

The Impact of Government Policies on Entrepreneurship

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by

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Abstract

The objective of this thesis research was set to investigate what kind of government policies can effectively stimulate entrepreneurship under the current economic and political environments in China. In the same entrepreneurial environment, there is a certain gap in entrepreneurial behavior and effect among provinces in China. In order to find out the reasons for this gap, this paper takes Henan Province and Zhejiang Province as the research samples, sets Zhejiang Province as the treatment group and Henan Province as the control group, and explains and demonstrates the conjecture of this reason by case analysis and “Differences-in-Differences” method (DID).

In this paper, through combing the entrepreneurship policies of the two provinces, we find out the differences between the two provinces, that is, Zhejiang has implemented the policy of characteristic towns, but Henan has not. Therefore, this paper intends to find out the relationship between the characteristic town policy and entrepreneurial behavior and effect, and puts forward three research hypotheses: first, the characteristic town policy will attract more equity funds to establish or invest; second, the characteristic town policy will promote local entrepreneurial behavior; third, the characteristic town policy will promote local enterprise innovation.

After collecting and sorting out the relevant data of the treatment group and the control group, and using the DID method for regression analysis, this paper verifies the hypothesis, that is, the incentive and promotion of characteristic town policy for entrepreneurial behavior and effect.

Key words: Entrepreneurship Policy; Entrepreneurial Behavior and Effectiveness; Characteristic Township Policy; Policy Targeting; Policy Stability

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The Impact of Government Policies on Entrepreneurship

1. Introduction

1.1. Research Issues and Significance

1.1.1. Research Issues

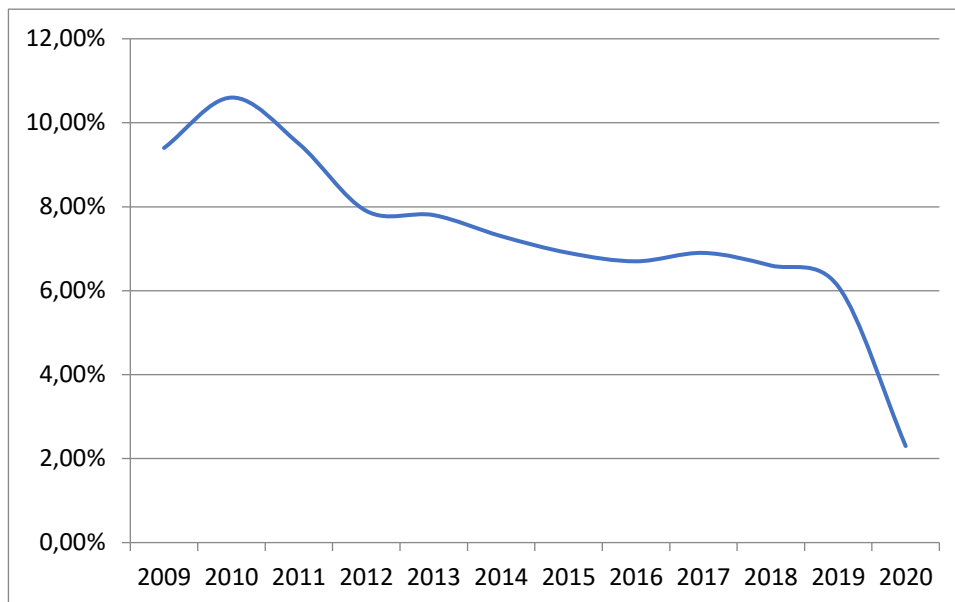
Entrepreneurship is viewed as a blood supply for the economic development of a country or a region. To a certain extent, the degree of entrepreneurial activity represents the degree of economic prosperity of a country or a region. In addition, since startups have an irreplaceable role in increasing job opportunities, promoting economic growth, technological innovation and social harmony and stability, effective guidance and incentives for innovation will have major impact on national and local economic and social development.

With the recently rapid social and economic development in China, the importance of innovation and entrepreneurship has been increasingly reflected in various areas, mainly including the following two aspects:

First, China's economic development has recently entered a new norm: traditional rapid growth momentum is weakening, resource and environment constraints are intensifying, and manufactory and production costs are increasing. These changes require us to modify the development mode and improve innovation and entrepreneurship.

Secondly, China's economic growth in recent years has slowed down, as shown in Figure 1, China's GDP growth has been decreasing year by year since 2010, and the development of science and technology has improved the per capita work efficiency and reduced labor demand, which has made the employment pressure of working population become an urgent, painful, and difficult social issue in China. Therefore, encouraging massive entrepreneurship is viewed as an effective means to alleviate employment pressure and social contradictions.

Figure 1: China's GDP growth curve over the years from 2009 to 2020



More recently, the Chinese government has been promoting innovation and entrepreneurship by formulating and promulgating a series of government policies. The objective of this thesis research is to determine the practical effect of entrepreneurship policy on entrepreneurship behavior and effects on economic development by using double difference method and case study, demonstrating effective government policies that can stimulate and guide public entrepreneurship behavior. It is hoped that the present study will fill the gaps in relevant research areas and put forward corresponding recommendations that can help formulate national and local entrepreneurship policies to best promote socio-economic development in the future.

1.1.2. Research Significance

① Theoretical significance

Although "Entrepreneurship and Innovation" has been increasingly motivated and supported by China's current policies with certain success in recent years, the implementation of such entrepreneurial policies remains limited for the whole society. There are no systematic review and research on the entrepreneurial policies formulated and promulgated by various levels of government in China, and there is no empirical test of various entrepreneurial policies on entrepreneurial behavior and effects on economic growth. The government's role in stimulating entrepreneurial policies needs to be better clarified, and the present study aimed to fill this knowledge gap.

② Practical significance

The practical significance of the present study can be reflected by our suggestions based on our research results that may be useful for the government to make more appropriate and effective entrepreneurial policies in the future. It is hoped that our results and recommendations can provide a basis for national and local governments in their policy making process, improving scientific merit and rationality of their entrepreneurial policies.

1.1.3. Literature Review

The policy documents reviewed in the present study were mainly the relevant policies on innovation and entrepreneurship issued by the central government of China, and the governments of Henan and Zhejiang provinces. The main sources of reviewed materials were obtained from the websites of the Chinese People's Government and Henan and Zhejiang provincial governments.

There have been relatively systematic studies on government entrepreneurship policy in the West. For example, the Book 《 Entrepreneurship Policy: Theory and practice》 (Anders Lundstrom and Lois A. Stevenson , Kluwer Academic Publishers , 2005) redefines the field of government entrepreneurship policy by studying and evaluating the practice of government entrepreneurship policy in 13 developed countries in Europe, North America and the Asia Pacific region, The author thinks that entrepreneurship policy is a separate field different from SME policy. In China, there is no systematic research on the impact of government policies on entrepreneurship. However, there have been some research papers on entrepreneurship policy, such as 《 The main characteristics of foreign entrepreneurship policy and Its Enlightenment to China》 (Fu Jinhua, Zheng Fengtian, Liu Xudong, China Science and Technology Forum, 2011), which aims to compare the differences between China and Western countries in terms of entrepreneurship policy, so as to provide reference for China's entrepreneurship policy.

Also, this paper pay attention to many papers on the impact of government policies on innovation. For example, Bhattacharya *et al.* (2017) have found that the impact of corporate innovation is not related to the strength or tendency of policies, but the stability of policies, which inspired us to study what kind of policies could encourage entrepreneurship.

For the study of the role and influence of entrepreneurship policy, our research was based on the materials collected and focused on the role and effect of specific policies, such as financial, educational and other policy categories, and specific targeted groups, such as college students' entrepreneurship policy. Several publications are reviewed, including the

following examples: the evaluation and suggestions of Zhongguancun Entrepreneurship Talent Policy on the role of talent policy (Huang Jingbao, Ma can, national circulation economy Ji, January 2018), master's thesis on the role of financial policy, a research on the economic effect and action path of government investment fund (Zhang zenglei, China Academy of financial Sciences, 2018), research on the effectiveness evaluation and optimization of university students' innovation and entrepreneurship policy, and research on the role of University Students' Entrepreneurship Policy (Yu yudie, Wu zhaona, Chen Juwei, Li Xiaowen, modern commerce and Industry, No. 2, 2019, 14).

There are also publications on effects of government policy or resource intervention in the market, such as government subsidies, government-guided funds and so on, which may crowd out private investment and produce "crowding-out effect" (Cumming and MacIntosh, 2006), and excessive government policy intervention that may lead to distorted resource allocation (Wang et al, 2012; Brand et al, 2012). These studies also provided some thoughts and inspirations for us to study how the government should formulate reasonable policies to encourage entrepreneurship.

1.2. The Current Status of China's Entrepreneurship Policy

1.2.1. Historical Review of China's Policy: Incentives for Entrepreneurship and Four Entrepreneurial Waves in Modern Chinese Society

The Chinese government has always been supporting innovation and entrepreneurship. Since China's reform and opening-up policy became effective in 1978, there have been four waves of entrepreneurship.

The first wave of entrepreneurship was seen in 1978, when reform and open-up became a national policy, which was marked by the adoption of two agricultural policy documents by the Third Plenary Session of the 11th Central Committee of Chinese Communist Party. The lifting of the ban on rural industry and commerce, the family sideline business, and the rural market was recognized by the “84 group” (which refers to the group of entrepreneurs who started their business in 1984). The characteristics of this wave was “grassroots entrepreneurship”, which produced a number of powerful township and village enterprises, such as Midea, Galanz and Wanxiang Group, making the township economy once occupy a pivotal social and economic status.

The second wave of entrepreneurship occurred in the early 1990s. During his tour to Southern China in 1992, Deng Xiaoping pointed out that both planning and market-driven

economic instruments were applicable in China and clearly stated the "three favorable" standards for developing economic policies. Different from the self-employed and peasant entrepreneurial innovation at the beginning of reform and opening up, this wave of entrepreneurial innovation was based on the people in the established economic system, including the administrative personnel of government departments and research institutes, which could be characterized as "elite entrepreneurship", so called "92 group" (which refers to the group of entrepreneurs who started their business in 1992) .

The third wave of entrepreneurship occurred in the early 21st century, with the most important sign of this entrepreneurial wave beginning on December 11, 2001, when China officially joined the World Trade Organization (WTO). China's rapid integration into globalization has made the development of the world's Internet economy begin to have a profound impact on China's economic and social development. With the strategic combination and mutual promotion of Internet technology, venture capital, and capital markets, the third wave of entrepreneurial innovation was characterized by bringing the Internet economy to the whole society, and the entrepreneurs of this wave were called the "99 group" (which refers to the group of entrepreneurs who started their business in 1999) .

The fourth wave of entrepreneurship took place more recently, which is also viewed as the largest wave of entrepreneurial innovation in China's modern history. At the Davos Summer Forum in September 2014, Premier Li Keqiang first proposed the new concept of "People's Entrepreneurship and Innovation". "Entrepreneurship and Innovation" were written into the 2015 governmental work report, which became the sign of the fourth wave of entrepreneurship. Unlike the previous three waves of entrepreneurship, the participants in this wave of entrepreneurial innovations cover all levels of the society, including researchers, youth and university students, international talents, returnees of overseas experts, and grassroots groups.

1.2.2. China's current major entrepreneurship policies

The present study was mainly focused on the current China's entrepreneurship policies, which are mainly developed during the fourth wave of entrepreneurship, and their impact on entrepreneurship behavior and effectiveness.

From September 2014 to the end of 2018, China's State Council issued a total of 1957 policies, including 342 policies (17.48%) related to innovation and entrepreneurship, fully demonstrating the importance of innovation and entrepreneurship recognized at the national

level. Table 1 further presents the statistics on the policy documents and those related to innovation and entrepreneurship issued by the central government of China from 2011 to 2018.

Table 1-The number of policy documents issued by the Chinese government from 2011 to 2018 and the number of documents related to innovation and Entrepreneurship

Year	2011	2012	2013	2014	2015	2016	2017	2018
Total number of policy documents issued by the central government	395	545	292	176	305	782	326	477
Number of documents related to innovation and Entrepreneurship	16	23	28	35	78	109	80	62
Percentage (%)	4.05%	4.22%	9.59%	19.89%	25.57%	13.94%	24.54%	13.00%

As shown in Table 1, the Chinese central government has been increasing its support for innovation and entrepreneurship since 2014, as illustrated by the increase in the number and proportion of policies issued. From 2011 to 2013, the number of policy documents related to innovation and entrepreneurship accounted for less than 10% of the total number of policy documents issued by the central government, and even less than 5% in 2011 and 2012; from 2014, innovation and entrepreneurship policy documents began to increase significantly; the number of policy documents related to innovation and entrepreneurship accounting for nearly 20% of the total number of policy documents in 2014, twice as much as before, and even more than 25% in 2015, fully showing that the Chinese government attaches importance to and supports innovation and entrepreneurship, which has also promoted the emergence of the fourth wave of entrepreneurship in China.

As shown in Table 2, our search indicated that the number of times that the key words as associated with innovation and entrepreneurship appeared in the government work reports increased remarkably between 2011 and 2019.

Table 2- The number of times that the key words associated with entrepreneurship and innovation appear in Chinese central government work reports over the years.

Key Word	2011	2012	2013	2014	2015	2016	2017	2018	2019
Innovation	32	24	16	27	38	61	41	59	43
Entrepreneurship	3	3	2	8	13	22	13	13	6
Enterprise	29	36	19	32	39	48	46	51	59
Entrepreneur	0	0	0	0	1	1	2	4	2
Development	185	165	139	121	134	152	134	151	137
Government-business relationship	0	0	0	0	0	0	1	1	1

It can be seen from Table 2 that the number of key words such as innovation, entrepreneurship, enterprises, and entrepreneurs appearing in the work report of the Chinese central government showed an increasing trend, which further proves the Chinese government's concern and support for innovation and entrepreneurship. Especially in 2015, the term "entrepreneur" appeared for the first time in the Chinese government's work report, and in 2017, the term "government-business relationship" appeared for the first time, and the report specifically proposed to "inspire and protect the entrepreneurship and make the enterprises operate safely and invest safely", signaling that the Chinese government began to attach importance to the entrepreneurship at national level and support entrepreneurship, strengthening the public's support for becoming entrepreneurs.

China's entrepreneurship incentive policies are mainly formulated from three aspects: encouraging entrepreneurship (media guidance, encouraging people from all walks of life to participate in entrepreneurship), reducing entrepreneurship standards and requirements (simplifying business registration and approval processes), and promoting entrepreneurship success (providing special financial and other critical services). According to the different functions of entrepreneurship policy, we could classify entrepreneurship policies to several categories such as threshold policies, financial policies, tax policies, talent policies, and other policies. Among them, the threshold policy is mainly the commercial reform policy aiming to increase convenience for entrepreneurship; the financial policy mainly provides financial support to entrepreneurship; the tax policy mainly focuses on preferential tax policies for

entrepreneurs; and the talent policy mainly includes the targeted recruitment and retention of entrepreneurship talents; and other policies are effective policies related to entrepreneurship other than the aforementioned four types of policies.

China's central government and its various departments frequently promulgate incentive policies related to entrepreneurship, resulting in encouraging entrepreneurship for the entire society. In the first half of 2018, an average of 18,100 new enterprises was registered every day in China. The total number of market entities exceeded 100 million for the first time in history, which effectively boosted employment. With more than 120 "E&I" demonstration bases, 5,500 maker spaces, 4,000 technology incubators, and 3,500 venture capital institutions flourishing, China is becoming the world's second largest venture capital market.

On October 31, 2018, the World Bank released its "2019 Business Environment Report", which surveyed 190 countries and regions around the world, and China ranked 46th in that report, which was the first time for China to enter the Top 50. According to the report, China has made a record number of reforms to improve the business environment for small and medium enterprises in the past years, and made great progress in seven reforms such as starting a business, handling construction permits, obtaining electricity, and cross-border trade¹. On July 10, 2018, the United Nations World Intellectual Property Organization (WIPO) published the 2018 Global Innovation Index, in which China (Mainland) ranked 17th. China entered the top 20 in this index for the first time, and was the only medium income country to enter the Top 20.

1.2.3. Problems in the policy that have an impact on entrepreneurship

However, there are still some problems in policies that have a negative impact on entrepreneurship. The major problems are discussed in the following section.

Geographical differences in the understanding and implementation of entrepreneurial policies have resulted in different entrepreneurial effects in different regions. For example, after the introduction of entrepreneurship policy at the national level, there are significant differences in entrepreneurial atmosphere and entrepreneurial behavior in various provinces in China.

According to Netease cloud and IT orange statistics, , in 2018, the numbers of startup

¹ All these seven reforms entered top 10 in the world, and ranked first in the East Asia Pacific region.

companies in Beijing, Guangdong and Shanghai were 29,568, 21,959 and 16,112, respectively, accounting for more than 65% of the country's total. These are gathering places for entrepreneurs. Zhejiang, Jiangsu, Sichuan, and Fujian are considered second tier in the echelon..

The venture capital circle (VC.CN) released its "2016 China Venture Capital Industry Annual Ecological Report" on February 16, 2017, indicating that, in 2016, the proportions of venture capital in Beijing, Guangdong and Shanghai were 26.69%, 15.73%, and 11.79%, respectively. These areas have become the most intensive financing area in China.

According to the survey, among the top ten provinces in terms of entrepreneurship, there have been different trends in 2015-2016, with Zhejiang, Chongqing and Sichuan becoming the fastest growing regions, at growth rates of 38.3%, 32.5% and 19.66, respectively. During the same time, Beijing, Henan, and Fujian showed the fastest decline in entrepreneurship, at the rates of 13.19%, 8.36%, and 3.79%, respectively.

The reasons for the observed differences are not fully understood. Defining the causes for these differences would facilitate establishing effective entrepreneurial policies and providing reasonable incentives for the government to make needed adjustments in policy.

②The government's support for "Entrepreneurship and Innovation" through policies has not been fully recognized. Some of the controversies are discussed in the following section.

A. The rising public sector spending caused by government subsidies and government guidance may drives down or even eliminate private sector spending (Cumming and MacIntosh, 2006);

B. Excessive intervention through government policies may result in distortions in resource allocation (Wang *et al*, 2012; Brand *et al*, 2012).

The above findings questioned the government's excessive intervention in the market-driven economy. The former's view was based on the direct introduction of government resources into the market, which may reduce the market share of private investment. The latter pointed to that the direct intervention of government resources affected the normal development of the market.

At present, there are few systematic studies on the government's incentive and

entrepreneurship policies. The critical question to address is what kind of incentive and guidance methods should the government choose to ensure that the government plays a guiding and incentive role, while reducing or avoiding negative impacts?.

In the present study, the policies related to entrepreneurship issued by the Chinese people's government from September 1, 2014 to December 31, 2018 were categorized and counted. The preliminary results are shown in Table 3.

Table 3- Number of major entrepreneurship policies in China

Policy Categories	Main Contents	Number of Documents Involved
Threshold policies	Simplification of government and decentralization of power, reduction of entrepreneurship standards, administrative cost relief, etc.	51
Financial policies	Promoting business loan to startup enterprises, setting up government guiding fund, government financial subsidies, and promoting the development of multi-level capital market, etc.	29
Tax policies	Various forms of tax reduction and exemption	86
Talent policies	Recruitment and retention of talent and experts	34
Other policies	Characteristic township policy, support for public space policy, entrepreneurship service, entrepreneurship public opinion guidance, fair market competition environment, etc.	109

As shown in Table 3, the government policies on entrepreneurship mainly focused on reducing entrepreneurship threshold, reducing taxes and fees, and creating business-friendly environment. These government policies encouraged entrepreneurship from private sectors to create a good market environment, rather than direct intervention using government resource, which is preferable for many parties in entrepreneurship. It also shows the sober understanding of the Chinese government in respect of market rules.

As can be seen from the above Table 1, in September 2014, after the Chinese government put forward the idea of "public entrepreneurship and universal innovation", China's entrepreneurship policy documents were increasing year by year, peaked in 2016, and began to decline in 2017. As of the end of September 2019, the Chinese government's policy documents on entrepreneurship in 2019 were only 39, showing a continuous downward trend, which also shows that the Chinese government is consciously reducing policy intervention in the market.

2. Inter-provincial comparison of entrepreneurial policies

As mentioned above, under the premise of Chinese government's policy incentives for entrepreneurship, there are obvious differences in entrepreneurial behavior and effectiveness among various provinces and regions in China. The major reason for these differences may be that China's national government's entrepreneurship policy is a general guidance and that provincial governments need to formulate their policy by formulating more contents that can be implemented in accordance with the national policies and at the same time more specific and more executable according to local economic and social development status and environments. In the present study, we investigated the impact of different policies formulated by different provinces on entrepreneurship, so as to discover what policies are more effective.

For the purpose of comparison, we selected Zhejiang Province as the treatment group and Henan Province as the control group. These selection was based on the following factors:

The difference in GDP between the two provinces is small, which indicated that the economic development level of the two provinces is similar, excluding the impact of the overall economic development level on entrepreneurship, thus reducing their impact on entrepreneurship behavior.

On the other hand, there are some differences in the entrepreneurial atmosphere and entrepreneurial behavior between the two provinces. For example, as mentioned above, Zhejiang is an active province for entrepreneurship, but Henan is not. This provides a certain possibility and basis for the study of the impact of policy on entrepreneurship under the same market conditions.

We sorted out the main entrepreneurship policies of the two provinces, and found out that a kind of landmark entrepreneurship incentive policy which has been promulgated in Zhejiang but not in Henan province.

2.1. Comparison between the entrepreneurship policies in Henan and Zhejiang Provinces

We analyzed and compared the entrepreneurship policies of Henan and Zhejiang in five categories, including threshold policy, financial policy, tax policy, talent policy, and other policies.

Table 4- Categories and Contrasts of Entrepreneurship Policies in Zhejiang and Henan Provinces

Policy Categories		Zhejiang Province (Treatment)	Henan Province (Control)
Threshold policies,	Business process simplification	Yes	Yes
	Relaxation of registered business restrictions	Yes	Yes
	Administrative cost relief	Yes	Yes
Financial policies	Loan Risk Guarantee System	Yes	Yes
	Establishment of Guidance Fund	Yes	Yes
	Financial subsidies	Yes	Yes
	Developing Multi-level Capital Market	Yes	Yes
Tax policies	Income Tax Relief	Yes	Yes
	Other tax incentives	Yes	Yes
Talent policies	Special Program for Introducing Talents	Yes	Yes
	Talent subsidy	Yes	Yes
Other policies	Characteristic Township	Yes	No
	Entrepreneurship Education Entrepreneurial Service Training	Yes	Yes
	Maintaining a Fair Competitive Market Environment	Yes	Yes
	Cooperate with scientific research institutes to promote the transfer and transformation of technological achievements	Yes	Yes
	Create a culture of innovation and Entrepreneurship	Yes	Yes

As shown in Table 4, the measures taken by Zhejiang and Henan Provinces in terms of threshold policy, financial policy, tax policy and talent policy were basically the same.

The difference lies on the existence or absence of the characteristic town policy, i.e., Zhejiang Province had but Henan Province did not. One of the research factors needed by the difference method is the implementation effect of characteristic township policy on entrepreneurship behavior and effectiveness.

By comparing the policies of the two provinces, we also found that the differences in entrepreneurial policies were mainly reflected in two aspects. One was the difference between the existence and absence of an entrepreneurial policy, a specific policy exists in the treatment group, but not in the control group. This kind of difference might cause the difference in entrepreneurial effect.

The second is the difference in the strength of entrepreneurship policy, which is mainly reflected in the number of entrepreneurship policy documents, the size of entrepreneurship guidance fund, the number of financial subsidies and so on. However, by combing these data, we find that the difference between the two provinces in policy strength is not significant, and these data cannot fully reflect which province is better in policy strength.

For example, Zhejiang province gives special support of 5-10 million yuan to the maker space for specific construction, while Henan province gives a maximum subsidy of 2 million yuan to a single maker space. Although the amount of money in Zhejiang Province is higher, the standards of maker space supported by the two provinces are different. Zhejiang Province aims at the key maker spaces, while Henan Province aims at all maker spaces. At the same time, we can't determine the amount of maker space supported by Zhejiang Province and Henan Province, so we can't determine which side of the two has more investment, or more strength.

In addition, in terms of the number of government policy documents, the difference between the two provinces is not obvious. Therefore, this paper thinks that these differences are not suitable as the research object of policy factors affecting the entrepreneurial behavior and entrepreneurial effect of the two provinces, so this paper does not make an analysis of these issues for the time being.

2.2.The Impact of Characteristic Township Policy on Entrepreneurship

As aforementioned, the entrepreneurial policy which Zhejiang has while Henan doesn't have is the characteristic township policy. Therefore, the present study mainly analyzed the influence of the characteristic township policy on entrepreneurship. The analysis methods used in the present study were case study and double difference method.

Double difference method was a scientific analytical method to find out the different effects under different policy conditions, to confirm the impact of different policies on the results. Case analysis method was to illustrate the advantages of the special township policy by introducing the main operation modes and entrepreneurial effects to the special town.

2.2.1. Policy Review of Characteristic Towns

The characteristic towns in Zhejiang Province are not a town defined by administrative structure or a zone of industrial parks. Instead, they are based on the concept of innovation, coordination, green, open, and sharing economic development, focusing on seven emerging industries such as information economy, environmental protection, health, tourism, fashion, finance, and high-end equipment.

The inspiration of the characteristic township stemmed from the characteristic towns of other countries, such as the Swiss towns, the Greenwich hedge fund towns in the United States, and the small towns in France. The industry is characterized by unique culture and full of charm.

After the early publication of the provincial government's work report in early 2015, the characteristic township concept attracted the attention of all parties and was promoted and implemented as one of the key tasks of Zhejiang Province. In April 2015, the provincial government issued the "Guidelines of the Provincial People's Government on Speeding up the Planning and Construction of the Characteristic Towns" (hereinafter referred to as the "Guidelines"), and developed plans for the creation procedures, policies and outcome measures of the characteristic towns.

According to the Guidelines, the planned area of characteristic towns is generally controlled at about 3 square kilometers and the construction area is generally controlled at about 1 square kilometers. In principle, small towns with special features should complete fixed assets investment of about 5 billion yuan (excluding residential and commercial complex projects) within three years, and all the small towns with special features should be built into scenic spots above 3A level for tourism.

There are three main modes of creating characteristic towns. One is the main body of enterprises and government services. The government is responsible for the positioning, planning, infrastructure, and approval of services of small towns. Private enterprises are introduced to build characteristic towns. Second one is that the government should cooperate with private enterprises and build a linkage between them. The government should make a

good plan and cooperate with large enterprises to cultivate large industries. Third one is composed of government construction and market investment, in which the government sets up state-owned companies, according to strategic industry positioning for the whole country.

The operation mode of the characteristic towns is mainly the centralized realization of the conditions required to achieve specific goals. The characteristic towns in Zhejiang Province are mainly to better promote the realization of entrepreneurship, providing office space, financial capital, and entrepreneurial services required for entrepreneurship. Entrepreneurial talents often gather in a certain area to form an optimal environment with favorable innovative conditions for entrepreneurship, and, at the same time, formulate a special subsidy policy that is conducive to entrepreneurship, so that entrepreneurship is easier to succeed, thus achieving the effect of stimulating entrepreneurship.

Every year, the provincial government organizes the annual assessment for performance and success indicators of the characteristic towns, mainly including the investment amount, the main characteristics of the industry share, the diversification of functions, and the number of high-end talents recruited. If the requirements were not met, the town would be reduced or eliminated, so as to optimize the allocation of resources. For example, in the first assessment of Zhejiang Province in 2016, of the 78 Characteristic Towns assessed, 6 were warned, 5 were demoted and 1 was eliminated.

2.2.2. Case Study

In the present study, we selected two representative towns in Zhejiang province as examples, one was a "dream town" and the other was "Jade Emperor Hill South Fund town". The two towns were the first small towns in Zhejiang province established in 2015 as the provincial key establishment list of Zhejiang province.

① Case 1: Dream Township

The "Dream Town" is located in Yuhang District, Hangzhou City, Zhejiang Province. It covers an area of about 3 square kilometers and was officially launched in September 2014 and open for business in 2015.

The development of the Dream Town, especially with its own advantages, mainly embodies in the following aspects: (1) convenient location and transportation conditions. The dream town is located on the west side of the main city area. The East, the South and the north are adjacent to the expressways. The eastern part is also bordered with the National

Wetland Park, with unique natural and road resources. At the same time, the construction of Metro Line 5 will greatly shorten the distance between the dream town and the downtown area. (2) Business climate conditions are strong. The Dream Town near Alibaba Xixi Park, and Xixi Park, also known as Taobao City, is the headquarters of the famous Internet Company, Alibaba group, which provides excellent business opportunities and ambience for the development of various projects. (3) Scientific and educational conditions. The dream town is located in Hangzhou future science and Technology City, which is adjacent to Zhejiang University. It is one of the four future technology cities in the country and among the third batch of state-level overseas high-level talents innovation and business centers.

“Dream Town” covers two major content of Internet entrepreneurial town and angel town. The Internet entrepreneurship town focuses on encouraging and supporting the “pan-university” group to establish product development, production, management and technology transfer in the Internet-related fields such as e-commerce, software design, information services, integrated circuits, big data, cloud computing, network security, and animation design.

Angel Town focuses on cultivating and developing various institutions such as science and technology finance, internet finance, angel investment funds, equity investment institutions, and wealth management institutions and focusing on building a financial service system covering different stages of development, including the initial stage, growth stage and maturity stage of enterprise development.

The policies of the dream town to encourage entrepreneurship mainly include entrepreneurial services and talent services. Entrepreneurial services include rental subsidies for entrepreneurial office premises (including 2-5 years of rent-free office space, subsidies for energy of office space, etc.), venture financing (including venture capital risk pool, loan interest subsidies, etc.), cloud service subsidies and reward, intermediary service subsidies and cultivation. The talent service is mainly to provide subsidies for entrepreneurs' apartments and rental. **In particular, it is necessary to put forward the policy of attracting equity investment funds in small towns, such as setting up angel investment funds, rewarding equity investment fund managers and funds, et.** The policies to encourage entrepreneurship in Dream Town are summarized in Table 5.

Table 5-Dream Town Entrepreneurship Policies

Policy Categories	Specific Policies	
Threshold policies,	Office rental allowance	<p>Provide rent-free office space of 10 square meters per capita and up to 150 square meters per capita.</p> <p>For small-town enterprises with the first round of financing of 3 million yuan or more, a two-year rent-free period will be increased, and a single enterprise can enjoy a maximum of five-year rent-free period.</p> <p>At the same time, 60% subsidies for industrial and energy consumption will be given to enterprises within three years.</p>
Financial policies	Venture Capital Financing	<p>Risk pool of College Students' entrepreneurship loan. Individual enterprises can obtain credit funds up to 1 million yuan</p> <p>Loan discount. Dream Town Enterprises may apply for a three-year commercial loan discount of up to 300,000 yuan.</p>
	Subsidies and incentives for cloud services	<p>2000 yuan per enterprise. If the DAU (number of daily active users) of the enterprise's main products exceeds 1000 or the monthly business income exceeds 100000 yuan, the enterprise shall be awarded 4000 yuan of cloud service incentive fund. For enterprises whose applications enter the list of TOP 20 of Apple stores or market in the month, enterprises will receive 4000 yuan incentive funds.</p>
	Angel Guidance Fund	<p>Establish 100 million yuan Angel Investment Guidance Fund to support the key development of small town start-up technology-based enterprises</p>
	Scale Development	<p>Funds and management institutions shall be</p>

	Award	rewarded with a maximum of 2% scale according to the size of their raised funds or managed capital, and the maximum amount of reward shall not exceed 10 million yuan.
	Additional incentives for investment	<p>Within two years since its establishment, additional investment reward of up to 5 million yuan will be given to the fund whose direct equity investment in Enterprises in Zhejiang Hangzhou future science and Technology City reaches more than 30% (including) of its registered capital</p> <p>In the 2 years since the establishment of the equity investment management enterprise established in the future city of science and Technology (Hai Chuang yuan), the foreign equity investment fund entrusted to manage the company will give an additional investment bonus of up to 1 million yuan for the investment in the enterprise invested by the future science and technology City (Chuang Chuang yuan) in the future.</p>
Tax policies	Local Financial Contribution Award	For the five years from which the fund and management institutions pay taxes (business tax and enterprise income tax) in the first year, they are rewarded 80%, 70%, 60%, 50% and 50%, respectively, according to their actual local financial contributions.
	Partner Withdrawal and Individual Shareholder Award	Income tax paid by natural person limited partner (LP) upon withdrawal and individual income tax paid by enterprise dividend-sharing individual shareholders shall be rewarded according to 60% of their actual local financial contribution
Talent policies	Entrepreneur Apartment	The identified key members of the enterprise entrepreneurship team in Dream Town can apply for the simple entrepreneur apartment in Dream Town first. Apartment rental is lower

		than regional market price
	Talent rental allowance。	The main member of the small town entrepreneurial team of self-renting is the rental housing contract of Yuhang District, which is granted 300 yuan, 400 yuan and 500 yuan rent subsidy per person per month, respectively. The maximum duration of rent subsidy is three years.
Other policies	Intermediary Service Subsidies	To cultivate and introduce professional intermediary services such as finance, taxation, law, personnel agency and administration to provide professional services of low cost in the whole process of college students' entrepreneurship. The government subsidizes intermediary services by means of "purchasing services".

Based on the above policy analyses, we can see that the policy of encouraging entrepreneurship in Dream Town has been carefully stipulated in the whole process of entrepreneurship, from entrepreneurship office space to financial subsidies, to entrepreneurship fund support, to Entrepreneurship Talent subsidy and to entrepreneurship intermediary services. It not only provides a great help and support and plays an incentive role for attracting enterprises and talents into the town, but also make the services more effective. All of the measures would attract outside entrepreneurs to settle down in small towns and enhance the industrial agglomeration ability and strengthen industrial foundation of small towns.

Through the above incentive policies, Dream Town has played a positive role in the local entrepreneurial atmosphere and environment.

By the end of 2018, the Dream Town had gathered 1,746 entrepreneurial projects and 15,700 entrepreneurial talents; 166 projects received more than one million RMB of financing, with a total financing of 11.025 billion RMB. A total of more than 1,393 capital management institutions have been gathered, with a management capital of 295.3 billion RMB.

Through the large-scale innovation and entrepreneurship activities, the Dream Town

has enhanced the town's entrepreneurial brand and attracted media attention, which has enabled the town's influence to expand and help the town to develop further. By the end of 2018, 1,402 events were held and the number of participants was 194,000. It attracted media coverage such as CCTV, German TV, Spanish National TV, NHK TV, and People's Daily. The public facilities in and around the town are constantly improved, and the bus lines are encrypted and extended.

② Case 2: Yuhuangshannan Fund Town

Yuhuangshannan Fund Town is located in the core area of the Southern Song Dynasty Imperial City Site in Shangcheng District of Hangzhou City. The total planned area is about 5 square kilometers and the core area is about 3 square kilometers.

With the comprehensive support of the financial industry resources in the province, it can fully undertake the radiation effect of the international financial center, and is a good quality area to promote the development of private financial agglomeration.

Fund towns take equity investment (angel investment, venture capital investment, and equity investment), securities and futures (hedge funds and quantitative investment funds), wealth management investment institutions as the industrial core, and financial intermediary service organizations as the supplement to form a complete new financial industry chain. At the same time, with the unique advantages of landscape and Southern Song culture, it has built a "financial + tourism" leisure tourism community, and successfully created the first characteristic town 4A scenic spot in China.

In terms of the development mechanism, the fund town adopts the mode of "new government operation main body", and the upper city government establishes the Management Committee of the Jade Emperor Hill South Fund Town, which mainly provides hardware, policy support and service matching for the organization. At the same time, entrusted private equity (hedge) fund industry representative organizations act as a main operation body, through the "industrial chain investment ecosphere construction" model, playing a leading role of industry associations and leading enterprises, and precisely carry out investment, management and operation, effectively leading to the rapid accumulation of the entire industry. For example, through cooperation with the leading international investment bank Goldman Sachs Group, using its financial resources in Wall Street to attract relevant financial talents to Hangzhou Zhejiang hedge fund Talent Association has expanded its investment channels.

The preferential policies of the fund town include temporarily exempting corporate income tax, venture capital enterprise income tax deduction, providing office housing fund subsidies, enterprise scale incentive subsidies, investment project fund support, talents' purchase and living subsidies. The related policies are summarized in Table 6.

Table 6- Entrepreneurship policies in Yuhuangshan South Fund Town

Policy Categories	Specific Policies	
Threshold policies	One-stop Administrative Examination and Approval Service	Establishment of one-stop administrative examination and approval service center, including industry, commerce, state taxation and other departments
	Office Housing Subsidy	<p>For self-purchasing office buildings, the purchase allowance shall be granted according to the standard of not exceeding 1,000 yuan per square meter (the same below) and not exceeding 2 million yuan in total, and shall be cashed in installments within three years after its establishment.</p> <p>For renting office buildings, the rental allowance shall be granted according to the standard of not exceeding 1.5 yuan per square meter per day and not exceeding 500,000 yuan per year in total, and the period of enjoyment of the allowance shall not exceed 3 years.</p>
Financial policies	Scale Development Award	<p>(1) Venture capital funds with a scale of 100 million yuan may be rewarded in proportion not exceeding 1% of the scale of the fund; those with a scale of 200 million yuan may be rewarded in proportion not exceeding 1.5% and those with a scale of 500 million yuan may be rewarded in proportion not exceeding 2%.</p> <p>(2) Private equity funds with a scale of 200 million yuan may be rewarded at a rate not exceeding 1% of the size of the fund; those with a scale of 500 million yuan may be rewarded at a rate not exceeding 1.5% and those with a scale of 1 billion yuan may be</p>

		<p>rewarded at a rate not exceeding 2%.</p> <p>(3) Private equity funds with a scale of 500 million yuan may be rewarded in proportion not exceeding 0.5% of the size of the fund; those with a scale of 1 billion yuan may be rewarded in proportion not exceeding 1%; those with a scale of 2 billion yuan may be rewarded in proportion not exceeding 1.5%.</p> <p>(4) Other private equity funds with a scale of 1 billion yuan may be rewarded in proportion not exceeding 0.5% of the fund scale; those with a scale of 2 billion yuan may be rewarded in proportion not exceeding 1% and those with a scale of 5 billion yuan may be rewarded in proportion not exceeding 1.5%.</p>
	<p>Special awards for investment</p>	<p>(1) Venture capital and private equity fund investment enterprises with a capital scale of 50 million yuan and a full investment period of 1 years (such as the management of multiple private equity funds, which can be combined to calculate the same amount) can be rewarded at a rate not exceeding 1% of the investment scale of their enterprises, and 100 million yuan can be rewarded at a rate of not more than 1.5%; the amount of 200 million yuan can be no more than 2%. Examples are rewarded.</p> <p>(2) If the venture capital and private equity fund invested in Hangzhou's key projects or enterprises reached 100 million yuan and the investment period has been 1 years, they can be rewarded at a rate not exceeding 0.5% of their investment in Hangzhou's key projects or the scale of the enterprise's funds. If the amount reaches 500 million yuan, it can be rewarded at a rate of not more than 1%; the 1 billion yuan can be rewarded at a rate not exceeding 1.5%.</p>
	<p>Special Support Policy</p>	<p>(1) Enterprises with annual local contribution of more than 1 million yuan (including) shall, within five years from the date of the formation of local contribution, provide up to 100% project funding according to the local contribution formed.</p>

		<p>(2) Financial talents in various investment funds and management enterprises who contribute not less than 2 million yuan annually to the local government, and who have made personal contributions, shall be given full living allowances within five years. If the local contribution of an enterprise reaches 2 million yuan, the number of financial personnel allowances can be arranged for 2 persons; if the local contribution of an enterprise exceeds 2 million yuan, one additional allowance quota can be added correspondingly for each additional local contribution of 2 million yuan, and the maximum allowance quota can be up to 10 persons.</p> <p>(3) Encourage all kinds of investment funds to support the development of real economy in Shangcheng District. Enterprises with financial grade in Shangcheng District and in line with the modern leading industries in Shangcheng District shall be given project subsidies according to 1-5% of their investment quota, with the maximum amount of subsidies generally not exceeding 3 million yuan.</p> <p>(4) Encourage cooperation with Shangcheng District to hold forums and summits related to investment fund industry with certain influence. It has been recognized that subsidies of up to 500,000 yuan, 300,000 yuan and 100,000 yuan will be granted according to national, provincial and municipal categories, respectively.</p>
Tax policies	General Partners Meet Specific Conditions Exempt Business Tax	<p>(1) Investing in intangible assets and real estate, participating in the profit distribution of the recipient investors, and jointly assuming investment risks;</p> <p>(2) Transfer the equity of the invested project.</p>
	Reducing Income Tax for Enterprises Satisfying Specific Conditions	If the venture capital enterprise invests in the unlisted medium and small high-tech enterprises by equity investment for more than two years, the taxable income of the venture capital enterprise can be deducted by 70% of the investment amount after holding the equity for more than two years; if the

		<p>deduction is insufficient in the current year, the deduction can be carried over to the following tax year.</p> <p>Industrial and commercial registration and tax registration within the scope of the Administrative Region may be deducted from the taxable income derived from the limited partnership venture capital fund from 70% of the investment amount, and the deductible deduction can be deducted in the next tax year.</p>
	Enterprise income that meets specific conditions is exempted from enterprise income tax	<p>The income of securities investment funds from the securities market, the income of investors from the distribution of securities investment funds, and the differential income of securities investment fund managers from the use of funds to buy and sell stocks and bonds are not subject to enterprise income tax for the time being.</p> <p>Private financial institutions may deduct the loss of equity investment due to the recovery, transfer or liquidation of their invested shares before tax in accordance with the provisions of the Tax Law.</p> <p>Private-equity financial institutions that meet the requirements of resident enterprises directly invest in dividends, dividends and other equity investment gains of other resident enterprises, which conform to the provisions of the Tax Law, can be used as tax-free income and exempt from enterprise income tax.</p>
Talent policies	Classification of Financial Talents	Financial talents can be divided into five categories: team project support, annual salary award, and family allowance. Documents also clearly stipulate supporting support for talents' residence and enrollment of talented children.
Other policies	Promotion of Ecosphere Construction	The fund town has introduced and assembled a number of first-class tax, audit, law firms and other professional service agencies to jointly promote the development of private equity industry in the town.

Based on the analysis of the business incentive policies of Yuhuangshan South Fund Town, we found out that the similarities in policies between the fund town and the Dream Town lie in the creation of the enterprise ecological environment in the town, providing more convenient business environment for the enterprises in the town, and providing more vigorous financial support and subsidies. Of note, the industry of Yuhuangshan South Fund Town has more agglomeration effect, mainly concentrated in the financial fields such as equity investment fund and securities investment fund. The formulation of government incentive and subsidy policy has more specific design and implementation plans according to the characteristics of fund industry, thus promoting the industrial agglomeration effect of the fund town.

By April 2018, the fund town had accumulated 2,589 financial institutions, with a total asset management scale of 1,059.9 billion RMB and a tax revenue of 4.3 billion RMB. The town's enterprises had invested 342.8 billion RMB in the real economy, 1,342 investment projects. The domestic and international professional financial talents of the town had grown to more than 5,000, including 1,736 highly educated graduate students and above, and more than 600 returnees.

It can be seen from the policy of characteristic townships in Zhejiang province that the characteristic town is actually a resource-gathering platform, including population gathering, infrastructure construction, and industrial development, which is not only the integration and upgrading of the original residential environment and industry, but also a scientific platform for the future development of the region. Compared with a traditional industrial park, which mainly focuses on industrial manufacturing and lacks living facilities, the characteristic town, on the basis of focusing on industry, integrates local culture and tourism resources, has more diversified development capabilities, and exhibits great attraction for talents and enterprises.

The key of characteristic town lies on the industrial cultivation. Through the cultivation of characteristic industry, industrial agglomeration is formed, and the comparative advantage position of characteristic industry of town and other areas is promoted through agglomeration, so as to form Matthew effect, so that the characteristic industry of town can become the industrial pillar of town and the industrial advantage of city.

The success of the fund town in Zhejiang Province also gives Zhejiang Province an advantage in the fund industry. According to the data released by the Investment Research Institute on July 3, 2017, as of June 2017, there were 33 fund towns established in China, including 15 fund towns established in Zhejiang Province, accounting for nearly half of the

number in entire China. The establishment of this kind of fund town also makes the fund industry become the dominant industry in Zhejiang Province. According to the data released by China Association of Fund Industry on the summary of registration and filing of private funds in 2018 and the monthly report of registration and filing of private funds in December 2018, as of December 31, 2018, the number of registered partnership type and company type private funds in Zhejiang Province was 6,462, the largest number of funds, ranking the first and accounting for 23.77% of the total number of funds in entire China, indicating that Zhejiang Province is ahead of the country in the fund industry.

2.2.3. Research hypothesis

On the basis of data description and case analysis, this paper makes the following assumptions on the impact of characteristic town policy on entrepreneurship, and selects dependent variables for regression analysis according to the content of the hypothesis.

H1: the characteristic town policy will attract more equity funds to set up and more invest.

Characteristic town is essentially a resource gathering policy to better promote the realization of entrepreneurship. Financial capital is one of the important resources, and fund town is an important type of characteristic town. The government attracts investment funds to settle in or invest through tax preference, government subsidies and investment project fund support. Therefore, this paper puts forward the first hypothesis that the characteristic town policy will attract more equity funds to set up or invest.

H2: the characteristic town policy will increase the number of enterprises to set up locally.

Through the tax policy, capital subsidy, talent policy, etc., the characteristic town can improve the attraction of new enterprises in the local establishment. In addition, through hypothesis 1, the establishment and investment behavior of equity investment funds will also promote local entrepreneurial behavior. Therefore, this paper puts forward the second hypothesis that the policy of characteristic towns will attract more new enterprises to set up **locally** and promote local entrepreneurial behavior.

H3: the policy of characteristic towns will promote the innovation of local enterprises.

The policy of characteristic town is more aimed at promoting the development of high-

tech industries. The policy mostly supports the establishment and operation of high-tech enterprises in the local area. In addition, equity investment funds also invest and cultivate innovative companies. Therefore, this paper puts forward the third hypothesis that the policy of characteristic towns will promote the innovation behavior of local enterprises.

2.2.4. Analysis by "Differences-in-Differences" (DID) Method

2.2.4.1: explanation of "DID" analysis method

The DID method is a very effective tool to evaluate the effect of policy implementation, which is widely used in microeconomics. In to the present study, we used the DID method to analyze the impact of the policy on small towns.

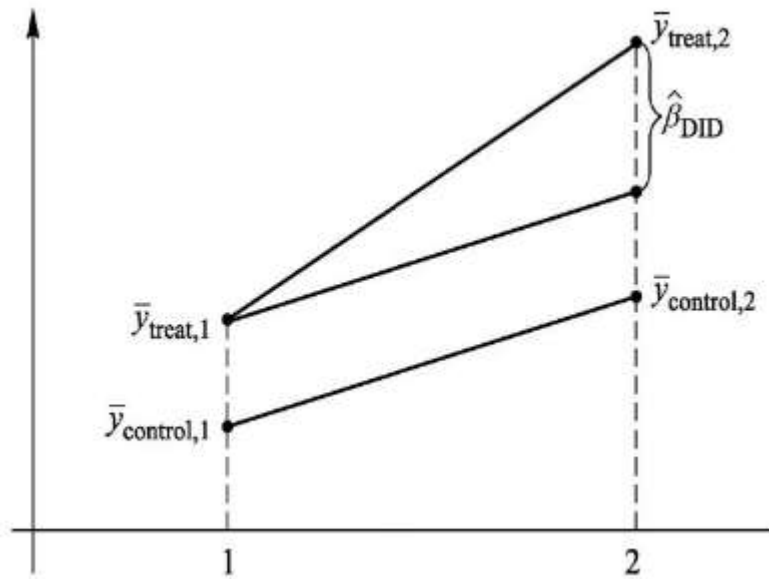
The general idea of DID in this paper is as follows: the characteristic township policy was regarded as an exogenous shock event, and the year of the characteristic township policy came out was taken as the event year, the Zhejiang provincial level cities as the treatment group, and the Henan provincial level cities as the control group to carry out the DID analyses. The first difference was the difference between entrepreneurial behavior and effectiveness before and after the event year. The second difference was the difference between entrepreneurial behavior and effectiveness between the two provinces.

Our specific assumption in the DID analysis was as follows: we set the Zhejiang Province with characteristic township policy as $D_i = 1$, Henan Province without characteristic township policy as $D_i = 0$, the first period of data before the introduction of characteristic township policy, and the second period of data after the introduction of characteristic township policy. First, we calculated the number of The development trend of economic data which can reflect the entrepreneurial behavior and effect in Zhejiang Province and Henan Province, and the difference and gap between the development trends of these data before and after the event year, and this was the first difference observed.

The second difference was to calculate the development trend differences between the two provinces before and after the event year. If there were differences between the two provinces, the difference would be the impact of the characteristic township policy as expected on entrepreneurial behavior and entrepreneurial effect. In other words, if there were no events, the difference between the development trend of the two provinces before and after the event year should be the same. The same difference reflected the difference of the fixed effect of the two provinces. However, if the development trend of the treatment group deviated from the original track after the event year, the difference between the development

trend of the two provinces after the event year and the development before the event year should be different. The difference between the two development trends, or the difference between the two trends, would be a proof that the event of characteristic township policy had a significant impact on the above data, indicating that the characteristic town policy had an impact on social entrepreneurship behavior and effectiveness. In terms of image representation, the principle of double difference and parallel trend assumption can be understood more intuitively as follows:

Figure2-Sketch Map of the DID method



Among the parameters, the β_{DID} is the result of double difference, two parallel lines represent the parallel trend state of two groups in the study when there is no impact event, and the distance between parallel lines represents the difference of a fixed effect of two groups.

The regression model used in the present analysis is as follows:

$$\mathbf{Entrepreneur}_{i,t} = \alpha + \beta \mathbf{Treat} * \mathbf{Post} + \gamma' \mathbf{Controls}_{i,t} + \delta \mathbf{Year}_t + \theta \mathbf{City}_i + \varepsilon$$

Among them, "Treat" is the processing group, that is, the cities of Zhejiang Province; "Post" is after the event year, that is, after the establishment of the local characteristic town. Due to the different years of founding characteristic towns in Zhejiang Province, this paper adds year fixed effect and city fixed effect. The total population, GDP, CPI and average wage are added as control variables. Here, the dependent variables are the relevant data that

will be affected mentioned in the three hypotheses mentioned above. Among them, the dependent variable data of "H1" (Hypothesis 1) refers to the number of newly established equity investment funds, the number of equity fund investment events, and the investment transaction amount of equity investment funds; "H2" (Hypothesis 2) refers to the number of newly registered enterprises; and the dependent variable data of "H3" (Hypothesis 3) refers to the number of patent applications and authorized numbers.

Based on the annual report data published by the Statistical Bureau of Zhejiang Province (treatment group) and Henan Province (control group), the data of GDP, CPI, total population, and average wage of urban units in the two provinces were collected as control variables for the regression analysis of double difference. The results are summarized in Table 11.

Table 7 - Comparisons of standard statistics between Zhejiang and Henan Provinces

years	GDP (billion)		CPI (%)		Total Population (ten thousand)		Salary (yuan)	
	Zhejiang	Henan	Zhejiang	Henan	Zhejiang	Henan	Zhejiang	Henan
2011	3236.3	2709.9	105.4	105.6	4781	10489	35731	33634
2012	3473.9	2979.7	102.2	102.5	4799	10543	40087	37338
2013	3775.7	3242.4	102.3	102.9	4827	10601	44319	38301
2014	4017.3	3519.9	102.1	101.9	4859	10662	48145	42179
2015	4288.6	3727.8	101.4	101.3	4873	10722	51463	45403
2016	4725.1	4047.2	101.9	101.9	4911	10788	56068	49505
2017	5176.8	4455.3	102.1	101.4	4958	10853	60665	55495

At the same time, the descriptive statistics of the above data need to be described in Table 8

Table8 - descriptive statistics of control variables

Variable	Variable definition	Obs	Mean	SD	Min	P25	Median	P75	Max
Total Population (10 Thousand)	Total Population	197	558.3	279.5	68.10	344.5	535	751	1194
GDP (100 Million Yuan)	GDP	197	2696	2192	373.4	1326	1903	3332	12603
CPI	CPI	197	102.5	1.360	100.7	101.6	102	102.8	106.3
Salary (Yuan)	Annual average wage of Urban Units	197	48473	14661	24627	38343	45773	56007	93891

The above descriptive statistical tables explain the control variable data names of the DID regression analysis results, and also reflect the descriptive data such as median, maximum value, minimum value and standard deviation of these data. Among them, the observation value 197 represents the data of 11 prefecture level cities in the processing group and 18 prefecture level cities in the control group from 2011 to 2018. According to this standard, the theoretical observation value is 232, but due to the lack of data in some years of some prefecture level cities, it is not put into regression analysis, so the final actual observation value is 197.

The above is the explanation and preparation work of this paper on the use of double differential regression analysis method; next, this paper will analyze and verify in accordance with the three research hypotheses proposed above

2.2.4.2: DID Analysis on "H1: the characteristic town policy will attract more equity funds to set up and more invest."

In this part, the data samples selected in this paper are the number of newly established equity investment funds, the number of equity fund investment events, the amount of equity investment fund investment transactions, etc. through the differences between Henan and Zhejiang in the event years and before and after these data to reflect the impact of characteristic town policy on equity funds.

This paper collects and sorts out the above data through public channels (including the

yearbook data published by the government website, Qingke private equity database, China investment network, etc.), as shown in Table 9:

Table 9 - number of newly established equity investment funds, number of investment events and amount in Zhejiang and Henan provinces

Year	Number of newly established equity investment funds		Number of equity fund investment events		Invest Amount (100 Million)	
	Henan	Zhejiang	Henan	Zhejiang	Henan	Zhejiang
2011	3	183	49	254	26.28437	90.55366
2012	1	102	37	243	15.31771	81.60561
2013	6	131	37	223	72.35388	24.9054
2014	13	219	44	434	32.28133	127.5416
2015	20	707	100	1119	31.90754	652.802
2016	38	822	109	1201	18.85573	409.6376
2017	16	270	75	1021	69.32391	520.5396
2018	9	159	64	961	56.84742	555.7891

By processing the above data, we get the following comparison curves of Zhejiang Province (processing group) and Henan Province (control group) on the above data of equity investment funds

Figure3-Comparison of newly established equity investment funds in Zhejiang and Henan Provinces

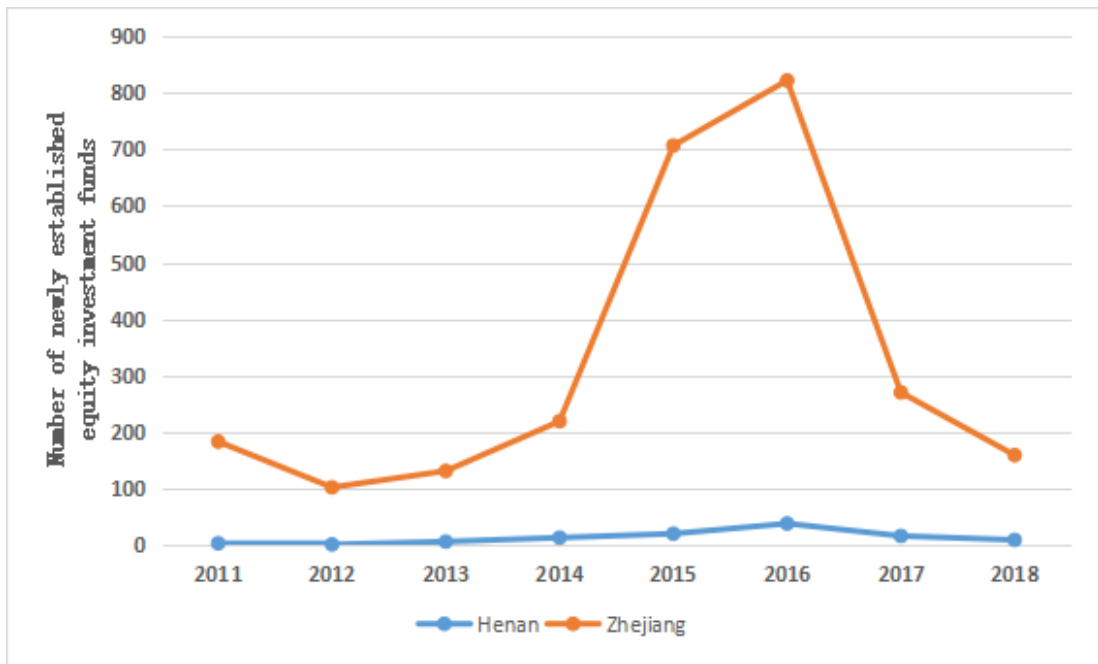


Figure4-Comparison of equity fund investment events in Zhejiang and Henan Provinces

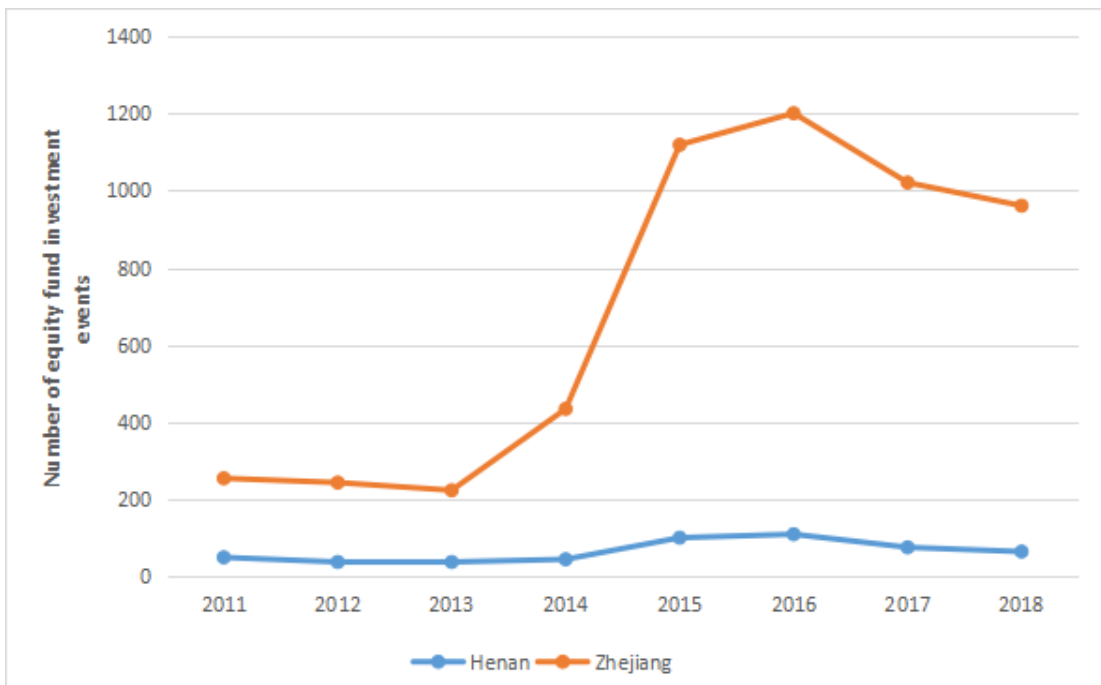
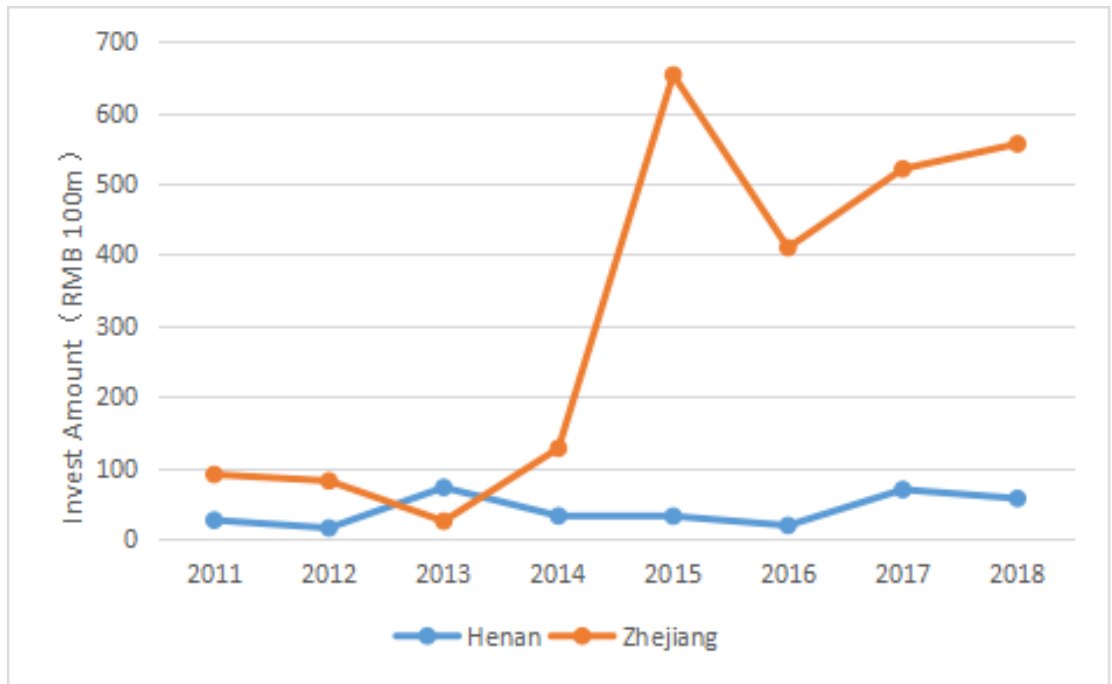


Figure5-Comparison of invest amounts in Zhejiang and Henan Provinces



It can be seen from figure 3-5 that before 2015, the changes of various indicators in Zhejiang and Henan followed the same trend. However, since 2015, the number of newly established funds, the number of investment events and the amount of investment in Zhejiang began to increase significantly, but there was no significant change in Henan. This phenomenon must be due to the occurrence of specific shock events in Zhejiang Province in 2015, which changed the trend of parallel growth of the two provinces. This specific impact event can be seen as the introduction of the policy of characteristic towns.

In order to verify this inference, the above data are analyzed by double difference method. Before the analysis, this paper also needs to make descriptive statistics on the above-mentioned dependent variable data (the explanation and explanation of the dependent variable descriptive statistics is consistent with that of the control variable descriptive statistics, which is not repeated here). The details are as follows:

Table 10 - descriptive statistics of "H1" dependent variable data

Variable	Variable definition	Obs	Mean	SD	Min	P25	Median	P75	Max
#New Funds	number of newly established equity investment funds	197	13.32	42.53	0	0	1	6	293
#Investment	number of equity fund investment events	197	25.10	111.6	0	1	3	9	933
Invest Amount (100 Million)	Invest Amount	197	11.03	44.72	0	0	0.510	4.090	460.1

After the above preparatory work is finished, the above data are analyzed by DID method, and the results are shown in Table 11:

Table 11 - DID Analysis results of Equity Fund

	(1)	(2)	(3)	(4)	(5)	(6)
	#New funds	#New funds	#Investment	#Investment	Invest Amount	Invest Amount
Treat*After	25.9687*** (2.89)		33.1875* (1.66)		27.2760*** (3.17)	
Treat*Before		-10.4979 (-1.08)		-16.4536 (-0.71)		-5.8519 (-0.58)
Treat*Current		40.3383*** (3.82)		43.5013* (1.71)		31.7704*** (2.90)
Treat*After1		24.2788** (2.07)		9.5249 (0.34)		15.0075 (1.23)
Treat*After2		-27.8071** (-2.06)		7.8795 (0.24)		21.7905 (1.56)
Total Population	-0.0522** (-2.15)	-0.0792*** (-3.42)	-0.1111** (-2.06)	-0.1260** (-2.27)	-0.0498** (-2.14)	-0.0542** (-2.26)
GDP	0.0100** (2.57)	0.0057 (1.54)	0.0283*** (3.28)	0.0280*** (3.11)	0.0070* (1.87)	0.0074* (1.92)
CPI	10.1869** (1.98)	20.8354*** (3.94)	30.6872*** (2.68)	37.1315*** (2.92)	15.0334*** (3.05)	16.8565*** (3.08)
Salary	0.0010 (1.09)	0.0022** (2.52)	0.0022 (1.13)	0.0031 (1.50)	0.0003 (0.37)	0.0006 (0.68)
Constant	-1.1e+03** (-2.03)	-	-	-	-	-
r2_a	0.1834	0.2982	0.0946	0.0897	0.1148	0.1106
N	197	197	197	197	197	197

t statistics in parentheses
* $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$

As shown in Table 11, columns (1), (3) and (5) mainly focus on the coefficient of equity investment fund data of Zhejiang Province after the event year (i.e. the year when the characteristic town policy was issued), and the data in these columns are significantly positive. According to the principle of DID method, it is explained that the impact event is the new establishment of Zhejiang Province after the introduction of characteristic towns. The number of equity investment funds, the number of investment events and the amount of

investment are significant for Henan Province. In other words, in the provinces with characteristic town policy influence and incentive, equity investment behavior and effect are more significant than those without characteristic town policy, which shows that the impact of characteristic town policy on equity investment behavior and effect is significant.

Columns (2), (4) and (6) mainly reflect a dynamic situation. Treat * before refers to the coefficient before the event year, treat * current is the coefficient of the year of the event, treat * after1 is the coefficient of the first year after the event year, treat * after2 is the coefficient in the second year after the event year, and the coefficient in equity investment of Zhejiang Province before. The data of columns (2), (4) and (6) show that the results of treat * before column are not significant, indicating that there is no significant difference between the treatment group and the control group before the event. The coefficients of the characteristic town policy for the number of newly established funds (#new funds), the number of investment events (#investment) and the investment amount in the year of impact events are 40.3383, 43.5013 and 31.7704 respectively, indicating that the number of newly established equity investment funds in the treatment group is 40.3383 higher than that in the control group. The number of equity fund investment events in the year of impact events in the treatment group was 43.5013 higher than that in the control group, and the total equity fund investment in the year of impact events in the treatment group was 3.17704 billion yuan higher than that in the control group.

Comparing the coefficient and significance level of the event year with that before and after the event year, the coefficient of the number of newly established funds in the event year is 40.3383, which is greater than -10.4979 before the event year and 24.2788, -27.8071 after the event year. The characteristic town policy has a significant impact on the number of newly established funds in the event year and the second year, lasting for two years and weakening in the third year. The coefficient of the number of investment events in the event year is 43.5013, which is greater than -16.4536 before the event year and 9.5249 and 7.8795 after the event year. The characteristic town policy has a significant impact on the number of investment events in the event year, lasting for one year, and then the effect weakens. The coefficient of investment event transaction amount in the event year is 31.7704, which is greater than -5.8519 before the event year and 15.0075 and 21.7905 after the event year. The characteristic town policy has a significant impact on the investment event transaction amount in the event year, lasting for one year, and then the effect weakens. The change of coefficient and significance level shows that the characteristic town policy is very sensitive to the number of newly established funds (#new funds), the number of investment events

(#investment) and the transaction amount of investment events. They all have a very significant impact in the year of impact events, that is, the year when the characteristic town policy is issued.

At the same time, the above analysis also verifies the parallel trend hypothesis, that is, before the impact events, the trend gap in the number of new funds, investment events and investment amount is not significant, which can be regarded as a parallel state..

2.2.4.3: DID Analysis on "H2: the characteristic town policy will increase the number of enterprises to set up locally"

The analysis of "H1" is successful, so this paper still adopts the same analysis method in this part.

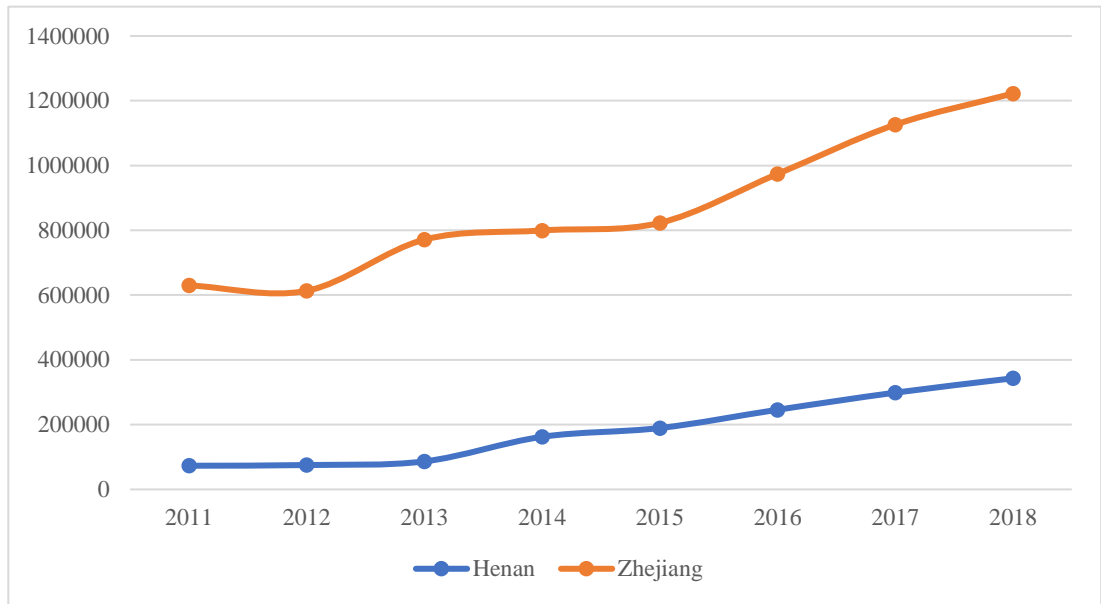
In terms of data selection, this paper believes that the data that can reflect the effect of "promoting local entrepreneurial behavior" are mainly the number of newly registered local enterprises. Therefore, in this part, this paper also collects and sorts out the data through public channels (including the yearbook data published by the government website, Qingke private equity database, China investment website, etc.)

Table 12- Newly registered enterprises in Zhejiang and Henan Provinces

Year	Number of registered enterprises	
	Henan	Zhejiang
2011	73165	629853
2012	75290	613189
2013	86491	771248
2014	162432	799569
2015	189504	822905
2016	245982	973988
2017	298738	1126051
2018	343146	1222417

By processing the above data, we get the following curve comparison chart:

Figure 6-Comparison of newly registered enterprises in Zhejiang and Henan Provinces



As can be seen from the above figure, the growth trend of the number of newly registered enterprises in Zhejiang Province is significantly higher than that in Henan Province since 2015.

Similarly, in this part of regression analysis, we need to do a preparatory work, which is the descriptive statistics of the above data, as follows:

Table 13-descriptive statistics of "H2" dependent variable data

Variable	Variable definition	Obs	Mean	SD	Min	P25	Median	P75	Max
#New Firms	number of newly registered enterprises	197	34403	45366	756	4005	11146	53462	210000

And, the results of DID analysis of this part of data are shown in table 14:

Table 14-DID analysis results of Entrepreneurship

	(1)	(2)
	#New firms	#New firms
Treat*After	6.6e+03** (2.05)	
Treat*Before		2.0e+03 (0.54)
Treat*Current		3.3e+03 (0.84)
Treat*After1		5.7e+03 (1.29)
Treat*After2		2.0e+04*** (3.90)
Total Population	-35.1416*** (-4.02)	-28.6789*** (-3.29)
GDP	5.9123*** (4.22)	7.0500*** (5.00)
CPI	4.7e+03** (2.55)	2.2e+03 (1.10)
Salary	1.0900*** (3.43)	0.8086** (2.47)
Constant	-5.1e+05** (-2.60)	-2.4e+05 (-1.12)
r2_a	0.5795	0.6039
N	197	197

t statistics in parentheses

* $p < 0.1$

** $p < 0.05$

*** $p < 0.01$

In the data in the table above, the results are the same as table 11. Column (1) focuses on the coefficient of the data after the event year, while column (2) represents the dynamic situation. It reflects the dynamic data coefficients before, after, during, after, after the event year and the following 1 year and 2 years later. Through the data in the table, we can get the same analysis results as table 11, that is, impact events for new registration. The influence of enterprise data is remarkable in Zhejiang Province. The difference from table 11 shows that the impact of the policy on the number of newly registered enterprises of characteristic towns is very significant in the year of the event and the first and second year after the event year. The main reality is the second year after the event year. It shows that the impact of the policy on Entrepreneurship of the characteristic town is a long-term process. After the introduction

of the policy, the impact on the social entrepreneurship behavior and effect is significant. The impact of is long-term.

2.2.4.4: DID Analysis on "H3: special town policy will promote local enterprise innovation"

This part of the paper still adopts the same analysis method. For the impact of local innovation, the number of invention patent applications and authorized number can well reflect the innovation situation of the society. Therefore, the dependent variable data selected in this part are the number of patent applications and authorizations of Zhejiang and Henan provinces in each year. These data are also obtained through the same public channels mentioned above, as shown in the table below:

Table 15 - Patent applications and registrations in Zhejiang Province

Index	Number of patent applications				Number of patent registrations			
	Total	Invention	utility mode	design	Total	Invention	utility mode	design
Frequency	Year	Year	Year	Year	Year	Year	Year	Year
2011	177066	24745	75860	76461	130190	9135	56030	65025
2012	249373	33265	108599	107509	188463	11571	84826	92066
2013	294014	42744	127122	124148	202350	11139	106238	84973
2014	261,435	52,406	116,011	93,018	188,544	13,372	99,508	75,664
2015	307264	67674	150172	89418	234983	23345	124465	87173
2016	393147	93254	199244	100649	221456	26576	123744	71136
2017	377115	98975	191372	86768	213805	28742	114311	70752
2018	455590	143081	219206	93303	284621	32550	172451	79620

Table 16 - Patent applications and registrations in Henan Province

Index	Number of patent applications				Number of patent registrations			
	Total	Invention	utility mode	design	Total	Invention	utility mode	design
Frequency	Year	Year	Year	Year	Year	Year	Year	Year
2011	34076	8833	19120	6123	19259	2462	13032	3765
2012	43442	10910	23594	8938	26791	3182	18680	4929
2013	55920	15580	29420	10920	29482	3173	21153	5156
2014	62434	19646	30716	12072	33366	3493	23539	6334
2015	74373	21338	40778	12257	47766	5384	32592	9790
2016	94669	28582	51358	14729	49145	6811	32197	10137
2017	119240	35625	66803	16812	55407	7914	35822	11671
2018	154381	46868	89620	17893	82318	8339	59417	14562

Similarly, based on the above data, we can also get the following comparison curves and descriptive statistical tables:

Figure 7-Comparison of patent applications and authorizations in Zhejiang and Henan Provinces

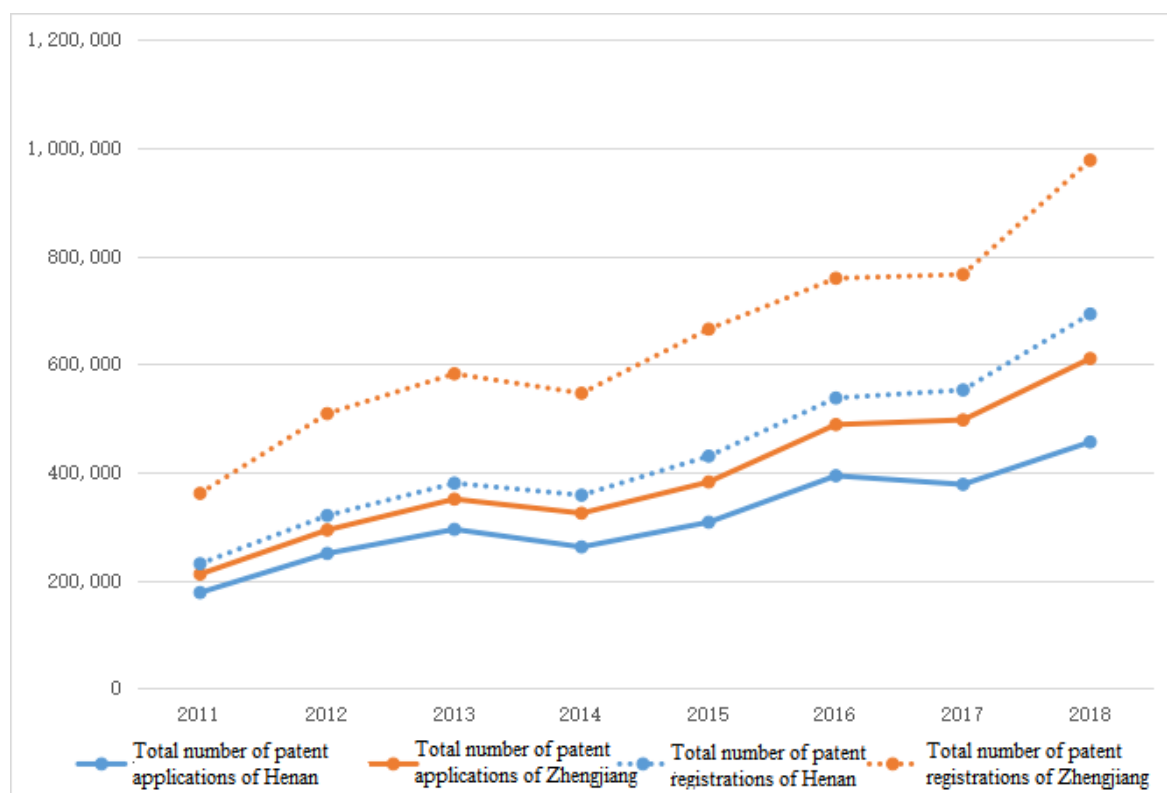


Table 17 - descriptive statistics of "H3" dependent variable data

Variable	Variable definition	Obs	Mean	SD	Min	P25	Median	P75	Max
TPatentApp	number of patent applications	197	10493	15044	0	1105	2979	13676	67571
IPatentApp	number of patent applications of Invention	197	2506	4190	0	224	762	2552	25068
UPatentApp	number of patent applications of utility mode	197	4938	6761	0	650	1581	5936	29428
DPatentApp	number of patent applications of design	197	3048	5051	0	174	460	4748	31417
TPatentReg	number of patent registrations	197	8055	11744	0	836	1999	11331	58344
IPatentReg	Number of patent registrations of Invention	197	777.9	1474	0	74	191	716	9861
UPatentReg	Number of patent registrations of utility mode	197	4331	5960	0	576	1368	5910	28176
DPatentReg	Number of patent registrations of design	197	2946	4977	0	157	419	4793	31435

Figure 7 also shows that the growth trend of Zhejiang Province is higher than that of Henan Province in terms of innovation index, i.e. patent application.

In this paper, the regression analysis of innovation research indicators, i.e. the number of patent applications and the number of authorized patents, has also obtained similar results,

as shown in table 18-19

Table 18 - DID Analysis results of Innovation-1

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	TPatentApp	TPatentApp	IPatentApp	IPatentApp	UPatentApp	UPatentApp	DPatentApp	DPatentApp
Treat*After	7.0e+03*** (4.81)		2.1e+03*** (4.33)		4.5e+03*** (5.75)		492.2305 (0.94)	
Treat*Before		1.5e+03 (0.88)		127.4840 (0.23)		1.1e+03 (1.16)		328.3112 (0.53)
Treat*Current		6.9e+03*** (3.75)		2.0e+03*** (3.27)		4.6e+03*** (4.65)		417.9441 (0.62)
Treat*After1		7.3e+03*** (3.54)		1.6e+03** (2.43)		4.7e+03*** (4.30)		855.3907 (1.15)
Treat*After2		9.9e+03*** (4.20)		3.2e+03*** (4.17)		6.1e+03*** (4.79)		841.6208 (0.99)
Total Population	-15.1322*** (-3.88)	-13.9554*** (-3.46)	-7.2549*** (-5.68)	-6.7671*** (-5.17)	-8.1473*** (-3.89)	-7.5941*** (-3.51)	-0.0439 (-0.03)	0.1336 (0.09)
GDP	2.1292*** (3.51)	2.3468*** (3.73)	1.6131*** (8.13)	1.7304*** (8.48)	0.6774** (2.08)	0.7925** (2.35)	-0.0799 (-0.37)	-0.0765 (-0.34)
CPI	1.4e+03* (1.73)	836.4397 (0.90)	1.2e+03*** (4.46)	1.0e+03*** (3.38)	805.1824* (1.79)	466.7812 (0.94)	-4.6e+02 (-1.51)	-5.5e+02 (-1.63)
Salary	0.0225 (0.16)	-0.0507 (-0.33)	0.0850* (1.80)	0.0654 (1.31)	-0.0101 (-0.13)	-0.0518 (-0.63)	-0.0454 (-0.88)	-0.0590 (-1.06)
Constant	-1.4e+05 (-1.64)	-7.8e+04 (-0.79)	-1.3e+05*** (-4.53)	-1.1e+05*** (-3.42)	-7.9e+04* (-1.67)	-4.2e+04 (-0.80)	5.2e+04 (1.65)	6.2e+04* (1.75)
r2_a	0.4770	0.4753	0.6723	0.6770	0.4786	0.4776	-0.1271	-0.1443
N	197	197	197	197	197	197	197	197

t statistics in parentheses

* $p < 0.1$

** $p < 0.05$

*** $p < 0.01$

Table 19 - DID Analysis results of Innovation-2

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	TPatentReg	TPatentReg	IPatentReg	IPatentReg	UPatentReg	UPatentReg	DPatentReg	DPatentReg
Treat*After	4.2e+03*** (4.05)		902.5571*** (7.85)		2.7e+03*** (3.92)		508.1727 (0.96)	
Treat*Before		1.6e+03 (1.36)		-35.0115 (-0.26)		1.4e+03* (1.74)		228.0696 (0.37)
Treat*Current		5.5e+03*** (4.20)		883.7329*** (6.03)		3.4e+03*** (4.03)		1.1e+03 (1.57)
Treat*After1		4.7e+03*** (3.26)		801.4276*** (4.92)		3.6e+03*** (3.74)		271.9830 (0.36)
Treat*After2		3.7e+03** (2.22)		1.0e+03*** (5.44)		2.4e+03** (2.20)		3.8863 (0.00)
Total Population	-6.4540** (-2.34)	-7.2891** (-2.57)	-1.8865*** (-6.11)	-1.8333*** (-5.73)	-5.0558*** (-2.78)	-5.5432*** (-2.97)	0.5694 (0.40)	0.0929 (0.06)
GDP	0.7443* (1.74)	0.7051 (1.59)	0.3969*** (8.27)	0.4121*** (8.26)	0.4755* (1.68)	0.4185 (1.44)	-0.1486 (-0.67)	-0.1597 (-0.70)
CPI	-65.3689 (-0.11)	-29.4184 (-0.04)	327.2469*** (4.94)	310.4780*** (4.21)	235.7860 (0.60)	217.9352 (0.51)	-6.3e+02** (-2.05)	-5.2e+02 (-1.53)
Salary	-0.0409 (-0.40)	-0.0439 (-0.41)	-0.0027 (-0.24)	-0.0038 (-0.31)	0.0221 (0.33)	0.0111 (0.16)	-0.0559 (-1.06)	-0.0428 (-0.76)
Constant	1.5e+04 (0.25)	1.2e+04 (0.18)	-3.4e+04*** (-4.86)	-3.2e+04*** (-4.12)	-2.1e+04 (-0.52)	-1.9e+04 (-0.41)	7.0e+04** (2.20)	5.9e+04 (1.65)
r2_a	0.2682	0.2704	0.7082	0.7058	0.3184	0.3273	-0.1075	-0.1140
N	197	197	197	197	197	197	197	197

t statistics in parentheses

* $p < 0.1$

** $p < 0.05$

*** $p < 0.01$

Based on the results illustrated above, we can see that the impact of impact events on enterprise innovation is also very significant, further proving that the impact of the introduction of characteristic township policy on entrepreneurial behavior and effectiveness is real. In the data of innovation indicators, the number of invention patent applications and the number of authorized patents are the most important data indicators.

The main purpose of this double differential regression analysis was to prove the positive impact of characteristic township policy on entrepreneurial behavior and effectiveness. Our analysis results did support that this positive impact does exist. Of note, there are still some differences between the two provinces in other aspects, which may also result in different entrepreneurial behaviors. For example, the entrepreneurial or business

traditions of the two provinces themselves may be a confounding factor; Zhejiang province belongs to the coastal areas of China, with strong business traditions and atmosphere, such as the success of Zhejiang Province in small commodity trade, etc. In contrast, Henan province belongs to China's inland provinces, and is an important food-producing area as a major agricultural province. Business or industry has not occupied the mainstream since ancient times, which is also an important factor affecting entrepreneurship behavior and effectiveness. In addition, due to the different regional location and strategic function positioning at the national level of the two provinces, there will also be a gap in entrepreneurial behavior and effect between the two provinces to a certain extent. Nevertheless, we believe that these factors can be set as the fixed effect gap between the two provinces, which is the difference that existed before the occurrence of the impact event and the difference between the parallel trends of the two provinces, which does not affect our research outcome on the impact of the impact event, i.e. the characteristic township policy on the entrepreneurial behavior and effectiveness in Zhejiang Province, resulting in the difference between the entrepreneurial behavior and effectiveness trend of the two provinces.

2.2.4.5: Robustness check to DID Analysis

This paper uses the method of constructing the year of false policy occurrence to test the robustness, that is, assuming that the actual year of policy occurrence is earlier or later than the real year, and constructs a DID interaction term, **that is, the DID result by analyzing the control variable and dependent variable data before and after the invented event year**. If the interaction item is not significant, it indicates that the above significant conclusion is not an accidental event and has stronger persuasion. If the interaction item is significant, it indicates that the change of dependent variable may not be caused by policy effect. See table 20-23 for robustness check results:

Table 20 - Robustness check to DID Analysis of H1

VARIABLES	(1) wnfund	(2) winvestcase	(3) winvestamount
did1	6.427 (1.52)	-2.739 (-0.27)	-0.098 (-0.02)
wtpopulation	-0.050* (-1.92)	-0.129** (-2.08)	-0.046* (-1.90)
wgdp	0.010** (2.53)	0.047*** (4.88)	0.011*** (3.02)
wcpi	11.565** (2.05)	33.326** (2.50)	16.061*** (3.07)
wsalary	0.002*** (2.92)	0.004* (1.88)	0.002** (2.15)
2012.year	21.332 (1.11)	76.677* (1.68)	39.363** (2.20)
2013.year	8.772 (0.45)	45.404 (0.99)	27.317 (1.51)
2014.year	8.246 (0.34)	49.691 (0.87)	30.598 (1.37)
2015.year	22.428 (0.77)	79.308 (1.16)	46.053* (1.71)
2016.year	10.829 (0.37)	43.781 (0.63)	28.442 (1.04)
2017.year	-24.999 (-0.76)	6.089 (0.08)	23.028 (0.75)
Constant	-1,292.089** (-2.20)	-3,656.945*** (-2.63)	-1,744.810*** (-3.19)
Observations	197	197	197
R-squared	0.324	0.310	0.275
Number of newcity	29	29	29
city	controlled	controlled	controlled
year	controlled	controlled	controlled
F	6.843	6.418	5.419

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 21 - Robustness check to DID Analysis of H2

VARIABLES	(1) wnewfirms
did1	17.192 (0.01)
wtpopulation	-33.249*** (-3.90)
wgdp	6.533*** (4.93)
wcpi	4,646.011** (2.53)
wsalary	1.356*** (5.25)
2012.year	6,479.158 (1.03)
2013.year	4,981.068 (0.79)
2014.year	4,407.952 (0.56)
2015.year	3,726.487 (0.39)
2016.year	1,926.396 (0.20)
2017.year	-1,325.479 (-0.12)
Constant	-509,373.107*** (-2.66)
Observations	197
Number of newcity	29
R-squared	0.671
city	controlled
year	controlled
F	29.14

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 22 - Robustness check to DID Analysis of H3-1

	(1)	(2)	(3)	(4)
VARIABLES	tpatent_app	ipatent_app	upatent_app	dpatent_app
did1	654.385 (0.97)	193.329 (0.87)	390.645 (1.06)	70.411 (0.29)
wtpopulation	-13.049*** (-3.11)	-6.695*** (-4.87)	-6.630*** (-2.89)	0.275 (0.18)
wgdp	1.961*** (3.01)	1.584*** (7.42)	0.508 (1.43)	-0.131 (-0.55)
wcpi	1,978.679** (2.19)	1,396.010*** (4.72)	1,095.838** (2.22)	-513.170 (-1.56)
wsalary	0.424*** (3.33)	0.204*** (4.91)	0.244*** (3.52)	-0.025 (-0.54)
2012.year	6,533.398** (2.11)	3,513.549*** (3.47)	3,458.493** (2.04)	-438.643 (-0.39)
2013.year	4,526.716 (1.45)	2,502.242** (2.45)	2,178.527 (1.28)	-154.054 (-0.14)
2014.year	4,470.277 (1.16)	2,727.826** (2.16)	2,357.932 (1.12)	-615.480 (-0.44)
2015.year	6,114.706 (1.31)	3,200.299** (2.10)	3,665.197 (1.44)	-750.790 (-0.44)
2016.year	5,022.323 (1.06)	2,535.777 (1.64)	2,780.217 (1.08)	-293.672 (-0.17)
2017.year	4,435.359 (0.84)	2,007.837 (1.16)	2,499.171 (0.87)	-71.649 (-0.04)
Constant	-215,402.950** (-2.28)	-153,361.232*** (-4.96)	-119,378.774** (-2.31)	57,337.056* (1.67)
Observations	197	197	197	197
R-squared	0.530	0.709	0.502	0.089
Number of	29	29	29	29
newcity				
city	controlled	controlled	controlled	controlled
year	controlled	controlled	controlled	controlled
F	16.07	34.77	14.42	1.395

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 23- Robustness check to DID Analysis of H3-2

	(5)	(6)	(7)	(8)
VARIABLES	tpatent_reg	ipatent_reg	upatent_reg	dpatent_reg
did1	402.109 (0.81)	101.472 (1.63)	188.732 (0.58)	111.906 (0.45)
wtpopulation	-4.728 (-1.53)	-1.652*** (-4.28)	-3.942* (-1.97)	0.866 (0.56)
wgdp	0.519 (1.08)	0.383*** (6.40)	0.336 (1.08)	-0.200 (-0.83)
wcpi	47.256 (0.07)	400.409*** (4.82)	336.891 (0.78)	-690.044** (-2.07)
wsalary	0.181* (1.94)	0.049*** (4.20)	0.168*** (2.77)	-0.036 (-0.76)
2012.year	426.232 (0.19)	1,076.448*** (3.78)	602.121 (0.41)	-1,252.337 (-1.10)
2013.year	1,697.766 (0.74)	722.116** (2.52)	1,536.626 (1.03)	-560.977 (-0.49)
2014.year	210.380 (0.07)	760.141** (2.15)	691.317 (0.38)	-1,241.078 (-0.87)
2015.year	1,540.712 (0.45)	1,126.606*** (2.64)	1,441.004 (0.65)	-1,026.899 (-0.60)
2016.year	643.153 (0.19)	920.261** (2.12)	771.460 (0.34)	-1,048.569 (-0.60)
2017.year	-744.108 (-0.19)	696.507 (1.43)	-597.831 (-0.24)	-842.784 (-0.43)
Constant	-4,987.334 (-0.07)	-43,520.202*** (-5.02)	-37,712.965 (-0.84)	76,245.832** (2.19)
Observations	197	197	197	197
R-squared	0.320	0.669	0.373	0.103
Number of	29	29	29	29
newcity				
city	controlled	controlled	controlled	controlled
year	controlled	controlled	controlled	controlled
F	6.713	28.79	8.488	1.640

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

The regression results are shown in table 20 as above. It can be seen that the interactive

item did not show a significant relationship with the dependent variable, indicating that the policy effect mentioned above did play a role in the growth of the dependent variable.

3. Discussion

3.1.Policies that can better motivate entrepreneurship

Based on the previous analysis of China's entrepreneurship policies, and the comparative analysis of Zhejiang Province and Henan Province, as well as the results of the analysis, this paper believes that the characteristic town policy can promote innovation and entrepreneurship. We still hope to find out the characteristics and attributes that lead to the success of the characteristic town policy, so as to provide a certain reference for us to formulate similar incentive policies in the future, which is also the research problem and purpose that has been indicated at the beginning of this paper.

Based on the analysis results from the present study, we may argue that this policy attribute can be discussed from two major aspects: the pertinence and stability of the policy.

(1) Policy consistency

Through case study of two characteristic towns, Dream Town and Yuhuangshan South Fund Town, we may conclude that the characteristics of the two towns are that the incentive policies for entrepreneurship in small towns are stipulated for the whole process of entrepreneurship, especially in the business environment, the support of entrepreneurship funds, the introduction of entrepreneurs, and the introduction of entrepreneurship talents. The entrepreneurship ecological environment has been involved, including detailed planning and design, with strong operability. Moreover, the township policy is only effective for enterprises and individuals who survive and develop in the towns, which helps to attract more external resources, thus generating Matthew effect, forming the regional agglomeration of industry and resources, and further making the towns develop more favorable foundation and conditions.

(2) Policy stability

Through the analysis of the characteristic township policy using the DID method we can conclude that the effect of the characteristic town policy on entrepreneurship is long-term, mainly reflected in some indicators began to change in the second year after the policy (such as number of newly registered enterprises). Therefore, the minimum period for the stability of the policy is 2 years, and if the effect of the policy is reflected in the second year,

it is foreseeable that, if such a policy cannot last beyond the first year, its positive impact on entrepreneurship will inevitably be adversely affected, or that all previous efforts will be discarded. Therefore, if we hope that a policy can really play its role, the policy must be allowed to persist for a long-term with a stable existence. Bhattacharya et al. (2017) find that, the impact of policy on enterprise innovation is not the strength or tendency of policy, but the stability of policy. That is to say, entrepreneurs will adjust their innovation rhythm and direction according to the strength and tendency of government policy, but if a policy is uncertain, i.e., whether the policy will survive in the future is unknown, it will cause entrepreneurs' positive expectation, possibly affecting the pace or direction of their innovation.

Our results from the present study strongly agree with the above viewpoints which are also applicable to the impact of policies on entrepreneurship. Any social activity and development are based on a stable policy environment. The reason why the special township policy seems to be successful is that it has lasted for four years since it was officially introduced in 2015. At the same time, the policy of Characteristic Towns in Zhejiang Province has been taken as the key work of Zhejiang Province, and the policy of Characteristic Towns in 2017 has now been written into the 13th Five-Year Plan of China, further demonstrating that the policy of characteristic towns will exist for a long time, or at least for the upcoming five years. This also provides confidence of enterprises and markets to develop and /or join characteristic towns.

The stability of the policy, first, needs a stable government, so that the government policy will not change because of the change of the government; second, it needs the continuous feedback of the policy effect, such as the characteristic town policy can continue to bring economic performance and benefits to the government and the local people, so as to promote the government's recognition and continuous implementation of the policy; and finally, the government also needs to set up an evaluation and incentive mechanism for officials, so as to promote any officials who hold the corresponding positions to effectively promote the continuity and stability of good policies.

3.2.Limitations of the present study

As does with every study, the present study also has its limitations. One of the limitations is related to the selection of research samples. We selected Zhejiang and Henan provinces with the similar level of economic development. In terms of indicators of economic development, we used GDP as the measurement, which may be overly simplified.

However, according to this measure, the gap between the two provinces is relatively small. Therefore, it is convincing for us to use the two in our double difference analysis in the present study, although other confounding factors cannot be totally ruled out.

Another limitation may be associated with the process of data collection and statistical analysis. In addition to the measurement data of entrepreneurship effect used in the double difference analysis, i.e. the number of newly registered enterprises and the number of newly employed entrepreneurs, we hoped to reflect the entrepreneurship effect by the capital scale data of entrepreneurship enterprises. Unfortunately because the capital scale data of investment and entrepreneurship are hard to obtain from enterprises, especially the start-ups and private companies, we had to abandon this effort. Future studies should seek additional data and indicators for the effectiveness of entrepreneurship.

4. Conclusion

As an entrepreneurship policy, the characteristic township policy has several advantages. Firstly, it has the pertinence to good things to be encouraged and practical policy implementation. It also has certain stability, enhancing the confidence of enterprises and markets, and attracting more entrepreneurs to join in. Zhejiang Province, as the first province to promulgate the policy of characteristic towns, has brought about an excellent entrepreneurial atmosphere and achieved good results in the construction of characteristic towns. The characteristic township policy has now been adapted by several provinces and cities such as Yunnan, Sichuan, Guangxi, and Chongqing, among others.

As an entrepreneur in Henan Province of China, the author of this thesis also hopes that we all can learn from Zhejiang Province to develop better incentive policies for entrepreneurship, formulate supporting policies for small towns with distinct characteristics, build small towns with agglomeration capabilities, and promote the development of entrepreneurship behavior in Henan Province and other regions as well.

Additionally, the policy attributes represented by the characteristic township policy, namely, pertinence and stability, can also be applied to other areas of incentive policies, which can be used as a reference in formulating various incentive policies in the future.

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Resume of the Author

Jiang Ming is a Deputy of the Tenth, Eleventh, Twelfth, and Thirteenth National People's Congress, a member of the Twelfth National Federation of Industry and Commerce Standing Committee, Chairman of China's Customer Leaders Conference, the founder of the Double 12 China's Founding Day, and the Founder and Chairman of the Tianming Group.

Jiang Ming obtained his Doctor of Law from China University of political science and law, Master of Business Administration from China Europe International Business School, and his Master of Finance EMBA from the PBC School of Finance at Tsinghua University .

Jiang Ming is the chairman of the global youth Yu business leaders' Growth Forum, the chairman of the world's Jiang surname Association, the president of the business association, the chairman of the China Association for the promotion of human rights, the president of the China Association of mergers and acquisitions, the chairman of the Talent Development Promotion Association, the chairman of the new overseas Chinese Federation, and the executive chairman of the neighbouring agency of the island and the vice chairman of the brand China.

Jiang Ming is the director of the YABULI China entrepreneur forum, permanent member of the Chinese Federation of entrepreneurs, permanent director of Songshan society and executive director of China Entrepreneur Magazine executive director of China finance Museum academy, director of China foundation for poverty alleviation, vice president of Alumni Association, vice president of Alumni Association, first chairman of China Europe International Business School.

Jiang Ming believes that when a person comes to the world, he/she should do her/his best to do things beneficial to the world and to all the mankind. One should always be grateful to the poor and do more work to help them out of poverty. This is Jiang Ming's outlook on life. In 1993, Jiang Ming resigned from public office, started a business and set up a daybreak. In 2015, Jiang Ming returned to zero in all two businesses, and helped him to create double wins in China, making entrepreneurship easier, helping customers create more success and building China's leading dual service ecosystem. It was launched in the opening ceremony of the first China Leaders Conference and the Double 12 China Launch Day, which is known as the 15 factions of the 92 schools "Chuang Ming Ming Ge".

In 2018, Jiang Ming established the future main business for the Ming Dynasty,

namely, health preserving of traditional Chinese medicine, and the efforts to solve the problems from sub-health to health to body building. Where there are Chinese, there are Tianming Chinese Medicine Museum, which makes the work more spiritual, life more enjoyable and longer, so called "Jian Jian Ge". For 26 years, Jiang Ming has continuously participated in charitable and public welfare undertakings, always bearing in mind corporate social responsibility and corporate citizenship. He regards "devoting love and giving back to social charitable and public welfare to alleviate poverty" as the core value of Dawn, with a total donation of over 152 million yuan thus far.

Jiang Ming has won many distinct awards and honors, including "advanced individual in building a well-off society in an all-round way in China", "builder of socialism with Chinese characteristics", "World Outstanding Young Entrepreneur Award", "China's ten outstanding young people nomination awards", "30 years of reform and opening up for 30 years, 30 private enterprises", "the first person in the economic year", "ten big charitable figures", and "ten" The great love figures, the "provincial labor model", "the ten winds and clouds, Henan merchants", and "ten outstanding young people" among other awards and honors. Creating value for others make Jiang Ming more valuable!