

Research on the Evaluation and Optimization of Business Environment in Wenzhou

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Abstract

A sound business environment is the basis of the high-quality economic development. With the reality of business environment of Wenzhou and related research results at both home and abroad, this paper aims to build a business environment evaluation index system for districts and counties in Wenzhou. The business environment evaluation index system has “2 aspects, 7 first-level indicators and 27 second-level indicators”, which evaluates the business environment of four districts, two county-level cities and five counties of Wenzhou, provides suggestions for further optimizing the city’s business environment, and promotes its steady economic development.

Keywords

Business environment, Index system, Wenzhou.

1. Introduction

Business environment is a productive force. A good business environment plays an important role in various aspects of a country or a region, such as economic development, market vitality, technological innovation, entrepreneurship, talents introduction. Optimization of the business environment serves as the new strategy for national economic development and the new target of streamlining administration, strengthening regulation and improving services. In the process of promoting comprehensively deep reform and opening wider to the outside world, the central government has mentioned for many times to build a good business environment. In 2019, in the State Council Meeting of the legislative work, Prime Minister Li Keqiang first proposed formulating regulations for optimizing business environment in order to accelerate the construction of business environment. In October 2019, Regulations on Optimizing the Business Environment was issued by the State Council, which provides an institutional guarantee for improving the business environment in all regions of the country.

Optimizing business environment has attracted great attention of the society. The Wenzhou Municipal Government regards optimizing business environment as a significant method to assist Wenzhou in becoming a national private economy pilot demonstration zone. 2018 was Wenzhou business environment construction year. The Wenzhou Municipal Government issued Eleven Measures for Deepening Reform and Optimizing the Environment by streamlining administration, delegating power, strengthening regulation and optimizing services, in order to improve government public service efficiency and create a better business environment for the city. In 2019, The Wenzhou Municipal Government incorporate relevant local legislation work of optimizing the business environment into its 146 responsibility lists to promote the healthy development of non-public economy. In November 2019, Measures to Optimize the Business Environment of Wenzhou was issued and will be put into effect since 2020. As the foundation of the innovative development, districts and counties have played a pivotal role in the economic development of the nation. The construction and development of business environment of districts and counties in Wenzhou determine the realization of opening up “the nerve endings” of the city’s business environment construction,

and play a key role in the optimization of business environment and the high-quality economic development of Wenzhou.

2. Literature Review

At present, the world's most widely accepted business environment evaluation index system is established by the business environment team of the World Bank. Since 2003 when the World Bank first released the Doing Business report, its assessment system has been updated to include 11 first-level indicators and 43 second-level indicators, which are used to assess the business environment of a country or region. According to the Doing Business 2019 released by the World Bank, China ranked NO.78 in the world in 2017, but it went up to NO.31 in 2019. This is a huge improvement.

The Concept of business environment become popular recently in our country. Because of the difference in social, economic and cultural development of various provinces, it has not yet formed a national business environment evaluation index system applied widely in China. Yang Tao(2015)obtained the original data by sending questionnaires to senior executives in Shandong, Jiangsu, Zhejiang and Guangdong provinces, and constructed an evaluation system by using Factor Analysis Method.Yang Tao concluded that the business environment of four provinces has obvious differences in market development, but no differences in innovation environment and policy environment.Hu Yi,Li Qihua,Jiang Lixin(2016) built a business environment evaluation index system which included internationalization, marketization and legalization as the fist-level evaluation index system for Guangdong province. Qin Chong(2018) built a business environment evaluation index system for prefecture-level cities in Guangdong province by using the Entropy Value Method and PCA (Principal Component Analysis). This system included soft environment, market environment, business cost, urban infrastructure, social service environment and ecological environment. Man Shan, Wu Xiangli(2018) compared domestic and foreign business environment evaluation index systems and pointed that we should take the actual conditions of specific countries or regions into consideration when establish a business environment evaluation system, rather than blindly copy the system of the World Bank. Li Zhijun(2019) established a business environment evaluation index system, including governmental efficiency, human resource, financial services, public service, market environment and innovation environment as the fist-level indicators and ranked the business environment for 290 regions from 2017 to 2018.

Yuan Zhiming,Yu Xijun, Gu Yueshan, Zhang Xingquan(2018) surveyed business environment in different counties in China and built a business environment evaluation index system for the county level which included seven first-level indicators by using Analytic Hierarchy Process and Expert Estimation Method. With the goal of combining Chinese characteristics and reflecting the characteristics of the county, China Center for Information Industry Development has established a set of evaluation system for the business environment of the county and released the "2019 top 100 county-level business environments". CHINAXIAOKANG.Com has also obtained the ranking of "China's top 100 business environments of districts and counties".

3. Wenzhou Business Environment Evaluation Index System

This paper summarizes a business environment evaluation index system in Wenzhou with "2 aspects, 7 first-level indicators and 27 second-level indicators", according to the practical business environment construction in Wenzhou. Two aspects are "hard environment" and "soft environment", according to the classification from WANB Institute. The government current emphasizes on strengthening the construction of a soft business environment, thus this paper sets the weight of the "soft environment" at 60% and the weight of the "hard

environment” at 40%.The 7 first-level indicators can be summarized as “4 hard environment indicators and 3 soft environment indicators”. The 4 “hard environment” indicators include: economic strength, market vitality, infrastructure and ecological environment. While the 3 “soft environment” indicators include: governmental efficiency, technological innovation , human resources. On this basis, this paper selects various secondary indicators referring to the data in the Wenzhou Statistical Yearbook 2019 and Wenzhou official website, and then establishes the Wenzhou business environment evaluation index system. The specific system is shown in the table1 below.

4. The Evaluation and Analysis of Business Environment in Wenzhou

4.1. Data Sources and Calculation Methods

The data in this paper are collected and calculated by the Wenzhou Statistical Yearbook2019 and the official websites of different districts and counties in Wenzhou.

The calculation method is based on the indicator compilation methodology of the Guangdong-Hong Kong-Macau Greater Bay Area Institute, and each single indicator is calculated in a dimensionless way. The single indicator is represented by directly obtained data from each district and county of Wenzhou, and the utility value method is adopted in the dimensionless process, and the range of utility value is [0,100]. Indicators are divided into positive indicators and reverse indicators. The positive indicator means that the higher the value is, the higher the indicator will be, such as the level of average wages, shown in formula (1). The reverse indicator is the opposite, such as industrial wastewater emissions, shown in formula (2).

$$Y_{ij} = \frac{X_{ij} - X_{i\min}}{X_{i\max} - X_{i\min}} \times 100 \quad (1)$$

$$Y_{ij} = \frac{X_{i\max} - X_{ij}}{X_{i\max} - X_{i\min}} \times 100 \quad (2)$$

In the formula (1),the letter i represents secondary indicators and the letter j represents each district and county of Wenzhou. X_{ij} represents the original data of indicator i in area j, $X_{i\max}$ represents the maximum value of indicator i , $X_{i\min}$ represents the minimum value of indicator i and Y_{ij} represents the utility value of indicator i in area j. The utility value of the evaluation content under each secondary indicator is simply averaged to form the secondary indicator score, and then the business environment evaluation indicator of each district and county is calculated according to the secondary indicator score and indicator weight.

Table 1. Wenzhou Business Environment Evaluation System

Aspects	First-level Indicators	Second-level Indicators	Data Source
Hard Environment	Economic Strength(0.14)	Total GDP	Statistical Yearbook
		GDP per capita	Statistical Yearbook
		Proportion of output value of tertiary industry in GDP	Statistical Yearbook
	Market Vitality (0.14)	Number of Industrial Enterprises above Designated Size	Statistical Yearbook
		New fixed assets in the whole year	Statistical Yearbook
		Retail sales of social consumer goods	Statistical Yearbook
		Private financing efficiency	Statistical Yearbook
		Overall financing efficiency	Statistical Yearbook
	Infrastructure(0.06)	Proportion of Internet broadband access	Statistical Yearbook
		Total mileage of roads	Statistical Yearbook
		Number of hospital beds	Statistical Yearbook
	Ecological Environment(0.06)	Green coverage of built-up area	Statistical Yearbook
		Good air quality days	Statistical Yearbook
		Industrial wastewater discharge	Statistical Yearbook
Energy consumption per 10,000 yuan of GDP		Statistical Yearbook	
Soft Environment	Governmental Efficiency (0.18)	Number of open government information	Official Website
		Number of administrative services	Official Website
		General public budget revenue	Statistical Yearbook
		Number of official micro-blog information	Official Website
	Technological Innovation (0.24)	Education expenditure	Statistical Yearbook
		Science and technology expenditure of local finance	Statistical Yearbook
		R&D expenditure of Enterprises above Designated Size	Statistical Yearbook
		Full time equivalent of R & D personnel in Enterprises above Designated Size	Statistical Yearbook
		Number of patent applications authorized	Statistical Yearbook
	Human Resources (0.18)	Population growth	Statistical Yearbook
		Average wage level	Statistical Yearbook
		Number of practicing (assistant) doctors	Statistical Yearbook

4.2. Evaluation Results and the Comparative Analysis

According to the data and calculation method, the standardized value and ranking of the business environment of each district and county in Wenzhou are obtained. The results

showed that the score of Yueqing County (77.00 points) was significantly higher than that of other regions, followed by Ruian County(64.75 points), Lucheng District (55.55 points), Longwan District (46.28 points), Ou Hai District (43.50 points), Yongjia County (40.64 points), Cangnan County (37.44 points), Pingyang County (29.64 points), Taishun County (19.64 points), Wencheng County (18.89 points) and Dongtou district (14.49 points). Generally speaking, at present, all districts and counties in Wenzhou are vigorously promoting the “streamline administration, delegate powers” reform to improve or optimize the business environment. However, due to the differences in regional development and location advantages, the improvement of business environment in some areas is limited, resulting in a significant gap in business environment between regions. The difference between the maximum value and the minimum value of the “hard business” environment is 45.96 points, and the difference between the “soft environment” is 75.64 points, which indicates that the “soft environment” has greater operating space. Therefore, all regions in Wenzhou should strengthen the construction of the soft business environment in order to benefit more enterprises. The specific result is shown in the table2 below.

Table 2.Business environment evaluation results of Wenzhou in 2019

Regions	Business Environment		Hard Environment		Soft Environment	
	Standardized value	Ranking	Standardized value	Ranking	Standardized value	Ranking
Lucheng District	55.55	3	69.29	1	46.39	5
Longwan District	46.28	4	42.90	4	48.54	3
Ouhai District	43.50	5	38.90	5	46.56	4
Dongtou District	14.49	11	23.33	11	8.60	11
Ruian County	64.75	2	58.72	3	68.77	2
Yueqing County	77.00	1	66.16	2	84.23	1
Yongjia County	40.64	6	34.28	7	44.88	6
Pingyang County	29.64	8	34.02	8	26.72	8
Cangnan County	37.44	7	36.59	6	38.01	7
Wencheng County	18.89	10	28.32	10	12.59	9
Taishun County	19.64	9	31.29	9	11.88	10

It can be seen from the evaluation results that the business environment, hard business environment and soft business environment are distributed in the same way, which means that an area with a good business environment will also get high scores of the other two. In 2019, Yueqing ranked 1st in business environment. In terms of hard business environment, Yueqing, as the region with the largest number of A-share listed companies in Wenzhou, ranked 1st in all indicator such as the total volume of GDP, the number of industrial enterprises above the designated size and the New fixed assets in the whole year. In terms of the soft business environment, Yueqing ranked 1st in both governmental efficiency and technological innovation. Yueqing has built a business environment at a high speed and improved the governmental efficiency of services, so as to become a pacesetter in leading the high-quality development of Wenzhou’s business environment.

5. Suggestions on Optimizing Business Environment in Wenzhou

5.1. Vigorously Develop Competitive Industries and Promote the Coordinated Development of Districts and Counties

Governments at all levels in Wenzhou should deepen the development of local competitive industries, cultivate and promote emerging industries, and maintain the regional brand advantages of the five major industries as electric and gases, accessories of automobile and motorcycle, clothing, shoes, pump and valve, and accelerate the industrial transformation and upgrading. In addition, Dongtou District, Wencheng County and Taishun County are ranked last three in the ranking of business environment in Wenzhou. These three regions should accelerate the goal of building district county complex, promote the development of tourism industry and activate beautiful economy.

5.2. Improve the Efficiency of Government Service and Continue to Deepen the Reform of "China Speed"

Government should promote and implement decentralization reform deeply, reduce costs of institutional trading, simplify the approval process and enhance cohesion among all examination and approval procedures, in order to short the time of examination and approval. At the same time, the government should also strengthen the post supervision and inspection. Relevant departments should strengthen the implementation of work, innovate the way of administrative management, advance "the Internet Plus Government Services initiative" with the help of Zhejiang Government Service Network and other Internet platforms, in order to improve the capacity of public service.

5.3. Improve the Policy of Talent Introduction and Encourage Technological Innovation

To comprehensively improve the business environment, we should not stop at improving the efficiency of public services, and ignore the deepening reforms in areas such as high-end talents and technological innovation. Today, attracting high-end talents and encouraging technological innovation has become an important breakthrough for Wenzhou's urban development and transformation. Wenzhou has always been faced with the problem that it is difficult to introduce talents and keep them stay in Wenzhou, so governments at county levels should expand the development channels for talents, intensify efforts in such aspects as improving material benefits of talents, solving problem in the placement of their spouses and the schooling of their children, and complete social security and other related issues, in order to provide guarantee for outstanding talents. In addition to the introduction of talents, the government and enterprises can also invest in encouraging existing employees to participate in the relevant professional training around the country and learn experience from others. Therefore, the employees' professional ability will improve and they can better serve the enterprises. Meanwhile, it is necessary to make full use of the talent resources of Wenzhou University City and encourage university graduates to stay and work in Wenzhou.

The government needs to invest more in science and education, increase spending of these two areas. We also should speed up the reform of scientific and technological system, build good and interconnected platforms for innovation, promote interaction and communication of talents in different fields, and maximize the technology spillover effect among cities. In order to further stimulate vigor of the production-study-research-application and build a bridge for cooperation, we should actively organize the tripartite cooperation among the government, enterprises and scientific research institutions.

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