

Clean and Close Government-Business Relations and High-Quality Enterprise Development—A Perspective Based on Institutional Environment and Behavioral Interaction

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Abstract—This paper examines the critical period of China's economic transformation from factor-driven to innovation-driven growth, focusing on the mechanism through which clean and close government-business relations promote high-quality enterprise development. Employing a "literature review—theoretical construction—mechanism derivation—extended discussion" approach, and based on the perspectives of institutional environment and behavioral interaction, this study incorporates practical cases such as Ningbo's "Clean and Close Health Index." This research constructs a cross-dimensional analytical framework, deconstructs the collaborative logic of "clean" and "close," and expands the connotation of high-quality development. The study proposes policy recommendations from three levels: government establishment of dynamic evaluation systems, enterprise cultivation of "internal governance priority" concepts, and societal creation of consensus on clean and close relations, providing theoretical and practical support for optimizing government-business relations and promoting high-quality development.

Keywords—clean and close government-business relations, high-quality enterprise development, institutional environment

I. INTRODUCTION

China's economy is currently in a critical period of transformation from factor-driven to innovation-driven growth, where optimization of the business environment has become the core lever for breaking through development bottlenecks. President Xi Jinping's concept of "clean and close" government-business relations, as an institutional framework for reshaping government-business interaction models, has been gradually implemented in local practices. Ningbo City pioneered the "Clean and Close Health Index" evaluation system, which achieves concrete and data-driven assessment of government-business relations through 14 core indicators, driving the growth rate of private high-tech enterprises to rank first in Zhejiang Province within two years. This practice demonstrates the positive impact of clean and close government-business relations on economic development.

Existing literature primarily focuses on empirical testing, such as verifying the alleviating effect of government-business relations on corporate financing constraints and the incentive effect on R&D investment. However, these studies fail to construct systematic theoretical frameworks: First, they lack mechanistic interpretation of the dialectical relationship between "close" (proactive service) and "clean" (normative boundaries), making it difficult to explain practical deviations such as "close but not clean" or "clean but not close" in some

regions; Second, they neglect the intermediate paths from institutional environment to corporate behavior transformation, particularly lacking theoretical attention to entrepreneurs' psychological expectations; Third, they fail to elevate local innovative practices (such as the Ningbo Index) into universal theoretical propositions.

Therefore, this paper's core question focuses on how clean and close government-business relations promote high-quality development through the transmission chain of institutional environment optimization, psychological expectation shaping, and corporate behavior adjustment.

II. THEORETICAL FOUNDATION

A. Government-Business Relations

Traditional dualism narrows government-business relations to individual corporate strategic choices, based on static game models while neglecting institutional constraints on government behavior; it treats government as passive participants, failing to incorporate interactive governance perspectives, and thus cannot explain heterogeneous effects of the same political connections in different regions (such as coastal versus inland areas).

Early research centered on "political connections," forming a dualism of "resource effect" and "rent-seeking effect," focusing on its "double-edged sword" characteristics while neglecting systematic impacts of the institutional environment. Fisman & Wang (2015)'s rent-seeking theory demonstrates that enterprises obtain scarce resources such as franchise rights through political connections, resulting in enormous social costs. Political connections directly alleviate financing constraints through resource acquisition, promoting corporate performance improvement. Domestic literature further refines this into "information effect" (policy anticipation) and "protection effect" (risk avoidance).

Recent research has deepened this transformation from three dimensions: interactive governance, digital empowerment, and ESG integration. Yu (2019)'s analysis shows that the rule of law environment enhances corporate investment confidence by reducing uncertainty perception. The service essence of "close": from passive intervention to proactive empowerment. Yao *et al.* (2024) propose that business environment optimization drives government transformation from "regulator" to "service provider," such as officials proactively connecting with enterprise supply chain needs under the "chain chief" model. Li (2023)'s empirical evidence shows that the principle of "respond when called, do not disturb when not needed" increases

enterprise operation rates by 12%, particularly benefiting small and medium enterprises. Peng *et al.* (2025) further find that government digital services (such as smart government platforms) stimulate entrepreneurship and promote productive efforts by reducing institutional transaction costs. Clean and close government-business relations enhance urban ESG performance, promoting win-win economic and social value. The interactive governance of government-business relations drives enterprises from “rent-seeking dependence” to “innovation-driven,” supporting high-quality development.

B. Multi-dimensional Connotation of High-Quality Enterprise Development

Economic Dimension: Dual-wheel Drive of Efficiency and Innovation

Traditional research equates high-quality development with total factor productivity improvement, but in recent years it has expanded to innovation-driven connotations such as R&D investment intensity and high-tech transformation efficiency. Ningbo’s practice shows that clean and close government-business relations promote high-tech enterprises to rank first in Zhejiang Province in terms of growth rate through fiscal technology investment incentives (annual increase exceeding 20%), confirming innovation’s core position in high-quality development.

Social Dimension: ESG-oriented Value Co-creation

With the advancement of “dual carbon” goals, the social attributes of high-quality development have become increasingly prominent, with ESG (Environmental, Social, Governance) performance becoming a key dimension. This includes corporate environmental investment, employee rights protection, and compliance operations. For example, Ningbo’s “Clean and Close Health Index” incorporates “government arrears” and “market access fairness” into evaluation, forcing enterprises to shift from “profit supremacy” to “social value co-creation.”

Psychological Dimension: Hidden Support of Entrepreneur Confidence

Entrepreneurs’ psychological expectations have decisive impacts on long-term development. Policy fluctuations intensify entrepreneurs’ risk aversion, inhibiting long-term investment. Ningbo’s case shows that the “Clean and Close Health Index” stabilizes enterprise expectations through “two-way lists” for problem rectification, enabling enterprises like Zhongzhe Group to dare to increase investment in new energy sectors, confirming the importance of the psychological dimension.

C. Theoretical Gaps and Research Opportunities

Existing research focuses on empirical testing, failing to integrate the transmission chain of institutional environment

(macro), entrepreneur behavior (meso), and psychological expectations (micro); it lacks theoretical extraction of local innovations such as Ningbo’s “Clean and Close Health Index,” making it difficult to explain the internal logic of “close” and “clean” synergy. This paper’s research opportunity lies in filling the above gaps: by constructing an “institution—psychology—behavior” integration framework, revealing the mechanism of clean and close government-business relations, and achieving dialogue between theoretical logic and practical experience.

III. THEORETICAL FRAMEWORK CONSTRUCTION

A. Core Concept Definition

Clean and Close Government-Business Relations represent a “service-response” interaction model formed between government and enterprises under the rule of law framework, with its core lying in the dialectical unity of “close” and “clean”: “Close” embodies government’s service proactivity, such as Ningbo establishing 21 chamber of commerce business environment direct stations to achieve “closed-loop resolution” of enterprise demands; “Clean” emphasizes normative boundaries in interactions, namely “having intersections without exchanges, having contacts without transactions.” The two are mutually preconditional—“close” without “clean” easily breeds corruption, while “clean” without “close” leads to governance laziness. This model has three characteristics: institutional transparency (policy openness), interaction normativity (clear processes), and evaluation concretization (such as clean and close index).

High-Quality Enterprise Development is a dynamic evolution process balancing short-term performance and long-term value, covering a three-dimensional system: economic sustainability (total factor productivity improvement, innovation transformation efficiency), social sustainability (ESG performance, compliance operations), and governance sustainability (digital transformation, internal control system improvement). Its core essence is the transformation from “factor input-driven” to “institutional dividend + innovation-driven,” such as Ningbo enterprises achieving new energy sector scale doubling through R&D investment growth in a clean environment.

B. Overall Framework

This paper constructs a framework of “Clean and Close Government-Business Relations—Institutional Environment—Psychological Perception—Corporate Behavior—High-Quality Development” (see Fig. 1), with the following core logic:

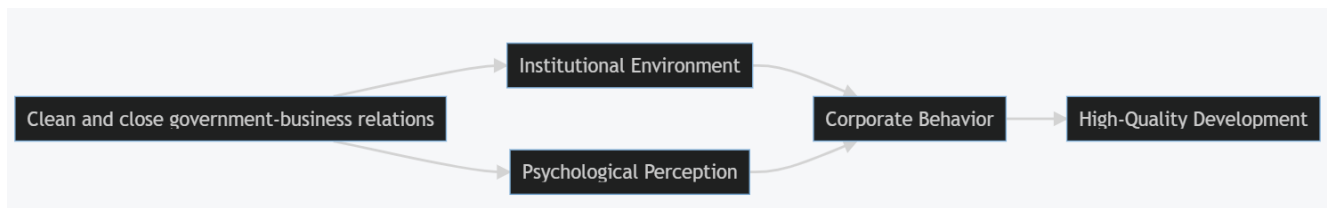


Fig. 1. Theoretical framework.

Clean and close government-business relations function as institutional signals through dual pathways of formal institutions (such as policy transparency) and informal institutions (such as government-business consensus). Institutional environment optimization (transaction cost reduction, policy certainty improvement) and psychological perception reshaping (entrepreneur confidence enhancement, risk aversion reduction) form mediating effects. Corporate behavior shifts from “rent-seeking-oriented” to “innovation-oriented,” ultimately achieving multi-dimensional goals of high-quality development.

IV. MECHANISM ANALYSIS

A. Pathway 1: Institutional Cost Reduction and Resource Allocation Optimization

Clean and close government-business relations reduce two types of institutional costs through legalization and transparency: First, policy uncertainty costs, such as Ningbo’s dynamic optimization mechanism of the “Clean and Close Health Index,” enabling enterprises to predict policy directions and reducing “policy arbitrage” needs; Second, non-productive transaction costs, through integrating regulatory resources and simplifying approval processes (such as Yuyao Zhangting Town solving enterprise land approval issues within two weeks), reducing expenditures on public relations entertainment and relationship maintenance.

The reduction of these two costs tilts enterprise resources from “rent-seeking activities” to “productive activities,” consistent with North’s “institutions determine transaction costs” theory. Entrepreneurs’ time is a scarce resource, and its allocation direction determines enterprise development paths. Hanoteau & Vial (2020) demonstrate how entrepreneur behavior becomes distorted under poor institutional quality, forcing adaptation through non-productive activities such as “bribery,” thus confirming institutions’ critical role from the opposite perspective. In non-clean environments, entrepreneurs need to spend over 60% of their time on “external affairs” (government coordination, relationship management); in clean environments, this proportion drops below 20% (Ningbo enterprise survey data), with time shifting to “internal governance” (R&D management, technological innovation). This allocation transformation directly improves total factor productivity, such as Ningbo high-tech enterprises’ R&D expenditure ratio increasing by 0.3 percentage points annually.

Ningbo City’s practice in constructing clean and close government-business relations, through introducing quantitative governance tools such as the “Clean and Close Health Index,” has significantly reduced enterprises’ institutional transaction costs, thus observing coordinated changes of significantly decreased non-productive expenditures and substantially increased R&D investment within several years. Zhao *et al.* (2021)’s estimation results using text analysis and entropy methods to construct comprehensive indicators from dimensions such as digital technology application, internet business models, intelligent manufacturing, and modern information systems indicate that clean and close government-business relations can

significantly promote enterprise digital transformation, contributing to high-quality development.

B. Pathway 2: Psychological Expectation Shaping and Entrepreneurship Activation

According to signaling theory, clean and close government-business relations serve as “policy stability signals” released by government, functioning through the chain of “predictability—confidence enhancement—long-term investment.” In non-clean environments, entrepreneurs face “power rent-seeking risks” and “policy reversal risks,” forming “short-termism” tendencies; in clean environments, such as Ningbo’s establishment of “fault tolerance and exemption mechanisms” for government-business communication, reduces entrepreneurs’ risk perception, lowers their discount rates, and makes them more inclined toward long-term investment.

The core of entrepreneurship is sensitivity to market opportunities. Clean and close government-business relations activate entrepreneurship through two aspects: First, reduced information acquisition costs, such as Yinzhou’s “Clean and Close Express” grassroots stations directly transmitting policy information, enabling enterprises to quickly capture technological innovation policy opportunities; Second, enhanced risk-taking willingness, with increased policy stability making entrepreneurs dare to enter high-risk, high-return innovation fields (such as new energy, digital economy). This activation drives enterprises from “passive adaptation” to “proactive innovation.”

Zhejiang Yema Battery Co., Ltd. shifted focus from dealing with multiple inspections to technological upgrading, achieving 15% export growth. These cases demonstrate that entrepreneurship activation is the micro-level driver of high-quality development, with psychological expectation optimization being its prerequisite.

C. Pathway 3: Compliance Pressure Transmission and ESG Capability Enhancement

Clean and close government-business relations promote enterprise ESG capability enhancement through a dual mechanism of “rule of law constraints + reputation incentives.” From the constraint side, government applies compliance pressure through “clean private enterprises” indicators (such as compliance operation scores) in the “Clean and Close Health Index”; from the incentive side, enterprises with good ESG performance gain higher trust in government-business interactions (such as inclusion in policy support white lists), forming reputation premiums. This logic aligns with “reputation capital” theory, where corporate social responsibility is a strategic choice for responding to the institutional environment.

ESG capability enhancement manifests as evolution from “passive compliance” to “active practice” to “value co-creation”: Initially, enterprises increase environmental investment and standardize employee rights to meet compliance requirements of the “Clean and Close Health Index”; in the middle stage, enterprises enhance brand image through ESG practice, gaining market recognition (such as green credit preferences); in the later stage, ESG is

integrated into development strategy, achieving win-win economic and social value, such as Bowei Group transforming clean compliance into core competitiveness.

After Ningbo incorporated “private high-tech enterprise growth rate” and “environmental investment ratio” into the clean and close index, the city’s average enterprise ESG score rose from 38.2 to 52.6 (third-party assessment data) during 2023–2024, while industrial enterprises’ unit energy consumption decreased by 4.1%. This demonstrates that clean and close government-business relations achieve synergy between economic and ecological objectives of high-quality development through the ESG pathway.

V. CONCLUSIONS AND RECOMMENDATIONS

This paper constructs an integrated analytical framework, incorporating institutional environment (macro), psychological perception (micro), and corporate behavior (meso) into a unified framework, revealing the “dual mediation—chain transmission” mechanism through which clean and close government-business relations influence high-quality development. Second, it deconstructs the dialectical logic of “clean and close,” based on Ningbo practice and theoretical deduction, clarifying the synergistic conditions of “close” (service proactivity) and “clean” (boundary normativity), providing theoretical basis for solving the “degree” difficulty in government-business relations. Third, it expands the connotation of high-quality development, incorporating psychological dimensions (entrepreneur confidence) and social dimensions (ESG) into analysis, breaking through the single economic performance orientation of traditional research, and better aligning with new development concepts.

A. Policy Recommendations

Government Level: Construct a “Measurable and Adjustable” Clean and Close Institutional System

Establish a dynamic evaluation mechanism for the “Clean and Close Index,” referencing Ningbo’s “2+1+N” linkage model (led by the United Front Work Department, supervised by the Discipline Inspection Commission, coordinated by multiple departments), ensuring indicators focus on enterprise sense of gain (such as adding “policy implementation timeliness” indicators). Promote concretization of “clean and close scenarios,” achieving full coverage of “government-business express” stations in townships (streets), solving the “last mile” problem for small and medium enterprises; establish “negative lists for approval time limits,” compressing unnecessary processes. Strengthen the bottom-line guarantee of “clean,” incorporating “public officials’ violations involving enterprises” into index deduction items, while establishing fault tolerance and exemption mechanisms to encourage officials to “dare to act.”

Enterprise Level: Cultivate the Development Concept of “Internal Governance Priority”

Private enterprises should shift resource allocation focus from “relationship maintenance” to “innovation investment,” establishing “minimum R&D investment ratio” systems, drawing on Zhongzhe Group’s “science and technology

innovation integration” experience. Large enterprises should take the lead in establishing “industry ESG standards,” while small and medium enterprises can reduce costs through “collective compliance,” such as joining environmental joint governance projects led by chambers of commerce. Establish “government-business interaction accounts,” clarifying compliance boundaries, and incorporate clean construction into enterprise internal control systems (such as Bowei Group’s clean private enterprise construction model).

Social Level: Create a Supportive Environment for “Clean and Close Consensus”

Intermediary organizations such as chambers of commerce should play the role of “bridge,” undertaking some government-business communication functions (such as Ningbo Chamber of Commerce Business Environment Direct Station), reducing bilateral interaction costs. Media should strengthen “positive guidance,” promoting clean and close practice cases (such as Yuyao Zhangting Town’s problem-solving mechanism), while conducting public opinion supervision on “unclean” behaviors. Universities and research institutions should conduct “clean and close theory training,” enhancing institutional cognition among entrepreneurs and public officials, reducing understanding deviations of “clean and close.”

B. Research Prospects

This paper’s theoretical framework can be deepened from three aspects: First, combine case study methods to conduct cross-case comparisons in different eastern, central, and western regions to test the applicability of regulatory mechanisms; Second, explore the impact of digitalization on clean and close mechanisms, such as how “smart government” reduces information asymmetry and optimizes psychological expectations; Third, expand international comparative perspectives, comparing similarities and differences between China’s clean and close model and developed countries’ government-business relation models, extracting universal experiences. Future research can, based on this paper’s theoretical framework, use qualitative research methods to conduct in-depth longitudinal case studies on specific industries or enterprises, to depict the dynamic evolution process of the above theoretical mechanisms in specific contexts.

CONFLICT OF INTEREST

The author declares no conflict of interest.

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