Rural Area Entrepreneurship, *Guanxi* and Local Policy in China: Suggestive Evidence from a Small Sample Survey

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Abstract:

The establishment of new independent firms is a key factor in the development of rural areas, in addition to attracting factories from more developed areas. Using a small sample survey conducted in the winter of 2010 in Henan province, China, this study examines the attributes of rural area entrepreneurship. The sample consists of two types of rural entrepreneur who established their own firms in the flour milling industry: return migrant entrepreneurs and non-migrant entrepreneurs (local residents without migration experience). Estimates of simple production function show that the productivity of firms established by return migrants is higher than that of non-migrant firms. We also reconfirm that *guanxi* and local policy are important for both types of entrepreneurs when starting up their own businesses, especially when securing sites. Furthermore, estimates made using a multinomial logit model suggest that new ideas are the most valuable gain from urban working experience for return migrant entrepreneurs.

1. Introduction

The industrialization of rural areas is essential to further development of the Chinese economy. It is a powerful means of moving production plants from the eastern coastal region, where wages have been rising recently, to inland rural areas. However, plants and production divisions have only limited decision-making power in determining management strategy. Thus, although attracting many plants helps to boost employment and capital in rural areas, it does not necessarily lead to sustainable development of such areas. It may be necessary to establish new enterprises to promote industrialization and development in rural areas.

Needless to say, however, the conditions and environment for establishing new enterprises in rural areas are inferior to those in urban areas. Consequently, supplementary mechanisms are needed. This study looks at the roles of local social networks (*guanxi*) and preferential treatment policies implemented by local governments. We examine how the characteristics of rural area entrepreneurship are related to *guanxi* and local policy.

In particular, we focus on two types of entrepreneur in rural areas: return migrant entrepreneurs and non-migrant entrepreneurs (local residents without migration experience; hereafter referred to as local entrepreneurs). While the number of migrant workers in cities is still increasing, the phenomenon of return migration has also started attracting attention. Some workers who have acquired skills and knowledge through labour in cities are now returning to their rural areas of origin. More importantly, some have acquired the skill of entrepreneurship *á la* Schumpeter during their time away, and have then established their own enterprises after their return. Thus, return migrant entrepreneurs take home human capital as well as financial capital, and contribute their knowledge and expertise to the development of their native rural areas.

We conducted a small sample survey of rural area entrepreneurship in Henan province in the winter of 2010. The sample consisted of two types of entrepreneur: return migrants and locals who established their own enterprises in the flour milling industry. Although many sample surveys have collected data on return migrant entrepreneurs, to our knowledge no previous surveys have compared return migrant entrepreneurs with local entrepreneurs in the same industry, i.e., enterprises established using basically the same production technology.

The paper is structured as follows. In the second section, we briefly review the

literature on return migrant entrepreneurship. The third section offers an overview of our sample survey. In the fourth section, we attempt to compare productivity between enterprises established by returnee entrepreneurs and those established by local entrepreneurs based on estimates of simple production function. In the fifth section, we discuss differences in characteristics of rural area entrepreneurs using average data and logit model estimates, etc. Topics addressed include the importance of *guanxi* and local policy, and sources of capital for business start-ups. The sixth section outlines returnees' answers to the question of what useful gains they made for establishing their own business while working in urban areas. The final section presents our tentative conclusion.

2. Literature on return migrant entrepreneurs

This study attaches particular importance to the role of return migrant entrepreneurs in the industrialization of rural areas. Thus at the outset we offer a brief review of the literature on return migrant entrepreneurs.

Although there is a large amount of literature on out-migration in both internal (rural-urban) and international contexts, research focusing on the impact of migration on the area of origin (in this case, rural areas from which internal migration originates) is relatively new and scarce. Furthermore, almost all the research on the impact of migrant entrepreneurs is concerned with their investments in their native area (i.e., financial capital flows). Studies focusing on the human capital flows that returnees bring directly to their native areas are much fewer in number (Zhao 2002). As a result, there is a need to examine such human capital flows from return migrant entrepreneurs.

The return migration phenomenon in China is gradually drawing researchers' attention. Recently, some academics have analyzed the role of return migrant entrepreneurs in the development of their native areas (Murphy 2002; Lin 2002; Bai and Song 2002; Hu et al. 2006; Ma 2001, 2002; Zhao 2002, etc.). Ma (2001, 2002) and Zhao (2002), among others, analyze human capital flows involving return migrant entrepreneurs in terms of economic models.

Some other research provides important data surrounding the economic issues of return migration. In particular, Hare (1999) used data obtained in the fall of 1995 on a sample of 309 households in Xiayi (夏邑) county of Henan province to investigate the determinants of individual return migration decisions. The report by the People's Government of Xinyang City and the Xinyang City Committee of the Chinese

Communist Party (2005) is also valuable as a document concerning return migrant entrepreneurship in Henan province. However, it does not contain formal economic analysis.

One of authors of this study has examined the attributes of return migrant entrepreneurship in Henan province (Murakami 2009, 2010, 2011). Furthermore, a related study by Murakami (2013) econometrically analyzed motivations for returning home among migrants in urban areas.

3. Overview of sample survey

In February 2013, we conducted a sample survey of rural area entrepreneurship in 16 cities within Henan province. The sample consisted of two types of rural entrepreneurs—return migrant entrepreneurs and non-migrant entrepreneurs (local residents without migration experience)—who established their own firms in the flour milling industry.

This survey collected data on personal characteristics of rural area entrepreneurs, their return migration experience, the importance of local social networks (*guanxi*) and local policy for establishing their own businesses, and the characteristics of the enterprises they set up.

Table 1 shows the basic characteristics of the sample. Males account for about 88 percent. By level of education, about 62 percent of the sample entrepreneurs have attained high school qualifications or above. According to the Second Nationwide Census of Agriculture, the corresponding figure for all rural residents in Henan is 11.8 percent (2006, State Council and National Bureau of Statistics of China 2009, p.626). Thus the education level of entrepreneurs in our sample seems to be relatively high. By generation, entrepreneurs born in the 1960s are slightly over-represented. By residence (location of enterprise), county accounts for about 66 percent.

Table 1 also shows averages by return migrant entrepreneurs and local entrepreneurs. Numbers of return migrant entrepreneurs and local entrepreneurs are 49 and 81 respectively. This table indicates no remarkable differences between the two types of entrepreneur in our sample.

We also drew up a Lexis diagram on return migrant entrepreneurs (Figure 1). The horizontal axis shows years and the vertical axis age. If two or more persons were born in the same year, we selected the youngest. The green cell indicates the period they lived in their home village before migration or after return (before establishing their own flour milling firm). The red cell indicates the period they lived and worked in an

urban area. The blue cell indicates the period returnees established and operated their own flour milling firms. The yellow mark indicates the year they began to work in the flour milling industry.

Although it is impossible to ascertain exact characteristics from this table, we can confirm a few points. Firstly, the table shows that after the 1980s many people, regardless of age group, began to migrate from rural to urban areas to find jobs. This suggests that migration became a noticeable trend after the 1980s. On the other hand, return migrant entrepreneurs increased in the 2000s, when many migrants aged from their 30s to early 40s returned home and set up their own businesses.

Furthermore, the table suggests a tendency for years of migration to be shorter for the younger generation compared to the older generation, and years from return to establishment of business are also shorter for the younger generation. Indeed, on the last point, if average years from return to establishment are computed for the total sample by generation, the result is 5.9 years for those born in the 1940-50s but just 2.5 years for those born in the 1970s-80s. This may be because conditions for establishing new firms in rural areas have been gradually improving in recent years, and some of the younger generation already had the motivation of returning and establishing their own firm when they out-migrated to urban areas.

Tables 2-4 show basic characteristics of enterprises that were established by returnee or local entrepreneurs. Table 2 shows the distribution of establishment years. The number of enterprises established in or after 2000 is 80, accounting for 62 percent of the total sample. By type of entrepreneur, the corresponding figures are 69 percent for return migrant entrepreneurs and 57 percent for local entrepreneurs. Reflecting the general trend that the number of return migrant entrepreneurs has been increasing recently, the figures for return migrant entrepreneurs are also higher than those for local entrepreneurs in our survey.

Table 3 shows the distribution of enterprise type. Individual enterprises and private enterprises represent the majority of the total sample. Table 4 shows the distribution of employee numbers. As expected, small enterprises account for the majority of the total sample. Throughout these three tables, there are no remarkable differences between the two types of entrepreneur.

4. Productivity differences between enterprises: simple estimate of production function

The study collected data on enterprises belonging to a single industry, namely the flour milling industry. This has benefits for production function analysis. We attempted

an estimate using the following simple Cobb-Douglas type production function and a comparison of productivity between enterprises established by the two types of entrepreneurs.

$$\ln(V/L) = c + \alpha \ln(qK/L) + (\alpha + \beta - 1)\ln(L) + \gamma(HCDY) + \lambda(D),$$

where V: value added

L: number of general workers

q: utilization rates

K: fixed capital

HCDY: return migrant entrepreneurs dummy

D: other factors

c: constant

α, β, γ, λ: parameter estimated (α: production elasticity of capital, β: production elasticity of labour).

The most important explanatory variable is the return migrant entrepreneurs dummy (HCDY), which equals 1 if the enterprise is established by a returnee or zero if the enterprise is established by a local non-migrant. Other factors (D) include the average age of general workers, the proportion of general workers that completed high school or above, months of operation, and per capita GDP in the location of the enterprise (districts under the jurisdiction of a city, cities at county level, and county).

Table 5 presents the results of the ordinary least square (OLS) estimate. Models (1) and (2) are results which use all of the available sample (89) and include the average age and education level interchangeably as explanatory variables. In these results, production elasticity of capital is the only significantly estimated coefficient. The fact that the estimated coefficient of the logarithm of numbers of general workers does not significantly diverge from zero suggests that technology in the flour milling industry is constant to scale. The estimated coefficient of the return migrant entrepreneurs dummy (HCDY) is not significant at usual levels. So far, we have not been able to confirm differences between the productivity of enterprises established by the two types of entrepreneur.

Our sample includes enterprises of various types (Table 3). We subsequently attempted to estimate the same function using samples that include only "individual", "private" and "partnership" enterprises. Model (3) of Table 5 presents the results of the re-estimation. In this re-estimation we exclude age and education from dependent

variables, because the coefficients of these two variables are not significant in models (1) and (2). Model (3) indicates that the estimated coefficient of the return migrant entrepreneurs dummy (HCDY) is significant (5 percent level). This result suggests that on average the total factor productivity of enterprises established by returnees is 1.62 times as large as the total factor productivity of local entrepreneurs' enterprises.

Lastly, considering differences in years of operation, we also attempted to estimate the same function using samples that included only "individual", "private" and "partnership" enterprises established in 1995 or after. Model (4) of Table 5 presents the result. The productivity difference has expanded to 1.79 times and the value of t-statistics has increased, compared with the result of model (3). This suggests that the relative advantage of returnees' enterprises rises in enterprises established more recently. The results also show that the estimated coefficient of per capita GDP in the county where the enterprise is located is significant (10 percent level). This suggests that being located in a more developed area contributes to improvement of productivity.

5. *Guanxi*, local policy and financial resources

5-1 Importance of *guanxi* in entrepreneurial activity

Since the importance of local social networks (*guanxi*) in various aspects of establishing enterprises in rural areas is often pointed out, our survey included questions about *guanxi*. The first line of Table 6 shows that 118 persons (about 86 percent of the total) considered *guanxi* as "very important" or "important" in establishing their own business (the other three options were "neutral," "less important," and "unimportant"). There is hardly any difference by characteristic, including type of entrepreneur.

To confirm this last point, we attempted an estimate using a logit model. Table 7 shows the results. Almost all coefficients are insignificant except that for the "90s or earlier establishment dummy". The fact that the estimated coefficient of the "90s or earlier establishment dummy" is significantly negative (Model 3) suggests that the importance of *guanxi* has risen in recent years.

Next we asked respondents how they utilized *guanxi,* permitting up to three answers. As listed in Table 6, *guanxi* have been most important for financing capital (about 43 percent of the total), followed by acquisition of market information and technology, but of relatively little importance for acquisition of land (only 4.3 percent of the total).

The second and subsequent lines in Table 6 show differences by characteristic. No

remarkable differences by characteristic are discernible from Table 6. To re-confirm this point we attempted an estimate using the multinomial logit model. Table 8 presents the results. Firstly, the older generation (born in the 1940s or 1950s) utilized *guanxi* more for acquiring capital for establishment, rather than for acquiring market information or land (more exactly, for example, the relative risk of choosing market information over financing is 0.17 for the older generation relative to the younger generation).

Compared to financing, migrant entrepreneurs are more dependent than local entrepreneurs upon *guanxi* for land acquisition. This may be because returnees were absent from their home counties while working in urban areas. Compared to financing, enterprises established in or before the 1990s are more dependent than enterprises established after the 1990s upon *guanxi* for land acquisition[1].

5-2 Importance of local policy in entrepreneurial activity

Next we confirmed the importance of policy implemented by local government (see Table 9). This table shows that the number of entrepreneurs in the sample that consider local policy as "very important" or "important" for establishing their own businesses accounts for no more than 70 percent. We can ascertain that although less crucial than *guanxi*, local policy is also important for entrepreneurs establishing their own businesses in rural area.

Table 9 also suggests different tendencies by educational level. We attempted an estimate using the logit model to confirm this point. The results indicate that entrepreneurs in the sample who have attained high school qualifications or above consider local policy more important than entrepreneurs of lower educational attainment (see Table 10).

Next we asked respondents what aspects of local policy were useful for their business establishment activities, permitting up to three answers. As listed in Table 9, local policy has been most important for tax reduction (about 57 percent of the total), followed by land acquisition and improvement of the establishment environment. Entrepreneurs that utilized local policy in employee training accounted for only 4.3 percent of the total. More entrepreneurs depend on local policy for acquiring land than on *guanxi*.

Table 9 also suggests that return migrant entrepreneurs are more dependent than local entrepreneurs on local policy for land acquisition. To confirm this point, we attempted an estimate using the multinomial logit model. Table 11 shows the results.

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[1] For "land", the value of the relative risk ratio is remarkable. This may be because of the small number of the sample that cited *guanxi* as important for acquiring land.

This table indicates that returnees utilized local policy more for land acquisition than for tax reduction (more exactly, the relative risk of choosing land acquisition over tax reduction is 2.32 for return migrant entrepreneurs relative to local entrepreneurs).

5-3 Sources of capital

In this sub-section we consider the different sources of capital for business establishment activities. Table 12 shows that self-financing accounts for the highest proportion, representing about 45 percent of the total. This is followed by investment by or loans from relatives or friends, bank loans, loans from *xinyongshe* (credit unions), and investment by local government or collectives. Table 12 shows a remarkable tendency for returnees to utilize self-financing capital to establish their own enterprises, compared with local entrepreneurs. This suggests that returnees accumulate capital for business establishment while working in urban areas.

Although our estimates using the multinomial logit model confirm the above-mentioned tendency for returnees to utilize self-financing more than local entrepreneurs, the related coefficients do not indicate significance at usual levels (see Table 13). Viewed by educational level, on the other hand, entrepreneurs who have attained high school qualifications or above utilize self-financing more than financing from relatives or friends. Enterprises located in districts (more developed areas) utilize bank loans more than self-financing relative to enterprises located in counties (less developed areas). The older generation (born in the 1940s or 1950s) utilizes self-financing more than bank loans relative to the middle generation (born in the 1960s). The younger generation (born in the 1970s or 1980s) also utilizes self-financing more than bank loans relative to the middle generation.

6. Gains from work experience in urban areas

Lastly we asked return migrant entrepreneurs what gains they had made from work experience in urban areas that were useful for establishing their own businesses, permitting up to three answers. The maximum number of the sample in this question is 43. Table 14 shows the proportion of the sample that cited each option as the most useful.

Table 14 shows that "new ideas" are the most useful gain for returnees. In particular, the usefulness of "new ideas" exceeds that of "accumulation of capital". Rather unexpectedly, few returnees consider "technical learning" or "management experience" as most useful. Even more unexpectedly, no returnees consider social

networks or personal connections in the cities where they worked as useful[2].

Next we examined differences by returnee characteristic. Firstly, Table 14 shows that "new ideas" are the most useful gain for almost all characteristics except generational difference. The younger generation considers "new ideas" gained through working in the city as more useful than the older generation.

We attempted an estimate using the multinomial logit model to confirm differences by characteristic. The results are shown in Table 15. Firstly, returnees who worked in the eastern coastal region considered "new ideas" as a more useful gain from working in the city than "technical learning". Returnee entrepreneurs whose enterprises are located in districts also consider "new ideas" as a more useful gain from working in the city than "technical learning". Furthermore, compared to the middle generation, the younger generation considers "new ideas" as more useful than "management experience".

Table 16 shows rating scores calculated by allotting 3 points, 2 points and 1 point to the most useful, second most useful and third most useful gains respectively. Table 16 also indicates the same tendency as table 14, namely that "new ideas" are the most useful gain from working in the city for returnee entrepreneurs. We made an estimate using the ordinary least square model, in which the dependent variable is the same rating score as in Table 16. Table 17 shows the results. Firstly, more highly educated entrepreneurs tend to consider "management experience" as useful in their business establishment activity and not to consider "capital" as useful. Fewer returnee entrepreneurs who worked in the eastern coastal region and established their own enterprises in counties consider personal connections acquired in the city as useful.

7. Conclusion

This paper discussed the characteristics of rural area entrepreneurship based on the results of our small sample survey conducted in Henan province. Although our analysis is simple and preliminary, it suggests some tentative conclusions. First, enterprises established by return migrant entrepreneurs are superior in productivity to enterprises established by local entrepreneurs. Second, although *guanxi* and local policy are very important in establishing new enterprises in rural areas, no remarkable difference exists between the two types of entrepreneur in terms of utilizing *guanxi* and local policy. Third, it seems to us that the advantage held by returnees is the "new ideas" that they can acquire through work experience in the city.

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[2] This result is in contrast to international return migration (Saxenian 2002).

We chose Henan province to conduct this research. Henan province is situated in the Central region of China. Since 2000, the Chinese government has launched a number of large-scale regional development projects, such as the "West Development" and "Northeast Promotion." As a result, the Central region seems to have been left out. In recent years, however, the government has become increasingly aware of this situation and has begun to pay attention to the Central region. In particular, in December 2012 the Chinese government designated the region that includes the entire Henan province and part of other provinces as the "Zhongyuan Economic District". It is expected that Henan province will develop further and contribute to the economic development of China as a whole under this policy.

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Table 1 Sample size and proportion by characteristics（%）

		total		return migrant entre.		local entre.	
		prop.	no.	prop.	no.	prop.	no.
Sex	female	12.3	130	14.3	49	11.1	81
	male	87.7		85.7		88.9	
Education	junior school or blow	10.0	130	14.3	49	7.4	81
	middle school	27.7		30.6		25.9	
	high school or technical school	40.0		36.7		42.0	
	junior college	13.1		16.3		11.1	
	collage or above	9.2		2.0		13.6	
Birth year	1940's or 50's	28.9	128	38.8	49	22.8	79
	1960's	39.8		30.6		45.6	
	1970's or 80's	31.3		30.6		31.6	
Residential place (location of enterprise)	district	24.0	129	28.6	49	21.3	80
	city at county level	10.1		4.1		13.8	
	county	65.9		67.3		65.0	

Table 2 Number of enterprises by year of establishment

	−1989	1990−1994	1995−1999	2000−2004	2005−	Total
Returnee	4	4	7	23	11	49
Local	6	10	19	31	15	81
Total	10	14	26	54	26	130

Table 3 Number of enterprises by type

	Individual	Private	Contract	Lease	Share	Pertnership	Others	Total
Returnee	24	13	2	0	3	7	0	49
Local	30	25	5	2	15	2	2	81
Total	54	38	7	2	18	9	2	130

Table 4 Number of enterprises by employment size（2009）

	<9 persons	10−49	50−99	>100	Total
Returnee	19	20	5	5	49
Local	18	43	9	11	81
Total	37	63	14	16	130

Table 5 Estimation results of production function[a]

	(1)	(2)	(3)[b]	(4)[c]
Intercept	-0.22	-2.32	-4.05	-5.20
	(0.06)	(0.89)	(1.32)	(1.48)
Ln(capital per labour)	0.60***	0.59***	0.61***	0.50***
	(5.09)	(5.06)	(4.35)	(3.49)
Ln(labour)	0.04	0.05	0.07	0.07
	(0.44)	(0.50)	(0.63)	(0.71)
Ln(average ages)	-0.61	-	-	-
	(0.82)			
High school ratio	-	0.01	-	-
		(1.00)		
Ln(months of operation)	0.03	0.04	0.11	0.20
	(0.15)	(0.21)	(0.48)	(0.75)
Return migrant entre-preneurs dummy	0.34	0.29	0.48**	0.58**
	(1.42)	(1.24)	(1.79)	(2.03)
Ln(per capita local GDP)	0.31	0.28	0.42	0.51*
	(1.38)	(1.26)	(1.56)	(1.69)
Sample size	89	89	72	62
R^2	0.301	0.304	0.287	0.276

[a] Numbers in parentheses are absolute value of t-statistics. *** Significant at 10%, ** Significant at 5%, * Significant at 10%. Dependent variable is natural logarithm of per capita value added. Estimation method is OLS.

[b] Samples are limited to " individual enterprise", "private enterprise" and "partnership enterprise".

[c] Samples are limited to " individual enterprise", "private enterprise" and "partnership enterprise" which established in 1995 or after.

Table 6 Importance of *guanxi* for establishing the enterprise

		Importance of *guanxi* (%)[a]	sample size	Way of *guanxi* utilized (%)[b]				
				capital	information	technology	land	sample size
	Total	85.6	118	42.7	27.4	24.8	4.3	117
Type of entrepreneurs	returnee	81.8	44	41.9	20.9	27.9	9.3	43
	local	87.8	74	43.2	31.1	23.0	1.4	74
Education	high school or above	88.9	72	44.4	29.2	23.6	2.8	72
	high school below	80.4	46	40.0	24.4	26.7	6.7	45
Residential place	district	82.1	28	39.3	25.0	28.6	7.1	28
	county[c]	86.5	89	44.3	28.4	22.7	3.4	88
Birth year	1940's or 50's	77.1	35	51.4	8.6	37.1	2.9	35
	1960's	88.0	50	36.7	36.7	20.4	6.1	49
	1970's or 80's	90.9	33	42.4	33.3	18.2	3.0	5
Year of establishment	90's or before	77.5	40	47.5	17.5	25.0	10.0	40
	2000 or after	89.7	78	40.3	32.5	24.7	1.3	77

a Total proportion of very important and important.
b The proportion of samples that choose each item as most important.
c Including city at county level.

Table 7 Importance of *guanxi* (logit model)[a]

	(1)	(2)	(3)
Returnee dummy	0.625	0.747	0.557
	(-0.82)	(-0.53)	(-1.05)
High School or above dummy	1.453	1.689	1.543
	(0.65)	(0.94)	(0.78)
County dummy	1.215	1.267	1.205
	(0.32)	(0.39)	(0.31)
40's or 50's birth dummy	0.644	0.574	-
	(-0.69)	(-0.90)	
70's or 80's birth dummy	1.282	1.520	-
	(0.32)	(0.56)	
90's or before establish-ment dummy	0.443	-	0.377*
	(-1.39)		(-1.73)
Log likelihood	-45.347	-46.310	-45.802
Number of obs	117	117	117

a Numbers are odds ratio. Numbers in parentheses are z-statistics.

* significant at 10%.

Table 8 Way of *guanxi* utilized(multinomial logit model)ᵃ

	(1) Information	(2) technology	(3) land
Returnee dummy	0.674	1.159	60.151**
	(-0.73)	(0.29)	(2.35)
High School or above dummy	0.622	0.914	0.237
	(-0.89)	(-0.17)	(-1.08)
County dummy	1.029	0.713	0.646
	(0.05)	(-0.62)	(-0.36)
40's or 50's birth dummy	0.170**	1.422	0.032**
	(-2.41)	(0.60)	(-1.98)
70's or 80's birth dummy	0.670	0.757	1.028
	(-0.74)	(-0.42)	(0.02)
90's or before establish-ment dummy	0.442	0.671	52.349**
	(-1.39)	(-0.72)	(2.24)
Log likelihood		-121.645	
Number of obs		115	

ᵃ Base outcome is "for financing capital". Numbers are relative risk ratio.

Numbers in parentheses are z-statistics.

** significant at 5%.

Table 9 Importance of local policy for establishing the enterprise

		Importance of policy (%)ᵃ	sample size	Aspect of local policy (%)ᵇ				
				tax reduction	land	training	environment for establishing	sample size
Total		69.5	118	56.9	23.3	4.3	14.7	116
Type of entrepreneurs	returnee	70.5	44	52.3	34.1	0.0	11.4	44
	local	68.9	74	59.7	16.7	6.9	16.7	72
Education	high school or above	77.8	72	55.6	23.6	2.8	18.1	72
	high school below	56.5	46	59.1	22.7	6.8	9.1	44
Residential place	district	64.3	28	60.7	28.6	0.0	10.7	28
	county	71.9	89	56.3	21.8	4.6	16.1	87
Birth year	1940's or 50's	62.9	35	62.9	22.9	2.9	8.6	35
	1960's	68.0	50	59.2	16.3	4.1	20.4	49
	1970's or 80's	78.8	33	46.9	34.4	6.3	12.5	32
Year of establishment	90's or before	65.0	40	64.1	17.9	7.7	10.3	39
	2000 or after	71.8	78	53.2	26.0	2.6	16.9	77

a Total proportion of very important and important.
b The proportion of samples that choose each item as most important.

Table 10 Importance of local policy (logit model)[a]

	(1)	(2)	(3)
Returnee dummy	1.262	1.215	1.176
	(0.51)	(0.44)	(0.37)
High School or above dummy	2.702**	2.599**	2.565**
	(2.21)	(2.18)	(2.17)
County dummy	1.332	1.322	1.322
	(0.60)	(0.58)	(0.59)
40's or 50's birth dummy	0.928	0.950	-
	(-0.15)	(-0.10)	
70's or 80's birth dummy	1.972	1.911	-
	(1.23)	(1.19)	
90's or before establish-ment dummy	1.196	-	1.016
	(0.38)		(0.03)
Log likelihood	-67.514	-67.587	-68.557
Number of obs	117	117	117

[a] Numbers are odds ratio. Numbers in parentheses are z-statistics.

** significant at 5%.

Table 11 Aspect of local policy (multinomial logit model)[a]

	(1) Land	(2) Training	(3) Environment
Returnee dummy	2.320*	0.00	0.853
	(1.72)	(-0.01)	(-0.26)
High School or above dummy	1.224	0.705	1.584
	(0.39)	(-0.27)	(0.70)
County dummy	0.826	0.242	1.495
	(-0.36)	(0.01)	(0.57)
40's or 50's birth dummy	1.258	1.369	0.487
	(0.38)	(0.20)	(-0.98)
70's or 80's birth dummy	2.504	3.945	0.748
	(1.57)	(0.99)	(-0.42)
90's or before establish- ment dummy	0.797	1.425	0.572
	(-0.40)	(0.29)	(-0.85)
Log likelihood		-111.016	
Number of obs		114	

[a] Base outcome is "Tax reduction". Numbers are relative risk ratio.

Numbers in parentheses are z-statistics.

* significant at 10%.

Table 12 Source of capital for establishing the entreprises[a]

		Self financing	Relatives or friends	Investmet by local gover.	Xinyongshe loan	Bank loan	Sample size
	Total	44.9	17.8	7.6	12.7	16.1	118
Type of entrepreneurs	returnee	56.8	13.6	4.5	9.1	15.9	44
	local	37.8	20.3	9.5	14.9	16.2	74
Education	high school or above	45.8	12.5	9.7	9.7	20.8	72
	high school below	43.5	26.1	4.3	17.4	8.7	46
Residential place	district	53.6	25.0	0.0	17.9	3.6	28
	county	42.7	15.7	10.1	11.2	19.1	89
Birth year	1940's or 50's	54.3	17.1	5.7	14.3	8.6	35
	1960's	36.0	22.0	8.0	6.0	28.0	50
	1970's or 80's	48.5	12.1	9.1	21.2	6.1	33
Year of establishment	90's or before	42.5	25.0	5.0	12.5	15.0	40
	2000 or after	46.2	14.1	9.0	12.8	16.7	78

a The proportion of samples that choose each item as most important(%).

Table 13 Source of capital (multinomial logit model)[a]

	(1) Friend	(2) Government	(3) Xinyongshe	(4) Bank
Returnee dummy	0.443	0.349	0.345	1.017
	(-1.34)	(-1.19)	(-1.55)	(0.03)
High School or above dummy	0.356*	1.574	0.472	2.231
	(-1.77)	(0.51)	(-1.12)	(1.08)
County dummy	0.794	0.955	0.733	6.959*
	(-0.40)	(0.01)	(-0.48)	(1.77)
40's or 50's birth dummy	0.419	0.622	1.598	0.255*
	(-1.31)	(-0.49)	(0.56)	(-1.80)
70's or 80's birth dummy	0.387	0.864	2.483	0.165**
	(-1.32)	(-0.16)	(1.14)	(-2.07)
90's or before establish-ment dummy	1.363	0.557	0.818	0.692
	(0.53)	(-0.64)	(-0.27)	(-0.55)
Log likelihood		-145.087		
Number of obs		116		

[a] Base outcome is "Self financing". Numbers are relative risk ratio.

Numbers in parentheses are z-statistics.

** significant at 5%, * significant at 10%.

Table 14 Gain from urban working for establishing the enterprises (1)[a]

		Technology	Idea	Experience	Capital	Connection	Sample size
Total		14.0	41.9	11.6	30.2	0.0	43
Education	high school or above	16.7	45.8	20.8	16.7	0.0	24
	high school below	10.5	36.8	0.0	47.4	0.0	19
Kinds of industry	flour milling	16.7	33.3	22.2	27.8	0.0	18
	others	12.0	48.0	4.0	32.0	0.0	25
Destination	eastern coastal	4.8	52.4	0.0	38.1	0.0	21
	others	22.7	31.8	22.7	22.7	0.0	22
Residential place	district	22.2	33.3	11.1	33.3	0.0	9
	county	11.8	44.1	11.8	29.4	0.0	34
Birth year	1940's or 50's	14.3	28.6	7.1	42.9	0.0	14
	1960's	28.6	35.7	14.3	21.4	0.0	14
	1970's or 80's	0.0	63.6	9.1	27.3	0.0	11

a The proportion of samples that choose each item as most important(%).

Table 15 Gain from urban working (1) (multinomial logit model)[a]

	(1) Technology	(2) Experience	(3) Capital
High School or above dummy	1.026	0.695×10^7	0.374
	(0.02)	(0.01)	(-1.11)
Flour milling dummy	19.843	16.048	1.196
	(1.56)	(1.31)	(0.18)
Eastern dummy	0.027**	0.000	1.245
	(-2.05)	(-0.01)	(0.23)
County dummy	0.047*	0.155	0.362
	(-1.77)	(-0.88)	(-0.90)
40's or 50's birth dummy	0.147	0.138	2.540
	(-1.20)	(-0.99)	(0.81)
70's or 80's birth dummy	0.000	0.006**	0.726
	(-0.01)	(-1.82)	(-0.29)
Log likelihood		-32.231	
Number of obs		38	

[a] Base outcome is "New ideas". Numbers are relative risk ratio.

  Numbers in parentheses are z-statistics.

  ** significant at 5%, * significant at 10%.

Table 16 Gain from urban working for establishing the enterprises (2)[a]

|		Technology	Idea	Experience	Capital	Connection	Sample size
Total		0.81	1.98	0.98	1.67	0.12	43
Education	high school or above	1.08	1.88	1.46	1.29	0.08	24
	high school below	0.47	2.11	0.37	2.16	0.16	19
Kinds of industry	flour milling	1.06	1.83	1.39	1.50	0.11	18
	others	0.64	2.08	0.68	1.80	0.12	25
Destination	eastern coastal	0.48	2.24	0.81	1.71	0.00	21
	others	1.14	1.73	1.14	1.64	0.23	22
Residential place	district	1.11	2.11	1.00	1.44	0.33	9
	county	0.74	1.94	0.97	1.74	0.06	34
Birth year	1940's or 50's	0.79	1.79	0.71	1.93	0.14	16
	1960's	1.07	1.93	1.07	1.57	0.14	14
	1970's or 80's	0.45	2.27	1.18	1.73	0.09	13

a Average rates that were calculated by the way that allot 3, 2 and 1 to most, second most
  and third most useful respectively.

Table 17 Gain from urban working (2) (score, ols model)[a]

	(1)	(2)	(3)	(4)	(5)
	Idea	Technology	Experience	Capital	Connection
Intercept	1.843***	1.368**	0.327	2.005***	0.617***
	(3.10)	(2.37)	(0.70)	(3.64)	(4.01)
High School or above	-0.039	0.195	0.911**	-0.883**	-0.184
dummy	(-0.09)	(0.46)	(2.64)	(-2.18)	(-1.62)
Flour milling dummy	-0.137	0.204	0.422	-0.034	-0.005
	(-0.34)	(0.52)	(1.32)	(-0.09)	(-0.05)
Eastern dummy	0.351	-0.640	0.134	-0.062	-0.299***
	(0.85)	(-1.59)	(0.41)	(-0.16)	(-2.80)
County dummy	-0.033	-0.204	-0.037	0.223	-0.261**
	(-0.07)	(-0.44)	(-0.10)	(0.50)	(-2.10)
40's or 50's birth dummy	-0.119	-0.274	-0.250	0.159	-0.020
	(-0.25)	(-0.60)	(-0.68)	(0.37)	(-0.16)
70's or 80's birth dummy	0.381	-0.691	0.049	0.166	-0.081
	(0.80)	(-1.49)	(0.13)	(0.38)	(-0.66)
Adjusted R²	-0.110	0.021	0.169	0.018	0.200
Number of obs	39	39	39	39	39

[a] Numbers in parentheses are t-statistics. *** significant at 1%, ** significant at 5%.

Figure 1 The events of life of return migrate entrepreneurs (Lexis diagram)
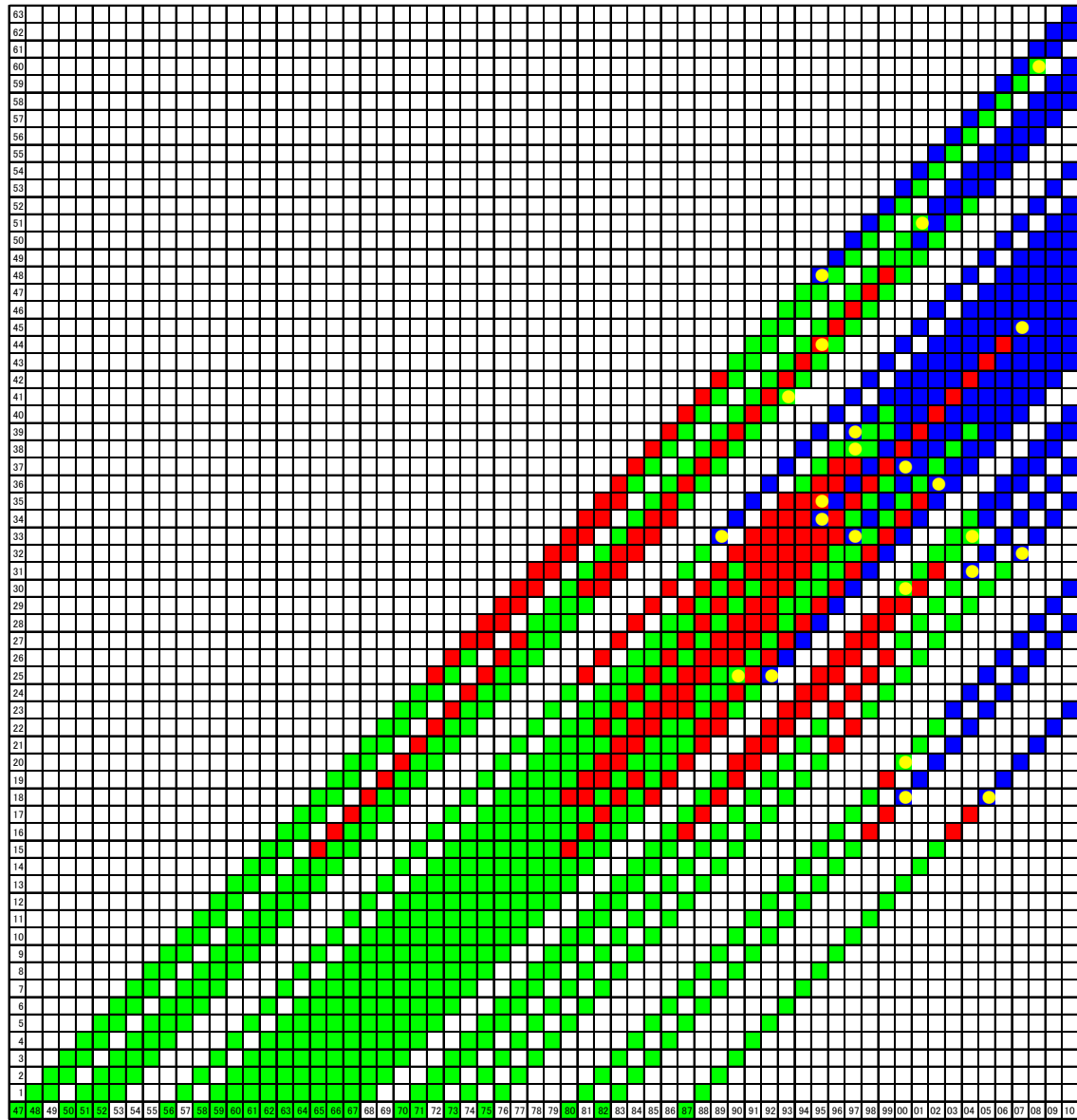
■ The period they live in home village before migration or after return (before establishing their own enterprise).

■ The period they live in urban area for working.

■ The period they establish and operate their own flour milling enterprise.

● The year they began to work in flour milling industry.