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SMALL AND MEDIUM BUSINESS DEVELOPMENT IN CHINA

Support and development of small and medium business (SMEs) is one of the main directions of government economic policy of each state. Efficient SMEs activity ensure the competitive environment development, market saturation by the variety of products at reasonable prices and help to solve the problem of unemployment, which in turn leads to an improvement of social conditions in general.

Currently, small business is one of the main development forces of the Chinese economy, which is known as rapidly growing one. Small business takes large share of the total amount of enterprises in Chinese economy. About 60% of the population is engaged to the small enterprises. Due to lower labor costs, small business in China is a serious rival to large companies which operate in global markets. Small business can be called scientific engine of the country, because small businesses produce the greatest amount of innovative products and technical innovations. Most of the country's manufactured goods, that are exported, manufactured exactly by the small businesses [1].

Joining of China to the World Trade Organization (WTO) in December 11, 2001 may be considered as the fundamental basis for the development of SMEs in the country. It led to an increase of export and import operations: in 2002 indicators of foreign trade increased by 22% and in 2003 by 37 % [1]. It led to the increase in the number of SMEs.

Today SMEs owns 65% of patents, 75% of technological innovations and over 80% of new products of China. It comprises 46.2% of all taxes and 62.3% of the total export of China. Small enterprises employing up to 100 people take almost 99% of total amount of enterprises and only 0.6% relate to medium-sized companies employing from 101 to 999 people. In 2007 the volume of exports and imports of new and high technology goods in China totaled 218.25 billion dollars and 197.71 billion dollars, which increased by 31.8% and 22.5% respectively, but the main growth was provided by the small business sector [2].

Since June 29, 2002 the "Law on the promotion of small and medium enterprises" came into the force in China, which provides the same opportunities for small enterprises on loans, investment, improve production, new high technologies in China's economy.

There are two main ways SMEs assistance in China:

1) Functioning of the National Development and Reform Commission (NDRC). One of the most important areas of its activity is the creation of conditions for dynamic development of small businesses. The main functions of NDRC are [2]:

- research into the problems of small business;
- information gathering and development of policy in the field of small businesses;
- creating a comprehensive system of services for small businesses;
- organization of trade fairs, exhibitions and assistance in business negotiations;
- business consulting.

The China Center for Business Cooperation & Coordination (CCBCC) was founded to provide these functions. CCBCC is a special agency for small businesses service and at the same time for providing economic and technological cooperation between domestic and foreign organizations and for the business development support.

2) The Credit Guarantee Fund establishment, which is a prominent representative of China Banking Regulatory Commission (CBRC), which facilitates the search for optimal

formats of credit for SMEs. One of the main functions of the CBRC is a significant reduction in the loan burden on entrepreneurs.

3) The creation of free economic zones (FEZ). One of the main FEZ tasks is attraction of foreign investor and techno parks creation, where SMEs are provided with the most favorable conditions for doing business. In addition, in 2001 there was established a nonprofit public service CSMEO - China SME Online, which is supported by “SME Department of NDRC” [4]. This service informs the population about the possibilities of doing business assistance, helps entrepreneurs to interact with the government and solves a number of other issues concerning business relations.

4) The functioning of State Fund developing of small and medium enterprises, whose main function is to protect the legitimate the income of small businesses from attacks of any individuals and organizations, and also uphold the rights of small businesses in all fields (soft loans, taxes, etc.).

The activity of all mentioned organizations promotes a small business dynamic development in China and its conversion to the use of modern production technologies. However, there are some disadvantages that prevent the normal development of SMEs, particularly corruption. Since 2012, China leads an anti-corruption policy that has started with a “Code of conduct” for the officials. Such policy is accompanied by the violent means, and the highest penalty is execution by firing squad or injection. The use of such resolute means to combat corruption allowed to save a significant amount of money in the budget, which later turned into investments and, consequently, contribute to economic development.

Thus, the SMEs support and development in China is quite developed area of economic policy. Chinese authorities constantly adopt various measures to create more favorable conditions for further development of SMEs, improving the legal framework regulating its activities and services in this sector.

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