves of self-improvement opportunities. I have asked the HKMC to study the feasibility of establishing a sustainable “Microfinance” scheme in Hong Kong and the demand for such facilities.”⁶. The Financial Secretary of the HKSAR proposed to study the feasibility of establishing a sustainable “Microfinance” scheme, which aims to financially assist people at the grass-root level who wish to start their own businesses.

Based on the findings in this research experts, academics and young respondents took a positive stance towards the “Microfinance” scheme (scheme), believing that it could help young people who did not have enough capital to start their business, providing another choice of career opportunity.

⁶ The Government of the Hong Kong Special Administrative Region. The 2011-12 Budget, p174-176.

Many young people dream of having their own businesses, yet doing so is no easy task. Raising the start-up fund is a major problem in youth entrepreneurship. As shown in the territory-wide young people survey, out of 523 respondents aged 18 to 34, 35.7% stated that “entrepreneurship loan” is one of the top three most needed supports in promoting youth entrepreneurship. Likewise, respondents from the case studies also indicated “lacking capital” as a major barrier in business start-up.

The research findings also reflected that young respondents, whether they had business experience or not, preferred to use personal savings as the start-up capital. While bank loans provide another option, most people expressed concern about burden of the high interest rate. Among the 181 respondents who had thought of starting a business, 77.2% would mobilize their personal savings while only 11.7% would opt for a bank loan. When a bank loan is inevitable, many (41.5%) expressed worries about the high interest rate. In the case studies, most respondents also chose to use personal savings or raise funds through a partnership for the business. Even when faced with a stringent financial situation, most respondents were reluctant to apply for a bank loan due to the high interest repayment, which they termed as “another source of pressure in the business”. The above findings proved that loan interest rate is a major concern for young business starters in handling their finance.

With reference to the foreign experience, the microfinance scheme aims to financially assist people at the grass-root level who wish to start their own business. Besides offering loans that are relatively affordable, those institutions also provide services such as mentorship to assist people in starting their own business. To summarize the opinions of experts / academics and young respondents from case studies, the proposed “Microfinance” scheme is a good attempt to assist young people in setting up a business; but as Hong Kong does not have any prior experience in such a kind of programme, respondents stated that the positioning and the criteria of the scheme should be clear and simplified.

Regarding the positioning, the scheme can be run on a commercial basis but the profits of the institution have to be taken into consideration; and while the scheme can also be run on a welfare basis, public funds need to be mobilized to finance its operation. Different operation modes are based on different rationales and considerations. Regarding the criteria, the assessment procedures should be strict to avoid abused or mismatched usage of the funding; but at the same time the application requirements should be lax to facilitate the loan applications to start their

business. Therefore, if such a scheme is to be implemented in Hong Kong, the positioning of nature and application criteria must be further studied based on the Hong Kong context.

Recommendations

Based on the above findings and discussions, we have the following recommendations:

- 1. The proposed “Microfinance” scheme is a small scale loan service for people at the grass-root level who wish to start their own businesses. We are supportive of the government’s attempt to put forward such schemes, and believe that it would benefit young people who need financial assistance in achieving their entrepreneurial goal.**

Regarding the positioning of the scheme nature and its application criteria, two suggestions are made as follows:

- 1) The positioning of the scheme nature should be aligned on the principle of “sustainable development”, which would enable the scheme to play a continuous role in promoting youth entrepreneurship. As the scheme unavoidably involves set up costs and operational expenses, its survival is deemed more probable if it were a welfare, in which case public funds must be mobilized. On the contrary, if it were to run on a commercial basis to make a profit at the end, its service may not be long lasting.
- 2) As to the application criteria of the microfinance scheme, in order to address the needs of the applicants, an assessment framework should be formulated applying a principle of “narrow entrance broad exit”. To avoid the abuse and mismatched usage of the scheme, assessment must be strict yet there should not be too many limitations. In addition, the repayment arrangement should be made relatively relaxed and flexible compared to existing options in the market.

Building on previous discussions, the following six recommendations were made regarding the implementation criteria of the Microfinance scheme.

- (1) Loan amount should not be less than HKD200,000: According to respondents who had entrepreneurial experiences, the venture capital is around HKD200,000. On the surmise that young business starters need to learn problem solving and bearing responsibility, they should self-finance part of the needed fund. Raising a start-up fund and managing the finance of a company are essential; these are exercises young business starters must go through, we therefore think that the loan amount should not be less than HKD200,000.
- (2) Loan tenor is better in the range of 3 to 5 years: Repayment requirement should depend on the loan amount and repayment holiday should also be given. Take an example of a loan amount below HKD100,000; we think that three years of repayment period should be allowed; for an amount between HKD100,000 and 200,000, three to five years of repayment seems appropriate. Should the borrower have any financial difficulty, the scheme could provide financial advice and assist the borrower in ways to overcome the difficult time with a financial restructuring plan.
- (3) The scheme should provide a comprehensive support package: For applicants to successfully launch the business, apart from entrepreneurial loans, the provision of a comprehensive support package is indispensable. Reviewing the experiences of the "Youth Business Hong Kong" programme, it was found that loan servicing, mentoring guidance, business support, information and networks were all important elements that not only led young entrepreneurs to take their first steps, but also increased the survival rate of the businesses and reduced the financial risk of the lending institutions.
- (4) Strict selection, simple application procedure: Young people usually find it more difficult to take a loan as they neither have the assets for down payment nor a profile of previous achievements. Therefore, we believe that the application procedure should be made simple yet selection made strict; such as the availability of guarantors, personal credit and bankruptcy record and no collateral being required. Once the loan is successfully approved, the borrower should submit a business progress report from time to time; this would minimize the default rate and increase the sustainability of the scheme.

(5) Loan interest rate should be lower than personal bank loan interest: Viewing the overseas experience, the loan interest rate of such a kind of scheme is usually slightly higher than the personal bank loan interest so as to offset administrative fees and the risk taken by partner banks. However, we think that the loan interest rates of similar schemes in Hong Kong should be carefully calculated to address the needs of both the banks and borrowers. If the rate is set too high, the desire to apply for a loan would diminish; whereas if the rate is set too low, it would affect the willingness of banks to participate in the scheme. With reference to how local banks handle personal loan applications, credit limits are usually designated based on the applicant's financial situation, and generally appropriate a loan amount six to eight times the applicant's salary, with an annual interest rate of 8-9%. As the microfinance scheme is a brand-new concept in Hong Kong to financially assist potential entrepreneurs, we think that the loan interest rate should be lower than the annual interest rate of personal bank loans.

(6) The scheme should target well-prepared applicants: Entrepreneurship involves risks hence demands candidates of high calibre. The scheme should select competent and fully prepared applicants. To do so, applicants must submit detailed business proposals, go through a strict and compact selection process, and be approved by the scheme's vetting committee. The assessment criteria should be based on the following: personal capability and aptitude, creativity and innovation, feasibility of the proposed business plan.

2. Youth entrepreneurship creates jobs and brings about economic development; it also helps young people to build up independent thinking to encounter various life situations. As youth entrepreneurship is beneficial to both society and the individual, spreading the idea has become an important social agenda. The following are recommendations for promoting youth entrepreneurship in Hong Kong.

- 1) To continue to waive the Business Registration Fee to lessen the burden of young people to start a new business: In the past, the HKSAR had twice waived

business registration fee of HKD2000. The first time was under the Revenue (Reduction of Business Registration Fees) Order 2009, which reduced the fee payable in respect of business registration certificates that commenced on or after the 1st of August 2009, but before the 1st of August, 2010. During this period, a number of new commercial enterprises had risen; such an increase was deemed related to the waiving of the business registration fee. The second time of fee reduction was under the Revenue (Reduction of Business Registration Fees) Order 2010 effective on or after the 1st of August, 2010 but before the 31st of July, 2011.

Notwithstanding the above measures, on and after the 1st of August 2011, the prescribed business registration fee will resume and together with the levy, the total amount payable under a certificate for one year is HKD 2,450. It is understandable that a fresh entrepreneur would not have an ample amount of start-up and operational capital. To lessen their burden and as a kind of encouragement, we recommend the HKSAR to continue to waive the business registration fee.

- 2) Assist young entrepreneurs to actualize their business plans by providing an affordable platform: Expensive rent in Hong Kong leads to high start-up costs for businesses. Although many young people may have already turned to the relatively cheaper option of internet business, many other entrepreneurial activities that require real space were being impeded due to the pricy rent. We recommend the concerned authorities to provide cheap spatial units such as vacated market or factory buildings to young entrepreneurs for a short period of half to one year's time, during which they could experiment running the business. Upon the end of the contracted period, the occupants must move out so that other fresh entrepreneurs can use it. In this way, young entrepreneurs would have a chance to experiment and learn how to do business, and better understand their strengths and interests. This would also enable entrepreneurial activities to continue and grow.

3. Entrepreneurial education and training consists of topics like career development and preparation, financial management, business skills, and learning the spirit of entrepreneurship; these are subjects relevant

and useful to young people whether they decide to be an entrepreneur or an employee.

From the territory-wide survey of young people, 60% of the respondents agreed that entrepreneurial education and training should be provided to secondary school students. Entrepreneurial education includes teaching of relevant skills, attitude, behaviour, as well as developing a sense and spirit of entrepreneurship. We recommend secondary schools strengthen their entrepreneurial education, so that students can start career planning, learning financial management, business skills, and understanding more about entrepreneurship and its spirit at an early stage of their life. For University students, training workshops and business competitions can be organized, allowing students to get a taste of being an entrepreneur. The objective targets will help students acquire more knowledge about the business world. Last but not least, students will find that entrepreneurship provides one more option in their career plan.

The aim of entrepreneurial education is not to advocate everyone to be a boss, but to prepare young people for career development, as well as to spread the entrepreneurial spirit: a determined mind that dares to innovate and be adventurous. Entrepreneurial spirit enhances personal growth and prepares young people for their future career; it will remain relevant and useful whether they choose to work as an employee or employer.

4. Cultivate a culture of entrepreneurship

The territory-wide young people survey showed that while as much as 60% of respondents agreed that there is a lack of entrepreneurship promotion activities and exhibitions in Hong Kong, merely 40% felt that Hong Kong upholds the entrepreneurial spirit. To create an environment in favour of setting up a business, a diversified economy is indispensable. The creative and cultural industry is filled mostly with young people; it opens up plenty of opportunities for small-capital business starters. Nevertheless, Hong Kong society is deemed unfamiliar with, let alone supportive of an entrepreneurial culture, as it clearly lacks an open and compatible environment for young people to experiment with business start-up. Entrepreneurship requires taking risks; successful businesses are appreciated without question; but while people who failed in their businesses might have put in the same amount of effort, they are usually left unrecognized or even disapproved of.

This is a very discouraging scene for the entrepreneurial culture in Hong Kong.

Thus, it is important for us to work together to cultivate an open and tolerant entrepreneurial atmosphere, and pursue a society with entrepreneurial spirit.