

Entrepreneurship in Focus

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What Really Helps Young People Start a Business

Jens Schüler, Matthias Baum, Ivo Andrade, Tobias Bürger

Summary

Young people are vital drivers of innovation and economic renewal. Although around 40 percent of young people in Germany express interest in starting a business, only a small fraction actually pursue their ideas. This empirical study shows that targeted support measures can significantly increase the perceived attractiveness of starting a business. Financial support — such as a start-up safety net and easier access to venture capital — emerges as the most effective type of support.

In an international comparison, the potential of young people in Germany to start new businesses is not as high as expected. While approximately 40% of 14 to 25-year-olds express interest in starting a business (Bertelsmann Stiftung, 2024), only around 11% of 18 to 24-year-olds go forth and start a venture (Global Entrepreneurship Monitor, 2024). By comparison, the start-up rate in this age group is over 23% in the Netherlands and the USA. According to the OECD (2023), the number of new start-ups in Germany could increase by around 1.6 million if the number of new companies started by people aged between 30 and 49 was matched. Common reasons for hesitation include financial insecurity, a lack of networks, a lack of knowledge about entrepreneurship and limited access to capital (Bertelsmann Stiftung, 2024).

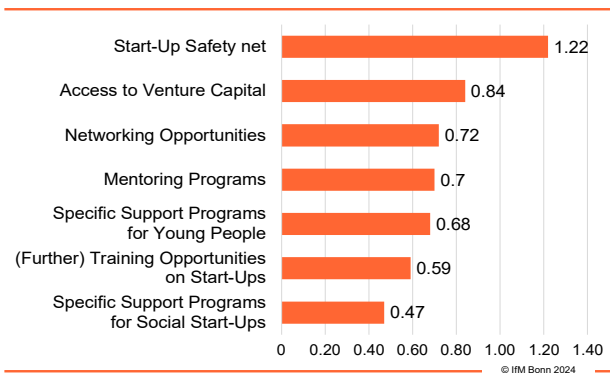
The empirical basis of this article is the Young Founders Monitor (Andrade et al., 2024), which examines what support measures young people in Germany find particularly attractive for starting a business. At the heart of the study is a conjoint experiment involving 297 young adults aged 18 to 25 who are interested in founding a business. Among them, 45% are women, 37% have a migration background, and 25% already have entrepreneurial experience. These participants made a total of 4,752 decisions about different support scenarios. Seven key support measures were systematically combined in different variations across 16 profiles and statistically analyzed (multi-level regression).

Attractive support measures increase the intention to start a business

The results indicate the following: Financial support, such as a start-up safety net offering social benefits, protection against dismissal, and payments equivalent to a general basic income for up to one year for a first venture, greatly enhances the perceived attractiveness of starting a business. Simplified access to venture capital has a similar effect. Mentoring and networking opportunities also have a positive effect. Programs specifically for young people and educational offers also have a positive, but smaller effect. While support

formats for social start-ups are positive, they have the weakest impact.

Key Results from the Conjoint Experiment



Source: Andrade et al. (2024)

Example: When a start-up safety net is offered, the perceived attractiveness of founding a business increase by an average of 1.22 points on a 1-to-7 scale.

Targeted Support Measures Show the Greatest Impact

Our analysis further reveals that the effectiveness of support measures varies significantly across different target groups. Variables such as gender, migration background, age, entrepreneurial experience, and self-efficacy influence how strongly individuals respond to specific measures.

Young women benefit more from a start-up safety net, which boosts their perceived attractiveness to start a business by 14% more than for young men. Similarly, support programs specifically for young people are 32% more important to them, and educational offers 22% more. However, they rate access to venture capital 15% less important than young men.

Young people with a migration background value networking opportunities 20% more than their peers without such a background. Access to venture capital is also more important—17% more relevant on average.

Without such offerings, they rate their likelihood of starting a business significantly lower.

Older respondents (ø 24.1 years) rate the attractiveness of starting a business as slightly lower than younger respondents (ø 19.6 years), especially if no start-up safety net is offered. They rate this measure 12% higher in importance. The same applies to programs for social entrepreneurship, which are valued 22% higher by older participants.

Young people with start-up experience rate many support measures as less relevant than their peers without such experience, as they already feel more confident or consider their entrepreneurial skills and networks to be more sufficient. For example, a start-up safety net is 13% less important to them. Similar decreases are found for educational programs (- 34%), youth-specific programs (- 39%), and offers for social enterprises (- 35%). These results suggest that support formats are particularly impactful for inexperienced founders.

Young people with low entrepreneurial self-efficacy—meaning they have limited confidence in their ability to succeed as entrepreneurs—respond particularly strongly to support measures. For them, external assistance such as targeted programs, educational opportunities, and mentoring can provide the reassurance and skills needed to consider entrepreneurship a viable path. These measures help reduce perceived barriers and build the belief that starting a business is within reach. In contrast, young people with high entrepreneurial self-efficacy tend to view many of these offerings as less relevant to their needs. For instance, they rate youth-specific programs and educational offers 28% lower in importance, and mentoring programs 18% lower, likely because they already feel equipped to navigate the entrepreneurial process independently.

Empowering Young People as Drivers of Innovation

To specifically promote young people's willingness to start a business, expanding financial support should be prioritized. Introducing and expanding a basic start-up safety net and providing easier access to venture capital would most effectively increase the long-term appeal of starting a business. Additionally, measures should be differentiated according to attributes such as gender, age, and migration background to address the specific needs of different target groups.

Support measures for young people without start-up experience and those lacking confidence in their entrepreneurial abilities are particularly effective. These groups benefit greatly from measures such as educational programs, mentoring, and specific support programs. Improving communication about existing programs is also promising. Reducing information deficits

can make existing programs more visible and significantly increase their impact. At the same time, young people should be involved in developing and refining support measures to ensure they are tailored to their needs.

Providing targeted support to young entrepreneurs is crucial for Germany's innovation strength and future viability. Effective, accessible programs can empower young people to bring entrepreneurial ideas to life, strengthening individual willingness and Germany's competitiveness as an innovation hub. To succeed, these support measures must reflect the diverse needs of young people and reduce uncertainty in the early phases of entrepreneurship.

Dr. Jens Schüler is a postdoc at the chair of Prof. Matthias Baum. Prof. Matthias Baum is Professor of Entrepreneurship and Digital Business Models at the Institute for Entrepreneurship and Innovation at the University of Bayreuth. Ivo Andrade is Project Manager at the Bertelsmann Foundation in Gütersloh. Dr. Tobias Bürger is Senior Project Manager and Co-Project Manager at the Bertelsmann Foundation in Gütersloh.

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