

ECONOMY

Shenzhen most entrepreneurial city in greater China: survey

Poll shows 16% of population engaged in startups, threefold rise since 2009

JENNIFER LO, Nikkei staff writer

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HONG KONG -- The southern city of Shenzhen is often dubbed as China's Silicon Valley. While it is home to well-known technology brands, from **Tencent Holdings** to smartphone producer **ZTE** and drone maker DJI, across the border its rival city Hong Kong is playing catch-up.

Shenzhen has topped Hong Kong and Taiwan's capital Taipei in terms of entrepreneurship in greater China, according to a joint university survey released on Wednesday. Sixteen out of every 100 adults in Shenzhen was engaged in early-stage entrepreneurial activities in mid-2016, more than a threefold increase from 2009 when the figure was less than five.



Kevin Au, associate professor at the Chinese University of Hong Kong's business school, second from right, launches a joint university entrepreneurship study on Feb. 15. (Photo by Jennifer Lo)

This compared with about 9.4% of Hong Kong's adult population that was involved in entrepreneurial activities last year, up from 3.6% in 2009. China's national average was 10% last year, slightly outperforming Taipei's 8%.

The study, launched by the Chinese University of Hong Kong, Hong Kong Baptist University and other research institutes, covered the population in 66 economies worldwide, including the detailed breakdown on the three cities in greater China.

Shenzhen came in second in the region after Thailand, which was the most entrepreneurial Asian economy in the survey. Globally, the Chinese city surpassed Israel and the U.S., which have early entrepreneurship rates of 11.3% and 12.6%.

Unstable career options

The findings can largely be attributed to the level of economic development across countries. There are typically fewer entrepreneurs in developed economies such as Hong Kong due to more stable career options for skilled workers. Employees in larger companies may also engage in "intrapreneurship" - new initiatives within existing businesses rather than starting their own companies.

"So a high entrepreneurship rate is not necessarily a good thing. It could mean that there are no better opportunities in a developing economy," said Kevin Au, an associate professor at the Chinese University's business school, who led the survey.

Both Shenzhen and Hong Kong saw an explosive growth in the number of startups last year. New businesses that were between three and 42 months old in Shenzhen jumped by 284% compared with 2009. In Hong Kong, nascent businesses younger than three months also grew by 206% during the period.

About one in five people in Hong Kong showed entrepreneurial intentions last year, compared with a third of the population in Shenzhen, according to the study.

Lax lending practices

A rush to entrepreneurship might be linked to relatively lax lending for new businesses in Shenzhen. "Banks in Shenzhen are generally more supportive of startups as they are seeking profit opportunities that are lacking in traditional businesses," said Dong Xiaoyuan, director at the Shenzhen Academy of Social Sciences, who also took part in the study.

The Shenzhen government has offered subsidies for banks to provide loans for startups. The heavy financial support has aroused concerns that the visible hand of state capitalism is fueling credit growth and bringing with it inefficient lending and soaring bad debts at local banks.

So can Hong Kong rival Shenzhen as a top innovation hub for startups?

"Hong Kong need not be Shenzhen. This is simply an absurd idea," said the Chinese University's Au. He likened the different roles of the two cities to that of Silicon Valley and New York in the U.S. The former has specialized in research and development of cutting-edge technology. The latter has focused on growing new markets and product innovation.

Despite a recent proposal to build an innovation park in the border area between the cities, technological collaboration between Hong Kong and Shenzhen has been largely minimal. Au cited growing public skepticism about Hong Kong-China integration and differences in government systems as hurdles.

"Initiatives in China are typically top-down and focus on long-term development. This is unlike Hong Kong where innovative ideas are from below and immediate returns are important," he said. "It will be an unbeatable combination if Hong Kong and Shenzhen can join forces and complement with one another, but the question is how far they can cooperate."