

Taiwanese and Polish Economic Policy towards SMEs

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Abstract

The role of microenterprises, small and medium-sized enterprises (SMEs) is a worldwide acknowledged for their unique contribution to the economic development. In many countries of the world, MSMEs play a key role in terms of contribution to the national GDP and the job creation. Yet, MSMEs have their advantages over large companies because they are flexible and have the capacity to adapt easily to the changing market conditions. On the other hand, the extent of government regulation, the quality of infrastructure and transportation or the access to technology, markets, and finance are considered to be some of the possible obstacles that contribute to MSMEs' failure in their first five years. For this reason, a growing body of studies has suggested that the quality of institutions becomes either a facilitator or a barrier in the case of the development of MSMEs. If an economic, political and social environment lacks empathy with MSMEs, then it will be hard for this sector to survive and grow. Therefore, it is the interaction among different institutions which has an influence on economic performance in a society by determining the cost of transacting and producing to enable and constrain the business environment in which the MSMEs operate and influence their incentive to act.

In this case, the New Institutional Economics argued that institutions as a critical role in a society determine to what extent the transaction costs and externalities could reduce in order to increase the efficiency gains in the market. Adopting the New Institutional Economics perspective, this thesis investigates the existing policies, institutions, and legislation adopted by the government in Taiwan and Poland as they relate to the performance and the capability of MSMEs. By combining policy analysis, system analysis, statistical analysis, and SWOT analysis, this thesis identifies which institutions are involved in the decision-making process relating to the MSME sector and evaluates the role of those institutional arrangements in reducing the transaction costs and improving the capacity of competitiveness for MSMEs in both countries.

The findings not only confirm that the government as the key formal institution plays an important role in influencing the nature and pace of MSME development in a country through its influence on the external institutional environment in which MSMEs are conducted. At the same

time, this thesis shows that the institutional arrangements in Taiwan's MSME scheme create a more suitable business environment to encourage and support the MSME development than the institutional arrangements in Poland's MSME scheme, especially a positive effect on the legal status of MSMEs in the state institutions and state-enforced rules. This thesis thus suggests that these formal institutional arrangements should continue to create a conducive environment in which MSMEs can reduce their operational costs and enhance their productivity and innovative capacity to compete in international markets.

Keywords: Micro, Small and Medium-sized Enterprises (MSMEs), Taiwan, Poland, New Institutional Economics, Economic Policy

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