

Identifying the Barriers Facing Chinese Small and Medium-Sized Enterprises and Evaluating the Effectiveness of Public Supports

Yongsheng Guo, Obedat Abdulazeez, Xiaoxian Zhu

Abstract—This study aimed to identify the barriers to the development of small and medium-sized enterprises (SMEs) in China and build a theoretical framework to evaluate the supports provided by the authorities and institutions. A grounded theory approach was adopted to collect and analyse data. 32 interviews were conducted with SME managers and open, axial and selective coding were utilised to develop themes. Based on Entrepreneurial Ecosystem Theory, a grounded theory model was used to present findings. The findings showed that the main barriers in the business environment were financial chain, payment default, limited supply chain and selling channels, and difficulties in recruiting and retaining talent employees. This study found that financial, industry, trade and human resource support were provided. A theoretical framework was developed to evaluate the performance of the programmes from the managers' perspective. The concepts of Value for Money and economy, efficiency, effectiveness and equity were used to evaluate the benefits and costs of the programmes. This study suggests that specialised programmes are needed to suit sector-specific requirements and inclusive packages are helpful to support SMEs' growth.

Keywords—Business barrier, China, public support, SME, small and medium-sized enterprises.

I. INTRODUCTION

THE rapid industrialization and economic reforms in China over the past few decades have seen the proliferation of SMEs across various sectors. SMEs play a critical role in economic growth and employment. According to the Ministry of Industry and Information Technology (MIIT), SMEs account for over 60% of China's GDP and provide approximately 80% of urban employment [1]. Despite their significant role in the economy, Chinese SMEs face numerous challenges that impede their development and competitiveness. Firstly, access to finance remains a critical issue for Chinese SMEs. Traditional banks often perceive SMEs as high-risk due to their lack of collateral and credit history. As a result, many SMEs struggle to secure the necessary funding for expansion and operations. According to a report by the Asian Development Bank (ADB), only a small fraction of Chinese SMEs has access to formal credit, with many relying on informal lending channels that come with higher interest rates [2]. Secondly, Chinese SMEs face substantial regulatory and administrative challenges. A study by the World Bank highlights that regulatory complexity is a significant obstacle for SMEs, with many enterprises

spending a considerable portion of their revenue on compliance [3]. Thirdly, market access is another significant hurdle for Chinese SMEs. Domestically, intense competition from larger firms and state-owned enterprises can limit market opportunities for SMEs. Internationally, barriers such as trade tariffs, non-tariff barriers, and the complexities of navigating foreign markets pose significant challenges. The Organization for Economic Cooperation and Development (OECD) notes that many Chinese SMEs face difficulties in accessing international markets due to a lack of resources and support [4]. Fourthly, attracting and retaining skilled employees is a persistent problem for Chinese SMEs. The CASME survey [5] indicates that human resource constraints are a significant barrier for many SMEs, with more than half of the respondents' highlighting difficulties in recruiting and retaining skilled workers.

The Chinese government has introduced various supporting programmes for SMEs. For example, financial support programmes include subsidized loans, credit guarantees, and venture capital funds increase access to finance. However, ADB evaluation in 2022 [2] shows that the effectiveness of these programs varies, many SMEs still report difficulties in securing sufficient funding. The "Internet Plus" initiative aims to simplify business registration and compliance through digital platforms, making it easier for SMEs to navigate regulatory requirements. However, implementation challenges persist, and more needs to be done to ensure these reforms reach all SMEs effectively [3]. To improve market access, the government has established export support programs, trade facilitation services, and international cooperation frameworks but many SMEs still face significant challenges in navigating foreign markets [4]. Public support for human resource development focus on improving the skillsets of SME employees like the SME Talent Development Plan. However, the CASME survey [5] found many SMEs still struggle to attract and retain skilled workers, suggesting a need for more targeted interventions. The government has also launched initiatives to support technological advancement and innovation among SMEs including grants for research and development, innovation hubs, and partnerships with universities. Nevertheless, the Ministry of Science and Technology (MOST) reported in 2023 [6] that these initiatives have led to increased innovation outputs among SMEs, but access remains uneven across

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different regions.

This study aims to identify the barriers from SME managers' perspective and evaluate public supports in China. The objectives are to build a theoretical framework to assess the effectiveness of public programmes and to develop a practical template to apply the theoretical framework. Section II will review relevant theories and empirical studies and identify the gaps. Section III will discuss the research methodology and methods adopted in this study. In Section IV, we present the findings supported with interview data. The final section includes conclusions, theoretical and practical implications.

II. LITERATURE REVIEW

A. Barriers Facing Chinese SMEs and Public Supports

Recent academic research found a range of barriers facing Chinese SMEs. First of all, access to finance is widely recognized as one of the most critical barriers [6]. Traditional banks in China are often reluctant to lend to SMEs due to their perceived high risk and lack of collateral, and therefore only a minority of SMEs have access to formal credit [2]. Many SMEs rely on informal financing channels, such as family loans and private lenders, which often come with higher interest rates and less favourable terms [7]. One of the primary forms of public support for Chinese SMEs is financial assistance through subsidized loans and credit guarantees. Li et al. found that these programs alleviate the financial constraints faced by SMEs [8]. The effectiveness of these programs is evident in the increased access to finance for SMEs, although However, report of Asian Development Bank shows that disparities still remain across different regions and industries [2]. The Chinese government has also promoted venture capital (VC) and private equity (PE) investments to support SME growth. Liu and Ma [9] found that government-backed VC and PE funds provide early-stage financing and also expertise and mentorship to help SMEs. Tax incentives and subsidies are additional financial tools used by the government to support SMEs. A study by Zhang and Chen found that tax breaks and subsidies reduce operational costs and improve the competitive edge of SMEs in both domestic and international markets [10].

Moreover, regulatory and administrative burdens are significant obstacles for Chinese SMEs due to the complexity of the regulatory environment, and therefore regulatory compliance costs account for a substantial portion of operating expenses [10]. The World Bank [3] reports that the administrative processes involved in business registration, licensing, and reporting are often cumbersome and time-consuming. Regulatory reforms were conducted by Chinese government which aimed at simplifying business processes. For example, the "Internet Plus" initiative, which promotes the use of digital platforms for business registration and compliance, has streamlined regulatory procedures and reduced administrative burdens [3]. Chen and Wu [11] evidence that these reforms have made it easier for SMEs to navigate regulatory requirements, although further improvements are needed to ensure uniform implementation across regions. The development of a robust legal and institutional framework is

critical for SMEs, which protect intellectual property rights (IPR) and enforce contracts [12].

In addition, technological barriers are facing many SMEs as a result of limited financial resources and inadequate infrastructure. [13]. This limitation prevents SMEs from upgrading their operations and improving productivity and technological innovation. Wang et al. found that Chinese SMEs face innovation capacity challenges because of the lack of investment in research and development (R&D) and insufficient collaboration with research institutions [14]. The Chinese government has implemented various programs such as grants and subsidies for R&D activities to support technological advancement and innovation among SMEs. According to Wang and Zhang, these financial supports have led to an increase in innovation outputs among SMEs, although disparities in access to these funds remain [14]. Digital transformation initiatives, such as the promotion of e-commerce and digital platforms, enhance digital capabilities for SMEs to reach wider markets and improve operational efficiency but it remains imbalanced between urban and rural areas [13]. Innovation hubs and business incubators have been established to offer a conducive environment for networking, knowledge exchange, and partnership development [15].

Furthermore, Chinese SMEs face intense competition from larger firms and state-owned enterprises (SOEs) making it difficult for SMEs to establish and grow their market presence [15]. Accessing international markets presents challenges for Chinese SMEs because of trade barriers, such as tariffs and non-tariff barriers, as well as the complexities of navigating foreign regulatory environments [4]. To improve market access, the Chinese government has established export support programs like trade facilitation services, export credit insurance, and international trade fairs, helping SMEs to entry in foreign markets, although more tailored support is needed for different industries [4]. Bilateral and multilateral trade agreements, as well as participation in global value chains, have opened new opportunities for Chinese SMEs. A study by Zhang et al. [16] found that SMEs engaged in international trade tend to exhibit higher growth rates and resilience compared to those focused solely on the domestic market.

Finally, attracting and retaining skilled employees is a persistent challenge for Chinese SMEs. Larger firms and SOEs often offer more competitive salaries and benefits, making it difficult for SMEs to attract top talent [5]. Many SMEs do not have the resources to invest in training and development programs for their employees. As a result, they often lack the skilled workforce necessary to adopt new technologies and improve operational efficiency [17]. Government-funded training and development programs aimed at enhancing vocational training and skill development for SME employees could help alleviate this issue. Liu and Chen [18] found that these programs have improved the quality of the workforce and increased the adoption of new technologies among SMEs. Talent attraction schemes, such as the Thousand Talents Program, provide incentives for highly qualified individuals to work in SMEs, have a positive impact on the innovation capacity and competitiveness of participating SMEs [19].

B. Evaluating the Effectiveness of Public Supports

Evaluating the effectiveness of public support for SMEs is crucial for understanding how well these initiatives meet their objectives and for identifying areas for improvement. Effective evaluation involves a comprehensive assessment of various factors, including financial performance, operational efficiency, market reach, innovation capabilities, and overall business sustainability. Financial performance analysis evaluates whether public support initiatives improved financial health and growth of SMEs by tracking financial indicators before and after receiving public support [20]. Operational efficiency is measured using production costs, turnover times, and inventory management efficiency [24]. Wang and Zhao [21] found that SMEs adopting e-commerce platforms under government initiatives reported significant reductions in order processing times and inventory holding costs. Market reach can be measured by changes in market share, customer base, and export volumes [22]. The effectiveness of these supports in fostering innovation is evaluated by the number of new products developed, patents filed, and R&D expenditure [23]. Evaluating long-term sustainability includes assessing business survival rates, growth trajectories, and the ability to withstand economic shock [25].

The methods for evaluating the effectiveness of public support for SMEs involves a combination of quantitative and qualitative methods, each offering unique insights into different aspects of SME performance. Quantitative calculation of key performance indicators (KPIs) is practiced in financial analysis which provides a clear picture of the impact on SMEs' financial stability and growth [25]. Surveys and questionnaires are widely used to gather data directly from SMEs regarding their experiences with public support programs. These tools can capture information on satisfaction levels, perceived benefits, and challenges encountered [24]. Advanced statistical techniques, such as regression analysis and econometric modelling, are employed to establish causal relationships between public support and SME performance [25]. Qualitative methods like case studies [26] provide in-depth insights into how specific SMEs have benefited from public support initiatives. Liu and Chen [27] conducted qualitative studies on SMEs in the manufacturing sector, revealing how digital tools improved operational efficiency and customer engagement. Interviews and focus groups with SME stakeholders can provide qualitative data on the perceived effectiveness of public support. These methods allow for a deeper exploration of the benefits and challenges experienced by SMEs. For example, Liu and Chen [27] conducted interviews with SME managers and found that while the adoption of digital technologies was generally positive, issues such as cybersecurity and digital skills gaps needed further attention.

C. Gaps and Research Opportunities

Most studies provide an aggregate analysis of barriers facing Chinese SMEs without delving into sector-specific challenges because each industry has unique barriers that may require tailored support measures [28], [29]. This study focuses on manufacturing SMEs to find out general and specific

difficulties in this sector. There is insufficient research on how barriers and effectiveness of public supports vary across different regions and between urban and rural SMEs. This research compares SMEs in Henan province in northern China and Zhejiang provinces in southern China and urban city like Suzhou and Anyang and rural areas like Lin Zhou and He Bi. Moreover, limited longitudinal studies exist that assess the long-term impact of public support programs on SMEs. Most evaluations focus on short-term outcomes, missing the sustained effects [30]. This study has been investigating the case SMEs for 5 years and therefore evaluate the long-term impacts of public supports on SMEs. While financial supports are well-studied, there is a gap in evaluating the effectiveness of non-financial supports such as training, mentorship, and networking opportunities [31]. This study also investigates non-financial support for SMEs including establishing supply chain and selling channels. Finally, the COVID-19 pandemic has introduced new barriers for SMEs, yet there is limited research on how these barriers interact with existing ones and the effectiveness of public support in this context [32]. In this study the time period covers COVID-19 where the case SMEs experienced this specific period of time.

D. Theoretical Foundation

Entrepreneurial Ecosystem Theory [33] is adopted in this study which posits that the success and growth of SMEs are significantly influenced by the broader system in which they operate. By fostering a conducive environment for SMEs, an effective entrepreneurial ecosystem can drive innovation, economic growth, and job creation. This ecosystem consists of various interdependent elements, including policy frameworks, financial resources, markets, human capital, support services, and cultural attitudes toward entrepreneurship [33]. In China, the government has actively promoted the development of an entrepreneurial ecosystem through initiatives like "Mass Entrepreneurship and Innovation" and the "Internet Plus" strategy. These initiatives aim to integrate various ecosystem components to support SMEs. This study identifies barriers facing Chinese manufacturing SMEs and evaluating the effectiveness of government policies and supporting services across different regions. This longitudinal study assesses the sustained impact of public supports on SMEs' financial performance, employee development, market growth and innovation. Moreover, the concept of value for money (VfM) [34] is adopted in this study, which is a framework for evaluating the economy, efficiency, effectiveness, and equity (4Es) of public supports for SMEs [35], [36].

III. RESEARCH METHODS

Grounded theory is adopted in this study which is a qualitative research method that aims to develop theories grounded in data systematically gathered and analysed [37]. This approach is particularly useful in exploring complex social phenomena where existing theories may not adequately capture the nuanced realities experienced by participants [38]. A theoretical sampling is used in selecting case SMEs where the participants could be accessed, and theoretical saturation is used

in determine the size of the sample [39] when no new information can be found to develop the property of themes. This study starts with open-ended interviews with SME owners, managers, and employees across various sectors and regions. The collected data are then coded to identify recurring themes and patterns. Open coding breaks down the data into discrete parts, while axial coding relates these parts to one another, and selective coding to develop grounded theory models [39]. Finally, findings were presented by explaining the meanings of themes and employing interview data to instance the themes [40].

30 in-depth interviews were conducted with the owners or top managers of manufacturing SMEs in Anyang, Zhuzhou, He Bi and Lin Zhou. The collected data are then analysed to uncover the underlying barriers SMEs face and identify themes related to the effectiveness of public supports. The resulting grounded theory model provides a detailed understanding of the barriers and effectiveness of public supports to deal with these barriers, offering insights into the conditions that enhance or hinder the impacts.

Grounded theory approach is flexible allowing for adjustments in data collection based on emerging themes and evolving understanding of barriers and supports. By being grounded in the lived experiences of SME managers, the developed theories offer deep, contextually rich insights. This structural method ensures that the emerging theory is closely aligned with the realities of SMEs. However, grounded theory studies can be time-consuming, requiring prolonged engagement with participants and continuous data analysis. There could be subjective bias in the researcher's interpretations and therefore primary and secondary data were used to cross check the accuracy and researcher triangulation is used in double processing data and developing models.

IV. FINDINGS

A grounded theory model (Table I) presents the findings from data analysis which categorizes the barriers public supports and impacts relevant to Chinese SMEs. This framework is designed to identify the specific barriers, public policies and services and evaluate the impacts on of SMEs in China.

A. Barriers Facing Chinese Manufacturing SMEs

Financial Chain

Most case SME managers convey that financing and default of payment are significant barriers limiting their ability to operate and grow. It is very hard for them to secure adequate financing. Moreover, issues related to delayed or non-payment from customers are significant another barrier, breaking up their financial chain. For example, a manager expressed that.

“Borrowing from banks is very hard for us as a small company. We need to have good relationships with bank managers and provide a series of documents which are too demanding for a small company. The procedure is long and tedious, and we have to give up as we cannot afford to wait.”

“We have to wait for a long time to receive the payments from customers, but we must pay our suppliers and lenders. We have to chase them and even beg them for paying and some customers did not intend to pay at all.”

Similarly, Cheng and Degryse [41] also found that traditional banks in China are often reluctant to lend to SMEs and only a minority of SMEs have access to bank loans. Financial Times reported that the number of customer default cases has risen to a record 8.54mn at the end of 2023 [42].

Supply Chain

Finding reliable suppliers and establishing credible relationships are difficult for many case companies. Maintaining reliable supplier networks are not easy as the market and prices are very volatile. In addition, efficient logistics systems are critical and challenges in these areas can disrupt production and delivery schedules. A manager running a furniture manufacturing SME tells that.

“We need to purchase raw materials from another province even from another country. The policies and regulations and the market prices are very changeable. Having a stable supply chain is a big challenge.”

“Because of the character of our raw materials we have to use train as transport tool. We have to deal with the railway department which totally depends on their moods. Sea shipping is another choice but it too slow.”

A report in 2022 by EU SME Centre shows that because of COVID-19 Chinese companies had a very challenging year for many Chinese SMEs with supply chains [43]. Due to the ongoing trade war with the US, Chinese supply chain risk increased and would be further disrupted in 2024 [44].

Selling Channel

Selling channel and delivery are another common barrier for many SMEs. More than half of the interviewees perceived that limited access to diverse and effective sales channels, along with delivery constraints, can hinder market expansion and customer reach for SMEs. A SME owner shared his experience.

“We are producing some agriculture products. The local market is very competitive, but it is difficult to sell our excellent products to other regions. We have to find big customers or agents in other regions.”

“Customers would like to receive our products quickly and sometimes we need to promise a deadline. But constraints in the delivery infrastructure affecting timely order fulfilment.”

Zhu et al. [45] also found that Chinese SMEs have limitations to access effective sales channels and constraints to use delivery services, which hinder their market expansion and customer base growth.

Human Resource

Majority of interviewees perceived that challenges in recruiting and retaining skilled employees affect SME productivity and innovation. SMEs have limited resource to provide competitive salary and benefits and offer training programmes. A manager in a medium sized chemical company argues that.

“Big companies can pay higher salary and better benefits like pension, even accommodations but we cannot. Companies in big cities have good working and living conditions to attract young and well-educated graduates but we are in a rural area.”

“Public listed companies use share ownership to attract and lock-in talented people. Big companies can support R&D activities and future career development and talented people will leave us eventually.”

Similarly, Li and Rama [46] found that attracting and retaining skilled employees is a persistent challenge for SMEs and competitive compensation, career development opportunities, and a supportive work environment could be used to overcome these barriers.

B. Public Supports

Financial Support

The Chinese government provides supports for SMEs to deal with the barriers including financial grants and low-interest loans for specific sectors or regions. The interviewees perceived that financial deregulation encouraged the development of informal financing channels. Moreover, the blacklist of defaulter system helps SMEs to collect outstanding payments from debtors. For instance, a SME owner explained that.

“We have got some financial support from governmental policies like micro finance provided by the Post Office saving bank. But we have to use informal channels to finance our operations like private lending and peer-to-peer or b2b lending.”

“Since 2013 In 2013, the government started a blacklist of debtor programme and a national social credit system. This is helpful as the blacklisted defaulters are not allowed to buy airline tickets and take high speed trains.”

Alternatives to traditional bank financing can provide essential capital for SMEs, especially those unable to secure formal loans. Blacklist of defaulter programme encourages responsible borrowing and lending practice and ensures creditworthiness through monitoring and managing defaulters [47], [48].

Network Support

The case SMEs believe that the managers club or commercial union can help them to build networking platforms, share knowledge and find collaboration opportunities. In addition, transportation development improves the infrastructure and supports efficient logistics and market access and contributes to business growth and innovation. For example, a SME manager says that.

“The managers club or business hub organised by the local government help us to connect with suitable suppliers and to build collaborative partnerships. We can find useful information in the websites and online newsletters.”

“Chinese government made great effort these years in developing railways, airlines and high-speed ways. Improved transportation infrastructure makes the logistics more efficient, and we can get raw materials form distant

regions.”

Chen et al. [49] also found that networking platforms for SME managers facilitate knowledge sharing, mentorship, and collaboration. Efficient logistics and market access are crucial for the SMEs to be competitiveness [50].

Trade Support

More than half of the interviewees said that they benefited with trade supports by the government. For example, the development of e-commerce platforms help SMEs expand their market reach. Trade fairs and commodity expo export programs help SMEs to showcase their products, network with potential buyers, and even find international trade opportunities. The development of delivery channels and service facilities SMEs to expand their selling networks. For instance, a manager shares his experience.

“The "Internet Plus" initiative, launched by the Chinese government in 2015, help us to leverage information technologies for online marketing and to promote their products and services. National and local trade affairs help us to tap into local markets and increase our market share.”

“Express delivery has experienced unprecedented expansion, becoming one of the largest and most dynamic sectors in China. Taking advantage express delivery together with e-commerce platforms we can increase sales and improve customer satisfaction.”

Li and Chen [50] argue that online platforms eliminate geographical barriers, enabling SMEs to access new customer segments and sell their products more easily. And efficient logistics services enhance the delivery capabilities of SMEs and continues to grow and integrate more closely with the e-commerce ecosystem [51].

Talent Support

The case companies believe that the talent centres organised by the local government are helpful for labour market access, and the vocational training programs are essential for improving employee skills. A SME owner expresses that.

“We can recruit technicians and workers from talent centre where the government register fresh graduates and skilled workers. Now we can ask the talent centres to search suitable for us and even help us to interview the applicants.”

“With the rapid development of knowledge and technologies, we need to have continuous improvement for our workers. The vocational training and talent development initiatives is critical for us to maintain capability and drive innovation.”

Li and Rama [46] also highlight the significance of human capital development in enhancing SME competitiveness. Public policies and programmes facilitate SMEs to access to the labour market. and retain skilled employees. For example, training and talent development programs have equipped SMEs with a skilled workforce capable of leveraging digital technologies [52].

C. Evaluation

Evaluating these programmes from the perspective of SME

managers offer valuable insights into how these programmes influence their business operations, growth, and sustainability. This study uses value for money concept including economy, efficiency, effectiveness and equity to evaluate government policies and initiatives and identify problems.

Economy

The case SMEs can access more financial resources because of the financial deregulation and development of financial technology. Public grants, policy-based loans, and micro-finance products are not sufficient and private lending, peer to peer or b2b finance, crowd finance provide more financial resources, but cost of capital is very high. Moreover, informal finance brings more problems like broken creditworthiness, financial fraud. A SME owner shared his experience:

“We use financing from customer, pre-payment or crowd finance methods to support our operations and expansion project. Customers deposit their funds in their accounts with us and spend the money later. It cost up 15 to 20 percent which is much higher than normal loan interest rate.”

“The cost of capital is too high and if our customers delayed their payments, we cannot pay our creditor and our financial chain will be broken. We have heard of some illegal fund collection and Run-Away cases, which influences the informal finance.”

Chen [53] evidences that informal lenders often charge higher interest rates compared to formal financial institutions and the high cost of borrowing can be a significant burden for SMEs. Informal finance leaves SMEs vulnerable to exploitation and with little legal recourse in case of disputes or defaults [54].

Efficiency

Simplified administrative procedures and quick access to support services can reduce operational delays and costs. The interviewees agree that reforms simplified the procedure and reduced time and costs associated with application and compliance. However, there are still some problems like accessibility and transparency. For example, a SME manager argues that:

“Sometimes we do not know what government can support and sometimes it takes much time for us to apply for supports. Sometimes even if we know there are some policies can help us, but the implementation and monitoring of support programmes are not efficient.”

“Some governmental officers are corruptive and using bureaucratic procedures to prohibit or delay the application for government support. The decision-making process is not clear, and they may be in favour of some applicants. It wastes resources and discourages genuine SMEs from seeking support.”

Liu and Chen [55] argue that the complexity and length of bureaucratic procedures are problems and reducing the hurdles is critical for enhancing the efficiency of support programs. Liu et al. [56] found that corruption and lack of transparency in the distribution of support can undermine the efficiency of government initiatives.

Effectiveness

The interviewees perceived those public supports for Chinese SMEs alleviated financial constraints, promote digital transformation, innovation and overall growth. However, more than half of the interviewees point out that generalised policies and programs often fail to address the specific needs of diverse sectors. Furthermore, ensuring the sustainability and long-term impact of support programs is a significant challenge. For example, a SME managers complained that:

“Different industries and enterprises may have different difficulties but the public policies and supports are not tailored solutions. Industry-specific support programs would be more effective for SMEs across sectors.”

“Local government provide one-off grants or short-term financial injections in order to attract investment and create jobs but ignore continuous or follow-up supports. This leads to lack of sustainable growth and long-term impact.”

Wang and Liu [57] also suggest that different industries face unique challenges and tailored, and flexible supports can address the varied needs of SMEs. In order to maintain their growth trajectory, ongoing support and mentorship programs would be needed to sustain the benefits of initial government assistance [58].

Equality

Public support programs decrease the barriers facing SMEs and foster growth, innovation, and competitiveness. Nevertheless, half of the interviewees perceived there is a pronounced disparity in the distribution of support between different regions and urban and rural areas. Public support programs vary significantly across different regions where SMEs in southeast of China received more favourable policies and benefits. Moreover, urban SMEs often receive more attention and resources compared to their rural counterparts. A SMEs owner argues that.

“The central government has its development strategy and SMEs in southeast regions and coastal areas can get favourable financial support and tax policies. Enterprises in the central China are not well supported and this imbalance exacerbates the development gap between different regions.”

“Urban SMEs often receive more attention and resources, but we are situated in a poor rural area. We are struggling for survival but hard to access government support, and it leads to unequal growth opportunities. It is unfair and we should get more support from the government.”

Chen and Zhang [59] highlight that Chinese SMEs in less developed regions struggle more to access government support rural areas often receive less support compared to urban centres. And therefore, public resources are not directed to the SMEs most in need and misallocation can lead to suboptimal outcome [60].

V. CONCLUSION

This study has examined the barriers facing Chinese SMEs

and the public supports available to them. It also categorized public supports into financial, industry, trade, and talent related supports for identified critical barriers including financial, supply, selling chains, and human resource management.

Financing difficulties and payment defaults pose significant challenges to SMEs and financial supports such as grants, low-interest loans, and informal financing are crucial for alleviate constrains and enhance sustainable growth. Inefficiencies in supplier relationships, logistics, selling and delivery channels hinder SME operations. Network building, transportation infrastructure development, and efficient logistics services are vital for enhancing operational efficiency. Challenges in recruiting and retaining skilled employees affect SME productivity and innovation. Talent centres, labour market access, and vocational training programs are essential for building a skilled workforce.

Problems were recognised in the evaluation including high cost in informal financing and possible financial fraud. Moreover, issues in accessibility, transparency, the need for tailored and sustainable support and regional disparities, unfair allocation are crucial for enhancing the overall impact of government support programs for SMEs.

This study proposes recommendations for policymakers to address the barriers facing Chinese SMEs through well-designed public supports to enhance SMEs' growth and competitiveness. Firstly, they expand financial supports and ensure accessible financing options. Secondly, administrative processes should be simplified, transparent and investing in infrastructure development. Thirdly, human resource management should be enhanced through comprehensive training and development programs. Fourthly, they should design tailored policies and programmes for specific industries and provide ongoing support throughout the development stages. Finally, the authorities need to ensure fair and equitable distribution of resources and address regional disparities.

The findings from this study makes implications to the Entrepreneurial Ecosystem Theory [33] and posits that the success of SMEs is influenced by a complex interplay of various factors within a supportive environment, including financial resources, regulatory frameworks, market access, human capital, and cultural norms. Similarly, Chen and Zhang [59] emphasize the importance of interconnected support systems and inclusive policies, aligning with the need for equitable access and comprehensive support mechanisms identified in the study.

The main contribution is that this study focusses on manufacturing SMEs cross developed and less developed regions, urban and rural areas to identify specific barriers and related public supports. Moreover, the integration of findings from the study into the Entrepreneurial Ecosystem Theory enriches the theoretical framework by emphasizing the critical roles of financial accessibility, operational efficiency, innovation, equity, and human capital. These elements are pivotal in creating a supportive environment that nurtures entrepreneurial activities and fosters sustainable economic growth. In addition, policymakers and ecosystem builders should consider these factors to enhance the effectiveness and

inclusivity of entrepreneurial ecosystems.

There are some limitations with this study. One of the primary limitations is the scope of this study as focusing on two provinces and four cities and areas. The findings from this study are context-specific and may not be generalisable across different regions or sectors. Future research could expand the sample to cover more regions and sectors. Evaluating the efficiency and effectiveness of public supports in this study involves subjective judgments. This subjectivity can lead to inconsistent findings and debates over the true effectiveness of government interventions. Future research could collect objective data and using quantitative analysis methods. Assessing the long-term impact of government support programs poses another limitation. The political and economic environment in China changes rapidly, affecting the implementation and outcomes of support initiatives. Future research should focus on comprehensive and longitudinal studies that track the long-term impact of public support programs on SMEs. Finally, future comparative studies could involve other countries cross different cultures and economic conditions to identify best practices and potential pitfalls that could inform Chinese policies.

APPENDIX

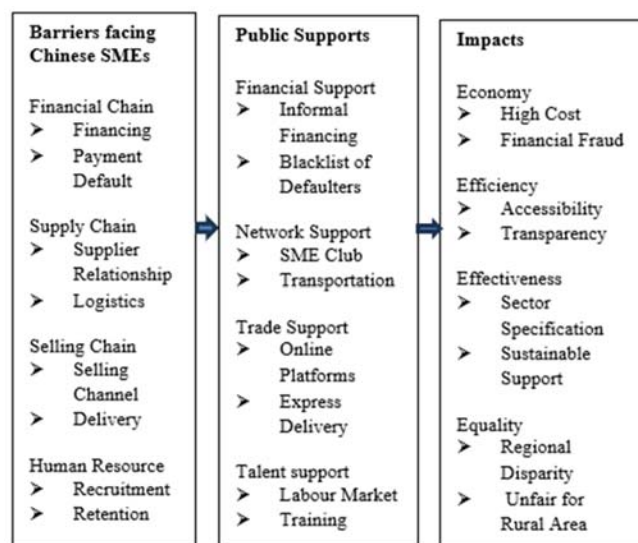


Fig. 1 Theoretical framework of public support evaluation

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