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Research on Public Policy Innovation Pathways in the Development of the Private Economy

Ziqing Yang ^{1,*}

¹ College of Business and Law, RMIT (Singapore campus), 599491, Singapore

* Correspondence: Ziqing Yang, College of Business and Law, RMIT (Singapore campus), 599491, Singapore

Abstract: The private economy plays a significant role in the national economy, and its healthy development is crucial for economic growth and social stability. Currently, the private sector faces challenges from changing external environments and internal transformation pressures, necessitating effective support from public policies. This study investigates potential avenues for the implementation of innovative public policies that will address barriers such as the fragmentation of public policies and inefficiency in their execution, and concludes by stressing the importance of developing a systematic policy framework, facilitating the digital transformation of service delivery, supporting government-private sector collaboration, and enhancing the public policy's ability to respond to a rapidly changing world. Through these avenues, this research provides an opportunity to inject new energy into the high-quality growth of the private sector.

Keywords: private economy; public policy innovation; policy pathways; high-quality development

1. Introduction

Policies guide the growth of a private economy, and the extent of their innovation is determined by the economy's overall vitality and how competitive a company is. As economic structural transformation progresses, traditional tools for government policy will no longer provide the necessary support for the growing, diverse economy represented by private enterprises. Consequently, the rapid pace at which structural transformation is taking place has led to an increased level of policy lag and lack of coordination. Policy innovation needs to start from top-level design, focus on optimizing the legal environment and improving service efficiency, and create stable and predictable institutional space for the private economy. This process not only involves tool updates, but also requires the establishment of dynamic interaction mechanisms between the government and market entities to accurately respond to complex economic realities.

2. Analysis of the Correlation Between Private Sector Development and Public Policy

2.1. The Intrinsic Characteristics and Contemporary Value of the Private Sector

The private economy, with its natural attribute of being close to the market, has demonstrated strong adaptability and innovative vitality. Many small and medium-sized enterprises continue to build differentiated ecosystems within their particular area of specialization, which both meets society's many needs and supports the ongoing transformation of business models. The grassroots economy supports and sustains an urban-to-rural network for maintaining employment; therefore, it has become an integral part of the overall industrial supply chain. As such, public policy should consider the

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natural relationship between an enterprise's ability to create and sustain a thriving economy and the well-being of society as a whole. Further, by allowing for flexibility in the institutional framework, this would also create an environment conducive to promoting creativity within the micro-enterprise [1].

2.2. Mechanisms Through Which Public Policy Influences Private Sector Development

The creation and implementation of public policy establishes the landscape upon which the private sector grows. Public policy provides institutional frameworks for resource allocation, while science and technology-related industrial planning point to various areas of investment and innovation for businesses. By continuously refining rules regarding market entry, the institutional barriers facing private business owners in newly developed areas of the economy have been lowered. Additionally, an improved system of law establishes an environment in which property rights are protected, contracts can be executed, and businesses can conduct their operations adequately. The coordination of policy signals allows businesses to have a lower level of uncertainty in regard to the market. Therefore, businesses will begin to invest in the long-term growth of their company via research into technology or expansion of their business.

2.3. The Core Role of Policy Innovation in Driving Private Sector Transformation

Policy innovation provides key support for the transformation of the private economy by breaking through the existing institutional framework, and it can systematically overcome institutional barriers faced by enterprises in their transformation and upgrading. Private enterprises in traditional industries are often constrained by the rigid policies of the existing system, while policy innovation opens up legal space for enterprises to explore new business models through flexible pilot mechanisms. Targeted policy tools such as R&D expense deduction directly incentivize enterprises to invest resources in the field of technological innovation. Enterprises lacking such precise guidance are prone to low-level repetitive competition. A good policy innovation ecosystem encourages private enterprises to actively adjust their development strategies, transform external policy support into internal transformation and upgrading momentum, and form a positive interaction pattern between enterprises and policy environment.

3. Core Elements of Public Policy Innovation in Private Sector Development

Public policy innovation effectiveness is based on a dynamic interrelated system of central components referred to in Table 1. The first phase of this system is visionary foresight regarding the transformational changes occurring in an industry. This vision will ultimately guide all subsequent steps in the development of innovative policies. The second phase is comprehensive assessment of all industries' barriers to access to capital and technological innovation through systematic diagnosis of real needs based on foresight. The third phase consists of diversified sets of tools, which will generate synergies across multiple interventions, and will then be executed through inter-departmental networks to ensure that they are integrated, and therefore optimize the overall system through embedded feedback and continuous improvement processes.

Table 1. Core Elements and Key Focus Areas of Public Policy Innovation.

Core Elements	Key Focus Areas
Strategic Forecasting	Assess industrial technological shifts and medium-to-long-term market dynamics
Needs Diagnosis	Identify practical constraints faced by enterprises in financing, R&D, and talent recruitment
Toolkit Integration	Design coordinated implementation plans for fiscal, financial, and market access tools

Execution Synergy	Establish a cross-departmental, multi-level policy execution network
Feedback Iteration	Conduct dynamic adjustments based on performance evaluations and entrepreneur feedback mechanisms

4. Current Challenges in Public Policy for Private Sector Development

4.1. Fragmented Policy Systems and Insufficient Coordination

At present, some areas do not have adequate standards for the coordination of policy-making among departments, and the lack of consistent standards across organisations or institutions from different government departments has led to many instances of businesses submitting duplicate documentation when dealing with inter-departmental business transactions. Multiple government agencies tend to publish and maintain a variety of various policies supporting various types of businesses, making it difficult for many small and medium-sized businesses to find appropriate support policies, which requires them to devote considerable amounts of time to research governmental support programmes. There is insufficient coordination and connection between policy instruments. For example, the use of fiscal subsidies and tax incentives in a coordinated manner to support company innovation activity has not yet occurred. There are few systems in place for co-ordination between departments, therefore there is a need to improve the capacity for efficient use of policy resources. In some locations, the implementation of industrial policy and talent policy is also inconsistent in terms of their target audience. Lack of availability of information sharing platforms has resulted in it being difficult for businesses to obtain a full and accurate description of all available policies, thus increasing the costs of compliance for private enterprises [2].

4.2. Disconnect Between Policy Supply and Actual Business Needs

Some existing public policies do not fully address the needs of businesses in their development, creating a gap between what is included within the policy and what is needed by businesses in the market. Policy requirements are often greater than most small and medium-sized businesses can meet, effectively eliminating these businesses from receiving support when they would benefit the most from this support. Policy adjustment cycles fall behind the rapid changes occurring in the marketplace and, therefore, businesses in emerging industries frequently experience a gap or delay in the availability of policies. Additionally, because there is no flexible adjustment mechanism within these policies, businesses of all sizes do not have the support that will help them meet their needs. As time goes on, the effectiveness of these policies will continue to diminish due to this gradual decline in the value of the assistance being provided. Understanding how to utilize policy is difficult for most businesses, as is the application process; these issues diminish the likelihood that businesses will be motivated to participate in receiving any incentive that may be available to them through the policy. In order to receive assistance through the R&D expense subsidy policy, businesses must possess certain certifications; small and micro-businesses are usually unable to meet these specific requirements. Therefore, this policy does not assist small and micro-businesses in their innovation efforts, which usually require financially supporting their activities.

4.3. Inefficient Policy Implementation and Limited Impact

The current public policy faces the challenge of transmission from institutional design to market effectiveness at the implementation level, with the core being the mismatch between policy text and implementation environment. Policy provisions often require secondary interpretation by grassroots implementers in the specific implementation process, and the lack of unified interpretation standards leads to differentiated admission conditions for similar enterprises in different regions. Taking the

application for special funds for technological innovation as an example, the same policy may result in different application material requirements and evaluation standards in different executing agencies. The ambiguity of implementing standards forces companies to spend additional resources on policy compliance consulting, rather than focusing on technology research and market development. When market entities need to continuously cope with the uncertainty of policy implementation, their long-term investment decisions will naturally tend to be conservative, and the expected guiding effect of the policy will be greatly reduced as a result. If the issue of adaptability in the execution process is not effectively resolved, even well-designed policies will be difficult to achieve the expected goals.

4.4. Lack of Innovative Policy Tools and Adaptability

The current public policy shows a certain degree of singularity in tool application, with traditional subsidies and tax reductions still dominating, making it difficult to match the increasingly complex innovation needs of the private economy. The policy toolkit lacks refined solutions tailored to the characteristics of different industries and the growth stages of enterprises, which makes it difficult for some emerging fields of enterprises to obtain adaptive support. Taking the financing needs of innovative enterprises as an example, traditional credit tools cannot effectively evaluate the value of intellectual property, while new tools such as equity investment funds have not yet formed economies of scale. The pace of updating policy tools lags behind the speed of market innovation, making it difficult for enterprises to obtain timely and effective institutional support in their transformation and upgrading. Policy tools lacking flexibility are difficult to adapt to regional economic development differences, and some regions directly apply successful models from other regions, resulting in a phenomenon of adaptation. The awareness and application ability of policy makers towards new policy tools need to be improved, and the promotion mechanism of pilot experience has not been fully established, which has affected the diffusion effect of innovation policies [3].

4.5. Absence of Mechanisms for International Market Adaptation and Risk Management

The existing policy design lags behind in the integration of international rules and fails to fully anticipate the chain effects of changes in the global trade pattern on private enterprises. The support system has obvious shortcomings in professional service areas such as international commercial arbitration and cross-border protection of intellectual property, and enterprises often lack effective institutional support when facing foreign-related disputes. The information update mechanism is difficult to track the dynamic adjustments of different market technology standards and admission conditions in real time, resulting in a time gap in the information obtained by enterprises through their own channels. The risk warning mechanism has not yet established a systematic international political and economic fluctuation assessment system, which makes enterprises unprepared for unexpected situations such as foreign exchange fluctuations and supply chain disruptions. Various foreign-related support policies lack coordination and cooperation in the implementation process, and enterprises face difficulties in integrating and utilizing relevant policies due to complex procedures and scattered resources. This situation requires private enterprises to bear higher compliance costs and operational risks in the process of exploring international markets, weakening their original motivation to participate in international competition.

5. Pathways for Public Policy Innovation in Private Sector Development

5.1. Establishing a Multi-Tiered Policy Support System and Strengthening Top-Level Design

The key to building a multi-tiered policy support system lies in matching differentiated policy tool combinations based on different stages of enterprise growth. Its core logic is to establish a step-by-step, all-encompassing support network, whose structure can be referenced from the Figure 1. This framework reveals that policy provision should transition smoothly from foundational universal support in the startup phase to specialized empowerment in the growth phase, ultimately achieving strategic guidance for mature enterprises.

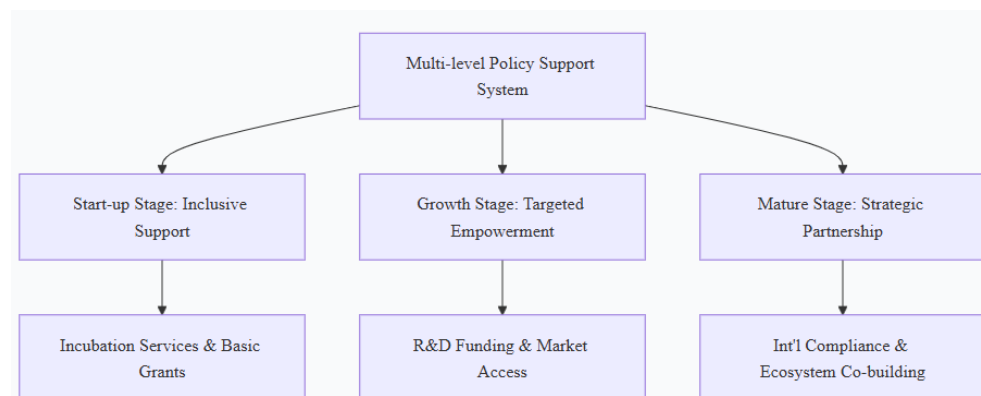


Figure 1. Framework Diagram of a Multi-Level Policy Support System.

In practical implementation, policies targeting startups should focus on lowering their survival barriers, such as providing low-cost shared office spaces and one-stop business services by integrating social resources. For enterprises in rapid growth stages, policy priorities should shift to alleviating innovation pressures and market expansion risks. This could involve establishing an additional reward mechanism for corporate R&D investments and organizing supply-demand matching sessions for key industrial chains in collaboration with industry associations. For mature enterprises with industry leadership, policy roles need to transition from "regulators" to "collaborators" to jointly address systemic challenges such as international standard alignment and the construction of regional innovation ecosystems. Strengthening top-level design serves as the coordinating hub for this dynamic system, with the core objective of establishing a permanent cross-departmental policy review mechanism. This mechanism would conduct compatibility reviews and impact simulations for all proposed business-related policies, ensuring that various tools synergize horizontally rather than counteract each other [4].

5.2. Advancing Policy Digital Transformation and Enhancing Service Efficiency

Policies for digital transformation should be developed through the creation of a single national enterprise service data platform. This will create a complete picture of all businesses by eliminating data silos in the areas of market monitoring, taxation and social security. The agency overseeing the platform should develop an intelligent matching tool using deep learning, allowing for the automatic matching of business inputs to the relevant policies. Once a business has entered its industry, number of employees and revenue, this tool will generate a list of policies that are relevant to that business. The government service center should provide information about this tool and support all government agencies in moving to an online collaborative approach to processing approvals that previously required in-person visits to multiple government agencies. With this approach, a business will only need to submit documentation once, and all agencies will be able to share the documentation through the use of electronic licenses.

Improving service efficiency requires establishing a digital monitoring system for the entire process of policy implementation, and embedding quantifiable performance indicators in the policy release stage. Third party evaluation agencies can track the application rate, implementation rate, and coverage of various policies in real time through platform data, and regularly generate policy effectiveness evaluation reports. The policy regulatory department should establish a rapid iteration mechanism based on enterprise feedback, and immediately initiate optimization procedures when the approval rate of a policy application remains low. The service window needs to retain aging friendly and inclusive service channels, while developing enterprise service applications adapted to mobile terminals, forming a complementary service matrix of online and offline. This new governance model that deeply integrates digitalization and services can significantly reduce the institutional transaction costs of enterprises, and help the government accurately monitor market dynamics, providing data support for subsequent policy innovation.

5.3. Improving Government-Enterprise Interaction Mechanisms and Boosting Policy Responsiveness

To create an effective system for how government and businesses interact, government agencies must facilitate the development of institutionalised two-way communication between government and business, and establish policy consultation committees made up of representatives from the government's economic development agency, industry trade associations, and businesses of varying sizes. It's the responsibility of each committee to meet at least once a month and to hold thematic meetings that address specific issues, such as the financing of businesses, technological innovation, and market access for businesses. The agreement reached by each committee during the monthly meetings must be captured in a tangible way by issuing clear statements of work that identify how government agencies will address the issues discussed at the meeting. Each government agency involved in the policy-making process must provide an update on the status of each task within a reasonable timeframe, typically no longer than one month from the date of the committee meeting. Additionally, each government policy-maker should implement a systematic method of soliciting input from businesses in the area of policy drafting and through the use of a combination of online input forms and in-person interviews with market entities.

Enhancing policy responsiveness requires policy implementation departments to establish specialized enterprise demand analysis teams, systematically sorting out the actual problems reflected by various market entities in the policy implementation process. For difficulties in understanding or implementing policy terms that are subject to centralized feedback from enterprises, relevant departments should initiate a rapid response procedure upon receiving the report and organize experts and enterprise representatives to jointly discuss solutions. Policy evaluation agencies need to regularly conduct empirical research on policy effectiveness, and form revision recommendations based on enterprise survey data and third-party evaluation results. The policy optimization plan formulated based on the evaluation conclusion should clearly define the specific adjustment content, responsible departments, and completion deadlines to ensure the orderly progress of policy revision work [5].

5.4. Optimizing the Legal Environment and Ensuring Policy Stability and Fairness

Optimizing the legal environment requires legislative bodies to systematically review current commercial laws and regulations, and promptly revise provisions that are not compatible with the innovative development of enterprises. The judicial department should establish a specialized trial mechanism for enterprise related cases and promote element based trial models in areas such as intellectual property protection and contract disputes. Market regulatory agencies need to develop standardized work procedures for

administrative law enforcement, clarify the identification standards and punishment scales for various illegal behaviors, and minimize discretionary space. The legal publicity department can collaborate with law firms to conduct corporate legal risk prevention and control training, helping market entities establish compliance awareness.

In order to maintain policy stability, it is imperative for government departments to develop a mechanism that allows for an orderly transition related to changes in policy. Major changes to the policy should allow for at least a reasonable period of time for adaptation. As part of the development of new policies, policy-making agencies must develop standard templates to be used by all agencies when interpreting policies, and all agencies must use official channels to provide implementation details and operational guidelines. A long-term process for evaluating policies and a requirement that agencies conduct a comprehensive and systematic evaluation of policies after the first three years of implementation must be implemented, with an evaluation determining whether to continue with, update, or revoke the policy. Agencies must set up a hotline and online Q&A system whereby employees provide answers to the various questions multiple companies may have as they learn and implement policies, thereby ensuring that policies are implemented properly without any inadvertent misunderstanding or distortion of the intent of the policies.

5.5. Refining Policy Innovation Incentives and Implementing Regional Differentiated Pilot Programs

Improving policy innovation incentives requires government departments to establish inclusive and prudent fault-tolerant mechanisms, and provide moderate tolerance for non subjective mistakes that occur in policy innovation exploration. Superior departments should incorporate the effectiveness of grassroots policy innovation into the cadre assessment and evaluation system, and provide corresponding incentives for innovative practices that have achieved significant results. The allocation of fiscal funds can establish a special fund for policy innovation to support various regions in carrying out policy pilot projects with local characteristics. Establish a policy innovation experience exchange platform, regularly select innovative cases with promotional value for nationwide experience sharing and model promotion.

The pilot projects in each region should be organized into categories and developed in accordance with each particular region's stage of development and industrial characteristics. Furthermore, each pilot project area may customize their application requirements and level of support for certain policy tools according to the industrial characteristics of the region as well as the needs of their respective businesses, within the existing framework of federal and state laws and regulations. To evaluate the effectiveness of the pilot programme's policies, a comprehensive evaluation framework will be developed so that the development of local businesses and the transferability of policy innovations can be measured. Successful pilot programmes will then be added to the standardised policy toolbox, thereby making available to other regions tested policy solutions for their consideration and implementation [6].

6. Conclusion

Public policy innovation provides ongoing life and energy to the economy of the private sector while pursuing its exploration will require balancing between systematic designs and differentiated practices. Digitalization and law will continue to assist to minimise, over time, the fragmentation of the public policy system and to enhance ongoing efficiency in public policy implementation, while governmental business interaction will improve effectiveness in the implementation of public policy into the future. Therefore, where possible in the future public policy innovation should seek to utilise both long-term incentives and short-term trial projects, to successfully integrate private industry into high-quality growth of the economy in a stable and equitable manner.

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