Capturing entrepreneurial activities among minors

Teita Bijedić, Olga Suprinović, Stefan Schneck, Jonas Löher

Abstract
We estimate that around 290 to 610 minors start a business in Germany every year. Minors' entrepreneurial activities, thus, are a niche phenomenon: minors mainly use self-employment to try things out, implement ideas on the market, and acquire skills that prepare them for their later working lives. Financial motives are found to be less important. Moreover, we show that the family environment is perceived as supportive of starting a business, while experiences with administrative authorities and teachers often have a discouraging effect.

Only a few underage founders – also known as "teenpreneurs" – are known to the public. Some of them, such as Bill Gates, who successfully sold his first software at the age of 14, have attracted considerable public and media attention. In Germany, several successful enterprises by minors have emerged from the Jugend forscht competition. Yet little is known about underage founders – not least because this group is hardly covered by conventional surveys. We quantify the phenomenon of underage founders and try to shed light on the motives and the influence of their environment by analyzing the Taxpayer Panel (TPP) as well as our own quantitative and qualitative surveys (see Bijedić et al. 2023).

Entrepreneurial activities need formal approval by family courts
Minors are defined as individuals, who have not yet reached the age of 18 (§ 2 BGB). Furthermore, minors under the age of seven are not legally capable of making legal (or business) decisions according to the German Civil Code. Therefore, their legal guardians act on their behalf. From the age of seven on, minors are considered to have limited legal capacity and might lead a business under certain circumstances. Subject to the consent of their legal representatives, minors with limited legal capacity can be authorized by the family court to operate a business on their own (§ 112 BGB). If such authorization has been granted, minors are permitted to carry out the legal transactions associated with the approved business without restriction.

Family courts approve by § 112 BGB as part of a case-sensitive procedure at its discretion. For this purpose, judicial officers aim to gain a personal impression of the minor and the family environment. Moreover, they obtain statements from various institutions. This process takes time: Usually, it takes several months to a year from the application to the decision.

Typical process of the authorization procedure

Minor Entrepreneurs are rare
Our estimates suggest that 290 to 610 minors set up and manage a company every year. These are three to seven per 100,000 minors. About half of all self-employed minors are between 15 and 17 years old. The remaining ones are aged between seven and 14 years. Self-employment is often practiced in the field of artistic and creative activities and in the ICT sector.

Most self-employed minors achieved earnings of less than 5,000 euros in 2017. Since the main focus of minor founders is on school, they have limited time for running their businesses.

Predominantly intrinsically motivated
Starting a business is primarily viewed as an entrepreneurial learning field for developing professional skills and gaining practical experience in...
Unternehmergeist macht Schule) could facilitate the implementation of entrepreneurship education in schools.

**How to support the entrepreneurial aspirations of minors**

Legal authorization procedures are essential for the best interests of the minor. In their current form, however, they represent a major challenge for minor founders and their legal guardians, mainly because they are excessively time-consuming. Furthermore, the process and requirements are somewhat indistinct and not transparent. This early experience with authorities and bureaucracy could contribute to a negative connotation with entrepreneurship and to a later avoidance of self-employment.

We recommend more standardization and transparency regarding the procedure and the assessment criteria to speed up the process and significantly reduce the hurdles for all parties involved. Moreover, checklists regarding the requirements and digitization of the process might also help to simplify and speed up the procedure. In addition, setting up specialized family courts could provide the necessary expertise in a resource-efficient manner.

**Dr. Teita Bijedić is a project manager at the IfM Bonn. Dr. Jonas Löher, Dr. Stefan Schneck and Olga Suprinović are senior researchers at the IfM Bonn.**

**References:**


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