
A study of small business owners perceptions and experiences of government policies in Suzhou, China

Victor Chang*

School of Computing, Engineering and Digital Technologies,
Teesside University,
Middlesbrough TS1 3BX, UK
Email: victorchang.research@gmail.com

*Corresponding author

Fatima Khaleel

Khaleel Consulting,
Abujia 100001, Nigeria
Email: fateemujee14@yahoo.com

Fangyu Zhang

Business School,
The University of Auckland,
Auckland 1142, New Zealand
Email: 1316065717@qq.com

Qianwen Xu

IBSS,
Xi'an Jiaotong-Liverpool University,
Suzhou, 215000, China
Email: iamarielxu@163.com

Abstract: The purpose of this study is to explore the Chinese government policies towards small businesses and the perspectives of the business owners on the implemented policies. The research adopts an in-depth interview with five business owners in Suzhou, China and the data collected from the interview are analysed by the SWOT method. Our findings reveal that businesses are satisfied with government intervention. However, over intervention may cause discouragement and may lead to the failure of businesses in China. In addition, the analysis of the findings reveals that most businesses require policy changes and policymakers should consider the weaknesses and opportunities for the future growth of the economy. Our paper provides a contribution to the literature of Chinese businesses and government policies, and helps the owners to understand the business context and challenges. The inability to investigate more entrepreneurs all over the country is the limitation of the study.

Keywords: economic growth; government policies; business owners; entrepreneurs; China.

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Biographical notes: Victor Chang is a Full Professor of Data Science and Information Systems, Middlesbrough, UK, since September 2019. Previously, he was a Senior Associate Professor, Director of PhD and of MRes at IBSS, XJTLU, China, between June 2016 and August 2019. Prior that, he worked as a Senior Lecturer at Leeds Beckett University, UK, for 3.5 years. Within four years, he completed PhD (CS, Southampton) and PGCert (Fellow, Greenwich) while working for several projects at the same time. Before becoming an academic, he has achieved 97% on average in 27 IT certifications. He won a European Award in 2011, 2015 IEEE Outstanding Service Award, best papers in 2012, 2015 and 2018, the 2016 European award. He is a visiting scholar/PhD examiner at several universities, an Editor-in-Chief of *IJOCI* and *OJBD*, Editor of *FGCS (former)* and *Info Fusion*, Associate Editor of *TII*. He is conference chair of IoTBDS, COMPLEXIS, FEMIB and IiORBDS.

Fatima Khaleel studied under Prof. Victor Chang at Xi’an Jiaotong-Liverpool University, China. After graduation, she returned to Nigeria, her home country. She is a resourceful, hardworking and approachable researcher.

Fangyu Zhang is an Independent Researcher. She graduated from International Business School Suzhou at Xi’an Jiaotong-Liverpool University as a full-time Master of Research in Management student after completing a Bachelor’s degree in Accounting from the School of Business at The University of Liverpool in 2017. Till now, she has published a few research papers that indexed by SSCI/CSSCI.

Qianwen Xu has graduated with MSc in Business Analytics with Distinctions from International Business School Suzhou, Xi’an Jiaotong-Liverpool University (XJTLU), Suzhou, China and the University of Liverpool, UK. She has worked under Prof. Chang’s supervision and also as a part-time research assistant. She is a hardworking, dedicated and resourceful student who can make things happen. She has several publications. She will study PhD under Prof. Chang’s supervision.

1 Introduction and background

In the past decades and at present, economists, researchers and many attain contrary perspectives on the importance of government intervention in private enterprise. This is between the interference of the government and opposing view *laissez-faire*, a French word origin of ‘let do’ (Basu, 2008) where the people do not support intervention. Depending on the government system, government intervention is either in capitalist or socialist nature. From the private ownership perspective, an individual partakes the right to create a business and employment, while for the state proprietorship, the government is the single job creator and employer. However, in reality, government involvement can lie between socialism and capitalism, a country such as China relies on the private sector of the economy, although it allegedly practices socialism (Hall and Sobel, 2006).

This example follows the view of economist Adam Smith. According to his book '*Wealth of Nations*' in 1998, using the unregulated private market to the most significant advantage with limited government intervention of protecting, liberty and contract implementation will make an economy prosperous (Hall and Sobel, 2006). In other words, the freedom and protection of businesses privately owned by citizens have the potential to grow an economy. Economic growth is an increase in the proportion of output (Kindleberger, 1965).

Research on small and medium-sized enterprises (SMEs) found that the development of small and medium firms is determined by economic factors (Coad, 2009). Therefore, local government policies in support of local businesses and entities are crucial for the socio-economic development of the community (Adamowicz, 2003; Smallbone and Walter, 2001). According to Schmiemann (2008), SMEs account for 57% of the gross domestic product (GDP) to reduce unemployment by 67% in the European Union. Hence, the formulation of appropriate government policies towards SMEs to such economic activities achieves economic growth. In this example, China is a suitable case to show how economic growth is an accomplishment from its historic economic reform of introducing the ownership of private enterprises.

In 1978, China reformed its government from a centrally planned Soviet Union economy to a socialist economy with public ownership (Guo, 2013). In 2004, the government presented a new law that permits private property of businesses (Hu, 2005). The author said that ever since the reform addition of promoting the private business sector, China has experienced fast economic growth over the years, including the creation of private enterprises as a growing force. Contrarily, China is undergoing a slow economic growth due to lower than the expected growth since 2014 (O'Reilly, 2015). Thus, China is under pressure because of the impact it has on the world economy. Several policies have changed for the past few years since the Chinese government has reconsidered its plans to promote faster economic growth. The data of trading economics (2016) reports that unemployment has decreased only 4.12% in 14 years between 2002 and 2016, based on a survey of 31 largest cities of China. One of the largest cities contributing to the Chinese economy is Suzhou in Jiangsu province. Suzhou counts the most substantial economic city in the province of Jiangsu with 19.4% of the GDP according to statistics and its major industries are telecommunications, IT, electronics and other sustainable industries such as textiles, chemicals and metallurgy manufacture (Suzhou China, 2016).

The strong growth in the economy of Suzhou, has overtaken Nanjing, the capital of Suzhou. Despite this fact, there is little research to study how the economy in Suzhou has become the leader in Jiangsu province and the implications to society, people and businesses.

1.1 Motivation

Existing literature in Section 1 suggests that limited government intervention with applicable policies is an advantage to encourage economic growth through SMEs. While there is a growing number of SMEs in Suzhou with very few studies, this paper will examine the current situation of SMEs in Suzhou, Jiangsu province of China. This is because a research gap has been found in the literature on perceptions of small business

owners on government intervention and economic policies in China. Most of the literature is independently based on empirical studies of government policies and qualitative study of enterprises, and a few investigate the government perspective of economic policy using triangulation methods. Therefore, there is an inadequate investigation on perspectives of business owners on government intervention and policies and the best example to use currently is China because of its position on the world economy. Meanwhile, this study aims to address the issues identified in Section 2 and will explain why two research questions have been set up.

1.2 Objectives

There are two objectives in this research as follows:

- to identify and understand the role, requirement and relationship of the government with small businesses in China
- to understand the rank of implemented government strategies, how the achievement and challenges based on the policies of small businesses in China.

Given the background of government policies and its importance and the research barrier in literature. The study of this paper is to investigate government intervention and the views of entrepreneurs in Suzhou based on government policies in China.

1.3 Overview of methods and results

This research adopts a qualitative method which is based on face-to-face interviews and strengths, weaknesses, opportunities and threats (SWOT) method. Face-to-face interviews are conducted with five owners of SMEs who have established their businesses for more than a year and have lived in the city of Suzhou in Jiangsu province. The data used in this research is collected during the interviews through recordings and note takings. Data and feedback collection of the interview transcripts are analysed by the SWOT method. SWOT analysis is a two-by-two matrix with a framework of internal strengths (S) and weaknesses (W) and provides external opportunities (O) and threats (T).

Our findings reveal that government intervention follows the role and requirements of economic growth theory towards small enterprises, but has a weak relationship and interaction with the business industry. The owners are in need to have a direct connection to help and better the development of enterprises. In addition, minimum management intervention is certain to help and guide some actions. However, excessive government intervention is harmful to the economy.

Research paper outline

This paper is outlined into two themes as follows:

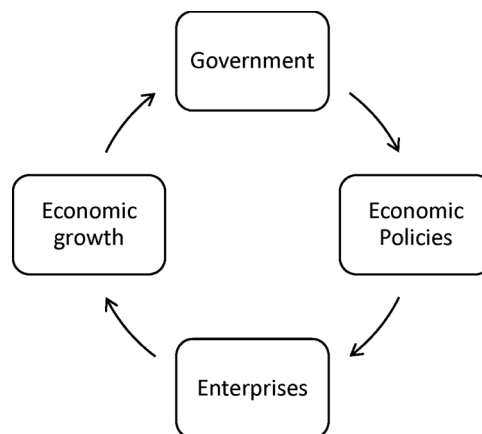
- the structure of this study follows the literature review, methodology, data findings, analysis and evaluation, and conclusion and recommendations
- to understand the rationale behind the research gap and questions, the next section gives a detail view of the academic literature review.

2 Literature review

This section is an accumulation of the reviewed literature of government role, government policies, small and medium enterprises and its relationship with economic growth generally and in China. The first part provides a review of the government role and growth of the economy. The second part is about the concept of government policy and its relationships with economic growth and business. The third part delivers a review of SMEs' definitions and relationships. The last part is devoted to a summary of the relationships between policies, SMEs and economic growth along with a gap in their research.

Figure 1 represents a cycle of the reviewed literature of economic growth theory. It is also a summary of the literature review and the relationship between the concepts. This identifies that the most crucial role of the government is to formulate economic policies towards enterprises to achieve economic growth from our previous research study (Khaleel, 2018). Moreover, the status of economic growth plays an essential role in guiding the government to make a new policy or adjust a present policy.

Figure 1 The relationship of government policies, enterprises and economic growth



Source: Khaleel (2018)

2.1 Government: role, policies and economic growth

For China, several studies have shown that the Chinese government has played a major role in its economic role, especially from the transition of the centrally planned economy to a socialist economy (Hu, 2005). In other words, the role of the government for economic growth is to formulate the appropriate policies.

Fadare (2010) mentions that the conducted extensive research explains how economic growth is achieved because of its key consideration of economic policy. While literature measured the effectiveness of the policies in the developed and developing economies around the world, others believe that one is more effective than the other (Ajisafe and Folorunsho, 2002). Economists categorise policy into fiscal and monetary policies. Chowdhury (1986) showed that fiscal is of higher importance than monetary policy on economic activities in Bangladesh.

2.1.1 Fiscal policy

Several researchers support the effectiveness of fiscal policy with economic growth. Khosravi and Karimi (2010) said that appropriate fiscal policy measures are associated with and particularly stimulates economic growth and development. Another empirical meta-analysis study of the past using 41 samples between fiscal policy and growth has indicated 54% indecisive, 29% negative and 17% positive relationship (Nijkamp and Poot, 2002). Another study conducted within 1970s to 2002 in Egypt, Morocco, and Tunisia, the result showed that the real GDP to increase by 0.56% in Egypt, 1.15% in Tunisia and 1.26% when there is a percentage increase in public spending (or reduction of taxes) and indicates a long-run relationship existence (Mansouri, 2008). The study of 1979–1993 and 1994 to 1999 suggests that Chinese fiscal decentralisation was the detrimental effect of its economic growth (Jin and Zou, 2005). Thus, collecting taxes and investments is a fiscal policy measure that promotes the wealth of a country. The studies of Li and Kuang (2010) state that SMEs play a vital role in china fiscal policy it depends on the degree of the fiscal policy supporting the development of SMEs.

2.1.2 Monetary policy

On the other hand, monetary policy is the action taken by the central government to control and regulate money with the public and price stability (Dwivedi, 2005). In the studies of developed countries, which include the USA and several European economies, they depict the effectiveness of the innovative monetary policy on the economy (Bernanke et al., 2005). Fasanya et al. (2013) conducted an empirical study on the effect of monetary policy and found that monetary policy has a real and nominal impact depending on the variable influences economic activities in Nigeria. The study concluded that the shortcoming of the policy instruments in Nigeria limits the ability for economic growth, although monetary policies have had a massive impact in the country over the years. Reversely, using the factor-augmented vector auto-regression (FAVAR) methodology, Fernald et al. (2014) presented a piece of evidence regarding the effectiveness of monetary policy in China. The results suggest that the monetary policy mechanism a functional role for interest rate policies in the determination of both real prices and economic activities. Ganey et al. (2002) study in 10 Central and Eastern European (CEE) countries suggests that the exchange rate increases output but not interest rate effects. Hence, monetary policy is an effective measure of economic growth. To conclude, the setting of fiscal and monetary policies can help achieve economic growth. One method of making economic growth is the creation of businesses.

2.2 Enterprises, theories and economic growth

Small and large companies are active job creators (Edmiston, 2007). The development of a new business is the source of most job creations (Birch, 1979; Eisinger, 1989; Powell, 2008; Walzer, 2007). This has influenced governments worldwide to formulate policies in law, regulations, programs and allocation of budget for the support of entrepreneurship (Henrekson and Stenkula, 2010). Chandler (1990), Scherer and Ross (1990) identified that a shift in the business sector was due to primary changes in technology. SME definitions and characteristics differ in each country. The definition of SMEs is approached in certain ways among researchers (Berryman, 1983). Similarly, approaches

to SMEs are different approaches that are made in each Economy (MacGregor and Vrazalic, 2008).

Bebczuk (2004) conducted SME financing research through Logistic Model Analysis at SME in Argentina. Bebczuk (2004) found that profitability, debt ratio, the use of overdraft credit increases the probability to obtain the loan from the bank. Meanwhile, size, liquidity, tangibility, an expectation of higher investment, an expectation of export growth and length of the lending relationship that tested, seems to have no correlation significantly. Chittenden et al. (1996) found that small and fast-growing firms have increasing levels of long term debt. On the other hand, Hall et al. (2004) and Abor (2008) find that the growth of SMEs has a positive relationship with the short-term debt ratio. Michaelas et al. (1999) and Sogorb Mira (2005) confirmed that a firm with a variety of growth possibilities have more both short and long term debt. An empirical study in China show that small firms have an increasingly positive effect on economic growth and medium and large enterprises; the result is negative (Lee and Xin, 2015). Thus, Edmiston (2007) reported that the U.S. Census Bureau data has shown that the bulk of net new jobs that have less than 20 employees. Start-up formation- Surveys portray that the formation of new firms across countries and region varies, and (Hendrawan, 2012). Authorities should recognise the rate start-up formations because the variations have an important implication in entrepreneurship policy because it is important to realise the reason these variations occur (Choi and Phan, 2006; Venesaar, 2006).

2.2.1 Policies towards SMEs encourage economic growth

In a nutshell, literature has shown that the right policies for SMEs in a country will encourage economic growth. The formulation of policies to guide the government is a success factor of an economy. Government policies approaching whether small or large firms on attracting and supporting the environment that will enable the business to flourish and allow the market to sort out successful businesses is the right approach, according to Edmiston (2007). Moreover, her research also states both large firms and small firms are important for the economy. It points out that even though larger firms create better employment, stable high paying jobs and good benefits, and have a significant contribution to economic development and innovation, small business is more important because they are the innovators of today's. They grow and become a larger firm in the future.

2.2.2 Research questions

This section reinforces explanations for identifying two research questions in Section 1.1. While the government's role and policies largely affect the economic direction and growth, their intervention can also affect from one course to another as described in Section 2.1. Hence, the first research question is focused on

- How is government intervention of small businesses in China?

The survival and development of SMEs can be essential to economic growth and have played a significant role in economic sustainability in major economies. The perceptions of SMEs owners towards government intervention in China can play an important role in

their strategic direction, investment and business development in China. Thus, the second research question is focused on:

- What are the perceptions of small business owners of government intervention in China?

3 Methodology

This section is to describe the research method and design, data collection process, data analysis, validity and reliability and conclusion of the research methodology. This research adopts an ethnographic qualitative method. This includes primary data collection, interviewing each of the five selected business owners (Chang, 2016). The interview is on a face to face interaction basis to discuss open-ended based on their experiences and views of the implemented policies towards enterprises in China. Data and feedback collection of the interview transcripts can be analysed by the SWOT method, influence map diagrams and support of literature review.

Face-to-face interviews are conducted with five owners of SMEs who have established their businesses for more than a year and have lived in the city of Suzhou in Jiangsu province. The analysis is approached with diagrams using a thematic method following their detailed feedback towards our research questions. The participants were five selected entrepreneurs representing the industry in the city of Suzhou, Jiangsu. The data collection method is an interview using recordings and note takings. An unexpected problem was encountered earlier since a high percentage of start-up directors felt it was too personal to share about their experience. Thus, only five in-depth interviewees from various industries agreed to be interviewed.

3.1 Method

The method of the research is based on the qualitative method that falls into the ethnographic study. Eriksson and Kovalainen (2008) explained that the qualitative method aims for an in-depth understanding of issues and it is acknowledged for its flexibility in data collection and analysis. That is because the research is to capture the quality of their experiences. According to Fife (2005), the most commonly used method for qualitative data collection is an interview. Interviews using face to face interaction processes, according to Behar (1996), is the most regularly experience social reality. Structured open-ended interview questions are asked to all interviewees. This method includes a set of predefined questions that are asked in the same order (Fontana and Frey, 2005). Besides, qualitative research can encourage full descriptions of the role of the researcher because emotional maturity and strong interpersonal skills, which are required in qualitative research, are difficult to assess (Hawamdeh and Raigangar, 2014).

The study had carefully revised and reviewed the interview according to literature. Probe questions were asked to the respondents for clarification and revised to clarify any errors with them. The analysis of data is with influence maps and SWOT. While SWOT analysis is a two-by-two matrix with a framework of internal strengths and weaknesses and provides external opportunities and threats, and it is a simple way of assessing how policy is best implemented (Start and Hovland, 2004).

3.2 Design

Out of the five owners, three of the respondents provide services nationwide. Among them, two are international and two other businesses are for within the city. While gaining a deeper understanding of the community, recruitment is carried out to achieve diversity in age, ethnicity, marital status and industries. Before the process began, each participant was informed about the purpose of the research. Three of the business owners are about to be above the start-up stage, while the two others are more.

3.3 Data collection process

Face-to-face interviews have been conducted with five owners of small enterprises who have established their businesses for more than a year and have lived in the city of Suzhou in Jiangsu province. This interview process also provides researchers the opportunity to explore each small firm. Most interviews of the business owners took place at their workplace and one was an outdoor meeting. Open-ended questions begin from the demographic questions to questions regarding the relationship between them with government and government policies, their experiences with the policies and views regarding the policies based on the experience. Each interview lasted about one hour. Each of the recorded interviews was then documented during the process. These were collected through note-taking and recordings. The recorded interviews were converted into a written documented form. The collected data is studied and it emerges some themes, patterns, similarities. The analysis is approached with diagrams using a thematic method following the research questions.

3.4 Description of participants

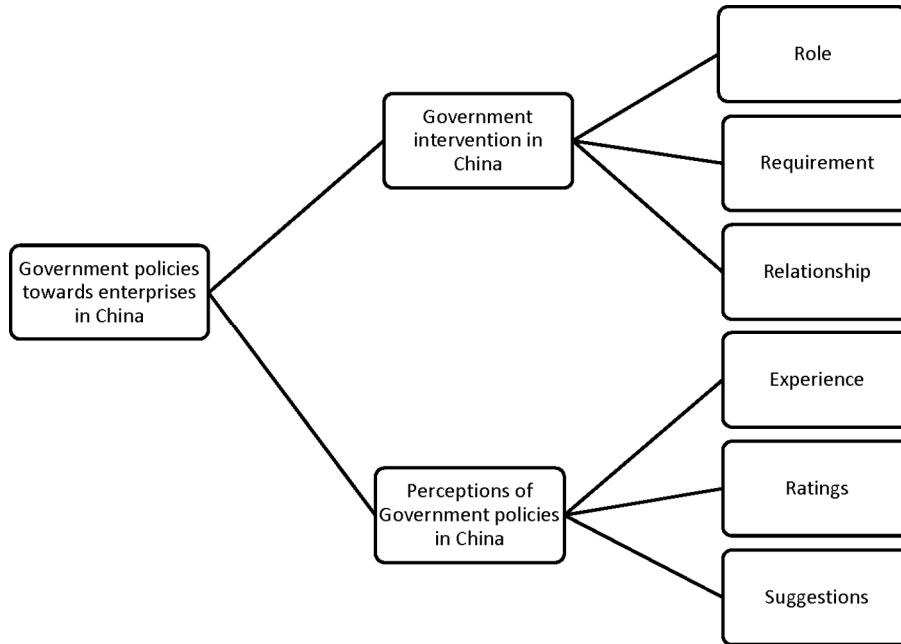
Among the gender, there are three females and two males with age between 29 and 41. Three of the participants are local citizens and two others are foreigners. The three females and one male respondent are married and one non-married male. Their primary sector and industries include cosmetic, import-export/sourcing, human resource consulting and recruiting, restaurant and life insurance and offer natural cosmetic products, electronic sourcing, training and recruiting services, food services and life insurance, respectively. The foreigners have lived in China between 9 and 10 years. The number of employees is in a range of 3–10 people. Four interviewees' education level is a bachelor's degree and one person with a master's degree. Their educational background is in economics, business management, economic law, international trade and business, and the other had a bachelors in information technology (I.T) and an MBA (Masters in Business Administration).

3.5 Interview analysis

Research design diagrams were used to showcase the analysis of the results. Analysing the findings was followed by the process of themes and 'codes of practice'. The interviewees were asked questions from the general to in-depth questions and in alphabetical order at the time of documentation. The conversations of each interviewee were transcribed in a document and collected in a paper. The emerging themes were revised and categorised according to research questions, with their similarities,

differences, patterns, and interesting facts. All the results will be categorised, as shown in Figure 2 in the next section.

Figure 2 Influence map of business owners' perception of government intervention and policies in China, based on the classification of feedback and results



4 Interview findings and analysis

Interviewees' comments have been collected and carefully examined to identify if research questions can be addressed by their insights and experience dealing with Chinese government policies. Interviewees provided answers and explanations based on their related experiences and perceptions. This part presents and analyses data according to the research questions of the paper, including entrepreneurs and their business characteristics, government intervention and the perceptions of business owners on government policies in China.

4.1 Owner and business characteristics

Table 1 is a summary of the characteristics of the interviewed individuals in the study. The first respondent is an unmarried male foreigner who studied information technology (IT) for undergraduate and business administration for graduate school. He started his businesses in 2016 in the import/export industry and offers sourcing services and currently has a number of three employees. The second respondent is a 31-year old married female foreigner who studied international trade and economics for her undergraduate school and started her business in the cosmetic industry in 2016. She has offered natural imported cosmetic products and has three employees currently. The third

respondent is a 37-year-old married female who is an Economics bachelor graduate and has a business in the food service chain and presently has five employees. The fourth participant is a 40-year-old bachelor's graduate in a Business Administration and is currently in the life insurance business with 10 employees but changes over time. The last is a 41-year-old married male respondent who has a Bachelor's degree in Economics Law and is in the human resource recruiting and business consulting with more than 10 employees but varies over time.

4.2 Government intervention of small business owners in China

4.2.1 Role

Business owners disclose that the government plays an important role, but its responsibility differs among the five business owners. Most of the owners say it acts as a regulator, taxman, judge, authority. That is because the government regulates the market activities, taxes businesses, act as a judge and has the power to control their actions. Another respondent mentioned that it creates and supports opportunities for start-up entrepreneurs and also the development of enterprises. Based on academic theory and literature. The Chinese government plays an important role in enterprises because it taxes and regulates the activities of businesses.

4.2.2 Requirement

The requirement of the government to businesses are the same with slight differences in all industries. For all sectors, interview feedback shows they are required to pay and claim taxes, certify the company, register, license, report and submit data, comply with policies and to develop their businesses. Some of the industries require participation in corporate social responsibility (CSR), medical and life insurance, particularly the health insurance companies. Lastly, the export/import industry's main requirement is to export local products out of the country. To be the best entrepreneur while they can to make my company better serve people and produce value.

Specific and relevant examples given by interviewees show that China cares about economic growth and development and the policies of China are based on the economic theory of private ownership regardless of its financial system.

4.2.3 Relationship

Based on the feedback from the five interviewees, it has been found that **there is a lack of direct interaction between the government and firms**. Besides, the requirements explained above the **government does not inform them directly about the policy changes**. Results show that two of the respondents had close indirect contact with the government. One respondent is through a private agency that has direct contact and the other is through larger firms. Two of the interviewees' source of information is from the news and three are from colleagues and friends.

There is very little literature or theory on the importance of the direct relationship between the government and the businesses, but the business-friendly index literature supports this problem that owners stress on the need to have a direct connection to help better the development of enterprises.

Table 1 The characteristics of business owners and businesses for five interviewees

<i>Age</i>	<i>Nationality</i>	<i>Gender</i>	<i>Marital status</i>	<i>Education level</i>	<i>University major</i>	<i>Start year</i>	<i>Industry</i>	<i>Product</i>	<i>No. of employees</i>
29	Nigerian	Male	Single	Masters	I.T/Business administration	2016	Export/import	Sourcing	3
31	Kenyan	Female	Married	Bachelors	International trade/Economics	2016	Cosmetics	Natural products	3
37	Chinese	Female	Married	Bachelors	Economics	2016	Food	Restaurant	5
40	Chinese	Female	Married	Bachelors	Business administration	2008	Insurance	Life insurance	<10
41	Chinese	Male	Married	Bachelors	Economics law	2003	Human resource	Recruitment/consulting	>10

4.3 Business owners perceptions on Government intervention of small businesses in China

4.3.1 Experiences

There are positive and negative experiences and viewpoints that have occurred regarding the response. Business owners who were interviewees have said that the government has supported them in starting up and assisting them in making decisions on their enterprise. However, **they have been facing issues such as high tax, high start-up fees, inadequate funding, financial support delay, certification delay, limited resources and improper intervention.** A respondent said that the tax is too high, which gives him a demotivation to invest in other financial aspects. Another said that the start-up fee is a discouragement for new entrants. The other three interviewees also suggested that **financial support should be improved because they do not have enough profits to invest in other businesses.** One of the interviewees mentions that there is a new policy considering start-ups funding for only SMEs above two years of age. One foreigner said that foreign-student graduate entrepreneurs are from selected universities compared to new entrants of the Chinese market.

No study has shown the experiences of entrepreneurs with government policies, particularly in Suzhou, Jiangsu. Therefore, this offers a contribution to the literature on the topic. The government intervention is a success factor for stimulating business growth but also raising the requirements for business sustainability. Often this may allow the levels of the challenges to surpass the level of achievements and profits. **Based on all interviewees' experiences, the business industry needs minimum government intervention.**

4.3.2 Ratings

The views on how the effectiveness of policy implementation varies across business owners. The foreign entrepreneurs believe that the implementation of business policies is extremely high because the policy announcement from the Chinese government is immediately put into action. While others think because it is new to this area at the beginner level compared to the West, so there is room for improvement. Others said it depends on compulsory measures and the industry because it does not always apply to all industries.

In summary, interview feedback tells us the level of improvement of the government policy is acceptable and the government is capable of implementing new policies with dedication. However, there is still room for improvement.

5 Recommendations

Based on literature and detailed feedback from interviewees, this section presents a list of recommendations. This also helps us to answer two research questions. First, a list of difficulties raised by the Chinese government intervention has been identified. Second, all the recommendations to minimise impacts of the government intervention, particularly for SME owners, have been presented and explained in detail for this section.

Interviews have presented evidence that most business requests for policy alteration. Some of the respondents said that sometimes the additional requirements need to be set up, businesses need to be changed annually. **Every year, the Chinese government formulates new rules regarding business, taxes and visa policies. Therefore, there is uncertainty in their business and this may affect the business scope, cost (social security), profit (tax rate) and confidence.** Another two interviewees believe that financial support and direct contacts with the government are important. They believe that sometimes the pressure given by the government is just too much. For instance, the minimum requirement for the office space, costs and size could be unnecessary for some sectors because of the availability of online sales, different requirements for different types of businesses such as transportation, warehouse and outdoor performance. While trying to present each business case or come to a reasonable solution with the authorities seems almost impossible for two interviewees. The outcome could be usually not approved. The third interviewee suggested that the government should assist start-ups especially foreign companies establishing in China, due to the difficulty of unstable exchange rates. However, they need time to prove themselves without limits.

The suggestions given by the owners support the literature of economic growth. Policymakers could take note to revise the policies to aim for faster economic growth. As a result, SWOT have been analysed and presented in Table 2 as follows. Details will be discussed between Sections 5.1 and 5.8.

Table 2 Data SWOT analysis

<i>SWOT analysis</i>	
<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> • Business start-up recognition • Legal requirements • Existence of government interference • Powerful implementation 	<ul style="list-style-type: none"> • Business start-up high requirement • Ignorance of Small businesses • Inadequate government interaction • Excessive government interference • Government assistance and support
<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • Entrepreneurs plan for the future • Minimum government interference • Government assistance and support • Tax cut 	<ul style="list-style-type: none"> • Ignorance of Small businesses • Excessive government interference • High Tax

5.1 Business start-up recognition and high requirement

The government has succeeded in recognising the importance of businesses for economic growth. It has policies that specifically encourage business start-ups with a minimum two-year funding program. Besides, to start up a business, there are specific universities that are only considered. For foreigners, it is difficult to establish a new brand if education is from another country. The start-up companies also believe starting fees are high, which is discouraging for foreign start-up firms.

Studies have shown that businesses provide the main driver of the economy (Zucchella et al., 2007). Western countries have experienced economic growth successfully by allowing businesses to grow and trade freely under government guidelines. Several economies have succeeded and continued to grow because of the relevant and supporting policies set to aid and market freedom of enterprises. China has recently acknowledged and adjusted policies to succeed in this area.

5.2 Entrepreneurs plan

Most of the entrepreneurs are ambitious to expand their business. The plan to open more branches, employ more, expand businesses and investments. However, the tax rate of 20% and above is considered above average in East Asia (Schneider et al., 2010). High tax may reduce the profits and therefore discourage them from investing more. Fixed requirements by the government do not allow them to show their positive traits for the economy.

Business owner interviewees, both foreign and Chinese nationals, have been aspired to become entrepreneurs due to their passion and ambition. If most business owners can keep up their passion for economic growth, this may encourage more business activities and thus provide a better economic forecast for growth in the future. However, without appropriate policies guiding the society, this cannot be achieved.

5.3 Ignorance of small businesses

From the interview feedback, authorities seem to disregard small businesses. Through interviewees and their networks' experience, the local government does not interact with them unless it is a legal requirement. The Chinese government also considers more on large and state-owned business enterprises in its policymaking.

SMEs are crucial to the economy and countries such as Germany have their economic growth due to SMEs (Beck and Demircuc-Kunt, 2006). Interviewees and their networks' experiences have indicated that local Chinese government recognises the importance of encouraging more business activities to maintain economic growth, but it has ignored essential details and requests from some SMEs that may help the local economy to blossom. Thus, the government should establish a mediator agency that will crosscheck the wellbeing of small business in their society.

5.4 Inadequate government interaction

Based on interviewees' feedback and their networks' experience, the majority of the entrepreneurs seem to have inadequate interaction with the government. Other than tax payments, company registration and license arrangements, there is no other communication with the government. There is no agency government in charge of leading, reviewing and communicating the success or challenges with SMEs. It also lacks guidance for decision making. Some decisions can be made in a short period of time, for example, policies against speculating housing prices in China (Guo and Huang, 2010). As a result, most of the owners are aware of new or change of policies through friends, colleagues, employees and media. As a result, **direct communications between the government by e-services and mediator agency can certainly help understand the challenges faced by the entrepreneurs and consider whether change of policies can**

be taken place after discussions and careful decisions by both the central and local governments.

5.5 Legal requirements

The requirements of owning a business in China include registered license, corporate and personal income tax payment, policy compliance, registration, data report and supporters, often one and two Chinese nationals.

The government has recognised the main economic requirements. The authority uses taxes to aid government spending, certification, show originality and licensing to protect the rights of the people and their businesses. These all have supported economic theory and the government is commended for implementing the actions.

5.6 Government interference

The interviewees' perception and understanding of government policies are towards the negative aspects of business development, due to government interference. Interference with the market can affect the business scope, profit and confidence (Li and Zhang, 2010). Pressure from the government is fixed and authoritative, while minimum freedom is preferential. The tax rate of 20% in Asia is quite high, which discourages investment opportunities.

Even though most countries are on the side of *laissez-faire*, minimum management intervention is certain to help and guide some actions. However, excessive government intervention is harmful to the economy. Thus, the Chinese government could set back on the strict requirements and allow the businesses to portray their quality.

5.7 Government assistance and support

The most significant action is to support the future of businesses. If they give enough proof on the prospects of their plans, the government can aid in financing them. Funding is a way to increase consumption and in turn, increases economic growth. Thus, the government needs to improve some policies and requirements for business owners to be optimistic for the businesses. Support also includes tax relief for foreign investors but not all nationalities can get the same outcomes.

6 Conclusion and recommendation

This paper has studied the perceptions of the implemented government policies of the SMEs in Suzhou. China is currently facing an economic slowdown, and literature implies the importance and evidence of setting proper policies such as expansionary and fiscal policies. This includes money supply with a low level of interest rates for monetary policies set in the central bank and low tax or higher government spending and increased investment opportunities. Therefore, a country with a slower growth could employ policies for SMEs to achieve fast and high growth economic growth, which is a difficult task. Therefore, identifying strategies to encourage a higher economic activity is the key to success. This study found out the current role of the government intervention and the

perceptions of entrepreneurs in China using a qualitative research with an in-depth interview design and the most economically-active city of Jiangsu province, Suzhou, as an illustration. Data collection from interviews is through recordings and transcribed into a document. The reviewed transcriptions have produced themes and the anonymity of the participants is in codes and themes for its presentation.

In-depth interview feedback and supporting literature have suggested that the country needs improving areas such as the relationship, taxation policy and funding for mature start-ups. That is because SMEs have faced problems with a higher tax, higher spending and it discourages them from investing. The businesses have funding problems because of insufficient support from the government and policies. The summary of findings in this topic is jointly contributed by **the mixed impacts from the current government intervention and perceptions of the firm owners of small businesses in China**. Government intervention follows the role and requirements of economic growth theory towards small enterprises but has a weak relationship and interaction with the business industry. Business owner interviewees reveal that the Chinese government agrees with its significance on economic growth and is supportive of business creation. The authority requires businesses to pay taxes, get certification and licenses which follow the basic rules of a government. As a result, the disadvantage for enterprises is the lack of relationship it has with the state. The owners are in need to have a direct connection to help and better the development of enterprises. The main objective of the research is to build the literature gap on the study of the experiences, perceptions and suggestions of firms. The interviewees for this research appear to face more challenges than achievements from their experiences. **A high tax, lack of government interactions and strong government intervention can discourage entrepreneurs from potential economic activities that may subsequently contribute to economic growth**. The ratings of the implemented policies in China express the level of improvement of the government policy implementing shows the dedication of the government. However, improvement is required. The suggestions of business owners are to improve areas such as relationship, government intervention, start-up fees, taxes and non-economic factors such as certification. Hence, policymakers can revise the policies to aim for rapid economic growth.

The limitations of this study include language barriers between foreign investors and Chinese dealers, the disinterest of business owners, respondent's unavailability and insufficient time to conduct in-depth research. Another problem is the inability of respondents to participate since a high percentage of them felt it was too personal to share about their experience. Thus, only five in-depth interviewees from various industries agreed to be interviewed. An empirical study of this paper is a suggestion for future research, which can focus on the difference between small and large firms. This study is an additional contribution to the literature of SMEs and the government in general and China. Thus, literature has acknowledged the significance of SMEs as a major contributor in the world with the appropriate policies is a positive impact. While evidence has shown that SMEs are facing the challenges that they are unable to be identified by policymakers due to difficulty, this study results policy-makers need to revise policies to fast and continuous growth.

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