

Financial Risk Analysis of College Students' Entrepreneurship

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Abstract: In this era of innovation and entrepreneurship, more and more college students choose to start a business. However, due to the limitations of college students and various factors, the success rate of entrepreneurship is not high. The main problem is the failure to deal with financial risks. Based on the financial characteristics of college students' entrepreneurship, this paper analyzes the causes of the financial risks of college students' entrepreneurship, and puts forward corresponding precautionary measures at the company, school and government levels.

1. Introduction

In recent years, on the one hand, with the large-scale enrollment expansion of many colleges and universities across the country, the number of graduates is increasing, the employment situation is becoming more and more severe, and entrepreneurship has become a new way for college students to obtain employment; on the other hand, the government departments also put forward various supporting policies to encourage students with the ability to innovate to join in the wave of entrepreneurship, promote the renewal of ideas and improve the efficiency of entrepreneurship. Although the entrepreneurial willingness of college students continues to rise, there are few successful entrepreneurs, among which the financial risk response is a very important factor. At present, many college students start their business with a focus on innovation, but ignore the management of financial risks, often failing to operate because of problems such as broken capital chains. Therefore, in order to better prevent financial risks and ensure the safety and stability of funds, we need to fully understand the characteristics and causes of financial risks of college students' entrepreneurship, so as to more effectively predict and prevent financial risks and improve the success rate of college students' entrepreneurship.

2. Characteristics of Entrepreneurship for College Students

2.1 Dare to Try, Not Afraid of Failure

College students are on the road of continuous accumulation and continuous progress. Their career has just begun. There is no restraint and worry. Everything starts from scratch. Even if it fails, it just returns to zero. Therefore, they dare to try, dare to innovate, full of passion and hope, which is also the mentality of an entrepreneur.

2.2 Creativity and Technological Advantages

Nowadays, many college students are not limited to the book knowledge taught by teachers. They are brave to explore and study what they are interested in. Even some college students have invented their own patents during their college life. Their innovation and ability will continue to promote the construction of the transformation pace of our country.

2.3 Lack of Social Experience

Although college students have their own innovations and skills, they lack social experience, which is what they must accept and is one of the important reasons for their entrepreneurial failure.

Because many college entrepreneurs have never entered the society, or have just entered the society, they lack a rational understanding in many aspects, things are easy to idealize, and their ability to perceive risks and handle things need to be strengthened. Only through continuous accumulation and practice can they become more rational and powerful.

2.4 Lack of Management Experience and Market Awareness

Many college students have never been involved in management, and some management majors only know about management in books. They don't have any practical experience, and they don't have a sufficient understanding of products and markets. which easily leads to their inability to win the favour of the market and investors.

3. Financial Characteristics of College Students' Entrepreneurship and the Causes of Financial Risk

3.1 Financial Characteristics of College Students' Entrepreneurship

3.1.1 Large Capital Demand

In the early stage of its establishment, college students' start-up enterprises need a lot of money to purchase equipment, facilities, research and development, as well as production and operation. However, the enterprise has not the ability to generate cash flow, so the cash flow is negative at this time, and the enterprise supports the operation of the enterprise mainly by own funds.

3.1.2 Immature Financial Environment

On the one hand, in the early days of college students' entrepreneurship, they lacked experienced financial management personnel. Most enterprises would choose to outsource finance or find financial accounting students at school to help with financial issues. Although they have certain theoretical knowledge, they have weak practical ability and do not have certain social accumulation. They can only perform basic financial accounting. On the other hand, due to inadequate financial capabilities, enterprises also lack good financial operating mechanisms, and there is no standardized planning and management of capital income and expenditure. Therefore, the financial environment of the enterprise is still immature, and the financial concept has not been fully formed ^[1].

3.1.3 Mainly Own Funds

Due to insufficient credit ability of college students, it is difficult for college students to obtain loans from banks for founding. Although the government has also introduced some supportive policies, they are mainly based on small loans and can't solve the problem fundamentally. On the other hand, since the company has just started operations, it has less venture capital and insufficient profitability to pay off debts, which easily increases the financial burden of the company. Therefore, most college students start their own businesses with their own funds.

3.2 Causes of Financial Risks of College Students' Entrepreneurship

3.2.1 Large Capital Investment and High Risk

Different from ordinary entrepreneurs, they may choose to start their own business after some experience and accumulation in the society. As a special group, college students have no capital guarantee and social experience accumulation. They usually need to invest a lot of money in the initial stage of entrepreneurship. Due to their own experience and the existence of various uncertain factors such as the market, the probability of their entrepreneurial failure is much higher than that of other groups.

3.2.2 Single Financing Channel

College students have no guarantee of the ability to repay loans due to their own credit risk issues. In addition, college students have low entrepreneurial success rates due to insufficient social experience. Therefore, it is difficult for college students to obtain a certain amount of loans from

other financial institutions such as banks. The initial funds for starting a business are generally self-owned funds, and it is difficult to ease financial difficulties through other channels ^[2].

3.2.3 Financial Rules and Regulations Have Not Been Formed

College students' entrepreneurship generally focuses on innovation. Due to their lack of financial knowledge, most college students' entrepreneurs do not have full-time financial personnel in the early stage of entrepreneurship, let alone the establishment of relevant financial rules and regulations. And there is no detailed record and plan for the use and income of funds, and the financial environment is not mature.

4. Preventive Measures for College Students' Entrepreneurial Financial Risks

After a comprehensive and systematic analysis of the characteristics and causes of the financial risks of college students' entrepreneurship, this paper puts forward the corresponding preventive measures, as well as the supporting suggestions from the perspective of the school and the government, hoping to give some enlightenment and reference to the prevention of financial risks of college students' entrepreneurship.

4.1 Preventive Measures At the Company Level

4.1.1 Establish and Improve Financial Rules and Regulations, and Strengthen Capital Management

In the early stage of college students' entrepreneurship, they often lack professional financial personnel and financial knowledge, which results in the immature financial environment and imperfect financial management. Finance is closely related to the survival of the enterprise. Without a standard financial rules and regulations to build a good financial environment, it will cause the enterprise's revenue and expenditure confusion, the assets are not real, and it will also cause some illegal and inappropriate operations of the relevant personnel ^[3]. Therefore, in the early stage of college students' entrepreneurship, we should put the construction of financial rules and regulations on the agenda, and lay a solid foundation for the stable development of enterprises.

4.1.2 Training of Financial Personnel

In the initial stage, most of the university student start-up enterprises are not equipped with full-time accounting personnel, and some enterprises even seek help from college students majoring in finance. Neither the manager nor the person handling financial matters has a solid professional foundation and practical experience. Therefore, training financial personnel and managers on financial knowledge and improving awareness of financial risk prevention are conducive to the construction of a good financial environment and the prevention of financial risks ^[4].

4.1.3 Adopt Centralized Investment Strategy

In the early stage of college students' entrepreneurship, on the one hand, due to their own funds and difficulties in raising funds, they were not suitable for diversified operations. On the other hand, due to the lack of social experience of college students, it is difficult to balance the weight of various projects of diversified operation, and it is also too fragmented, which is easy to cause the phenomenon of cash flow interruption and investment failure. Therefore, in the early stage of entrepreneurship, college students should choose a centralized investment strategy, pay attention to the profitability and innovation of individual projects, strive to form their own core competitiveness, and improve the status of enterprises in the industry.

4.1.4 Focus on Equity Funds and Find Suitable Venture Capital

In the initial stage of college students' entrepreneurship, on the one hand, because of their own low credit, lack of social experience, their own debt paying ability, so it is difficult to obtain bank loans. Although the government also has some supporting policies, they are mainly small loans. On the other hand, it is difficult for college students to raise large amount of venture capital. If too

much debt is introduced in the early stage of venture, it may lead to insufficient solvency and problems in corporate capital flow. Therefore, in the early stage of college students' entrepreneurship, we should focus on equity funds and find suitable venture capital.

4.2 Preventive Measures At School and Government Level

College students, as a special group, have rich creativity and the spirit to fight. They are the hope of our country in the future. In this era of innovation, our school and government should also pay more attention to the independent entrepreneurship of college students, provide some help and support, and promote the development of innovation and entrepreneurship in the country.

4.2.1 Schools Should Incorporate College Entrepreneurship into Their Education Plans

The lack of social experience of college students is inevitable and must be accepted, and it is more difficult for the college students to start their own businesses successfully. Therefore, as schools, we should also start to attach importance to entrepreneurship education for college students, to make up for their social experience as much as possible, and help them improve themselves theoretically and practically^[5]. Carrying out innovation and entrepreneurship education for college students can enable college entrepreneurs to have a more systematic and comprehensive understanding of the company's operations and management. Especially for some undergraduates of engineering entrepreneurship, it can help them understand management and financial knowledge, improve their risk perception ability, and allow them to meet new challenges with a more complete attitude. At the same time, the development of innovation and entrepreneurship education for college students is also a response to the government's call, which can further promote the development of innovation and entrepreneurship in China.

4.2.2 The Government Should Improve Various Supporting Policies for College Students' Entrepreneurship

As a new force for future development and an important part of our innovation and entrepreneurship process, the government should attach great importance to the entrepreneurship of college students. Based on the particularity of college students' high credit risk and lack of social experience, our government should also formulate certain support policies for such special groups to help college students to carry out innovation and entrepreneurship more smoothly. Although the government has given certain preferential treatment to small loans, income tax and related expenses, some regions also provide preferential policies such as business incubation bases and low-cost housing for business start-ups, creating a good business environment for college students, the number of entrepreneurial fund declarations is relatively small, and the application process is more complicated. Many entrepreneurs do not have enough ability to fill in the application materials. As a result, many entrepreneur projects are more successful, but the materials fail to keep up with the pace, and they lose contact with the venture capital support fund. Therefore, on the one hand, schools should unite with the government to increase the development of innovative and entrepreneurial education for college students and the training of talents. On the other hand, the government should increase the promotion of innovation and entrepreneurship support policies, so that the benefits are being implemented and used by the people.

5. Conclusions

Through the research on the characteristics of college students' entrepreneurial financial risks, we find that college students' entrepreneurial financial risks mainly come from several aspects, such as the lack of financial rules and regulations, single funding channels, large capital investment and high risks. In order to improve the success rate of college students' entrepreneurship, the college students should fully realize the importance of financial risks, establish and improve entrepreneurial rules and regulations, and strengthen capital management and financial staff training. At the same time, schools should also incorporate college students' entrepreneurship into their education plans to make up for the lack of college students' entrepreneurial experience. In addition, the government

should also improve various support policies for college students to start businesses, provide better external conditions for college students to start businesses, and promote the development of innovation and entrepreneurship.

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