
Innovation Support and SMEs in China

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Abstract

To compete globally, governments need to stimulate innovation as a key driver in promoting economic development and SMEs play an important role in helping to drive economic growth. This paper concentrates on innovation in SMEs as part of the National Innovation System (NIS) in China using the Yearbook of Chinese SMEs 1997-2008 and Government Notices. The study develops a framework of Chinese innovation policy under NIS and its increasing significance in the Chinese economy. We find that the Chinese NIS gave inadequate stimulus to the activities of SMEs, which is reflected in the organizational institutions, legislation, financial resources, business innovation support systems and human resource policy. The importance of NIS and its relations to SMEs was under-rated despite its contribution to China's economic and technical growth. Thus, the study contributes to literature on the evolution of NIS by examining the innovation in the SMEs' impaired conditions in emerging markets. The new required policy should be purposeful and intentionally diffused to encourage SMEs to grow in both domestic and international global markets.
