



## The Impact of Business Environment on the Quality of Export Products

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### ABSTRACT

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The quality of export products directly affects the use value and price of commodities, and it is an important factor that determines the use efficiency of commodities and affects the market price of commodities. In the form of unprecedented fierce competition in the current international market, many countries and regions have taken improving the quality of commodities and striving to win by quality as an important part of non-price competition, which is one of the important means to strengthen foreign competition. Different business environments in different regions will lead to problems in the quality of export products. Based on this, by reviewing relevant literature, this paper focuses on analyzing the impact of regional business environment, environmental regulation, trade liberalization and emerging technologies such as digitalization on the quality of export products, and explains the impact mechanism of different business environments on the quality of export products. Finally, based on the conclusions obtained, this paper discusses how the government should create a business environment to improve the quality of export products.

### Keywords:

Business environment;  
Quality of export products

### 1. RESEARCH BACKGROUND

In 2021, Gu Limei and Li Huanhuan made a detailed analysis of local governments and their government affairs environment based on the qualitative analysis results of 68 prefecture-level cities, revealing the government affairs environment of business environment and its influencing factors, and opening the prelude of our exploration on the impact of business environment on the quality of export products. In Zeng Ting's research on business environment impact on the quality of export products, from the perspective of macro business environment can be divided into economic environment, political environment and the rule of law, and according to the type of broad economic and classification standard of export products can be divided into capital goods, consumer goods and intermediates, step by step analysis of the business environment impact on the quality of export products, and points out that human resource has a regulation, This enriches the existing research. At the same time, according to Zeng Ting's analysis, different factors of

business environment will also have an impact on the quality of different types of export products, for example, the government environment has the most significant impact on the export quality of consumer goods.

At this stage, after a series of incidents such as the sanctions on Huawei chips, China is increasingly attaching importance to its export trade structure system, in an attempt to build a new high-end product export chain, and according to many economists, quality upgrading can promote economic development. Since the 14th and 15th century, China has introduced numerous laws and regulations to encourage China to seize the opportunity of the opening of the world market, and promote supply-side reform at the same time, changing the export from "quantity" to "quality", participating in the higher level of international cooperation, and providing parts and components for product necessities. To reach this thought, make the structure transformation is successful, get more loyal customers in the international market, enhance the level of national economy and a place in the international market, and the understanding of the business environment impact on the quality of export is crucial to help us build a good environment, provide good maintenance and solid base for export enterprises, We will

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help enterprises export at various levels and optimize export quality.

Combined with the macro background, the 19th National Congress report also clearly points out a number of objectives, to enhance the economic quality advantage of China, to build quality power, in this case, high-quality development is the trend of the general trend, export product quality control is also the economic concerns of The Times.

## **II. THE CONNOTATION OF BUSINESS ENVIRONMENT**

Business environment refers to various factors that affect the process of production and operation, cooperation and transaction, development and improvement of enterprises, including macroeconomic background, policies implemented by the government, and existing legal protection measures. Generally speaking, it can be divided into the hard conditions of public facilities construction, the guarantee or welfare provided by policies and decrees, or the soft conditions of obstruction. Research shows that in the production activities of enterprises in the business environment, the influencing factors will hinder or promote the entry threshold, innovation activities, transaction and production costs of enterprises, and then affect the quality of their products. Second, the business environment also plays a big role in maintaining or improving a company's quality after it exports. As the cost of export and the difficulty of operation skills are increased, the pressure on enterprises is also increased. If the enterprise is in a favorable policy environment or a good economic prospect, the capital chain is abundant, it is bound to be more conducive to the maintenance and even improvement of the quality of export products, otherwise it will make the quality of export products decline.

In summary, according to the literature, the business environment can be divided into the following types: economic environment, government environment and legal environment. (Zeng Ting, 2021)

### **A. Economic environment**

Economic environment refers to the overall economic level of the country or region where the enterprise is located, including consumer purchasing power and interest rate

The macroeconomic environment such as inflation rate and the microeconomic environment starting from the individual consumer.

The influencing factors of national economic environment can first be the level of national marketization, and the main measurement indicators are the freedom of trade and business of a country. Second, economic environment can also refer to the strength of a country's economy, which can be measured by gross national income (GDP). The marketization level of the country refers to the flexibility of the national market. The main feature of the traditional marketization economy is that it is regulated by the supply and demand relationship, and there is no third hand of the government. Therefore, the

degree of marketization will affect the efficiency of the production process of production factor input products and the cooperation efficiency between suppliers and manufacturers. The good economic environment means that it is easy for enterprises to carry out economic activities, so the cooperation efficiency determines the quality of the economic environment to a certain extent. In China's socialist market economy, the law of value is the main regulator, while macro-control plays a regulating role, maintaining the efficient regulation of resource allocation as much as possible. Under this influence, the state encourages scientific and technological innovation, makes up for the shortcomings of low technical level of export products, and gradually becomes an exporter of high-end products. (Zeng Ting, 2021)

Secondly, the convenience of transaction methods also has an impact on the economic environment. The existence of convenient transaction methods such as third-party payment platforms can improve the purchasing power of consumers and thus improve the macroeconomic environment.

In addition, the level of urbanization is also one of the influencing factors of economic environment. A high level of urbanization means that the people have a high education level and popularization rate, the people have a high social welfare, and the people have a high enthusiasm for business and a high guarantee of life. In such an environment, the economic environment will be better.

### **B. Government environment**

Government environment refers to the sum of the environment and conditions in which the government and relevant departments provide services for enterprises, so as to guarantee the whole process of enterprise operation.

In general, one of the influencing factors of government affairs environment is the convenience and scientific nature of government service system. For example, some overseas cities have established different types of government affairs service halls and physical government affairs service halls to provide specific services and feedback for the public. For example, Government Service Centers in the United States and Service Canada in Canada. (Gu and Li, 2021) By improving the government service system and improving the efficiency of government service, the government environment can be effectively improved.

Second, the support of national regulations and policies also provides help for the improvement and stability of the government environment. In recent years, taking China as an example, the "Belt and Road" policy is the most prominent, and in 2021, many decrees will be issued to bring preferential treatment or transformation opportunities for export trade. The "14th Five-Year Plan for the Development of Trade in Services" points out that we should optimize the trade structure, develop high-end trade industries in the value chain, and optimize the business environment for foreign trade. The 14th Five-Year Plan for High-quality Development of Foreign Trade points out that it is necessary to improve the

level of trade digitalization, build a green and sustainable trade system, promote internal and external trade integration and cooperation, and deepen the practice of the Belt and Road Initiative. In 2022, the Regional Global Economic Partnership (RCEP) will be implemented to encourage enterprises to seize the opportunities of open markets. This series of policy support provides certain support and guarantee for government services, which is conducive to the improvement of government environment. These government factors also affect the export quality of enterprises to a certain extent.

### ***C. Legal environment***

Legal environment refers to the social environment in a specific sense that the whole society advocates the rule of law, which plays a role in maintaining, guaranteeing, promoting, standardizing and consolidating the development of productive forces.

According to the literature, the legal environment specifically refers to the system that plays the role of restraint and supervision in the process of enterprise access, production and operation, and exit (Zeng, 2021). The main influencing factors are the perfection of the constitution and the strength of government law enforcement. As the fundamental law of the country, the constitution can effectively guarantee the normal operation of the society, and the government's law enforcement can effectively guarantee the social rule of law and improve the legal environment.

Taking China as an example, the Law of the People's Republic of China on the Inspection of Import and Export Commodities regulates the quality, quality inspection, supervision and management of import and export commodities; The Import and Export Animal and Plant Quarantine Law of the People's Republic of China supervises and administers the production, processing and storage of import and export animals and plants and their products, so as to guarantee the quality of the export trade of animal and plant products. The Frontier Health and Quarantine Law of the People's Republic of China carries out health inspection and supervision on entry-exit vehicles, goods, transport containers and public places under the jurisdiction of ports. There will be more supervision and maintenance of relevant laws and regulations, contributing to the maintenance of domestic business legal environment and order.

## **III. THE IMPACT OF BUSINESS ENVIRONMENT ON THE QUALITY OF EXPORT PRODUCTS**

### ***A. The impact of the economic environment on the quality of export products***

The economic environment of a certain region mainly refers to the sum of the economic environment, government affairs environment, legal environment and other relevant external factors and conditions involved in the process of market subjects' access, production and operation, withdrawal and so on. After analyzing 16 subdivided

economic environments such as customs and trade regulation, transportation facilities and administrative approval in a region, Zhang (2019) found that the regional economic environment has a significantly positive impact on the quality of enterprises' export products, that is, the better the economic environment in a region is, the higher the quality of enterprises' export products will be. This is because a good economic environment in a region will support the expansion of firms' export, while a bad economic environment in a region will hinder firms' export. The differences in government environment, trade convenience and factor market among different regions are the main factors that lead to different regional economic environments. Therefore, if a region wants to enhance the heterogeneous product export intensity of firms, it can start from improving these three conditions.

Zeng (2022) found through separate research on different heterogeneous export products that the economic environment has an overall promoting effect on the quality of export products, also because a good economic environment will facilitate transportation and trade. However, the difference is that the impact of this promotion effect on the quality of different export products is different. And consumption goods (referring to final goods that are available for consumption use and are the last step in the production chain.) The quality of exported products has a greater impact than that of intermediate products (products used to produce other goods and services, which are not directly consumed but need to go through certain processing before they can be completed). , and the government environment has the most significant impact on the export quality of consumer goods. Compared with intermediate products, capital goods and consumer goods have more demand and supply, and the corresponding market is wider, so they are more significantly affected by the economic environment. It also finds that the level of economic development can play a positive role in regulating the impact of economic environment on the quality of export products, and the joint effect of economic environment and human capital is more conducive to the upgrading of export product quality. Moreover, the export quality of capital goods and intermediate goods is more sensitive to the moderating effect of human capital. This is because the enterprises to further improve the quality and improve the low quality products, the mode of production and technology need to bear the risk and cost, improved risk will bring enterprise survival and the production of uncertainty, so if the economic environment is not perfect, the human capital can not meet the demand of the enterprise, the enterprise will weigh the risks and benefits under the condition of so, At this time, the R&D work of enterprises may be put on hold, which may lead to the failure of capital goods and intermediate goods with higher technology content to improve product quality, so capital goods and intermediate goods are more sensitive to this adjustment.

For enterprises of different sizes, they will choose different economic environments. For example, large enterprises tend to focus on whether the general environment of government affairs (transportation and trade convenience) in the region is favorable due to their broader business scope and more complex business areas. Due to the impact of the current epidemic, small and medium-sized enterprises are more concerned about whether the government can provide substantial help, such as issuing policies to relax the terms of trade or reducing taxes for small and medium-sized enterprises. Based on this, government departments should conduct a more comprehensive assessment of local enterprises to determine their demands, and then formulate and implement corresponding policies to assist enterprises to improve the quality of export products.

***B. The impact of environmental regulation on the quality of export products***

Pan et al. (2021), by studying the quality of export products of enterprises under different intensities, concluded that there was a U-shaped relationship between environmental regulation and the quality of export products of Chinese enterprises, that is, environmental regulation would first inhibit the quality of export products, and then gradually promote it, and the U-shaped relationship was robust. This is because in the early stage when the government strengthens environmental regulation, there will be certain restrictions on the production of enterprises, and the demand for export will promote the production of enterprises, so the quality of enterprises' export products will be affected and decline. However, when the environmental regulation reaches a certain intensity, due to the requirements on export quality, they will also choose R&D and innovation to meet the requirements of the government's environmental regulation and ensure the quality of export products. Therefore, environmental regulation has an incentive effect on product innovation, R&D efficiency and overall product optimization.

However, Li et al. (2022) found that environmental regulation will lead to a decline in the quality of enterprises' export products, and this effect is particularly obvious in enterprises in non-high-tech industries, enterprises without capital injection from the state, small enterprises, products exported to high-income and middle-income countries, and intermediate goods exported to consumer goods. This is because environmental regulation will lead to the exit of enterprises with high costs, and at the same time reduce the overall cost of enterprises and improve the quality of export products by promoting enterprises to carry out innovation and R&D. The cost effect is positive, but the improvement of R&D efficiency also crowding out the cost of other activities, resulting in low productivity of enterprises. The positive cost effect is not enough to offset the productivity effect and export price effect of Fuxiang, so ultimately environmental regulation leads to a decline in the quality of enterprises' export products.

Same as mentioned in 4.1, the government should adopt different environmental regulation intensity according to the type of local enterprises. Because different trade types will lead to different demands of enterprises for environmental policies. For example, the improvement of the quality of export products of the general trade type requires higher intensity of environmental regulation, and the improvement of product quality is often highlighted by the general product type.

Environmental regulation policy should also be different in different parts of our country. Compared with the rapidly developing eastern region, the quality of export products in the western region of China is not significant. Therefore, the government should try its best to balance the policy and reduce the bias, which can gradually guide the western enterprises to accept the policy of high standard and promote the innovation, research and creativity of the enterprises. In this case, enterprises in the western region can be guided to carry out independent R&D and innovation step by step to adapt to such strict policies. The gradual adaptation of the western region and the gradual improvement of the quality of export products are conducive to promoting the national unified quality improvement of export products and further reducing the quality gap between the east and the west.

***C. The impact of trade liberalization on the quality of export products***

Yang (2021) found that in general, trade liberalization can significantly promote the improvement of the quality of export products. Because trade liberalization reduces the trade restrictions of enterprises, gives them more opportunities for economic exchanges and trade, and improves the profitability of enterprises and certain industries to a certain extent, the profitability of an industry can promote the quality improvement of the export products of the industry. This is because if an industry has a strong profitability and a large profit margin, more capital will be invested to improve the quality of export products, which can be used for innovative research and development, publicity, market expansion and so on. In the process of trade liberalization, the stronger the financing ability of the industry is, the more funds available to the enterprise are, which is more conducive to improving the quality of export products. So trade liberalization can improve the quality of exports by boosting profitability.

After studying the relationship between several factors affecting the quality of export products and trade liberalization, Chen (2021) found that trade liberalization would indeed promote the improvement of the quality of export products, and high-tech industries were more susceptible to the positive impact of trade liberalization than medium and low technology industries. Moreover, trade liberalization has a greater impact on the improvement of export product quality in the central region, followed by the northeastern and eastern regions, and the significance in the



western region has decreased. This is because trade liberalization will produce "technology spillover effect," that is, they can learn foreign technology more efficiently, and at the same time, their own technology is more likely to be learned by others to replace them, and the intensity of industry competition will be enhanced, which will promote enterprises to continuously innovate to ensure the quality of their products.

More notably, trade liberalization does not necessarily improve the quality of exports. The study finds that trade liberalization has a positive effect on the industries with advanced and sophisticated technologies, which can improve the quality of export products. Because trade liberalization also means the reduction of trade barriers, it will also reduce the cost of foreign competitors to enter the local market. When facing the threat of foreign competitors, grasp advanced technology companies will increase their investment in science and technology research and development and innovation, built a certain barriers through its own technology, in this process, the quality of export products will be increased, and the technical strength is insufficient foreign competitors, there will be a "discouraged effect", which began to give up improving the quality of export products.

#### ***D. The impact of digitalization on the quality of export products***

Zhou et al. (2022) found that digitalization has a positive effect on improving the quality of enterprises' export products. First, because total factor productivity and enterprise research and development of export product quality innovation ability of enterprise is significantly positive influence, and digital can reduce trade cost, improve the efficiency of the allocation of resources, and expand trade openness level path to improve enterprises such as total factor productivity and innovation ability, which can improve the quality of export products of enterprises.

Secondly, the impact of digitalization on the product quality of foreign-funded enterprises and enterprises in developed export destination countries is more obvious. The improvement effect of digitalization on the quality of export products is mainly affected by the resources of the enterprise itself, the type of export products and the degree of Internet use. The developed destination countries have higher Internet penetration rate and better facilities guarantee, which is more conducive to export enterprises to obtain information and improve technology level, so as to improve the quality of export products.

However, digitalization itself has certain limitations if it wants to play a greater role, which requires a high degree of Internet penetration in the destination country. Therefore, this factor is not applicable to all enterprises.

#### ***E. The impact of artificial intelligence on the quality of export products***

Fang et al. (2022) studied the relationship between artificial intelligence and productivity and found that the application of artificial intelligence technology was conducive to the improvement of the quality of export products. Artificial intelligence technology can reduce the cost of enterprises by replacing low-end labor, optimize the allocation of factor resources and promote the technological innovation of enterprises, so as to promote the upgrading of the quality of export products. This mechanism shows that artificial intelligence technology is mainly to improve the quality of export products of enterprises with low production efficiency, so compared with enterprises with complete production factors and high production efficiency, the impact of artificial intelligence on enterprises with low efficiency is more significant. Also because of the characteristics of artificial intelligence technology and the way it helps enterprises, its impact on the central and western regions is greater than that on the eastern region on the whole.

Zhang et al. (2022) found that artificial intelligence significantly improved the quality of export products of Chinese manufacturing enterprises, and the domestic super-large market further strengthened the effect of artificial intelligence on improving the quality of export products of enterprises. This is also because the high efficiency of AI helps to improve the total factor productivity of enterprises, while replacing human labor with AI can further reduce the average cost of enterprises. Under the dual effects of cost reduction and productivity improvement, enterprises have more conditions for innovation and development to ensure the simultaneous improvement of quality and productivity.

Since the beginning of the 21st century, the price of labor is no longer low, so the traditional manufacturing enterprises that have always gained export advantages by virtue of low-cost labor are hit, and the manufacturing enterprises with low productivity have lost their advantages in foreign trade. The application of artificial intelligence technology can effectively solve this problem and reduce the investment scale of labor factors, which can achieve the purpose of reducing costs to obtain greater profits. At the same time, compared with traditional labor, artificial intelligence has the advantages of efficiency and accuracy, which can enable enterprises to have better quality assurance in the production process and help improve product quality.

#### **IV. DISCUSSION**

Based on the analysis of some influencing factors, we draw the following conclusions:

First, the business environment in a certain region has an impact on the quality of export products of enterprises in that region.

Second, for environmental regulation, strict environmental regulation should be adopted, which is conducive to forcing

enterprises to carry out innovation, research and development and the overall upgrading of products.

Third, trade liberalization affects firms of different sizes differently, so the government should conduct a comprehensive survey to determine the structure of firms in the area, and then consider whether to make trade more or less free. If there are a large number of enterprises with advanced and sophisticated technologies in this area, we can consider reducing some barriers to promote the progress of enterprises and create barriers for ourselves.

Fourth, due to the development of science and technology, digitalization, artificial intelligence and other technologies have a positive impact on the improvement of the quality of export products on the whole, so we should continue to strengthen scientific and technological innovation and technological progress.

Fifth: no matter what the influencing factors are, they all need the support of talents. Therefore, the cultivation of more diverse talents for scientific and technological innovation can not only be compatible with the relevant policies of environmental regulation, but also adapt to the freer trade policy.

Sixth, for the government, it is necessary to investigate and formulate policies according to local conditions.

## **V. POLICY SUGGESTIONS**

First, when making policies, the government should fully investigate the size of local enterprises, the types of main export products and the target market, which is more conducive to formulating policies suitable for local enterprises. In addition, attention should also be paid to the current problem of uneven development between the east and the west and the development characteristics of their respective regions. In the eastern region, the scale of enterprises is larger and the development is faster than that in the western region. The main problem in the western market is that the transportation is underdeveloped, which makes it difficult for some enterprises to expand the market

Secondly, due to the inverted "U" relationship between environmental regulation and the quality of export products, the government can appropriately improve the strictness of relevant environmental policies in the future, and at the same time ensure the enforcement strength of implementation. Because of the inverted "U" relationship, it means that when environmental regulation exceeds a certain intensity, it will not affect the quality of enterprises' export products, but will stimulate enterprises to innovate and improve quality to cope with strict environmental restrictions. However, more attention should be paid to the intensity of policy implementation. After formulating more strict policies, we should ensure the intensity of implementation and supervision.

Third, trade liberalization is a not stable factors, but from the point of the whole or for the quality of export products, so need more in-depth investigation of the local government, to

determine the local master of high, medium and low-end technology enterprise scale, in order to determine whether or not to use trade liberalization system to improve the quality of export products.

Fourth: artificial intelligence is a good way to solve the problem of labor factor prices, and more efficient and accurate by comparison, so it is necessary to continue to develop artificial intelligence technology, in the future if the technology for much higher levels of areas such as innovation, optimization services, it will further improve export product quality.

Fifth, the government and enterprises must pay attention to the importance of innovation. Improving production efficiency and quality through innovation is the only way for enterprises to survive continuously. Therefore, both the government and enterprises should increase the efforts of talent introduction to inject vitality into the enterprise innovation.

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## **VII. DISCLOSURE**

The author reports no conflicts of interest in this work.

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