

# The Policy Recommendations for Small and Medium Enterprises' Sustainable Development in Inner Mongolia Autonomous Region

## Comprehensive Evaluation Model Based on the Analysis of the External Environment

Yongxing Qi

School of MBA education  
Inner Mongolia University of Finance and Economics  
Hohhot China

**Abstract**—China paid less attention on small and medium enterprises (short for SME) than the reform of state-owned enterprises before and didn't find an effective way to support their development from different sides. Based on the analysis of the SMEs' comprehensive evaluation model of external environment in Inner Mongolia, this paper offers some policy recommendations from five aspects; they are the natural environment and infrastructure, economic environment, technological environment, government and information channel. The intention of this paper is to provide government and relevant intuition with some references when they make decisions and to power the SMEs' sustainable development in Inner Mongolia

**Keywords**-SME;external environment;evaluation model; policy

### I. THE EMPIRICAL ANALYSIS ON THE EVALUATION MODEL OF EXTERNAL ENVIRONMENT IN INNER MONGOLIA

#### A. The Establishment Of SMEs' Evaluation Criterion System Of External Environment In Inner Mongolia

Combining the domestic and overseas study with the actual situation of Inner Mongolia, we believe the SMEs business environment in Inner Mongolia can be evaluated from five criteria; they respectively are natural environment and infrastructure, economic environment, technological environment, governmental service and information net environment. Meanwhile, we standardize 14 second-level criterion system and 17 third-level criterion system which are both included in 5 first-level criterion system.

#### B. The Determination of Evaluation Criterion's Weight

Expert scoring method means consulting the relevant specialists' ideas in an anonymous way, And statistic sing , disposing, analyzing and concluding these ideas, estimating reasonably the great amount of factors, which are hard to do quantities analysis, by integrating most specialists' experience and subjective judgments. At last, analyzing the importance of external and internal environment though several rounds to consult the ideas, feedback and adjust.

In this paper, the evaluation criterion's weight of external environment is based on the expert scoring, twenty specialists relevant to this field are consulted by questionnaire, and their ideas are analyzed and concluded to get the weight of different criterions.

#### C. The Comprehensive Judges of SME' Grey Fuzzy of External Environment in Inner Mongolia

The evaluation criterion system designed in the paper a five-layer system, according to the Grey Fuzz Theory, the third-level and the second-level criteria are regarded as the first-level judge; the second-level and the first-level criteria are regarded as the second-level judge; the evaluation of second-level criterion set and the first-level criterion set are regarded as the second-level judge; the judge of the first-level criterion set and the criterion layer are regarded as the third-level judge; the judge from factor layer and criterion layer to goal layer is regards as fourth-level judge. So, a comprehensive four-level and five-layer evaluation model is formed. 60 SMEs are surveyed by the questionnaire, according to the data and the comprehensive judge of grey fuzzy for external environment and based on the maximum membership degree principle; we got the result as follows: the maximum membership degree of natural environment and infrastructure is 0.52, evaluation level is favorable; the maximum membership degree of economic environment is 0.41, and the evaluation level is favorable; the maximum membership degree of technological environment is 0.7, the evaluation level is ordinary; the maximum membership degree of governmental service is 0.69, the evaluation level is favorable; the maximum membership degree of information is 0.45, the evaluation level is favorable; the maximum membership degree of the whole external environment is 0.448, the evaluation level is favorable. On the whole, the SMEs' external environment in Inner Mongolia is favorable.

### II. RECOMMENDATIONS FOR SMES' SUSTAINABLE DEVELOPMENT IN INNER MONGOLIA

#### A. Policy Recommendations for Natural Environment and Infrastructure Construction

##### 1) Draw up the industry guidelines for SMEs' development.

The quality of natural environment has close relationship to the enterprise' development. According to the difference of natural recourse between different regions, Government of different levels should advocate to make reasonable, orderly and limited use of natural resource; draw up the special plan accelerating the SMEs' development; release regularly the industry guiding catalog of SMEs and the technological

criterion and development information of relevant industry; lead the SMEs to organize production, choose technology according to their special local natural environment. All these endeavors aim at solving the SMEs' problems such as ineffective scale, low-level repetitive construction, the excess market competition, environment pollution and waste of resource.

#### *2) Strengthen the infrastructure construction*

Different kinds of infrastructure provide the business activity in the whole society with support and protection. The infrastructure construction in the dense area of SMEs should harmonize the whole development of this area. In order to improve the infrastructure situation, the infrastructure's amount, quality and level should parallel the international standard, meet the need of high and new technology industry's rapid development, and go with the whole development of the community. What's more, the need of SMEs should be considered in terms of municipal facility construction and delivering and distributing electricity construction.

### *B. Policy Recommendations for Economic Environment*

#### *1) Develop a sound legal system and ensure strong enforcement of laws and regulation.*

Sets of law, rules and regulations should be drawn up to perfect the law system for accelerating the SMEs' development. Firstly, the special laws, rules and regulations of supporting the SMEs' development should be studied and drawn up according to promotion <Regulations for SME in Inner Mongolia>, and some laws and regulations against the SMEs' development should be abolished. The "notice" and "opinion" can not replace laws;

Secondly, laws and regulations for anti-monopoly and fair competition should be perfected, and the large enterprises' monopoly should be opposed and limited to create a legal environment of fair competition for the SMEs' development. Thirdly, the laws, rules and regulations relevant to the SME supported by the finance and taxation policy should be further perfected. <The SME Promotion Law> can be considered to revise or <The SME Financial Support Law> can be drawn up. Laws about financial subsidy, tax preference and government purchase should be clearly regulated and detailed in the relevant chapters. The capital should be integrated to enhance the utilization of limited capital; fourth, laws, rules and regulations about financing should be perfected, the medium and small enterprises' financing should be standardized and protected by law.

Only when every law and regulation is enforced forcefully can it play its role. Therefore, law must be enforced forcefully on the basis of perfect laws and regulations. To be specific, first of all, the leading role of SMEs' departments in charge should be intensified during the process of drawing up and enforcing the relevant policies in order to ensure the coordination continuity and stability of the law; next, policy-making mechanism in which the policies are decided by the minority should be avoided, Social people from all walks of life and the representatives from Science and technology SMEs can be involved in making the policies; at last, accountability mechanism

should be set, the policy can be assessed from capital investment efficiency, the output of technological achievements and enterprises operating benefits.

#### *2) Intensify different tax policies' efforts to support smes and broaden the investment field*

Fiscal subsidies are with strong pertinence and clear target; therefore, it can embody the policy intentions of government. As for the specific measures of fiscal subsidy, three points should be emphasized. First, the subsidies should go to the technology innovation, equipment purchase, technology introduction, Research and development activity and talent introduction for SMEs; second, the SMEs in different areas should be subsidized differently, the enterprises in the old industrial base, underdevelopment area and the old industrial base should be subsidized to a larger extent; third, the subsidy should go to the combination of producing, learning and studying.

Tax preferences can be divided into direct preference and indirect preference. First, the special preference for the SMEs should come out, the range and coverage of tax preferences for SMEs should be enlarged; second, the direct preference should be strengthened. For instance, the production scope can be expanded and the depreciation of production equipment can be accelerated, the proportion of research and development expenses can be increased, the SMEs are allowed to set the risk reserve and loss reserve according to the certain ratio of sales and operation revenue, and deduce the reserve before income tax

#### *3) Support smes' financing*

First of all, SMEs should be supported when loaning from bank. The establishment and perfection of funding support policy system can be achieved in terms of tax, fiscal spending, loan and direct financing. Measures such as writing off bad debts and subsidizing the capital can be taken in the commercial banks loaning more to SMEs. The commercial bank ensures the loan quality and improves the proportion of loan.

Next, the credit system for individual and enterprise can be set up to improve the bank's loaning environment. A unified, efficient, and overall credit system for individual and enterprise ought to be built on the basis of the existing central bank loan registration information system. The information can be shared to deal with the asymmetric information, which can enhance the financial institutions' sense of security and enthusiasm when loaning.

Finally, financing guarantee system for SMEs ought to be set up. The guarantee institution can transfer from being supported by financial contribution to private capital investment, in this way; the system will turn into one which is consist of a non-profit policy guarantee institutions supported by government, private commercial guarantee institutions and re-guarantee institutions. A joint guarantee community can be organized in the form of SME membership in order to solve the problems of guarantee. A county-level SME can be built, and a guarantee company which is partly supported by fiscal fund and co-sponsored by government, finance institutions and enterprises can be adopted to lower some financing institutions' risk and

enhance the financial institutions' sense of security and enthusiasm when loaning.

### *C. Policy Recommendation for Technology Environment*

#### *1) Encourage the development of technology-oriented SMEs*

The technology-oriented SMEs with local characteristics and making full use of areas comparative advantage can be fostered and developed. SMEs can be encouraged to raise funds by different means, increase investment for technology innovation. They can be converted into powerful, rapid-developing technology-orientated enterprises through technology innovation and they should provide with all-round service through information, equipment, talent, and research and development ability. Enhance the industrial level, resulting in agglomeration effects.

#### *2) Set up the network supporting smes' technology innovation*

The cooperation between enterprises, universities and research institutions should be promoted. Universities and research institutions are encouraged cooperating with enterprise to build technique center, the cooperation between colleges and enterprises can be realized through joint operation, investment and equity participation. A multi-level industrial innovation support system could be constituted based on industry chain, upgrading of traditional industries and some innovations platform such as state and local technology research centers. The development of key technologies and industrialization should be vigorously promoted. The effective docking between technological chain and industrial chain, and the accelerating transformation from scientific research achievement into practical productive forces can be promoted. The introduction, digestion, absorption and re-innovation of advance technology and equipment should be accelerated.

#### *3) Strengthen intellectual property protection and brand building*

The strategy of SME intellectual property should be implemented vigorously. SME patents, trademarks and other intellectual property protection should be increased, and the SME IPR creation, utilization, protection and management level ought to be improved. Training and promotion for Intellectual property, industry standards and brand advocacy ought to be strengthened in order to promote SME to establish the concept of intellectual property rights, management and protection. The SMEs with independent intellectual property advantage in the professional filed can be encouraged to build an industry alliance. SMEs should be guided to strengthen intellectual property protection and the more powerful enterprises can be organized to implement intellectual property strategy. The formation of IPR and independent brand ought to be speeded up and the technology innovation capability should be enhanced.

### *D. The Policy Recommendations for the Government and Social Service Satisfaction*

#### *1) Improve the level of government services*

The government organs' administrative behavior should be further standardized; the administrative approval ought to be cleaned up and further reduced, openness in government affairs can be accelerated and the approval method and attitude can be improved. Implementation of the "one-stop" approval and limit handling could be considered. Centralized approval and parallel processing should be accelerated to provide convenient services for the establishment, production and operation of private and SME.

#### *2) Build the public services market supporting the development of SME*

The nature of the public service is to raise and mobilize social resource for social welfare undertakings in order to meet the needs of the most common and basic members in society.

Marketization of public service is one of the main trends of international administrative reform since the 1980s. Its essence is to introduce the market mechanism into the public service sector, in order to solve the governments' problems such as lack of investment in public services, poor management, low efficiency, waste of resources and other issues. Public service can be turned into marketization by converting mechanism and reforming the public service and also by introducing the external factors, re-structuring and contract managing the public sector. That is to say, marketization of public service can be achieved by different paths of public or private.

#### *3) Strengthen training services for SMEs*

Education and training should be strengthened, and the quality and management level of employees in SMEs should be constantly improved. Efforts should be increased to support the training and establishment of SME training teachers' team. Business-oriented education system ought to be reformed and SME training base could to be built to form the SME training mechanism. A series of training projects about entrepreneurship, management and financing can be carried out according to the characteristic and needs of SMEs in different stages of development. Enterprises can be organized to participate in the national "galaxy training project" and "public certificate training project" and actively strive for the national training program for SMEs. Meanwhile, SMEs will be encouraged to introduce talent, technology and management according to their needs, and learn and adopt the advanced management concept, methods and means to promote SMEs' product innovation, improve staff quality, optimize factor allocation and improve operational efficiency.

### *E. Policy Recommendations for Information Channels*

As for the information support, the main approach in developed countries is to establish the support system for public information and improve the hardware information system. An information network service platform can be gradually established according to local conditions, so that the information such as talent supply and demand, market demand, industry trends, industry-oriented, technical advice and legal policy can cover the SMEs in the whole

autonomous region to build all the necessary network infrastructure, software and hardware platform for SMEs. The enterprises don't have to purchase hardware and software and equipment room, and to recruit IT staff, what they are going to do is just to entrust some or all of their associated with information application associated with business process to the service provide, on the basis of the outsourcing agreement signed with the ASP. The service provider should ensure that these smooth operation of the application of information technology, the delivery of all services are web-based, users will obtain these services through the network remotely. The SME network application program should be carried out to promote the development of e-commerce for SMEs.

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