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Empirical research on the policies of SMEs in 1997-2008 year in China

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Abstract

To maintain the sustainability of economic growth, china emphasizes the establishment of National Innovation System and strengthens the core status of enterprises. Our data shows that the effect of turnover growth of small and medium-sized enterprises on aggregate China GDP growth is significant with a one-year lag. In 2008, the turnover growth of small and medium-sized enterprises decreases from 29% to 28% moderately, but an abrupt drop in the large enterprises from 25% to 19%. In fact, comparison with the small and medium-sized enterprises contributions to the Chinese outstanding economic performance, the small and medium-sized enterprises status in National Innovation System and relating policies supply to small and medium-sized enterprises is insignificant. Especially, in the time of financial crisis and tighten monetary policy we can see the impaired condition of small and medium-sized enterprises in the market access and finance support. To find out if there a match between small and medium-sized enterprises' contribution and its status in the National Innovation System, we develop a framework of Chinese innovation policy under the Nation Innovation System with the consideration of its transition characteristics, as a guideline to examine the small and medium-sized enterprises' innovation policy text to disclose the position of small and medium-sized enterprises in National Innovation System. We collect the relating National government policy texts from the Yearbook of Chinese SMEs 1999-2008 (initial edition in 1999, data can be 1997 onward) and government notice in 1997-2008 year. The study finds that Chinese National Innovation System gives less attention to innovation activities of small and medium-sized enterprises and which can be reflected in the organizational institutions, legislation, financial resources, business innovation support systems and human resource policy. Further we try to give some explanations. The first is that a narrow definition not a generalized definition of National Innovation System is applied in China with more focus on innovation and knowledge creation not the diffusion, linkage, technology transfer, learning-by-doing based innovation which favorably applied in the small and medium-sized enterprises. And the second is the Chinese catching-up oriented S&T policy goal but with a change gradually. The Government-oriented, updown R&D system with the emphasis on key programs centralized on large state-owned firms and research institutions would leave little room of policy supplies to the innovation practices in the small and medium-sized enterprises. With the S&T policy goal transition to make a foundation of affluent society and independent innovation, the innovation policy in China take into account the mission-oriented and diffusion-oriented. Some attention is paid to the innovation activities of small and medium-sized enterprises. In 2011, the new classification of small and medium-sized enterprises is issued and tax reduction is allowed on the microenterprises.