

INSTITUTIONAL AND FINANCIAL ENVIRONMENT FOR SMALL ENTERPRISES IN CHINA

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Improving Policy Support System. Legal Protection: In recent years, China has enacted a series of laws and regulations to provide support for the development of small enterprises. For example, the formal implementation of the Law of the People's Republic of China on Promoting the Development of the Private Economy has provided strong legal support for the private economy, including small and micro enterprises. **Policy Coordination:** In May 2025, the National Financial Regulatory Administration and seven other departments jointly issued the Several Measures to Support Financing for Small and Micro Enterprises, proposing 23 specific measures in multiple aspects such as increasing financing supply, reducing comprehensive financing costs, and improving financing efficiency. **Differentiated Regulatory Policies:** Regulatory authorities have refined differentiated regulatory policies for financial services to small enterprises. For example, they have appropriately increased the tolerance

for non-performing loan ratios of small and micro enterprises, encouraging banks to increase credit support for these enterprises.

Optimizing the Business Environment. Reducing Enterprise Burden: The government has reduced the burden on small enterprises by clearing unreasonable fees and regulating charges from industry associations and intermediary agencies. **Simplifying Administrative Approval:** Local governments have continuously simplified administrative approval procedures and improved the efficiency of government services, creating a favorable external environment for the development of small enterprises.

Diversification of Financing Channels. Credit Support: By using structural monetary policy tools such as relending for agriculture and small enterprises, financial institutions are encouraged to expand credit support for small and micro enterprises. At the same time, the policy of interest-free rollover loans for small and micro enterprises has been implemented to alleviate the problem of capital turnover. **Equity Financing:** Support is given to qualified small and micro enterprises to be listed on the New Third Board (NTB) and then to the Beijing Stock Exchange (BSE) after standardizing their growth, guiding social capital to gather around innovative small and medium-sized enterprises. **Venture Capital:** Venture capital funds are encouraged to increase equity investment in start-up and growth-oriented small and micro enterprises. Efforts are also made to optimize the performance evaluation mechanism of government investment funds and increase risk tolerance.

Reducing Financing Costs. Interest Rate Management: Banks are guided to strengthen loan interest rate pricing management, reasonably determine loan interest rates for small and micro enterprises, and reduce additional loan fees. **Tax Incentives:** Tax preferential policies are implemented, such as exempting value-added tax on interest income from small loans to small enterprises, micro enterprises, and individual businesses.

Improving Financing Efficiency. Optimizing Approval Processes: Banks are guided to streamline loan application materials and optimize approval processes to improve approval efficiency. **Technology Empowerment:** Technology is used to improve credit approval and risk management models, and online lending is developed steadily to improve financing efficiency.

Risk Sharing and Compensation Mechanisms. Government-backed Financing Guarantees: The high-quality development of government-backed financing guarantee systems is promoted. Localities are encouraged to use risk compensation and guarantee fee subsidies comprehensively to guide government-backed financing guarantee institutions to increase financing credit support for small and micro enterprises. **Non-performing Loan Disposal:** The risk classification method for small and micro enterprise loans is revised to improve the disposal efficiency of non-performing loans and release more credit resources.