

Research on the High-quality Development of Small and Medium-sized Enterprises Guided by China's Public Policy: Based on the Small and Medium-sized Enterprises in Huishan District, Wuxi, China

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Abstract: *The development and take-off of China's economy cannot be achieved without Small and medium-sized enterprises (SMEs). At present, with the increasingly fierce competition on the global economic stage and the constraints of resources, environment and other multiple factors, adjusting the economic structure and promoting industrial transformation and upgrading have become the general trend of economic development. The way to take the pulse of growth, supporting and promoting the sustainable and healthy development of various types of SMEs have become one of the key concerns of local governments. This paper carries on elementary research on the relationship between the industrial upgrading of SMEs and the public policies of government by taking Huishan District, Wuxi City, China, as an example. This paper describes the basic theories related to the industrial upgrading of SMEs and discusses the necessity of government support for the industrial upgrading of SMEs through public policies. Based on the empirical analysis of the current situation and problems of SMEs in Huishan District, Wuxi City, the principles to be followed in supporting the industrial upgrading of SMEs in Huishan District, Wuxi City from the perspective of government public policy are proposed by comparing and learning from the experience of foreign developed countries, and the basic framework of the public policy support system for SMEs in Huishan District, Wuxi City is constructed.*

Keywords: *Small and medium-sized enterprises, Industrial upgrading, Public policy, Wuxi Huishan District*

1. Research Background

In the past few decades, China's economic development has made remarkable achievements. Between 2000 and 2020, China's GDP has gone from the sixth to the second largest in the world in the past 20 years. China's economic development can not be separated from the development of China's 48 million small and medium-sized enterprises. The 20-year economic development of Wuxi Huishan District, located in the central-eastern part of China, is a microcosm of China's economic and social development[1-4]. This development is not entirely in accordance with foresight and planning, but by a combination of step-by-step experiments, thinking, choices, and useful and applicable ideas, which are not only directional, but also more accidental, at the same time, there are also a series of problems and setbacks. Current economic development in Wuxi Huishan District as a whole is in the transition period from the advanced stage of industrialization to the primary stage of post-industrialization, and the regional development dividend is changing from population dividend, resource dividend, environment dividend and manufacturing dividend to science and technology dividend, service dividend, digital dividend, culture dividend and ecology dividend[5-6]. As the main force to promote the process of Wuxi's industrialization, the progress of industrial upgrading of small and medium-sized enterprises (SMEs) directly determines the speed of Huishan District's industrial transformation, urban transformation and social transformation, and the industrial upgrading of small and medium-sized enterprises is gradually evolving from the conscious behavior of enterprises to the consensus of the whole society[7-11]. Therefore, to accelerate the industrial upgrading of small and medium-sized enterprises, it is necessary not only to give full play to the basic role of market mechanism in resource allocation, but also to give full play to the role of government in the formulation, implementation and service guidance of industrial upgrading policies, with the help of public resources and social resources, better and faster to achieve the

industrial upgrading of small and medium-sized enterprises in Huishan District[12-16].

Taking Huishan District of Wuxi City as the focus, this paper studies the relationship between the industrial upgrading of SMEs and local government policies on SMEs, and puts forward some pertinent countermeasures and suggestions for the government to support the industrial upgrading of SMEs[17-18]. These suggestions are of great significance for promoting the industrial upgrading of Huishan District's small and medium-sized enterprises and promoting the overall progress of Huishan District's economy and society. At the same time, these will also have some reference value and significance for other local governments in China in promoting industrial upgrading of small and medium-sized enterprises[19-21].

2. Current Situation at Home and Abroad

Small and medium-sized enterprises (SMEs) play an important role in the current national economic system. There is a consensus on the development of SMEs around the world, and governments are competing to support the development of SMEs, forming a world tide of the small and medium-sized enterprise development. The Small Business Act of the United States clearly stipulates that the government shall support, guide, help and protect the interests of small and medium-sized enterprises and promote free competition as far as possible, and ensure that SMEs have a fair and equitable share in general or sub-contracts for the provision of goods and services to the state. Japan's Basic Law of small and medium-sized enterprises guides the development direction of small and medium-sized enterprises and industrial upgrading. The British government, based on the recommendations of the Bolton Report, appointed the Minister for Small and Medium Enterprises and established the Small and Medium Enterprises Bureau specifically responsible for SMEs to provide advisory services to SMEs, train operators and support their better development in coordination with the policies of various inter-governmental departments. In the 1990s, the western countries paid more attention to the industrial upgrading of small and medium-sized enterprises. In the US, for example, then-president Bill Clinton noted in his 1995 report on the state of small businesses that "Small businesses are an important part of our economy", "Small businesses do contribute a lot to our economy, which is why I am bringing them to the National Economic Council and why they are invited to cabinet meetings," he said.

On the domestic front, Ou Jiangbo believes that government policies to support SMEs are mainly reflected in the "Six Major Aspects" of legislative protection policies, industrial support policies, technological innovation policies, financial support policies, preferential tax policies and social service policies. Zhao Dongrong believes that in a perfect market economy, there is a relationship between government and enterprise, which is "linked by market, regulated by system, mediated by information, oriented by policy, and linked by public supply", the government's policy guidance to enterprises should focus on these five aspects. According to Yu Jianguo, the key four points of our policy to support the development of small enterprises are as follows: changing the functions of the government, providing a good institutional environment for small enterprises, strengthening and improving the government's basic management of small enterprises; formulating industrial guidance plans for the development of small enterprises to guide them to develop healthily; continuing to promote the reform of small enterprises.

From the perspective of domestic and foreign policies, providing legal protection and government support for small and medium-sized enterprises is of great necessity. To create and maintain a legal environment of fair competition for the industrial upgrading of small and medium-sized enterprises, and to guide the industrial upgrading of small and medium-sized enterprises by using policies and regulations is the consensus reached by countries around the world on the development of SMEs.

3. Research Methods

This paper takes the policy of small and medium-sized enterprises (SMEs) as the research object, selects the background of economic transition as the research period, and systematically and deeply analyzes the relationship between SME industrial upgrading and SME policy based on examining the growth environment of SMEs. Specifically, firstly, this paper analyzes the relationship between the industrial upgrading of SMEs and the policy of SMEs at the theoretical level, secondly, it conducts an empirical study on the relationship between SME growth environment and SME policy. The reason why the empirical study chooses Huishan District, Wuxi City as the research object is that the SMEs policies of local governments have not only the commonality (the concretization of national policies), but also

the individuality (the regional difference).

3.1. Theory of the Relationship between Government and SMEs

3.1.1. The Theory of Government Intervention in Economy

The government supports the industrial upgrading of small and medium-sized enterprises by public policy, which is essentially the government's regulation of the economy. Market economy is by far the most efficient economic system, which is a social economy based on the allocation of resources by the market, the market price dominates the exchange behavior among economic subjects and guides the allocation of resources among various uses. However, markets are not omnipotent because of market failures. The main causes of market failure include imperfect market, equal distribution, deviation from social justice, existence of public goods, external effect, incomplete information and the existence of monopoly.

The existence of market failure is the fundamental reason for the government to intervene and regulate the economy appropriately. The government can not only increase the total supply by direct investment, but also provide the public goods in the field of public goods to reduce the cost of the main body of the market economy. Government intervention in the economy is conducive to institutional change and functional change, adapting the rules and regulations of the management economy to the development of the market economy.

3.1.2. Economic Analysis of Industrial Upgrading Policy Support for Small and Medium-sized Enterprises

Economies of scale can be divided into external and internal. External economies of scale think that the individual product costs is determined by the size of the entire industry, rather than by the size of a single firm, while internal economies of scale think that the size of an industry is determined by the size of a single firm. Thus, internal and external economies of scale may have different effects on market structure. An industry in which only external economies of scale exist is generally composed of many relatively small firms that are in a state of perfect competition; on the contrary, in an industry in which internal economies of scale exist, large firms have a cost advantage, while the small and medium-sized enterprises do not have this advantage, so constitute a market form of imperfect competition. It can be concluded from this analysis that internal economies of scale will lead to unfair competition between SMEs and large enterprises, and will lead to higher production efficiency and lower production and operation costs among enterprises, thus there will be a "Large-scale", "Huge quantity", "Cluster" trend. Economist Marshall explains three reasons why clustered firms are more effective than isolated ones: the concentration of enterprises in groups facilitates the sharing of labor markets, the formation of specialized supplier teams, and the mutual learning of technical knowledge. Therefore, the analysis concludes that the efficiency of external economies of scale promotes the concentration of enterprises in the regional scope, and the concentration of enterprises in the regional scope creates convenience and high efficiency for the cooperation among enterprises. For example: Japan's "Technology-intensive city", Italy's enterprise cluster network model, the United States' "Silicon Valley" and so on, the enterprises are concentrated in the same region, and they have formed a good relationship with each other.

Real cooperation is equal status cooperation, can produce win-win results, while unequal status cooperation will eventually lead to the breakdown of the partnership, will only end with the interests of one side against the interests of the other side.

According to the theory of internal economies of scale in enterprises, it is difficult for large enterprises and SMEs to form cooperative relationship spontaneously, and even if they do, it will be unstable, because their position in the market competition is not equal. Therefore, in response to the phenomenon of unfair competition, the government should use and formulate policies to eliminate it, so that small and medium-sized enterprises and large enterprises can cooperate on an equal basis, because the supporting cooperation between enterprises can produce huge economic benefits, for both large, medium and small-sized enterprises are beneficial. According to the theory of external economies of scale in enterprises, there are few examples of enterprises offering to establish cooperative relationship because they don't know each other very well. So the government will need to play the role of servant, propagandist, promoter and liaison, play a service guidance function directly form or support all kinds of inter-enterprise industry associations and intermediaries to really improve the efficiency of business operations and save business operating costs.

3.2. Theory of the Relationship between SMEs Policy System and Industrial Upgrading

3.2.1. The Meaning of Small and Medium-sized Enterprise Policy System

The policy system of small and medium-sized enterprises (SMEs) refers to the systematic public policy and management system made by governments at all levels to promote the upgrading of SMEs. It is mainly composed of institutional innovation system, policy and law improvement system, finance and taxation support system, talent and technology promotion system, public sector service system, etc.

3.2.2. Analysis of the Necessity of Policy Support for Small and Medium-sized Enterprises

Many countries and regions are aware of the prevalence of inefficient labour productivity and poor profitability in small and medium-sized enterprises, and some voices argue that the market economy follows free competition and that the policy tilt towards small and medium-sized enterprises runs counter to objective laws, but the mainstream view is that the Macroeconomic regulation and control of the state is an important guarantee for the orderly operation of the economy, and thinking that small and medium-sized enterprises (SMEs) are inherently deficient and unable to participate in market competition on a fair basis. Small and medium-sized enterprises (SMEs) are essentially non-scale enterprises, and economies of scale can not be realized. The existence of SMEs itself is an important guarantee and necessary supplement for the healthy operation of large enterprises, thus the policy support for small and medium-sized enterprises is the basic guarantee for the normal operation of the economic machine.

3.2.3. The Impact of Government Policies on the Industrial Upgrading of SMEs

Government policy is a key factor in the process of industrial upgrading for small and medium-sized enterprises. Because policy factors are more controllable, more flexible, and more obviously adjustable than other factors, they are used by the governments.

4. An Empirical Study on Industrial Upgrading of Small and Medium-sized Enterprises in Huishan District

With the global economy entering the post-crisis era, the uncertainties caused by the epidemic, geopolitics and other factors have increased sharply, which brings new environment and challenges to the small and medium-sized enterprises. The marketization of factor allocation requires that the operating rules of enterprises and the supporting rules of the government should conform to the market rules. The new international division of labor, structural adjustment and global competition and cooperation make it necessary for enterprises to think and plan from more perspectives in terms of resource allocation, product development, management scope and growth methods. In addition, uncertainties in the global economy caused by epidemics and geopolitics have further intensified market competition.

4.1. Major Achievements of Huishan District SMEs' Industrial Upgrading

In recent years, Huishan District's small and medium-sized enterprises has made great achievements in the development, with the rapid expansion of the total economic volume, the obvious acceleration of industrial upgrading, the continuous improvement of operation quality, the steady improvement of enterprise vitality, and the growing social contribution, becoming a new force in creating market vitality and promoting economic development.

4.1.1. The Industrial Structure of Small and Medium-sized Enterprises Has Improved Significantly

From the industrial structure and distribution, textile and garment, metallurgy, machinery, printing and dyeing, chemical industry, etc. were the traditional pillar industries of Huishan District's small and medium-sized enterprises. In recent years, Huishan District's small and medium-sized enterprises accelerate industrial restructuring, high-end textile, environmental protection equipment, electronic information and other industries forms to a certain scale, and among the business and catering industry, the number of small and medium-sized enterprises account for more than 90%.

4.1.2. The Vitality of Small and Medium-sized Enterprises' Industry Development Has Been Significantly Enhanced

Huishan's small and medium-sized enterprises of science and technology, export-oriented, scale-oriented, and efficiency-oriented have sprung up in a large number. The number of recognized small and medium-sized scientific and technological enterprises has soared from about 100 in 2001 to 993 in 2021. By the end of 2021, there were more than 1,400 foreign trade enterprises with actual import and export

records in the region, of which the proportion of self-supporting exports by SMEs has been constantly increasing, and SMEs have become an important growth pole for economic take-off.

4.1.3. Further Integration of the Driving Forces for Industrial Upgrading of SMEs

On the one hand, policy comes first. Wuxi City and Huishan District issued the Regulations of Wuxi Municipality on Promoting the Transformation and Development of Small and Medium-sized Enterprises (2014), Opinions of the Wuxi City Huishan District People's Government of the CPC Huishan District Committee on Adjusting and Improving Modern Industrial Development Policies (2018), Huishan District Policies on Supporting the Transformation and Development of Enterprises (2021), Several Policies of Wuxi Municipality on Responding to the COVID-19 Epidemic and Supporting the Stable Development of Micro, Small and Medium-sized Enterprises (2021), and issued 20 policies on "Fostering and Growing Market Subjects" (2022), etc. to fully support the development and growth of small and medium-sized enterprises. On the other hand, system protection. Huishan District has implemented the system of linking key industrial chains (clusters) with city leaders, and realized the interaction between government and enterprises, thus creating a good atmosphere for the whole society to support small and medium-sized enterprises.

4.1.4. The Promotion Platform for Industrial Upgrading of Small and Medium-sized Enterprises Has Been Further Improved

Promote cooperation between banks and enterprises, break through the "Bottleneck" constraints. Wuxi has further lowered the threshold for micro and small-sized enterprises to obtain loans by establishing a mechanism of "Dare to lend, willing to lend, able to lend, and will lend". In the first quarter of 2022, the city added 12,800 new credit-granting households for the first time, the financial coverage has steadily expanded. From January to May 2022, the Wuxi Municipal Bureau of Industry and Information Technology, the Municipal Local Financial Supervision Bureau and the Wuxi branch of the People's Bank of China, jointly launched the "Industry and finance work together to help enterprises rescue" series activities into the industrial park, villages, towns and streets, pushing 34 banking institutions and 3,996 small and medium-sized enterprises to reach a credit cooperation intention of 243.421 billion yuan, actively solving problems for enterprises and providing a strong backing for the real economy.

4.2. Problems Existing in Industrial Upgrading of SMEs in Huishan District

Influenced by many factors such as market, region, epidemic and historical heritage and humanities, there are many problems in upgrading the industry of small and medium-sized enterprises in Huishan District:

4.2.1. Market Environment

The degree of market economy development largely determines the speed of industrial upgrading of SMEs. An important feature of the southern Jiangsu model is the collective economy, which makes Wuxi SMEs late in restructuring and more deeply affected by institutional barriers to the development of market economy. According to the law of enterprise development, enterprises reaching the scale of 100-500 million yuan, 5-1 billion yuan and more than 1 billion yuan face different thresholds. It is relatively easy for private and original enterprises to cross these hurdles, while it is relatively difficult for converted enterprises to cross this hurdle due to the influence of the collective economy that is difficult to eliminate. Small and medium-sized enterprises need a fair, reasonable, unified and orderly market environment for industrial upgrading, and efforts to create a market environment conducive to industrial upgrading of small and medium-sized enterprises is a top priority. Especially in the field of financing, the financing channels for SMEs are narrower, the main financing channels are still bank loans, and most of them are joint-stock banks or city commercial banks, village banks, etc. The cost of funds of such banks is usually higher than that of the four state-owned banks, so the cost of lending is also high.

4.2.2. Cultural Atmosphere

As one of the birthplaces of Chinese national industry and commerce, Huishan District has the tradition of being focus on business and pro-business, and entrepreneurs are "practical" and pragmatic, which is very favorable to the industrial upgrading of SMEs. However, the human environment in Huishan is relatively less inclusive and less open than that in Shenzhen and other cities. Small and medium-sized entrepreneurs in Huishan District are generally shrewd, capable, and are of the practical type, while there are fewer enterprises with a global strategic vision, and a spirit of adventure and risk-taking, which can take the initiative to "go out". At present, the number of SMEs with overseas

investment in Huishan District is small, and the gap is obvious compared with Hangzhou and Ningbo.

4.2.3. Talent Mechanism

Small and medium-sized enterprises need a large number of business management talents for industrial upgrading. The number of professional entrepreneurs is relatively small, and the market for managers has not yet been formed, so there are both the confusion of heroes who are hard to find a place to be used, and the distress of SMEs who cannot find professional managers with both moral and talent. According to the survey, the more the scale of SMEs, the more urgent the demand for professional managers is. The main problem of the talent environment of Huishan District SMEs lies in the lack of perfect training, evaluation, selection, incentive and restraint mechanisms for entrepreneurs, and there are organizational and cultural barriers to the growth of professional entrepreneurs.

4.2.4. Present Transformation status

The overall small and medium-sized manufacturing industry in Huishan District is still at the level of industrial 2.0 or 2.0 to 3.0 transformation, and the degree of automation is very low, while the technology and cost of big data in the context of industrial Internet are difficult to be afforded by the small and medium-sized manufacturing industry.

4.2.5. Innovation Capacity

The problem of innovation and change is a prominent issue in the industrial upgrading of SMEs. The comprehensive quality of small and medium-sized entrepreneurs is still not optimistic, especially the mastery of modern scientific management knowledge, good at capturing market opportunities, able to unite the talents of all parties, honest and trustworthy high quality small and medium-sized entrepreneurs are still not many. Some enterprises in Zhejiang have already adopted advanced international concepts and standards, using the corporate social responsibility standard SA8000 to improve corporate production management, while only a few SMEs in Wuxi exporting products to Europe and the United States can passively reach this level, and some entrepreneurs are still unfamiliar with SA8000. The core technology of SMEs is restricted, the independent innovation ability is not enough, and the technology innovation system with enterprises as the main body and the combination of industry, academia and research has not yet formed the leading force. In the government-led construction of various innovation platforms, in addition to a few key enterprises, most SMEs' research and development technology is relatively weak, especially the short-sightedness of SMEs often leads to enterprises more concerned about the maintenance of existing product markets, ignoring independent innovation. Although some SMEs pay a great attention to innovation, but due to the lack of human, financial and material investment, leading to more technology research and development by introducing of technology.

4.2.6. Leading Enterprises

There are few industry leading backbone enterprises. After years of development, Huishan manufacturing industry SMEs have formed some leading backbone enterprises with good visibility and leading role in the industry, but compared with the developed areas of the Yangtze River Delta, there are still relatively fewer enterprises with industry leadership, as can be seen from the industrial key enterprise directory planned by Jiangsu Province, at present, Huishan involves enterprises both in terms of the width of the field and the number of selected is lower than that of Suzhou and other places.

4.2.7. Value Positioning

In the global value chain division of labor in the middle and low-end position. At present, high interest rate links such as product development and brand promotion are mainly in the hands of multinational conglomerates and large enterprises, while general small and medium-sized manufacturing enterprises are mostly engaged in low-end assembly and processing manufacturing outsourcing, and due to the rising domestic labor costs and the current international situation, enterprises of both high-end manufacturing and low-end processing also have the tendency to move to lower-cost regions such as Southeast Asia. Huishan District's SMEs are more dependent on foreign countries for key technologies and components, and there is not much value division of labor in high-end industries, which often leads to greater impact on enterprise revenue due to increased market competition.

5. Suggestions of Countermeasures for Industrial Upgrading of Huishan SMEs

Establishing and improving the public service system for SMEs and giving more public policy support in market access, examination, approval, services and treatment will play an important role in

removing various complex internal and external disadvantages faced by SMEs and promoting their industrial upgrading and healthy development. As public policy provider and implementer, the governments can think and plan in the following aspects.

5.1. Innovate Management System and Mechanism

With the increasing status and role of small and medium-sized enterprises in the national economy, the macro-management of small and medium-sized enterprises is particularly urgent. Due to the influence of the traditional system, our macro-management of small and medium-sized enterprises has not been perfected, the responsibilities and powers of the relevant management agencies are not clear enough, the phenomenon of multiple government departments occurs from time to time, and the government lacks long-term planning and overall consideration for the industrial upgrading of SMEs, so we must innovate the management system and mechanism to achieve the industrial upgrading of SMEs in Huishan District. Only a good institutional mechanism can effectively stimulate the vitality and creativity of SMEs. The author suggests that the government should start from three aspects, management system, function transformation and market mechanism: promoting management system innovation to improve the effectiveness of service enterprises; transforming the way the government manages the economy; optimizing the business environment to create a relaxed atmosphere for the industrial upgrading of SMEs.

5.2. Improve Supporting Policies and Regulations

Perfecting the relevant laws and regulations of small and medium-sized enterprises and optimizing the business environment are important parts of the whole public policy service system, especially the property and intellectual property protection system is one of the most important public goods for the industrial upgrading of small and medium-sized enterprises. At the national level, various laws and regulations related to protecting and promoting the development of enterprises, especially protecting and supporting the development of small and medium-sized enterprises, have been improved year by year. Some policies and regulations such as the Law on Promoting Small and Medium-sized Enterprises, the Anti-monopoly Law, the State Council's Opinions on Encouraging, Supporting and Guiding the Development of Non-public Economy such as Individual and Private Enterprises, and the State Council's Opinions on Further Promoting the Development of Small and Medium-sized Enterprises have been issued one after another. From the perspective of the author's research, we suggest that local governments should integrate policies, regulations and resources that support the industrial upgrading of small and medium-sized enterprises; create a legal environment for fair competition in industrial upgrading of small and medium-sized enterprises; provide legal protection to the disadvantaged small and medium-sized enterprises to create and maintain a legal environment for fair competition in industrial upgrading of small and medium-sized enterprises; use policies and regulations to guide the industrial upgrading of small and medium-sized enterprises.

5.3. Increase Financial and Taxation Support

Small and medium-sized enterprises are often in a disadvantaged position in the market competition due to their own weakness. The author believes that the government can moderately tilt towards small and medium-sized enterprises in the financial and taxation policies to create a more relaxed environment for the industrial upgrading of small and medium-sized enterprises. Drawing on successful experiences abroad, it is suggested that Huishan District should do the following in increasing financial and taxation support for SMEs' industrial upgrading: improve policies and regulations, optimize the financing environment; improve the financing system and innovate the financial market; and improve the credit guarantee system for SMEs.

5.4. Strengthen the Services for Skilled Personnel

In the process of promoting the industrial upgrading of Wuxi small and medium-sized enterprises, we need to enlarge our vision and think about how to better extend the two elements of technology and talent to small and medium-sized enterprises, to support small and medium-sized enterprises to "Re-start" with innovation-driven. It is believed that the key to the government is to meet the needs of both sides of existing supply and demand, provide technical personnel services for the industrial upgrading of small and medium-sized enterprises; strengthen technical services for industrial upgrading of small and medium-sized enterprises.

5.5. *Play a Service-oriented Role*

Service guidance aims at solving the common needs of small and medium-sized enterprises, smoothing information channels, perfecting operation and management, improving development quality, enhancing market competitiveness and realizing innovative development. From the three levels of government, society and enterprises, a multi-faceted public service guidance system involving technological innovation, information service, management consultation, personnel training and enterprise culture construction will be constructed. The author suggests that the following aspects can be carried out: local governments should play a oriented role; Non-governmental organizations should play a guiding role; Medium and small-sized enterprises should play a dominant role.

6. Conclusion and Prospect

Taking Huishan District of Wuxi City as the focus, this paper investigates the relationship between SME industrial upgrading and local government SME policies, and puts forward several targeted countermeasure suggestions for government supporting SMEs industrial upgrading. The main findings of this paper are as follows: (1) Many countries and regions are conscious of the important position of SMEs in economic and social development, and strongly promote policies to encourage the development and industrial upgrading of SMEs. (2) In recent years, SMEs in Huishan District, Wuxi City have made great achievements and become the main force in creating market vitality and driving economic development, but there are still constraints in the market environment, cultural atmosphere, talent mechanism and innovation capacity in industrial upgrading. (3) Innovating management system mechanism, perfecting supporting policies and regulations, increasing financial and fiscal support, strengthening technical and talent services, and playing the role of service guidance are of great importance in clearing the various complex unfavorable factors faced by SMEs and promoting their industrial upgrading and healthy development.

On the basis of this paper, the author believes that it is extremely necessary to deepen the research and suggests the following aspects: (1) Further comprehensively and scientifically sort out the academic frontiers of government support for industrial upgrading of SMEs and conduct more specific and detailed empirical research in the context of the actual economic and social development of Huishan District, Wuxi City. (2) Visit and investigate the SMEs in Wuxi in batches, truly grasp the demand situation of SMEs, and conduct more detailed research on the relationship between the industrial upgrading of SMEs and the government's public policies. (3) As a relatively developed county in the whole country, Wuxi Huishan District has its own unique mode and characteristics in the development of small and medium-sized enterprises, and whether the public policy analysis and suggestions on industrial upgrading of small and medium-sized enterprises in Wuxi Huishan District can play a common role in other regions in China and how to make this common can be fully reflected in different regions has not been further studied and discussed in this paper, which is also one of the directions that this paper can continue to be explored.

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