Doing Business Problems and Countermeasures of Private Enterprises in Chengdu

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Keywords: Private enterprises; Doing business; Relationship between government and business.

Abstract. Under the background of the new normal, creating a good doing business is an important content of economic development and construction in our country. In order to promote the sustainable and healthy development of private enterprises, Chengdu takes measures to improve the doing business to a certain extent, but there are still many problems. The purpose of this article is to find out the existing problems of private enterprises in Chengdu on the basis of investigating the current situation, and to draw lessons from the experience and practice of creating doing business in developed areas at home and abroad. Combined with the actual development situation and put forward some improvement strategies which are suitable for Chengdu to create an orderly competition for private enterprises, open and convenient, multi-inclusive, transparent and efficient doing business.

Introduction

In recent years, with the increasingly fierce international competition and the increasing downward pressure on China's economy, doing business has been paid more and more attention by the government and all sectors of society, private enterprises have also attached more attention to the relevant policies of doing business. The private economy is an important part of the socialist market economy, since the reform and opening up 40 years ago, China's private economy has developed rapidly and emerged manufacturing benchmarks represented by Huawei, Geely, and Sany heavy Industries; Alibaba, Tencent, Baidu as the representative of the Internet giants; and Didi, Jinri Toutiao, DJI represented by the world-class unicorn enterprises. In October 2018, during an inspection tour in Guangdong, General Secretary Xi Jinping pointed out that private enterprises have made great contributions to China's economic development, and that small and medium-sized enterprises can do great things. In order to promote the further development of the private enterprises, our government has created a good external condition for the development of the private enterprises by deepening the simplification of administration and decentralization, combing management, optimizing the service reform and tax reduction policies to optimize the doing business of our country. Although this has optimized the doing business of our country to a certain extent, there are still some problems, such as the heavy burden of taxes and fees, the difficulty of financing, the high cost of financing, the great mobility of talents, the unfair guarantee of production factors, and the inadequate publicity of policies. Private enterprises are hindered by "three doors" and other problems, resulting in the development of private enterprises space is still subject to certain limitations. Therefore, in the current context, for the sustainable and healthy development of private enterprises to create a good doing business is increasingly highlighted its urgency and importance.

The Basic Connotation of Doing Business

According to the World Bank, the "doing business" is how easy it is to set up and run a business in a country or region. It mainly includes the time and cost for enterprises to comply with policies and regulations in the aspects of opening, operating, trading activities, paying taxes, executing contracts and closing, and so on. The Donor Committee for Enterprise Development (DCED)
defines doing business as: doing business is a complex combination of policies, laws, institutions and rules that govern business activities, and doing business is a subset of investment climate. These include administrative and law enforcement systems that implement government policies, and institutional arrangements that influence the way enterprises operate. Business Monitor International (BMI) classifies China's domestic doing business indicators as transparency, cronyism and corruption, labour market flexibility, corporate tax burden, interest rate levels, banks, complexity of business and stock markets, level of business confidence, infrastructure and information technology. Foreign scholars Eifert & Alan Gelb and Vijaya Ramachandran (2005) argued that the doing business includes policies, institutions, infrastructure, human resources, and geographic conditions that affect the operational efficiency of different enterprises and industries\(^\text{1}\). Lu Chunxin (2018), a domestic scholar, defined the doing business as a synthesis of factors that affect the efficiency and quality of an enterprise's activities in the whole process of starting, running and ending. Wang Meishu (2018) believes that the doing business is the operating environment of a domestic enterprise, which is equivalent to the competitiveness of a country.

However, no matter what kind of definition is adopted, the doing business includes the political, economic, legal, cultural conditions and circumstances that the market participants need to face when engaging in commercial activities, which represents the economic soft power of a country or a region\(^\text{2}\).

### The Present Situation and Existing Problems of the Doing Business of Private Enterprises in Chengdu

Starting from November 26, in order to implement the spirit of General Secretary Xi Jinping's important instructions on supporting the development of the private economy, Chengdu has taken some measurements to create a good doing business, such as comprehensively implement the reform of "separation of certificates and licenses", implement the electronic reform of enterprise registration. Although the above reforms have been effective to a certain extent, through field research, it is found that there are still some problems existing in the doing business of private enterprises in Chengdu, it’s mainly including following aspects:

- **Lack of innovation in financial products, generally facing the problem of difficult financing and expensive financing.** Firstly, the financial institutions in Chengdu lack product innovation, and the loan amount and qualifications granted by the head office of Chengdu bank financial institutions are limited, which resulting in the limited loan amount of private enterprises. Secondly, the credit funds of banks and other financial institutions are mainly invested in state-owned enterprises, private enterprises are rarely able to guarantee loans, unsecured loans will face high interest rates and low quotas, resulting in private enterprises in financing institutional obstacles and financing difficulties. Finally, private enterprises have less collateral for loans, accounts receivable and self-purchased equipment are difficult to be used as collateral, and their financing costs are expensive because of the lack of a sound credit system\(^\text{3}\).

- **Access restrictions make fair competition become difficult.** Although the reform of letting management services has achieved some results, the phenomenon of glass doors, revolving doors and swing doors still exist. Through investigation and research, it is found that some major projects such as the construction of the new airport in Chengdu are all contracted by state-owned enterprises, which made private enterprises have less likely to get a piece of the actions from them; private enterprises have just set foot in a certain industry field, but they have been popped up by some "rigid policies" such as market access and entry barriers, the existence of these invisible barriers leads to the restriction of private enterprises' admittance, which prevents them from participating in

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fair competition together with the enterprises in the system, and suppresses the release of the vitality of private economy.

The burden of taxes and fees is heavy, and the sense of tax burden is obvious. In recent years, although our country has given private enterprises a lot of relevant preferential tax policies, there are many types of documents involved, different conditions for application, inconvenience in finding them, more complicated to calculate, many regulations for the private enterprises, more importantly, the relevant tax incentives are less in the implementation of enterprises. At the same time, with the promulgation of the new labor law, the burden of fees and social security of enterprises is heavier than before, which further enhances the sense of tax burden of private enterprises.

The policy propaganda is not in place and lack of information communication channel between government and enterprises. Firstly, Chengdu Municipal Government did not publicize the relevant policies in a timely manner after the formulation of the policy, which made private enterprises fail to obtain and understand the contents of the policies in a timely manner, and miss the opportunity to enjoy the policy dividend. Secondly, the government doesn’t have an information docking platform for policy communication with private enterprises; third, the government doesn’t understand the real needs of enterprises, and promulgate new policies before enterprises fully understand the relevant policies, which makes enterprises feel confused.

Lack innovation in the guarantee mechanism for economic development. Firstly, the government’s economic development guarantee mechanism is relatively rigid, the investigation found that Chengdu has a better solution to the centralized power supply, water supply, and gas supply of private enterprises in the original region in terms of the protection of production factors, while the solution that are not in the original region is poor. Secondly, the investigation found that some government departments and personnel do not have a strong awareness of actively serving enterprises; finally, in the field of industry and commerce, there are some problems, such as easy enterprise registration, difficult cancellation, difficult bankruptcy, difficult cross-regional migration and so on, the service mechanism of the government is lack of innovation, and its service process needs to be further optimized.

**Countermeasures and Suggestions for Improving the Doing Business for Private Enterprises**

Strengthen the product innovation of financial institutions and widen the financing channels. Firstly, financial institutions should strengthen product innovation, vigorously develop science and technology loans, garden guarantee loans and other financial products. Secondly, the government, banks, chambers of commerce and enterprises work together to establish an interconnection and sharing credit system, improve the existing personal credit and enterprise credit information system of the city and national networking, which can ensure the interconnection and sharing of the credit system. According to the credit rating of enterprises and entrepreneurs, banks and other financial institutions can grant loans to private enterprises under the joint guarantee of the Chamber of Commerce. Finally, we should perfect the system of intellectual property pledge financing, set up science and technology guarantee company to guarantee the loan of private enterprises with patent, trademark, account receivable and other property right securities.

Fair market access. The government should guarantee the equal access of private capital to the market in accordance with the principle of "entry without prohibition", no separate conditions, discriminatory provisions and barriers to entry shall be imposed on private capital. Strictly implement the fair competition review system and unify the policy standards of enterprises in project bidding, government procurement, quality certification, etc. It is strictly forbidden to abuse administrative power or market dominance to limit fair competition, it should open government engineering markets to all enterprises equally to ensure that private enterprises enjoy fair treatment.

Reduce the tax burden of private enterprises. The government should support private enterprises to make good use of all kinds of special tax preferential policies, expand the scope of the management model of "self-discrimination, declaration and enjoyment, relevant data retention for future reference", explore the reminder of tax reduction and exemption in the declaration link, and
implement the state’s tax reduction policies on the adjustment of value-added tax rate, deduction rate, export tax rebate rate, etc. The tax department should also simplify the relevant procedures and regulations to truly ensure that the tax preferences of private enterprises can be implemented.

Strengthen policy propaganda and interpretation, and expand communication channels between government and enterprises. The government can publicize relevant policies through coordinating 12366 hotline, portals and other channels, and increase the promotion of relevant policies so that private enterprises can obtain and understand policy content in a timely manner. The leaders of all relevant departments should also strengthen communication with private enterprises, understand the problem orientation and real demands of private enterprises, and actively publicize and interpret the government's preferential policies for private enterprises. Help private enterprises to truly understand the relevant content of the policy, which make them really enjoy the dividend of the policy.

Innovative economic development guarantee mechanism. First of all, the government should formulate a unified standard for the demand of production factors needed by private enterprises in different regions, which make their development can be guaranteed. Secondly, it can enhance the staff's awareness of actively serving private enterprises by improving the top-down service mode, establishing standardized service consciousness, defining working standards. Finally, it is necessary to promote the reform of canceling the main body of the market, implement the action plan for simplifying the enterprise cancellation procedures, explore ways to enhance the facilitation of ordinary cancellation registration of enterprises, and comprehensively promote the simple cancellation system for enterprises.

Commentary

Private economy is an important part of socialist market economy, which has made great contribution to the economic development of our country. Therefore, it has become an inevitable choice to create a good doing business for the development of private economy. However, according to existing studies, most of the current studies are mainly focused on optimizing the doing business, and lack of research on the constraints and countermeasures of the doing business of private enterprises. Through scholars' research, the constraints faced by the development of private enterprises are mainly reflected in the existence of the three-door phenomenon, the lack of innovation in financial products and policy propaganda. To this end, it is proposed to establish unified standards to achieve fair market access, innovate financial products and strengthen policy propaganda. In short, creating a good doing business is a systematic project that requires the joint efforts of the government, enterprises, markets and society.

After finishing this thesis writing, I have also learned a lot of things, this paper has some deficiencies due to the limited time and energy: Firstly, this article only uses the methods of field investigation and literature analysis; Secondly, the survey of private enterprises is less, the data obtained is not sufficient, resulting in the lack of a certain depth and breadth of the thesis; Thirdly, there are many problems, such as the expression of many contents and the structure of the article are not strict enough, which need to be further considered and explored.

References


