

Non-state Owned Economy Development Recommendation for JiangXi Province

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Abstract. Since the promulgation of “non-state owned economy 36 rules”, Chinese government has attached great importance to the development of non-state owned economy. JiangXi provincial government put forward a series of regulations to ensure the efficiency and effectiveness policy implementation. In this study, we find non-state owned economy of JiangXi develops rapidly in recent years. Economic output of it makes up 53.9 percent of provincial GDP, creates 60.1 percent of provincial total tax payment, accounts for 85.3 percent of provincial total exports income and creates 46.5 percent employment opportunities in 2009. All these show non-state owned economy has been becoming significant. But, there are still some problems that limit non-state economy coming to full development. The major issues come from government and policy, market, investing and financing mechanism, social work system. To gain greater development efforts and fulfillment related policies, we suggest JiangXi provincial government should do good jobs of implementing and supervising related policies and measures, widen financing channels for non-government enterprises, loose tax environment for non-government business, perfect social service system construction, guild industrial agglomeration by construction of industrial zone, and strengthen talent and intellect supports. The purpose of this study is to give corresponding beneficial recommendations for related policy implementation.

Keywords: non-state owned economy, new 36 rules, private investment, JiangXi province, policy recommendation.

1. Background and Aims

In 2005, State Department of China put forward policy “Several opinions about encouraging, supporting and guiding individual, private and other non-state owned economies’ development” (called “non-state owned economy 36 rules” for short). This policy indicates that the government came to focus on the development of non-state owned enterprise, private capitals and private investment. This is a good signal for non-state owned economies. Further more, the State Department passed “Several opinions about encourage and guide the healthy development of private investment” (called “non-state owned economy new 36 rules” for short). New 36 rules further open up the areas of private investment. It encourages and guides recombination to and association with private investment, participates in state owned enterprise reform, promotes private enterprise reinforce independent innovation and transfer upgrade, and encourages private capital participating in medium and small financial institution. This theme has also been extended to JiangXi province. Provincial government has put forward a series of regulations to ensure the efficient and effective implementation of policy. The purpose of this study is to find out the development tendency of non-state economy in JiangXi, in order to give corresponding beneficial recommendations for policy fulfillment.

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The significant questions may be: (1) what status quo of non-state owned economy is in JiangXi, (2) How to promote its development by taking the chance of policy. These are the issues that we have devoted to in this study.

2. Development efforts of Non-state owned Economy

In recent years, JiangXi provincial government has adopted a series of positive measures to promote development of non-state owned economy, especially since the promulgation of 36 rules. The non-state owned economy keeps preferable development state, and obtains several economical and social efforts. They can be included in following.

2.1 Increasing economic gross

The statistical data by JiangXi Small and Middle Sized Enterprise Bureau show that the added value of non-state owned economy has extremely increased from 2006 to 2009 of JiangXi (list in table 1). Especially in 2009, the non-state owned economy retains good economic growth in spite of the current global financial crisis. The total added value has grown more than RMB ¥400 billion, with 53.9 percent of provincial GDP. The statistical data also show that the non-state owned economy is rising year on year. The gross product of non-state owned economy overtakes state owned economy as well as financial tax.

The amount of tax payment of non-state owned economy reached almost 50 billion RMB in 2009, account for 60.1 percent of provincial total tax payment, 53.6 percent of provincial total fiscal revenue, and contributed 107.4 percent to fiscal revenue growth.

Tab.1: Status of non-state owned economy in JiangXi

Year	Added value (billion RMB)	Growth (%)	Ratio to Provincial GDP (%)	Tax payment (billion RMB)	Ratio to fiscal revenue (%)
2006	245.7	16.2	53.3	18.7	45.8
2007	285.5	16.3	52.2	27.8	49.8
2008	343.4	15.5	53.0	37.7	55.7
2009	409.1	16.0	53.9	49.7	60.1

2.2 Constituting high proportion of industry

According to the statistical data, the number of over-sized industrial enterprises of non-state owned economy has increased to 6435 at the end of 2009, which achieve an industrial added value of RMB 189.7 billion, up 27.3 percent, with a very high proportion of provincial total added value of industry (showed in figure 1). Non-state owned industrial added value proportion is rising year-on-year in Jiangxi. Simultaneity, the number of private enterprises reached 12.4 ten thousand, increased 21.1 percent, registered capital to be 277.7 billion RMB. The number of individual households or commercial business reached 84.0 ten thousand, increased 13.9 percent, registered capital to be 33.0 billion RMB. These non-government businesses not only contribute to fiscal revenue but also jobs. All these data indicate that private economy plays a more and more important roles in JiangXi economic and social development.

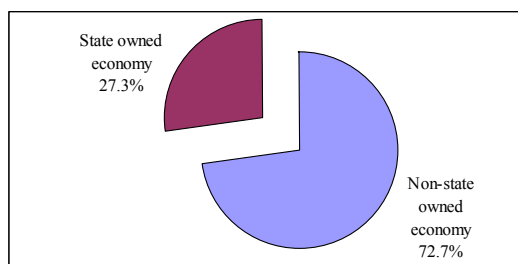


Fig. 1: Industrial added value in 2009

2.3 Increasing employment opportunities

The increasing non-state owned economy creates increasing jobs. More and more people find job in private-owned enterprises, Sino-foreign joint equity and cooperative ventures, and wholly foreign-owned enterprises, or set up self own business. According to statistical data, about 11.4 million persons work on non-state owned economy, account for 46.5 proportion of provincial total staff in 2009. Annual employees of non-state owned economy are illustrated in figure 2.

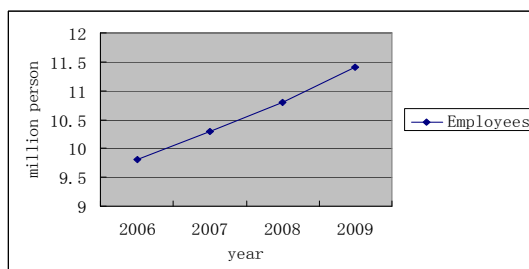


Fig. 2: Employees of non-state owned economy in JiangXi

2.4 High proportion to exports income

As well as exports, the income of non-state owned economy reached about 6.3 billion dollar in 2009, with 85.3 percent of provincial total exports income, show in table 2. It's obvious that non-government economy earns the great mass of foreign exchange incomes. Since the current global financial crisis in 2008, exports of non-state owned economy still kept steady increase.

Tab. 2: export income of non-state owned economy in JiangXi

Year	exports income (billion dollar)	Ratio to total exports (%)
2006	2.3	62.4
2007	3.6	65.6
2008	6.0	78.4
2009	6.3	85.3

2.5 Non-government investment

In 2009, investment of non-state owned economy in fixed assets completed 471.3 billion RMB in JiangXi, up 42.2 percent over the previous year, which accounted for 70.9 percent of all. Non-government investment in fixed assets of JiangXi is primarily active on manufacturing sector, which accounted for 63 percent of the total. The second most invested sector is real estate industry, which owned 14 percent. Investment on other sectors only owned 23%.

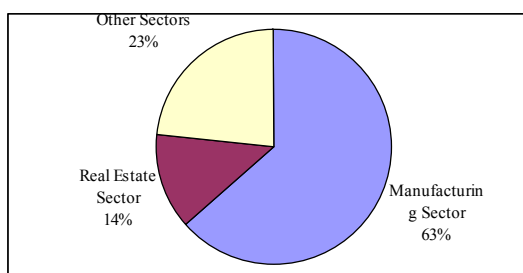


Fig. 3: Non-government investment in fixed assets of JiangXi in first half of 2010

Although, non-government investment obtains big growth and rises rapidly in recent years, there is still evident gap compared to other provinces, especially coastal regions. Total investment of collective private and individual in JiangXi ranks No.4 of six provinces in middle of China in 2009. And it is about one-third of the total amount of HeNan province.

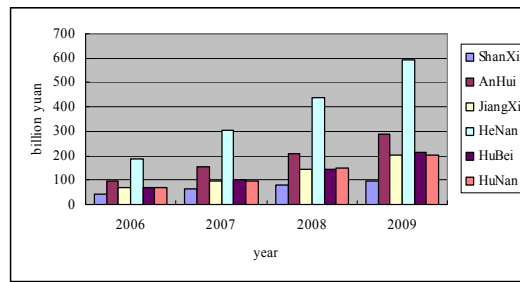


Fig. 4: Non-government investment of six provinces in middle

3. Existing Issues

Although, the non-state economy of JiangXi has achieved great growth in recent years, there are still some problems that limit non-state economy coming to full development especially private economy. The major issues come from government and policy, market, investing and financing mechanism, social work system.

2.1 Government and policy issue

Although national government put forward principle policies and provincial government comes to a series of related supporting policies and workable measures, the actual implementation still faces numerous problems and difficulties, partly because lack of maneuverability. For instance, government allows private or nongovernmental capital enter into monopoly industries, but it's difficult to come to be true because lack of concrete measures to break already monopoly barriers. The government departments at all levels haven't formed into a system yet to guide and manage the non-state economy uniformly. There fore, non-state economy faces multifarious or no administration phenomenon, which result in blind investment, irrational or redundant construction and inefficient investment. Lack of information guidance and manager training is also important problems for greater development.

In addition, inequalities of private enterprises to foreign investment enterprises and state-owned enterprises blocks development of private enterprises, like tax policy, fiscal subsidies policy. Tax rate of private enterprises may be about 33%, in the contrary tax rate of foreign investment enterprises is about 15%. This disadvantageous position blocks growth of private economy and will eventually block growth of total economy of JiangXi.

2.2 Market issue

Economic structure and operational mechanisms take basic effect to allocation of resources in market economy. But in China, state owned economy always has priorities since current planning rules and administrative procedures for examination and approval. It's difficult for private capitals to enter into traditional monopoly industries, like electric power, petroleum, bank, water supply, gas, and telecommunication industry. Likewise, markets of export right, property right, talent, capital are difficult to enter for most private investment institutions. Although, government has defined the admittance fields of private investment, it has not received the same national treatment because of restrictions of market. Non-government investments are unlikely to enter infrastructure, large manufacturing sector, finance and insurance, communication, education and health care, and tourism fields. The main reasons are: first, these fields need substantive amount of investment capitals one time. Second, these fields need higher supports of technology, management and other conditions. By contrast, foreign capitals hold mature conditions and are more competitive. Third, these fields are existed more market barriers to non-government economy, such as permit system, no difference policy restrictions, and regional protectionism. Non-government economy has suffered injustice treatment in market compared to government and foreign economy until in very recent years.

2.3 Investing and financing mechanism issue

Funds shortage is the all along key problem to the development of non-state owned economy. Until to the end of 2009, credit supports provided by financial institutions to small and medium enterprises are still quite

finitude. Small and medium enterprises loans provided by provincial financial institutions totaled ¥227.8 billion, accounting for 35.5% of total loans. Financing hardness remains the restricting factor to non-state owned economy and private enterprises. And the difficulty of financing suppresses investment desires of private enterprises.

2.4 Social work system issue

Good growth of private economy needs sound social service system to insure a rational resource deployment environment. But at present, non-state owned enterprises are not quite clear the concrete measures of government social service. And many of them have not realized that they have rights to seek government social service support. Public services offered by some social service agencies or associations seem not offer much help to private enterprises.

4. Policy Proposals

As the promulgation of non-state owned economy new 36 rules, there are more opportunities for private and non-state owned economies to get greater development. The key factor of new 36 rules is how to insure the fulfillment of it. For JiangXi province, we suggest several recommendations expecting to help government achieving greater policy implement performance.

4.1 Do good jobs of implementing and supervising related policies and measures

Provincial government should accelerate establishing and consummating correlative policies, rules and operational mechanism in real earnest. To make sure the fulfillment of policies, government should strictly do coordination, tracking, feedback and supervision to be ready to find out and solve problems happened during the implementation process in time. Government should vigorously renovate soft environment of economy, resolutely break monopoly and departmental advantages, actualize accountability to violated behaviors, eliminate various inequitable barriers and artificial market restrictions, create fairly and transparent environment for further development of non-state economy, suggest and guild non-government economy investing to rational industries by allocation, pool, collection or in shares manners. For example, the way of fiscal subsidies or transfer payment may incites non-state owned capitals invest constructing factory to dispose of rubbish.

Besides, government should create an equitable and open policy environment for enterprises with different types of ownerships and guide the enterprises to operate according to law. Furthermore it have to raise administrative efficiency on managing non-state owned economy by way of simplifying executive formalities and unifying function departments.

4.2 Widen financing channels for non-government enterprises

As we have mentioned above, funds shortage is an all along key problem to non-state owned economy. To solve this problem, the government should accelerate credit insure system construction for small and middle enterprises, advance financial innovation, improve non-government investing and financing service system, wide financing channels. First, we suggest strengthen cooperation between banks and companies, give full play to regional financial institution function, and take advantages of the Rural Credit Cooperatives and city bank. For instance, the potentials of city banks, Rural Credit Cooperatives and other financial setups in Nanchang, Jiujiang, Ganzhou and other regions of Jiangxi should be extensively developed as well as the four state-owned banks. Second, vigorously promote trade and investment under the country strategy of Poyang Lake economic region; attract and encourage non-local enterprise invest money and establish factories in JiangXi. Economic region of Poyang Lake was official approved as national strategy in 2009. It brought great chances to JiangXi, such as much more investment from outsides. Third, establish fund for non-state economy development by annually drawing from local taxation or financial fund to make better development of non-state economy. This fund can be used to support developing high and new technology projects, local characteristics and competitive industries, new product design and other aspects of non-state owned economy.

4.3 Loose tax environment for non-government business

We suggest that government should provide a more loose tax environment for non government business particularly small business. First we should encourage local investment and carving out partly by fixing on tax idea of storing money among the people. Only when the people have money, they can start a new enterprise. People hold money usually gives birth to investment behavior, and this drives the development of non-government economy. Second, we should classify and manage individual business. Abolish fair trade management fee, industrial and commercial management fee to individual business. For example, moderately allow small business without business license; free fees to one-person business; decrease fees to store business. Third, we should treat non-state owned business equally of tax policy. Non-state owned enterprises bear heavier tax ratio compared to foreign ones. Preferential policies on finance and taxation should be provided according the economic returns and social benefits of the enterprises but not the ownerships of them. Besides, some encouragement tax polices can be established in a unified way based on the general requirements of industrial policies.

4.4 Perfect social service system construction

Social service system is a collectivity characterized by multi-level, multi-channel, polymorphic and multi-Process, which includes governmental and non-governmental organizations, laws, polices and related rules. It plays important roles for the works of different economic subjects. To perfect the construction of social service system, the government is better to do the followings. First, promote forming credit guarantee system covered with full province, which can order to offer assures to key industries, advantageous enterprises, important industry zone and new companies who has hardness in financing. Encourage commercial and mutual credit guarantee systems constructions. Perfect industry admittance, risk control, repeat guarantee mechanism, supervision and support of credit system. Second, promote building public technological service platform. Place supports of product research, technique popularization to various industries like electronic information, spin and light industry. Third, promote building public information service platform, help non-government owned small and middle enterprises using e-commerce to reduce marketing costs and improve performance and after sale service. Fourth, promote construction of training service system. Offer management training and business guidance to top managers of private enterprises.

4.5 Guild industrial agglomeration by construction of industrial zone

Industrial zone is important for economic development of JiangXi. Statistical data shows that accumulative business Wu income in JiangXi industrial parks was beyond 700 billion RMB from January to October in 2009, up 41.8% over the same period of last year, signed 354.2 billion RMB foreign investment capitals. Improve planning level of industrial parks by ways of emphasizing advantages, development potential and integration of various resources which ultimately upgrade industrial levels. Non-state owned enterprises can be invited into industrial parks to form stronger industrial structure. Government may guide and assist non-state owned enterprises practice management reform and innovation, and push up accumulative effect and diffusive effect in industrial zone. For instance, to that family management small companies, government can provide regularly management training, assist them constituting modern management system. Besides, it would be better to combine them together to gain greater competitive advantage and provide market information in time to reduce their information costs and operational risks.

4.6 Strengthen talent and intellect supports

A large proportion of intellectual talents of JiangXi crowds in governmental offices, state-owned enterprises, and foreign companies. An even greater proportion of them work out-of-towns. As to non-government businesses, they seem not so favorable to majority citizens. Thus, many non-government businesses need sophisticated skilled workers and managers. Therefore, we should perfect social security mechanism, smash the consciousness of "official position" and "money worship", and encourage people working in non-sate owned enterprises or start an enterprise by self. On the other hand, advocate teachers of high schools and universities and researchers from research institutions to participate in social business. They can give intellectual supports to the companies and simultaneity gain practice experiences which would be probably useful to their professional works. Also, enrolled students can be allowed working too. Besides, certain trainings of human resources should be offered by official institutions or other social organizations.

Innovation and achievements in scientific research must be highly treasured. And related prompting mechanism should be established and improved.

5. Conclusion

Non-state owned economy of JiangXi develops rapidly in recent years, particularly after the promulgation of 36 rules. Economic output of it grows year by year according to statistical data, making up 53.9 percent of provincial GDP, creating 60.1 percent of provincial total tax payment, accounting for 85.3 percent of provincial total exports income and creating 46.5 percent employment opportunities in 2009. All these show non-state owned economy has been becoming significant. But, there are still some problems that limit non-state economy coming to full development. The major issues come from government and policy, market, investing and financing mechanism, social work system. As the promulgation of non-state owned economy new 36 rules, there are more opportunities for private and non-state owned economies to get greater development. To achieve greater policy implementation performance, JiangXi provincial government should do good jobs of implementing and supervising related policies and measures, widen financing channels for non-government enterprises, loose tax environment for non-government business, perfect social service system construction, guild industrial agglomeration by construction of industrial zone, and strengthen talent and intellect supports.

6. Acknowledgements

This paper is supported by Social Science Foundation of JiangXi Province. Fund No: 10YJ101. Special thanks to Small and Middle Sized Enterprise Bureau of JiangXi Province for related data resources.

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