

A Brief Discussion on the Influence of Private Economy on the Development of National Economy

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Abstract

In recent decades, China's economy has been developed rapidly, and the development of private economy has experienced a process from small to large, from weak to strong with fast growing. On the whole, the private economy has played a particularly important role in China's economic development, and has shown remarkable characteristics. Although it has advantages such as a high degree of marketization, flexible operation and light social burden, there are inevitably some problems in the development of Chinese private enterprises: there are a large number of small and micro enterprises, facing market competition and survival pressure, even medium and large private enterprises also face challenges such as capital risks, brand building and international competition, which problems should be solved by many of our private enterprises. How to take some scientific and effective methodologies to further develop our private economy is worth our research and discussion together.

Keywords

Private Economy; Economic Growth; Solutions; Risk Management and Control.

1. Current Situation of Private Economy

Private economy refers to the enterprise whose owner has private property or the right to use, and is an economic entity composed of an individual or a number of natural persons, legal persons or other organizations and enterprises. The common characteristic of private enterprises is that the ownership of enterprises is owned by one or a few investors, and the shares of enterprises are continuously dispersed and socialized. From the perspective of the formation of private enterprises, there are mainly the following forms: first, it is started from the individual, gradually accumulated and developed, or directly invested by family members to set up family enterprises. The second is a partnership in which friends and colleagues participate in joint ventures. Third, state-owned or collective enterprises through buyout transformation of enterprises. From the perspective of the scale of private enterprises, the private economy is divided into small and micro enterprises and medium and large enterprises, of which small and micro enterprises refer to enterprises with no more than 300 employees and an annual turnover of no more than 20 million yuan. Medium and large enterprises are those with more than 300 employees and an annual turnover of more than 20 million yuan. In recent decades, China's private economy has achieved remarkable rapid development and presented characteristics with Chinese characteristics.

(1) The scale and status of the private economy in China's economic development are constantly improving. At present, China's private economy has become an important part of the national economy, the proportion of national GDP has reached 61%, the proportion of assets in the whole society's assets has exceeded 20%, and the output value of private enterprises has been divided into three or even two parts of the world. Private enterprises have made irreplaceable contributions to the development of China's economy. According to statistics, there are more than 32 million individual and private enterprises in China, which have solved

the employment problem of 80 million people. The total number of private enterprises in China has reached 8 million, accounting for 99% of the total number of enterprises in the country, 60% of industrial output value, 40% of industrial added value, 77% of realized profits and taxes, 60% of exports, and 75% of urban employment opportunities. The annual output value growth rate of private enterprises has been maintained at about 30%, much higher than the growth rate of the national economy in the same period. Objectively speaking, the development of private enterprises is changing from the early stage of development to the middle stage of development, that is, from the establishment of a system based on the coordination of leaders to the establishment of a perfect institutional guarantee, and private enterprises are developing in a more reasonable and scientific direction.

(2) The number of private enterprises is increasing rapidly, the scale is expanding continuously, the industry is rationally distributed, and the modern enterprise management mode is gradually established. According to statistics, the number of private enterprises in China is growing at an annual rate of more than 30%; The registered capital of private enterprises is growing at an annual rate of more than 60%. The average registered capital of private enterprises is growing at an annual rate of 20%; The output value of private enterprises has grown at an average annual rate of about 50%. In the past ten years, the industry has gradually developed from the initial manufacturing industry to the tertiary industry, and has been involved in computer, communications, bioengineering, software, semiconductor and other high-tech fields. A number of outstanding private high-tech enterprises with an output value of more than one trillion yuan have emerged, becoming an important new force in the development of high-tech industries. At the same time, it has continuously explored the establishment of a modern enterprise system, restructured and reorganized according to the modern enterprise system, established a company system, standardized the corporate governance structure, established the responsibilities of the shareholders' meeting, the board of directors, the board of supervisors and the management, and raised funds through public issuance of shares to the society, achieving leapfrog development. In recent years, Suzhou private enterprises, especially private technology enterprises, have emerged a number of new highlights of local economic development and stock market attention.

2. The Significance of the Development of Private Economy

The establishment of the socialist market economy system is also inseparable from the development of private enterprises. As a non-public economy, private enterprises are naturally compatible with the market economy and mutually develop. All their production and operation activities must be realized through the market. Construction of a modern industrial system, adhere to the focus of economic development on the real economy private economy, which further highlights the strategic position and importance of the private economy in the development of the national economy. At present, the contribution rate of non-state-owned sector to China's GDP has reached 60%, the output value of non-state-owned sector grows at an average annual rate of about 30%, which plays a pivotal role in the development of national economy, and is also the locomotive of China's economic growth.

(1) Promoting flexible and diversified development of the national economy. From the emergence, growth and expansion of the private economy, it is naturally integrated with the development of the market economy, and can not be separated. Private economy has the characteristics of diversification in economic structure and composition. Enterprises take the market as the basis and platform, according to the market demand and change as the guidance, adopt a flexible mode of operation, and operate independently, assume responsibility for profits and losses, and seek survival and development in the market competition. Compared with state-owned enterprises, the private economy has a more flexible market operation mode

and faster response speed, and also encourages entrepreneurs to innovate, expand and operate in multiple fields to achieve long-term growth and development of enterprises, thus playing a role in promoting and balancing China's economic development.

(2) Promote the development of high-tech industries. Foreign scholars' research on private enterprises focuses on the innovation activities of private enterprises, which is mainly based on the inherent innovation power of private enterprises, which is the backbone of leading the innovation and development of high-tech industry. According to the empirical study of manufacturing data in Poland and Germany, the highly privatized industries are more effective in innovation activities, while the less privatized industries are more inclined to maintain their stable state, and the private enterprises in Poland are more able to make full use of their innovation activities to acquire external knowledge. After more than a decade of rapid development, the overall strength of China's high-tech industry has been continuously enhanced, its independent development capacity has been continuously improved, its industrial structure has been continuously optimized and upgraded, and a large number of high-tech enterprises with innovative ability and competitive strength have emerged. Many private enterprises actively participate and have achieved good results and made great contributions. According to the data of Private enterprises above designated size in the Research Center of Private Economy of Chinese Academy of Social Sciences from 2006 to 2008, the distribution of private enterprises in the field of high-tech industry has been increasing, and the average annual growth rate of private enterprises from 2006 to 2008 has reached 22.5%. Among them, the top three industries in the number of enterprises are pharmaceutical manufacturing, electronic component manufacturing and electronic device manufacturing, which has vigorously developed new technologies, new products and new formats, and has played a positive role in promoting high-tech and economic development.

(3) Promote the continuous improvement of corporate culture and management. Private enterprise culture is a kind of enterprise spirit with innovation in business idea, organizational structure, management mode and technology as the main body. This entrepreneurial innovation spirit enables private enterprises to realize the evolution from family management to modern enterprise system management in organizational management. From the perspective of enterprise strategy, the company has realized a fundamental change from one-sided pursuit of output and low-price competition to focus on brand image and quality credit. With unique taste, cohesion and innovative spirit, the private enterprise culture has created a group of entrepreneurs and professional managers with strong risk awareness, keen market insight, dare to innovate and break through, and have modern scientific and technological knowledge and operation and management ability. Private enterprises can compete freely, make decisions freely and manage freely. This kind of market mechanism can continuously improve the management ability and innovation consciousness of enterprises. At the same time, due to the steady improvement of the operation and management of private enterprises, relevant systems and regulations have also been continuously improved and promoted.

(4) Promoting simultaneous improvement of economic and social performance. With the continuous development and growth of private enterprises, while realizing economic benefits, they also pay attention to assume social responsibilities and return to society. For example, supporting the development of poor areas, providing free vocational training, social donations to public welfare and other corporate social responsibilities. Some entrepreneurs actively participate in the development of the western region, promote the coordinated development of regional economy, narrow regional differences, and accelerate the pace of building a well-off society in the central and western regions. At present, nearly 10,000 private entrepreneurs and business people from Hong Kong, Macao, Taiwan and overseas Chinese have taken the lead in investing in poverty alleviation in old and young border areas. These private enterprises not only focus on promoting the development of poor areas, but also contribute a lot of wisdom to

urban development, such as recycling paper, plastic and metal as secondary resources, reducing the waste of raw materials, and contributing to improving the urban environment. These initiatives have had a tremendous positive impact on promoting social welfare and social progress.

3. The Problem of Private Economy Development

The importance of private enterprises in the economy is obvious, it plays an important role in the national economy and social development.

However, due to historical inertia and institutional limitations, there are still some problems that cannot be ignored in the process of accelerating the development of private economy. In order to further promote the development of private enterprises, it is urgent to study and solve them.

(1) The product level is low and the technology is backward. Although the private economy has developed rapidly in recent years and its scale has continued to expand, as far as individual enterprises are concerned, the general scale is small and backward in technology, the equipment is low in scientific and technological content, the technological transformation is lagging behind, and the development momentum of enterprises is insufficient. Most of the private enterprises are labor-intensive production enterprises, this production mode is doomed to enterprises can not have high-tech production equipment and advanced production technology. According to a survey of domestic private enterprises, the production equipment of most private enterprises is not advanced, and only 4.79% are in the leading position in the world, 41.01% are in the middle level, and 54.2% are behind. In China, 36.23% are in the leading position, 61.68% are in the middle, and 2% are behind. From the perspective of technological content of enterprise products, 18.13% of enterprises have high technological content of products, 67.71% of enterprises have average technological content of products, and the rest have low technological content of products. At the same time, due to its inherent reasons, the low quality of employees in private enterprises also restricts the speed of technological update.

(2) The overall management level is not high. Although some private enterprises have established a modern management mode in accordance with the requirements of modern enterprise system, a large part of them are still managed in accordance with the family mode, which is mainly manifested by the characteristics of family and kinship, centralized leadership and dictatorial decision-making. Operators are both asset owners and asset operators, that is, self-owned enterprises and self-general managers. There are also technology, finance, marketing "grasp", professional managers to "housekeeping" is not interested in, not assured. Even if they hire professional managers, they are reluctant to authorize them. Such a paternalistic management model not only can not make the enterprise bigger and stronger, but let many employees, especially capable talents have been lost. Especially when the enterprise develops to a certain scale, due to the blurred boundary between the decision-making level and the executive level, the lack of correction mechanism, the limitations and arbitrariness of private entrepreneurs often lead to business decision-making errors, which will seriously affect the development of the enterprise and even affect the survival of the enterprise.

(3) Personnel quality is not high and talent shortage. From the perspective of the personnel situation of private enterprises, first, the quality of personnel is not high, there are fewer people with bachelor's degree or above, and professional science and technology research and development personnel are especially few. The comprehensive quality of some private enterprise managers is not high, such as business thinking, management ability, adaptability, knowledge cultivation, professional ethics and other qualities do not adapt to the development requirements of the new stage in the new century. There is also a lack of talents, especially technical talents and management talents. The biggest difficulty encountered by 50% of private

enterprises in the introduction of talents is that high-quality talents are reluctant to work in private enterprises, thus affecting the vitality of some enterprises. Most private entrepreneurs attach great importance to human resources, but under real conditions, most private enterprises are faced with serious talent crisis and trust crisis, the root cause of which lies in the entrepreneurs' deep-rooted concept and logic of employing capital labor, believing that the relationship between employees and enterprises is only a simple employment relationship. This wrong understanding also caused the short life cycle of domestic private enterprises. According to Gallup, the average life span of the global top 500 companies is 55 years, the average life span of multinational companies is 15 years, and the average life span of Chinese group companies is 10 years, while the average life span of private enterprises in China is only 3.9 years.

(4) Blind decision-making and lack of control. Limited by their own cultural level, most owners simply can not master the management philosophy and methods. Most private enterprises have not established management concepts such as time value, risk value, opportunity cost, etc. In addition, the financial management and financial information disclosure of most private enterprises are not standardized and opaque. The lack of credibility of accounting information leads to the low credibility and recognition of enterprise society, which leads to a series of problems such as the difficulty of guarantee and financing. Private enterprises are confronted with various risks at the same time of rapid growth. Generally, private enterprises focus on the production and marketing of products, seldom pay attention to the existence of operational risks, have no risk management and control mechanism, and have not arranged special departments and personnel to effectively control and reduce risks. Due to the defects of their own quality, private enterprises make decisions based on feelings and lack awareness of assessment and risk control in the process of operation, which makes them encounter more risks in operation and management.

4. The Countermeasures to Problems

With the continuous improvement and development of China's market economic system, private enterprises should carry out institutional innovation in accordance with the requirements of the development of modern market economy, and learn from the successful experience of foreign companies, and adapt to local conditions into our domestic private enterprises successful ideas and practices.

(1) Establish a modern enterprise management mode to reduce the influence of family management mode. The lack of scientific and effective management mechanism in family management mode easily leads to errors in strategic decision-making of enterprises. After the development of enterprises to a certain scale, the authoritarian and centralized tendency can not adapt to the higher requirements of enterprises for talents. The system transformation and management mode replacement of China's private enterprises depend on the improvement and perfection of the quality and pattern of private entrepreneurs. In order to really establish a new modern enterprise management mode, private enterprises must first carry out ownership transformation. The development trend of private enterprises is holding and intensification, giving full play to the advantages of flexible and efficient paternalistic management mode, but also learn from advanced management experience, combined with their own conditions, and gradually establish a modern enterprise system. At the same time, we should take the initiative to introduce a certain number of external managers, especially high-level enterprise management talents with practical experience to assume the responsibilities of the main management positions of the enterprise, which is conducive to creating a collective atmosphere within the enterprise, showing the operators a larger thinking space and more feasible plans, and expanding the management vision. An effective way to overcome the thinking inertia and behavior inertia of family management decision-making.

(2) Improve the quality of people and improve the quality of enterprises. In the future, the competition of enterprises is the competition of people, and more importantly, it depends on high-quality workers. To improve the internal quality of enterprises, in the final analysis, we must improve the quality of people, enterprise scale, environment, equipment level and the internal differences of product grade and quality, essentially reflect the differences in the internal quality of people. Private enterprises must form a scientific and reasonable enterprise leadership system and organizational system, build an effective incentive and discipline system, and truly achieve that operators can move up and down, personnel can enter and leave, income can increase or decrease, fully tap the potential of human resources, and maximize the motivation and initiative of employees. Whether it is management personnel, technical personnel or general staff, private enterprises should have relatively high quality, not only the level of education should be high, but also in the management thought, research ability, knowledge, professional ethics and other comprehensive quality. Not only educate enterprise personnel to strengthen their own learning in peacetime, but also regularly organize training for enterprise personnel to support them to learn skills, learn business, learn management, learn culture, learn all knowledge related to enterprise development, and improve comprehensive quality, which is the key to the healthy growth of private enterprises.

(3) Reduce risks and strengthen internal control systems. Establish a set of effective internal control system, adopt incompatible job separation system, reasonably set up financial accounting and related jobs, clear responsibilities and authority, and form a mutual restriction mechanism. And to authorize the approval control system, clarify the scope, authority, procedures, responsibilities, etc. of authorization and approval involving financial accounting and related personnel, and exercise powers and responsibilities within the scope of authorization. The enterprise should take the sales budget as the starting point, reasonably determine the best sales volume and break-even sales volume of the enterprise, further determine the sales price, determine the best inventory, and reduce ineffective or inefficient labor. And according to the financial resources of the enterprise to determine the capital expenditure budget and countermeasures, according to the "sales" principle, determine the production budget, and according to determine the direct material, direct labor and manufacturing expenses budget, summary preparation of product cost budget and cash budget. At the same time, we should do a good job of cost analysis, and find the key to reduce costs by comparing with the plan, the previous stage and the best level.

(4) Support the development of private enterprises and scientific and technological innovation. Kong Junren analyzed the contribution of China's private technology enterprises to the development of high-tech industry, and pointed out that the rapid growth of China's private high-tech enterprises in recent years is mainly due to the gradual improvement of the environment and conditions, and he also put forward the policy requirements for the further development of China's private technology enterprises, such as the establishment of a sound multi-channel financial support system. The government should, through policy and economic leverage, guide those enterprises with high scientific and technological content, good market prospects and high management level to take the lead in developing high-tech industries, support and guide private high-tech smes to participate in national scientific and technological research projects, and give private high-tech smes the same treatment as large state-owned enterprises in project approval, evaluation and reward. Further standardize the tax legislation on science and technology, improve the income tax policy of private enterprises, encourage enterprises to invest in research and development, establish a preferential tax policy system for venture capital, learn from the support method of scientific and technological innovation "little giant", in the field of high-tech industry, focus on cultivating typical private enterprises, combined with their different demands for transformation and upgrading, provide a package of help measures, and become a transformation and upgrading 'small giant company'. For

private enterprises themselves, in today's rapid development of science and technology, they must increase the investment in technology development, research and development of core technologies and leading products with independent intellectual property rights, increase technical equipment, and become the main body of technological innovation and development investment and promotion. We should carry out various forms of joint production, study and research, establish open and stable cooperative relations with institutions of higher learning and research institutes, absorb and digest foreign advanced scientific and technological achievements, and form our own technological advantages. Especially after China's accession to the WTO, private enterprises should update their concepts, establish the consciousness of international operation and competition as soon as possible, take the market economy as the guidance, take scientific and technological progress as the driving force, and rely on scientific and technological progress and innovation to realize the leap in technological development.

5. Summary

In short, as an important force to drive China's economic development, private economy has important and far-reaching significance for driving China's economic development. At the same time, the private economy is also facing many challenges and opportunities, entrepreneurs need to fully understand the relevant policies and market demand, and have enough courage to reform and innovate, effectively solve the problems encountered in the development, and constantly meet new development opportunities and challenges, so as to make China's private economy sustainable development.

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