Research On the Role and Mechanisms of Smes in Environmental Governance—— A Case Study of Yongjia County

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Abstract. The increasingly intense environmental problems have given greater weight to the role of small- and medium-sized enterprises in environmental management. Respecting the limited resources and lack of technologies of SMEs, economic development is supposed to coexist with conservation through sustainable use. This paper, using Yongjia County as its study case, describes the present situation regarding SMEs, motives, and ways of participation in environmental management. The study showed that several reasons push SMEs to take part in environmental management, such as avoiding penalties, enjoying tax-related benefits, and obtaining financial support for the activity. Self-pollution management, co-governance coordination, and technological innovation emerged as effective approaches that would lead SMEs to better environmental performance. Some suggestions for policies on green technology research and development, industrial upgrading, and regional cooperation among the SMEs are put forward for improving the roles of SMEs in environmental management.

Keywords: SMEs, Environmental Governance, Yongjia County.

1. Introduction

Harmonizing economic growth with ecological protection has become a common challenge faced by governments around the world. China, in particular, has been plagued with ever more grievous environmental degradation as a side effect of its rapid economic advancement as the second-largest economy in the world which has prodded global economic development. The People's Government has, since the 18th National Congress of the Communist Party of China, put into effect a series of pollution treatment policies, such as the "Air Pollution Prevention and Control Action Plan." However, that is not to say that the local government's individual efforts alone suffice to manage the multifaceted situation of environmental pollution. Companies, particularly small-and-medium-sized enterprises, as the mainstay drivers of social operations and environmental protection, have very important responsibilities.

Yongjia County is one of the places that have recently achieved remarkable success in the promotion of green development. In 2020, Yongjia County was granted the title "National Demonstration County for Ecological Civilization Construction." As a matter of fact, with the continuous development of SMEs, the environmental governance work of Yongjia County is fraught with new challenges and opportunities. Thus, exploring the role and mechanisms of SMEs in Yongjia County’s environmental governance is of great significance not only for improving the governance capacity of local areas but also for offering useful enlightenment to other places.

Given that environmental governance is an international consensus, the small and medium enterprises’ part in the process cannot be underestimated. Mostly in comparison with big companies, small and medium-sized enterprises have restricted resources and technology; therefore, their environmental awareness and governance are weaker. Taking Yongjia County as a case study, this paper explores the role and mechanisms of SMEs in environmental governance, focusing on how policy incentives drive SMEs to participate through independent governance, collaborative governance, and technological innovation, thereby achieving the dual objectives of economic development and environmental protection.

This study consists of the following sections: First, a literature review summarizes the main practices of environmental governance in China and examines the reasons why SMEs play a role in environmental governance. Second, it analyzes the economic development of Yongjia County, the industrial distribution characteristics of SMEs, and the challenges they face in participating in environmental governance. Third, it identifies the driving factors behind SMEs' participation, such as avoiding penalties. Fourth, it examines the pathways and contributions of SMEs in environmental governance. Finally, it proposes three recommendations to provide a reference for regional sustainable development.

2. Literature Review

2.1. Current Environmental Governance in China

China's ecological and environmental governance system has evolved alongside its socioeconomic development. Chronologically, China's environmental governance can be divided into five phases: from the 1970s to the Third Plenary Session of the 11th Central Committee, from that session to 1992, from 1992 to 2002, from 2002 to 2012, and from 2012 to the present. The 18th National Congress of the Communist Party of China in 2012 incorporated ecological civilization into the overall framework of socialism with Chinese characteristics, marking the beginning of a new era of ecological governance.

Under the guidance of ecological civilization construction, a range of related policies have been introduced in recent years, significantly improving various environmental indicators. The 2018 National Environmental Protection Conference emphasized "six principles" of ecological civilization construction, including harmony between humanity and nature, the notion that green mountains are gold mountains, and the necessity of strict legal frameworks to protect the environment. These principles have contributed to China's notable achievements in environmental governance [1]. However, there are significant regional disparities in governance performance, and the overall level of governance efficiency still has considerable room for improvement [2].

2.2. SMEs and Environmental Governance

SMEs, as an integral part of China's national economy, play an increasingly prominent role in environmental governance. On one hand, the sheer number of SMEs means their pollution emissions have a significant impact on environmental governance. On the other hand, SMEs possess innovation potential, positioning them as key contributors to green innovation [3].

In practice, SMEs are both major sources of pollution and essential participants in pollution control. Their motivations for participating in environmental governance primarily stem from external policy pressures and internal development needs. However, due to constraints such as insufficient funding and lack of strategic planning [4], SMEs' performance in environmental governance is often suboptimal.

3. Basic Facts Analysis

3.1. Environmental and Economic Development in Yongjia County

Since 2000, national requirements for environmental protection have steadily increased. In response, Yongjia County has introduced a series of environmental protection policies, strengthened its environmental governance efforts and achieved stable and improving environmental indicators. In 2020, Yongjia County was successfully designated as a "National Demonstration County for Ecological Civilization Construction." By 2022, the county had fully resolved all issues identified in the second round of central ecological and environmental inspections and passed the provincial environmental inspections.

Despite significant achievements in recent years, Yongjia County's environmental governance still faces challenges and shortcomings. Environmental infrastructure remains underdeveloped; sewage networks and treatment facilities fall short of regulatory requirements, with existing facilities operating below capacity. Additionally, the collection and disposal of construction and industrial waste lack a closed-loop management system.

As SMEs continue to develop, air quality issues in Yongjia County have become increasingly prominent, particularly in specific industrial zones. From 2018 to 2022, the annual average PM2.5 concentration decreased from 28 μg/m³ to 22 μg/m³, indicating improvements in air quality during this period. However, in 2023, the annual average PM2.5 concentration increased to 23 μg/m³. Meanwhile, the county's air quality compliance rate remained between 98.6% and 100%, but since 2022, it has shown a slight downward trend, dropping from 100% in 2021 to 99.7% in 2022 and further to 98.9% in 2023. The fluctuations in PM2.5 levels and air quality compliance suggest that the effectiveness of environmental governance varies across years, highlighting the complexity and long-term nature of this endeavor.

Changes in air quality are likely influenced by multiple factors, including the control of industrial emissions and variations in climatic conditions. With the recovery of SMEs and increased industrial activity, rising industrial emissions have once again become a major factor affecting air quality. Therefore, balancing sustainable economic growth with effective environmental protection is a critical challenge for Yongjia County, particularly in the context of accelerated industrialization and urbanization.

From 2018 to 2023, Yongjia County's economy demonstrated steady growth (see Figure 1). The county's GDP increased from 41.446 billion RMB to 56.445 billion RMB, with an average annual growth rate ranging from 4.5% to 8.6%. Growth in 2022 was notably higher than in previous years. This economic growth reflects not only the continuous optimization of the industrial structure but also the coordinated development of the local economy across various sectors under the guidance of regional economic policies.

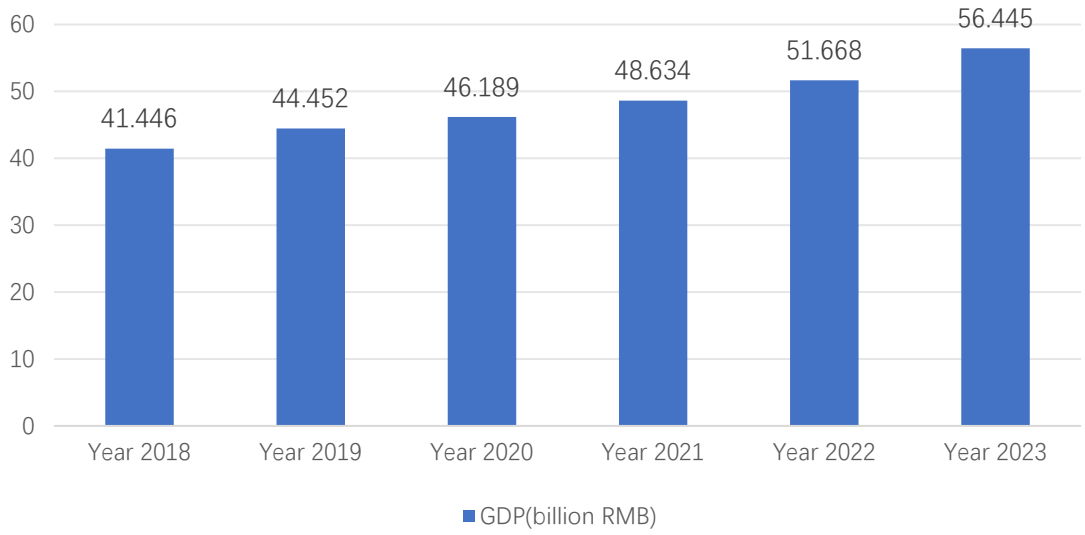

Fig. 1 GDP Total Change in Yongjia County

In the context of the COVID-19 pandemic, which caused the bankruptcy and closure of some SMEs, Yongjia County's SMEs responded proactively by increasing investments in industrial technology upgrades. In 2022 and 2023, technology upgrade investments grew by 52.8% and 20.8%, respectively. Against the backdrop of a sluggish global economic recovery, maintaining double-digit investment growth demonstrates SMEs' confidence in future development and their proactive approach to technological upgrades, industrial transformation, and green development.

3.2. SMEs in Yongjia County

As of September 2022, Yongjia County was home to 27,294 SMEs. In terms of industrial structure, 12,606 SMEs were engaged in the primary industry, 1,100 in the secondary industry, and 13,588 in the tertiary industry [5]. Among these, the top three industries by SME participation were manufacturing, wholesale and retail, and leasing and business services. Manufacturing ranked first, with 11,216 SMEs, accounting for 41.09% of the county's total SMEs [5]. Regarding industrial specialization, the pump and valve industry is the primary sector for SMEs in Yongjia County. By the end of 2022, there were 3,294 pump and valve enterprises in the county, with their annual production accounting for approximately one-quarter of the national market [5]. Yongjia's pump and valve products are diverse, with industrial valves produced in the county accounting for one-third of all types manufactured in China, covering applications in petroleum, chemical, natural gas, metallurgy, and power industries [5].

SMEs are a significant driver of Yongjia County's economic development, contributing to higher employment rates and fostering industrial innovation. However, as residents increasingly demand better living environments, SMEs—especially those in the manufacturing sector—face a challenging trade-off between economic growth and environmental protection.

In recent years, the Yongjia County Government has intensified its efforts to regulate and upgrade polluting industries to achieve green and low-carbon goals. In 2019, the county rectified and improved 1,028 enterprises in six industries, including footwear and leather, achieving a 100% shutdown or elimination rate for targeted enterprises. Additionally, five concrete enterprises underwent clean production transformations, achieving "fully enclosed, pollution-free, and zero emissions" operations. The government also completed the comprehensive upgrade of five integrated energy service stations and actively implemented clean discharge technology upgrades at sewage treatment plants. Adopting a "one enterprise, one policy" approach, the government facilitated tailored clean discharge transformations. These measures reduced the total volume of pollutants and, consequently, the profits of industrial enterprises above a certain scale. For instance, in 2019, the total profits of such enterprises amounted to 1.565 billion RMB, a 27.1% decrease compared to the previous year.

4. The Role and Contributions of SMEs in Environmental Governance

4.1. Motivation Analysis

Understanding the motivations behind SMEs' participation in environmental governance is crucial to exploring their contributions. Relevant government policies are the primary driving force encouraging enterprises to engage in environmental governance. Motivations of SMEs to engage in environmental governance can be subsumed under three heads of, externally induced: avoidance of penalties, tax incentives, and government subsidies.

The government's environmental policies basically coerce firms to set up their efforts on environmental governance. As a single policy tool, a single policy has likely inadequacies in the face of complex issues where it is impossible to meet more than one objective at the same time. Consequently, in general, governments utilize a mix of policy tools and measures to handle complex environmental problems [6]. Among the components of these bundles of policies that impel firms to participate in governance over the environment are negative incentives, which include not avoiding penalties, and positive incentives, for example, tax breaks and government subsidies.

4.1.1 Avoiding Penalties

In force, the environmental policy provisions for corporate enterprise undertake component levies. These can be achieved within the structure of administrative fines. Component fines are the most frequently stipulated punishment by the governing bodies [7]. In comparison with large companies, the SMEs have significantly limited material resources and are therefore greatly sensitive to cost variations in operations. In this regard, the administrative penalty for them acts as a short-term

deterrent measure, at the same time serving as long-term informational influence. Under the conditions of fines and suspensions because of violation of environmental requirements, the current operating expenses of SMEs rapidly rise in the short term and may threaten the stability of enterprises. SMEs normally try to follow the conventional rules to avoid punishment, like investment in pollution treatment and control equipment to be in conformity with laws. This is because punishment avoidance is their main purpose in the activity of environmental governance.

Issues related to governance against the growing focus of institutions, the Yongjia County Government publishes not only policies specifying measures of environmental governance but also implements strict penalty mechanisms, including fines on environmental violations and compulsory shutdowns. For instance, according to the Environmental Protection Inspection Work Summary of Yongjia County, by July 27, 2016, 33 enterprises were acted against for illegal construction and 70 for discharging against the law. Of these, 54 were ordered to stop production, 160 were given orders to make corrections within a time limit, and 83 were closed down. Those added up to cases in which the county has imposed fines amounting to 2.189 million RMB, and it has undertaken 24 cases of violations of environmental pollution, including 12 administrative detentions and 11 criminal detentions.

These strict penalty measures tremendously enhanced the participation of SMEs in environmental governance. For example, in 2016, the PM2.5 annual average concentration in Yongjia County fell to 31 $\mu g/m^3$, down by 18.4% as compared to the previous year. Meanwhile, the air quality compliance rate improved from 95.1% in the previous year to 99%. This proves that strong penalties are able to enhance, in an effective way, SMEs' active engagement in environmental governance.

4.1.2 Tax Incentives

Economic activities today have led to an ever more complicated tax system in which tax is increasingly becoming the essence of tools for macroeconomic policy. Tax policy should have the function to regulate the national economy and distribute resources. Tax, in environmental governance, properly internalizes environmental costs through the imposition of taxes in such a way that the polluter pays, hence developing sustainability through cost practiced.

The imposition of environmental protection taxes not only raised the financial burden on the enterprises but also promoted them to adjust their development strategy and quicken the transformation to green production [8]. The dual effects of environmental protection taxes on environmental governance are very obvious. First, in a bid to ease their tax liability, companies increase environmental investments in pollution control equipment [9] and upgrade industrial emissions on a watertight basis. Secondly, using the revenue from the taxes collected, local governments can attach them directly to projects for protecting the environment, from which construction in environmental infrastructures thrives and ecological undertakings are greatly promoted. According to the Annual Report on Ecological and Environmental Statistics, the promulgation of the Environmental Protection Tax Law in 2018 showed remarkable results. Indeed, by 2019, emissions of sulfur dioxide from industrial sources had declined from 4.467 million tons in the year.

Similarly, nitrogen oxide emissions decreased from 5.887 million tons to 5.481 million tons. Additionally, the discharge of chemical oxygen demand in industrial wastewater dropped from 814,000 tons to 772,000 tons, and ammonia nitrogen emissions reduced from 40,000 tons to 25,000 tons. These figures highlight the significant effectiveness of the environmental protection tax.

For SMEs in Yongjia County, environmental protection taxes remain a substantial burden that may restrict further development. However, tax incentives implemented by tax authorities alleviate SMEs' financial pressure during their transformation, providing critical support for their green development initiatives. For instance, Zhejiang Botelli Technology Co., Ltd. benefited from high-tech enterprise tax reductions, saving more than RMB 6.6 million in corporate income taxes and enjoying additional tax deductions for R&D expenditures exceeding RMB 30 million in 2023. These tax incentives enhanced the company's production automation and investment in environmental protection. The introduction of a "Digital Management Dashboard" system enabled more efficient monitoring of

various consumptions during production, significantly reducing the emission of harmful substances and improving the recycling rates of wastewater, exhaust gases, and solid waste. This integration of economic and ecological benefits underscores the effectiveness of tax incentives. Similarly, Yongjia Green Power Renewable Energy Co., Ltd. benefits from monthly VAT rebates for its waste treatment and electricity generation operations. Zhejiang Tax Bureau data show that in the first half of 2021, the company received over RMB 3 million in tax rebates, which were reinvested to upgrade equipment such as membrane filter bags and filter cages. These upgrades significantly enhanced the company's waste treatment capabilities, contributing actively to the construction of "Beautiful Villages."

4.1.3 Governance Subsidies

Government subsidies, as a critical tool for supporting enterprises, not only alleviate financial pressures associated with environmental governance but also enhance SMEs' capacity for green technology innovation [10]. Research has shown that government subsidies significantly boost the innovation efficiency of agricultural companies, particularly large enterprises, where the impact is more pronounced [11]. Subsidies play a key role when enterprises face funding shortages or technological bottlenecks, thereby driving the rapid development of entire industries. Under the guidance of government support policies, China's electric vehicle sales led the world for five consecutive years (2018–2022), and the R&D capabilities of electric vehicle companies significantly improved [12]. Similarly, subsidies have strengthened the confidence of pig farmers amidst the severe impact of African swine fever, promoting the scaled development of pig farming and ensuring the long-term supply of pork in the market [13].

In Yongjia County, where traditional manufacturing and light industries dominate the economic structure, SMEs primarily rely on labor-intensive production methods with relatively low technological thresholds. With the growing emphasis on environmental governance, innovation-driven strategies, and industrial upgrading, enterprises must adjust their development strategies to align with the high-tech and environmentally conscious trends of the era. However, the lack of funds and technology makes it difficult for SMEs to implement industrial improvements and clean production technology.

To address these challenges, the Yongjia County Government has increased its investment in scientific and technological funding in the industrial sector (see Figure 2) and introduced a series of subsidy policies. According to the "Energy Efficiency Improvement Action Plan for 100 Enterprises in Yongjia County (2021–2023)", energy efficiency retrofit projects achieving annual energy savings of over 20 tons of standard coal or reducing energy consumption per unit of added value by more than 3%, while increasing labor productivity by over 15%, are eligible for subsidies ranging from 10% to 20% of the investment cost, capped at RMB 1 million. Additionally, enterprises earning national, provincial, or municipal green certifications receive rewards ranging from RMB 50,000 to RMB 300,000. Companies that implement and pass clean production audits are awarded RMB 50,000, while those undertaking high or medium-cost clean production projects are reimbursed for 20% of the actual investment. The government also promotes energy performance contracting, offering tiered subsidies for projects achieving annual energy savings of over 50 tons of standard coal.

According to the 2022 public report by the Wenzhou Municipal Bureau of Ecology and Environment, Yongjia County achieved notable results following these policies. That year, the county completed the rooftop photovoltaic installations for more than 120 enterprises, rectified 329 underperforming enterprises with output values below RMB 80,000 per acre, and eliminated 77 inefficient and high-energy-consuming enterprises. These initiatives boosted the tax revenue from the manufacturing sector by 21.24% and significantly optimized energy usage in the county.

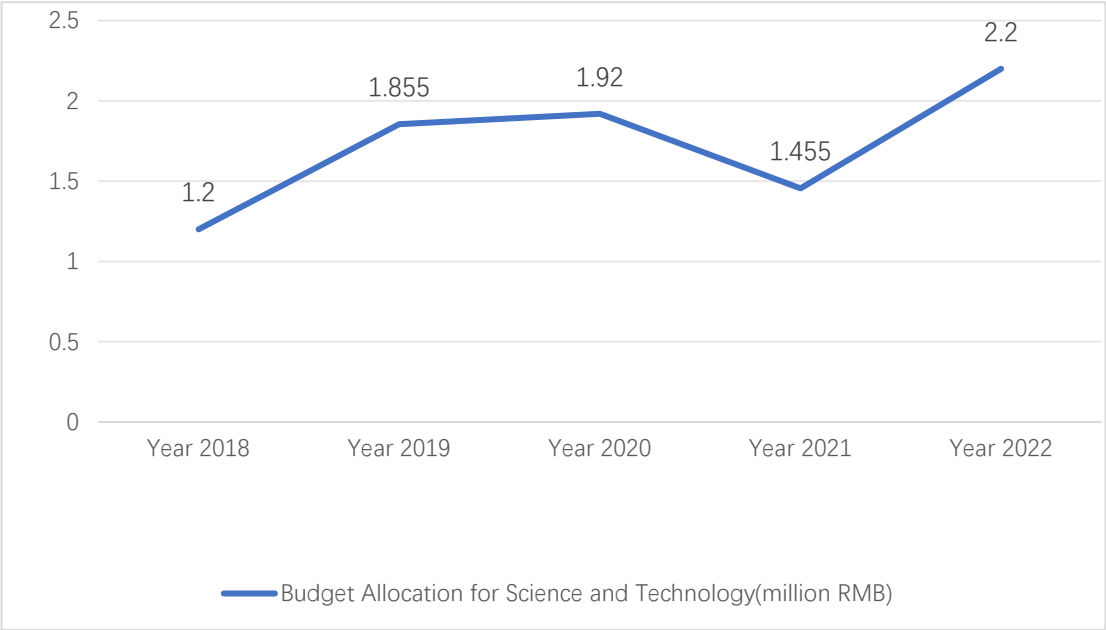

Fig. 2 Budget Allocation for Science and Technology

4.2. Pathway Analysis

4.2.1 Independent Pollution Management

Industrial water usage is characterized by high consumption, substantial discharge volumes, and significant toxicity [14]. Consequently, industrial wastewater is a primary pollutant for industrial enterprises. Generally, enterprises first conduct physical pretreatment of wastewater to remove large particles and suspended solids. Subsequently, they use processes such as neutralization reactions and chemical oxidation-reduction to eliminate harmful substances like heavy metals and toxic organic compounds. These methods reduce the concentration of heavy metal ions in the wastewater to meet discharge standards.

Air pollution, another significant concern, poses threats to both the environment and human health [15]. Common technologies for air pollution control include adsorption and catalytic combustion. Adsorption technology utilizes porous materials like activated carbon to capture harmful substances in the air. Catalytic combustion, on the other hand, employs catalysts to oxidize harmful substances at low temperatures, transforming them into less harmful or harmless substances. Enterprises select appropriate treatment measures based on the composition of pollutants, demonstrating the flexibility and diversity of air pollution management technologies [16].

Compared to wastewater and air pollution management, the disposal of solid waste is relatively straightforward. Common methods include landfill, incineration, solidification for waste containing heavy metals, and recycling. Due to their simplicity and low direct costs, many SMEs in Yongjia County prefer landfill and incineration for solid waste disposal.

4.2.2 Collaborative Environmental Governance

Resource and technology constraints often make it difficult for individual enterprises, especially SMEs, to address the complexity of environmental governance independently. As a result, collaborative governance has emerged as an effective solution. Collaborative governance involves multiple stakeholders working toward a common goal through resource sharing, division of labor, and close cooperation to address complex problems and achieve outcomes that individual efforts cannot [17]. In environmental governance, collaboration helps enterprises overcome technical and resource barriers while fostering exchanges and cooperation between enterprises and other stakeholders. This facilitates the adoption of new technologies and management practices. Collaborative governance typically occurs either within enterprises (cross-departmental collaboration) or between enterprises (inter-enterprise collaboration).

Cross-departmental collaboration within enterprises involves cooperation among various functional departments to achieve environmental governance objectives. For example, collaboration between environmental protection and production departments can reduce pollutant generation at the source. Other departments, such as finance and R&D, also play essential roles by providing budgetary support and developing green technologies to enhance the enterprise's overall environmental performance.

Inter-enterprise collaboration occurs when enterprises partner with others that have pollution treatment capabilities to address their pollution management needs. For instance, SMEs may transport wastewater through pipelines to nearby chemical plants for centralized treatment. Such partnerships shifted the burden from environmental governance for the polluting enterprise and, at the same time, generated extra revenue for the treatment facility.

The collaboration between enterprises would not only sustain investment in pollution management but also promote technological progress and enhance the efficiency of treatment facilities. It would promote sharing resources and waste minimization that would make pollution management more effective.

4.2.3 Technological Innovation

Technological innovation is one of the important determinants of better environmental governance performance in also attaining sustainable development [18], as it effectively copes with the increasing complexities of pollutants and vast volumes of emissions related to economic activities. Improvements in both production technologies and the breakthrough of pollution control technologies help firms address tough environmental problems and enhance their market share.

The diversity of pollutants, as well as their ever-increasing amounts, make a heavy demand on enterprises to quicken the paces of technological improvement. For instance, the share of sulfur compounds in some cases of industrial wastewater may exceed 50%, which makes traditional methods of treatment inefficient [19]. In this case also, technological innovation is indispensable. Moreover, successful innovations usually end with patenting, which not only boosts the competition ability of the enterprise but also generates more incomes from patent implementation and supports the active work.

4.3. Contribution Analysis

The SMEs are crucial to environmental governance and actively contribute to green technology innovation and coupling development between the local economy and ecological preservation.

First, the SMEs are a very important force that promotes green technological innovation. The utilization and innovation of green technologies represent the path to environmental governance and sustainable development while allowing the levels of pollution and carbon emissions of enterprises to be drastically low and maintaining competitiveness in the market (source) [20]. Having less managerial levels and a less hierarchical structure than large firms, SMEs often have better internal communications processes with greater speed, hence developing and putting into practice new strategies more quickly. This kind of organizational setup is conducive to technological innovation.

Second, SMEs not only drive the local economy but also ensure that the local economy is intertwined with ecological conservation; driving regional economic development, SMEs also take up environmental responsibilities to cut their emissions of pollutants and reduce their carbon footprints. Since the Yongjia County Government imposed more stringent regulations on local SMEs with respect to environmental governance, the quality of air has improved in the county. The PM2.5 concentration on an annual average has been around 23 $\mu g/m^3$ for the last four years, which shows, in fact, the proactive role of SMEs in reducing pollution and emissions. The reduced pollutant decreases cost of governance also create a good condition for SMEs to prosper and therefore lay a good base for local economic development.

5. Future Focus Areas and Policy Recommendations for SMEs

To further enhance the role of SMEs in environmental governance and promote regional sustainable development, this study proposes the following three recommendations, based on the current development context in China and the analysis above:

5.1. Promoting Green Technology Innovation and Application

Green technology innovation and application are critical means for SMEs to enhance their core competitiveness in environmental governance. By increasing R&D investments and adopting advanced green technologies, SMEs can effectively reduce pollutant emissions during production, improve resource utilization efficiency, and achieve more efficient production processes. The application of green technologies also provides a solid foundation for advancing green production and sustainable transitions, helping enterprises gain advantages in environmental regulations and market competition, ultimately realizing both economic and ecological benefits.

The main barrier that obstructs SMEs from adopting green technologies is the lack of funds. Thus, the policies of government support are especially critical. For SMEs, whose general lack of ability in R&D makes them even more vulnerable, governments could reduce their taxation in a way that currently burdens them less and by providing more subsidies. Because they usually lack R&D capabilities, governments could better prepare small and medium enterprises by offering training courses that would enhance and improve the quality and availability of innovative technologies. Government agencies can also support the technical issues companies might face during the innovation process. They can help in translating innovative ideas into workable solutions and see them to execution.

5.1.1 Industrial Upgrading

Industrial upgrading is not merely the pathway of transition of the mode of growth in the factor-intensive labor to become technology-intensive labor but is also a process by which both the enterprise and the environment obtain multiple benefits. Compared with labor-intensive enterprises, technology-intensive companies pay more attention to pro-environment production measures that usually raise the efficiency of production and lessen the environmental impact. In turn, this allows Industrial upgrading firms to reduce their pollution emissions while boosting their competitive profiles on the markets hence sustaining sustainable development. In this sense, what SMEs need to take into consideration about their development in the future is to primarily carry out the industrial upgrading that is compatible with the further enhancement of advanced technology adoption, and steer toward the development of technology-intensive sectors that can lay a foundation for future long-term pursuits.

Industrial upgrading not only drives single industries but also promotes regional economic development in a coordinated way. In order to help SMEs, realize industrial upgrading, governments can offer guidance or support funds along with easy access to the dismantlement of old production capacity and rewards to those enterprises that are outstanding in energy conservation and emissions reduction. Then the companies will gradually transform their production into green production.

5.1.2 Strengthening Regional Collaboration and Resource Sharing

The use efficiency of local environmental resources is an important way for SMEs to improve the level of environmental governance and decrease environmental cost. Regional cooperation and complementary advantages can be achieved by sharing resources among regions, which also lightens the investment burden of single enterprises on environmental facilities and technologies. Taking part in regional governance projects enables SMEs to enjoy shared resources for improvement in environmental management as well as cost reduction in governance and economic and environmental benefits.

The government sector assumes the enhancement of regional environmental governance. Actively promote the development of regional environmental protection and governance through the

construction of centralized sewage treatment plants and solid waste treatment facilities in industrial parks to achieve centralized treatment of pollutants and optimize resource allocation. It would also lighten the burden of environmental management on individual enterprises and allow leading roles to be played by some enterprises. In addition, the government can also adopt policies to provide incentives that encourage enterprises under one corporation to cooperate with the regional enterprises and their resources in the coordination of regional sustainable development through which the governments at all levels are encouraged.

6. Conclusion

The paper takes SMEs as the research subject, exploring the roles and mechanisms played by SMEs in environmental governance in Yongjia County. Results showed that SMEs made a positive participation in environmental governance, motivated mostly by external pressure such as the need to evade fines, tax reliefs, and government subsidies. Independent pollution management, collaborative governance, and innovation are the reasons for active involvement of SMEs in environmental governance, which significantly enhances environmental performance. They also contribute to the progress of green technology and regional economic and ecological development synchronization. However, SMEs in environmental governance face several problems. They include financial constraints and the absence of technological methods. Therefore, the ways and means by which policies and resources are put into realizing further commercial potential in environmental governance are of strategic importance.

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