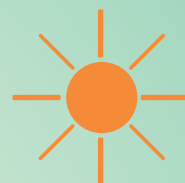


White Paper on **2020** Small and Medium Enterprises in Taiwan



2020 White Paper on Small and Medium Enterprises in Taiwan

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Published by

Small and Medium Enterprise Administration, Ministry of Economic Affairs

3F., No. 95, Section 2, Roosevelt Rd.

Daan Dist., Taipei City 10646

Taiwan, R.O.C.

Edited by

Chung-Hua Institution for Economic Research

No. 75, Chang Hsing St.

Daan Dist., Taipei City 10672

Taiwan, R.O.C.

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Designed and Printed by

Hong You Printing Co., Ltd.

6F., No. 10, Ln. 366, Section 2, Jhongshan Rd.

Jhonghe Dist., New Taipei City 23584

Taiwan, R.O.C.

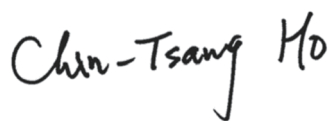
Foreword

The global economy started in 2019 with strong growth before tapering off, resulting in an annual growth rate of merely 2.57%, the lowest in the last decade. However, Taiwan’s economy delivered better-than-expected performance, with the economic growth rate rising every quarter to arrive at an annual growth rate of 2.71%. The global economy suffered a dramatic decline in 2020 due to the COVID-19 pandemic. Taiwan’s economy, in comparison, has benefited from its success in keeping the virus at bay, and recovery is expected to start in the second half of the year. In August 2020, the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan still predicted an economic growth rate of 1.56%.

In 2019, there were 1,491,420 SMEs in Taiwan, accounting for 97.65% of all enterprises. This was a rise of 1.72% compared to 2018. These SMEs employed 9,054,000 people, or 78.73% of the working population, an increase of 0.99% compared to 2018. Both were historic highs. The total revenue of SMEs was NT\$12,713.0 billion, 0.70% higher than 2018. In particular, domestic sales accounted for NT\$11,299.2 billion, 1.14% higher than in 2018. Notably, revenue growth has been positive in the last few years. All of the data above show that SMEs are the cornerstone of stability and job creation in Taiwan’s economy.

The 2020 Small and Medium Enterprise White Paper consists of two parts, “Trends in the Operations of Small and Medium Enterprises” and “Small and Medium Enterprise Policies and Measures,” as well as appendices. The first part, “Trends in the Operations of Small and Medium Enterprises,” describes the development and financial performance of SMEs and provides an overview of their financing and human resources. The second part, “Small and Medium Enterprise Policies and Measures,” describes the SME policies and measures implemented by various government departments every year. It also delineates how the government modifies SME development strategies as needed in response to domestic and international economic changes.

This paper provides detailed information on trends and developments in SMEs and important policies. Apart from circulating government information and facilitating academic research and comparisons between countries, it also serves as a source of information for SME owners. Finally, we would like to thank all participants for their valuable input. We look forward to feedback from all parts of our society, as your feedback will help us improve this paper.

A handwritten signature in black ink that reads "Chin-Tsang Ho". The signature is written in a cursive style with a large, stylized 'H'.

Chin-Tsang Ho

Director-General

Small and Medium Enterprise Administration

Ministry of Economic Affairs

November 2020

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Summary

The 2020 White Paper on Small and Medium Enterprises in Taiwan comprises two parts. **Part One** presents an overview and discussion of the most recent operational results and developing trends of SMEs in Taiwan. **Part Two** reviews various government policy measures related to SMEs and examines their goals, implementation and results.

Part One consists of three chapters, covering SMEs' current state of development, finances, funding and human resources.

As for the performance of SMEs in 2019, the number of SMEs reached a record level of 1,491,420, up 1.72 percent from 2018, and accounted for 97.65 percent of all enterprises in Taiwan. In addition, the number of employed persons in SMEs increased to 9,054,000, up 0.99 percent from 2018, and represented 78.73 percent of all employed persons in Taiwan. The annual sales of SMEs in 2019 came to NT\$12,713.0 billion, up 0.70 percent from 2018, accounting for 29.58 percent of the total annual sales of all enterprises in Taiwan. Domestic sales amounted to NT\$11,299.2 billion, 1.14 percent higher than in 2018. Export sales amounted to NT\$1,413.7 billion, a 2.70 percent decrease. In 2019, a total of 100,497 new SMEs were created.

With regard to the industrial structure in Taiwan, the number of SMEs is mostly concentrated in the service sector, with the proportion being 80.01 percent. 46.71 percent of SMEs were in wholesale and retail trade, followed by accommodation and food services activities (11.27 percent), and manufacturing (9.64 percent). By the forms of organization, 52.96 percent of SMEs were sole proprietorships. By regional distribution, 46.44 percent of all SMEs were concentrated in northern Taiwan.

In terms of market entry and exit, SMEs often display more flexibility than large enterprises. That explains the concentration of the distribution of the years in existence for SMEs: the share of SMEs in existence below 10 years was 48.68 percent (vs. 21.28 percent of large enterprises). Over 50 percent of SMEs had been in operation for 10 years or more by the end of 2019.

Six special municipalities combined represented 76.71 percent of sales and 73.53 percent of employed persons of SMEs, and have 1,077,385 SMEs, representing 72.24 percent of all SMEs in Taiwan.

Part Two consists of five chapters that review various government policy measures related to SMEs and examine their goals, implementation and results.

Many SMEs in Taiwan possess unique technology and innovative products, but lack the scale, capital, technology, and talents of many large businesses with which they regularly compete. Taiwan's government has been working actively to establish effective policy measures to facilitate the development of SMEs and resolve the hurdles facing SMEs. Multiple policy measures have been taken by relevant government departments to assist SMEs in funding and credit guarantees, marketing, talent cultivation, technology upgrading and transformation, start-up promotion, incubation and acceleration mechanisms, free-trade policy, and an improved legal and regulatory environment.

A large number of projects and ancillary measures have been implemented in order to help achieve these goals. Each year, the government revises its SME development strategy to reflect changes in the economic environment in Taiwan and the global economy as a whole, and carries out the planning and implementation of related ancillary measures to boost the competitiveness of Taiwan's SMEs and contribute to their stable, continued development. New relevant guidance and measures have recently been instituted by the government.



Part One

Recent Development of SMEs

Chapter 1 Major Trends in the Development of SMEs

Chapter 2 Financial and Funding Analysis of SMEs

Chapter 3 SMEs: Human Resources

Small and medium-sized enterprises (SMEs) continue to make up the backbone and have been one of the main driving forces of Taiwan's economic development over the past half century: they were recognized as an export vanguard early on, key partners in supply chains and industrial clusters later, and recently the focal point of local economies, entrepreneurship, and industrial upgrading and transformation. Official data published by the central government of the R.O.C. are analyzed to facilitate a deep understanding of SMEs. First, four major indicators including the number of enterprises, total annual sales, domestic sales, and export sales are examined for observations in terms of scale, industries, and sectors. Second, SMEs' financial structure and source of financing as well as human resources utilization, working conditions, and talent development are analyzed.

In 2019, the number of enterprises, total annual sales, and the number of employed workers of Taiwan's SMEs all grew. As of 2019, there were a total of 1,491,420 SMEs in Taiwan, accounting for 97.65 percent of the total number of enterprises in Taiwan, 1.72 percent higher than in 2018; the number of employed workers in SMEs reached 9,054,000, accounting for 78.73 percent of the total number of employed workers in Taiwan, 0.99 percent higher than in 2018; both figures were record highs. SME's sales totaled NT\$12,713.0 billion, and the growth rate of SMEs' sales remained positive and was 0.70 percent higher than that of 2018; domestic sales totaled NT\$11,299.2 billion and the growth of domestic sales was 1.14 percent higher than that of 2018. Export sales totaled 1,413.7 billion and the growth in export sales was 2.70 percent lower than that of 2018.

CHAPTER 1

Major Trends in the Development of SMEs

The global economy exhibited a continuing decline quarter after quarter in 2019. The unpredictable U.S.-China trade dispute and other geopolitical conflicts also created more difficult challenges for Taiwanese businesses in terms of business strategies and risk avoidance. The challenges were compounded by other adverse conditions, especially in market development, financing, and recruitment.

For SMEs, both export propensity and export contribution were on the decline. The trend reflected the difficulty faced by SMEs in expanding in overseas markets on the grounds of fair trade due to the U.S.-China trade dispute. Meanwhile, the U.S.-China trade dispute caused the global supply chain to undergo restructuring. Given that large companies were still making adjustments to their global networks, SMEs, as satellites or outsourcing service providers, were inevitably affected in terms of sales.

This chapter consists of five sections. Section I mainly discusses the general business performance of SMEs, including the number of enterprises, total annual sales, domestic sales, and export sales in terms of scale, industry, and sector, as well as a year-by-year comparison. Section II focuses on the SMEs and regional development. Section III categorizes enterprises by the owner's gender, so as to investigate whether the female entrepreneur's way of operating companies differs. Section IV covers the business performance of SMEs in wholesale and retail trade, and food and beverage service activities based on the results of the *Trade and Food Service Operations Surveys 2019* conducted by the Department of Statistics, Ministry of Economic Affairs. Section V offers an overview of SMEs' R&D expenditure based on the *Indicators of Science and Technology Taiwan 2019* compiled by the Ministry of Science and Technology.

Statistics on the number of enterprises and total annual sales in this chapter are gathered from the Value-Added Business Tax (VAT) data of the Fiscal Information Agency, Ministry of Finance, while statistics on employed persons (not in tax data) come from the Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data.

I General Business Performance of SMEs

Three major indices—the number of enterprises, total annual sales, domestic sales, export sales, the number of employed persons, and paid employees—are shown below.

As of 2019, there were a total of 1,491,420 small and medium-sized enterprises in Taiwan, a 1.72 percent increase compared with 2018, accounting for 97.65 percent of the total number of enterprises in Taiwan (1,527,272). SMEs are mostly concentrated in the service sector, with the

proportion being 80.01 percent, of which wholesale and retail trade accounts for 46.71 percent. One of the major features of SMEs is that they are more flexible in market entry and exit than large enterprises. That explains the concentration of the distribution of the years in existence for SMEs: 48.68 percent of SMEs have been in existence for less than 10 years, while 49.15 percent of large enterprises have been in existence for at least 20 years. Newly-established SMEs, defined as those that have been in existence for less than one year, account for 6.74 percent, while 29.58 percent of SMEs have been in existence for less than 5 years. In 2019, SMEs' sales totaled NT\$12,713.0 billion, accounting for 29.58 percent of the total sales of all enterprises; the domestic share of total SME sales was 34.83 (Table 1-1-1).

Table 1-1-1 Number of Enterprises, Annual Sales, Employed Persons and Paid Employees in Taiwan, 2018-2019

Unit: Enterprises; million NT\$; thousand persons; %

Enterprise size Year Indicator	All enterprises		SMEs		Large enterprises	
	2018	2019	2018	2019	2018	2019
No. of enterprises	1,501,642	1,527,272	1,466,209	1,491,420	35,433	35,852
Share of total	100.00	100.00	97.64	97.65	2.36	2.35
Annual growth rate	2.05	1.71	1.99	1.72	4.78	1.18
Total sales	42,663,539	42,979,088	12,624,472	12,712,963	30,039,067	30,266,125
Share of total	100.00	100.00	29.59	29.58	70.41	70.42
Annual growth rate	6.21	0.74	3.99	0.70	7.17	0.76
Domestic sales	32,043,842	32,443,572	11,171,567	11,299,248	20,872,275	21,144,324
Share of total	100.00	100.00	34.86	34.83	65.14	65.17
Annual growth rate	6.20	1.25	4.24	1.14	7.28	1.30
Export sales	10,619,697	10,535,516	1,452,905	1,413,715	9,166,792	9,121,801
Share of total	100.00	100.00	13.68	13.42	86.32	86.58
Annual growth rate	6.24	-0.79	2.15	-2.70	6.92	-0.49
No. of employed persons	11,434	11,500	8,965	9,054	1,450	1,429
Share of total	100.00	100.00	78.41	78.73	12.68	12.42
Annual growth rate	0.72	0.58	0.69	0.99	1.75	-1.48
No. of paid employees	9,083	9,147	6,616	6,702	1,448	1,427
Share of total	100.00	100.00	72.84	73.27	15.94	15.60
Annual growth rate	0.85	0.71	0.85	1.30	1.76	-1.44

Notes:

1. The annual growth rate is the current year rate of change compared to the previous year.
2. The figures (and percentages) given in the table for the number of employed persons and number of paid employees working in all enterprises include 1,018,000 government employees, accounting for 8.85 percent of all employed persons and 11.13 percent of all paid employees.
3. The term "SME" as referred to the number of enterprises and annual sales means an enterprise which conforms to the following standards: (1) the enterprise is an enterprise in the manufacturing, construction, and mining and quarrying industry with paid-in capital of NT\$80 million or less; (2) the enterprise is an enterprise in an industry other than any of those mentioned above and had sales revenue of NT\$100 million or less in the previous year, according to the Standards for Identifying Small and Medium Enterprises revised by the MOEA in 2015.
4. The term "SME" as referred to the number of employed persons and paid employees means an enterprise which conforms to the following standards: (1) the enterprise is an enterprise in the manufacturing, construction, and mining and quarrying industry with less than 200 regular employees; (2) the enterprise is an enterprise in an industry other than any of those mentioned above with less than 100 regular employees, according to the Standards for Identifying Small and Medium Enterprises revised by the MOEA in 2015.

Source: 1. Fiscal Information Agency, Ministry of Finance, Value-Added Business Tax (VAT) data, 2018-2019.

2. Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2018-2019.

SMEs are heavily concentrated in northern Taiwan. In 2019, 46.44 percent (692.6 thousand) of all SMEs were concentrated in northern Taiwan; in terms of regions, Taiwan's six special municipalities (Taipei, New Taipei, Taoyuan, Taichung, Tainan, and Kaohsiung) are the top six, with the largest number of SMEs, i.e., 1,077 thousand, or 72.24 percent of all SMEs combined. Regarding employment, the number of employed persons in SMEs stands at 4,150,800 (45.85 percent) in northern Taiwan.

Here are further details of the performance and condition of Taiwan's SMEs.

1. A Total of 1,491,420 SMEs in 2019 and Growing

The number of SMEs set records several times after the 2007-2009 global financial crisis. As of 2019, there were a total of 1,491,420 SMEs in Taiwan, accounting for 97.65 percent of the total number of enterprises in Taiwan. This figure represented an increase of 25,211 enterprises or 1.72 percent from 2018. The number of large enterprises was 35,852, up 1.18 percent from 2018, accounting for 2.35 percent of the total number of enterprises (Table 1-1-1).

2. The Number of Employed Persons in SMEs Reached 9,054,000 in 2019

In 2019, the number of employed persons in SMEs reached 9,054,000, of which 6,702,000 were paid employees. SMEs accounted for 78.73 percent of total employed persons and 73.27 percent of total paid employees (Table 1-1-1).

3. About 80 Percent of SMEs Were in the Service Sector

Regarding the sectors, in 2019, SMEs were mostly concentrated in the service sector, with the proportion being 80.01 percent, and the industrial sector accounting for 19.23 percent. As of 2019, there were a total of 1,193,259 SMEs in the service sector, representing an increase of 20,606 SMEs or 1.76 percent from 2018; there were a total of 286,833 SMEs in the industrial sector, representing growth of 1.62 percent, slightly slower than that in the service sector (Table 1-1-2).

4. About 50 Percent of SMEs Were in Wholesale and Retail Trade

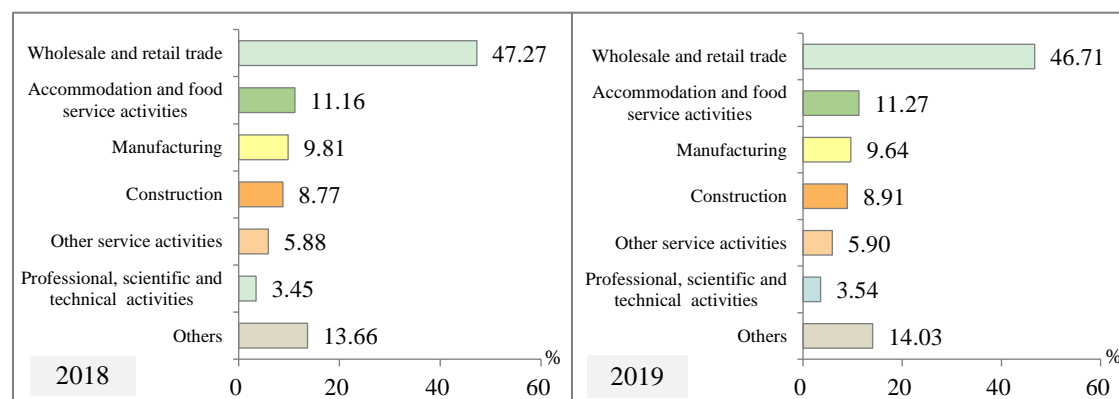
In terms of the industries, 46.71 percent of SMEs were in wholesale and retail trade, or a total of 696,666 in 2019 (up 3,647 from 2018), followed by accommodation and food service activities with 11.27 percent of SMEs, or a total of 168,112 (up 4,495). Third place was manufacturing, with 9.64 percent, or a total of 143,699, followed by construction with 8.91 percent, other service activities with 5.90 percent, and professional, scientific and technical activities with 3.54 percent (Figure 1-1-1).

Table 1-1-2 Shares of SMEs in Taiwan by Sector, 2015-2019

Unit: Enterprises; million NT\$: %

Sector \ Year	2015	2016	2017	2018	2019
All SMEs	1,383,981	1,408,313	1,437,616	1,466,209	1,491,420
Agricultural sector	0.84	0.81	0.83	0.77	0.76
Industrial sector	19.45	19.40	19.32	19.25	19.23
Service sector	79.72	79.79	79.85	79.98	80.01
Total sales	11,803,115	11,764,677	12,139,513	12,624,472	12,712,963
Agricultural sector	0.20	0.21	0.23	0.23	0.24
Industrial sector	48.23	47.41	47.69	48.22	47.35
Service sector	51.56	52.38	52.09	51.55	52.42
Domestic sales	10,325,260	10,340,886	10,717,138	11,171,567	11,299,248
Agricultural sector	0.20	0.20	0.22	0.23	0.23
Industrial sector	45.13	44.35	44.73	45.35	44.54
Service sector	54.68	55.45	55.05	54.42	55.23
Export sales	1,477,855	1,423,791	1,422,375	1,452,905	1,413,715
Agricultural sector	0.23	0.23	0.27	0.20	0.25
Industrial sector	69.94	69.66	69.96	70.34	69.81
Service sector	29.83	30.11	29.78	29.45	29.95

Source: Fiscal Information Agency, Ministry of Finance, VAT data ,2015-2019.

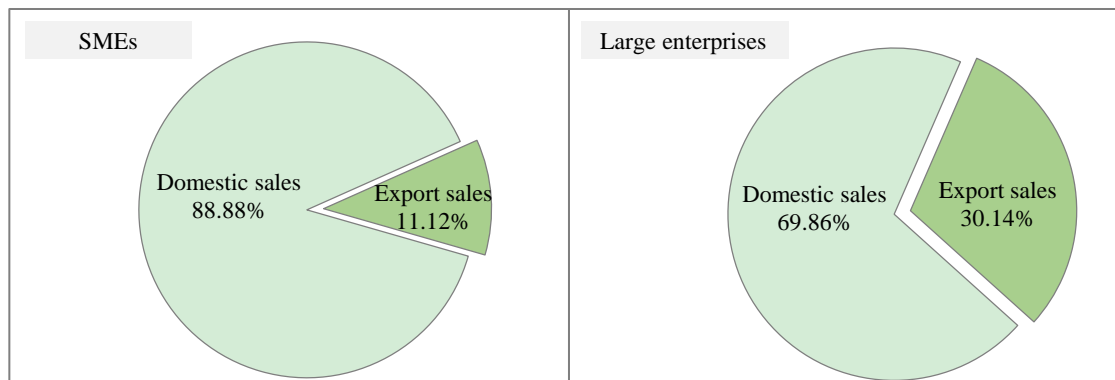
Figure 1-1-1 Distribution of SMEs by Industry, 2018-2019

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2018-2019.

5. Domestic Share of Total Sales of SMEs in 2019 Accounted for 89 Percent

In 2019, SMEs' sales totaled NT\$12,713.0 billion, accounting for 29.58 percent of the total sales of all enterprises; SMEs' domestic sales accounted for 88.88 percent (NT\$11,299.2 billion) of total SME sales, with SMEs' domestic sales up 1.14 percent from 2018. Large enterprises' sales totaled NT\$30,266.1 billion; large enterprises' domestic sales accounted for 69.86 percent (NT\$21,144.3 billion) of their total sales, showing that SMEs were more domestically oriented than large enterprises (Figure 1-1-2 and Table 1-1-1).

Figure 1-1-2 Shares of Domestic and Export Sales in Total Sales by Enterprise Size, 2019



Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

6. Total Export Sales of SMEs Down 2.70 Percent in 2019

The SMEs' export propensity (SME export sales' share of the SMEs' total sales) in 2019 was at 11.12 percent, down 0.39 percentage points from 2018; in 2019 the SMEs' export contribution (SME export sales' share of all enterprises' export sales) was at 13.42 percent, down 0.26 percentage points from 2018, which was lower than the corresponding figures in the historical records, suggesting that it is difficult for SMEs to develop foreign markets (Table 1-1-3).

Table 1-1-3 Number and Sales Performance of SMEs, 2015-2019

Unit: Enterprises; million NT\$; %

Indicator \ Year	2015	2016	2017	2018	2019
No. of SMEs	1,383,981	1,408,313	1,437,616	1,466,209	1,491,420
Ratio	97.69	97.73	97.70	97.64	97.65
Annual growth rate	2.29	1.76	2.08	1.99	1.72
SME total sales	11,803,115	11,764,677	12,139,513	12,624,472	12,712,963
Ratio	30.36	30.71	30.22	29.59	29.58
Annual growth rate	-0.31	-0.33	3.19	3.99	0.70
SME domestic sales	10,325,260	10,340,886	10,717,138	11,171,567	11,299,248
Ratio	35.41	35.85	35.52	34.86	34.83
Annual growth rate	-0.19	0.15	3.64	4.24	1.14
SME export sales	1,477,855	1,423,791	1,422,375	1,452,905	1,413,715
Ratio (Export contribution)	15.21	15.04	14.23	13.68	13.42
Export propensity	12.52	12.11	11.72	11.51	11.12
Annual growth rate	-1.13	-3.66	-0.10	2.15	-2.70

Notes: 1. The denotes the SMEs' share of total enterprises.

2. Export contribution = (export sales value of SMEs/export sales value of all enterprises) × 100%.

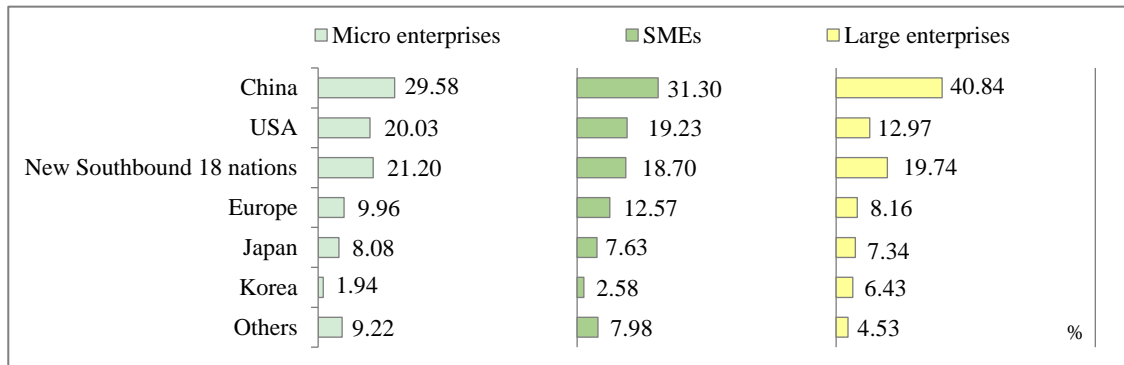
3. Export propensity = (export sales value of SMEs/total sales value of SMEs) × 100%.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2015-2019.

In terms of the shares of different regions in export sales, regardless of the sizes of enterprises, the sequence of shares of regions in terms of export sales in 2019 was similar. Export revenue to China (including Hong Kong and Macau), 18 nations targeted by the ROC government's New

Southbound Policy (hereafter the New Southbound 18 nations; see the note in Figure 1-1-3) and the USA accounted for approximately 70 percent of all export sales. Among them, large enterprises relied on the market in China (including Hong Kong and Macau) more heavily (40.84 percent) while micro enterprises and SMEs relied less on that market (29.58 percent and 31.30 percent, respectively). Micro enterprises have higher shares of export sales to the USA compared to both SMEs and large enterprises (Figure 1-1-3).

Figure 1-1-3 Shares of Regions in Export Sales by Enterprise Size, 2019



Notes: 1. Micro enterprises are those with less than 5 employees.

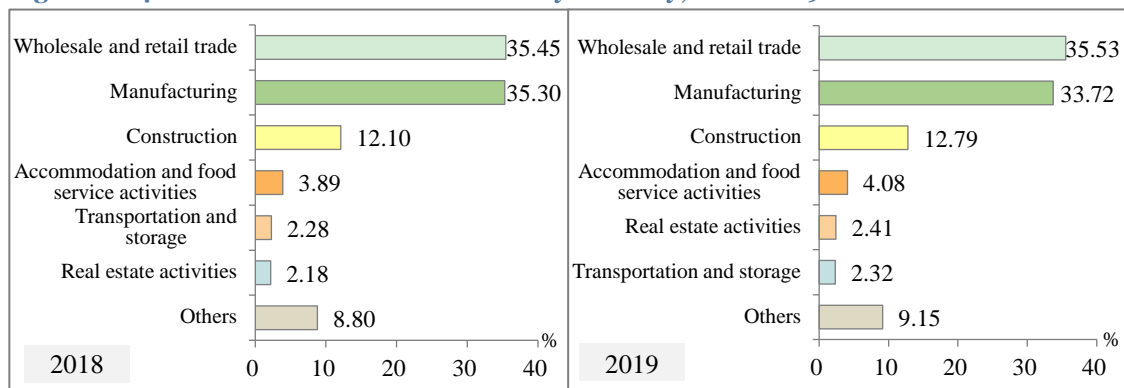
2. Regional categories: (1) China includes Hong Kong and Macau; (2) New Southbound 18 nations include the Philippines, Indonesia, Malaysia, Singapore, Vietnam, Cambodia, Laos, Myanmar, Brunei, India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan, New Zealand and Australia; (3) Others include nations other than the USA, Japan, Korea, China, the New Southbound 18 nations and Europe.

Source: Bureau of Foreign Trade, Ministry of Economic Affairs, Customs Data, 2019.

7. Wholesale and Retail Trade and Manufacturing Remained Top Contributors to Sales

In terms of the shares of sales by industry, the top three industries in 2019 were wholesale and retail trade with a share of 35.53 percent (NT\$4,516.7 billion), followed by manufacturing at 33.72 percent (NT\$4,286.2 billion) and construction at 12.79 percent (NT\$1,626.1 billion). Sales of the top three industries combined accounted for 82.04 percent of the total sales of SMEs (Figure 1-1-4).

Figure 1-1-4 Distribution of Sales in SMEs by Industry, 2018-2019



Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2018-2019.

8. About 100 Thousand New Enterprises in 2019 Were SMEs; Most Sales Came from the Domestic Market

Newly-established enterprises are defined as those that have been in existence for less than one year. In 2019, there were 100,497 newly-established SMEs in Taiwan, representing 99.82 percent of the total of 100,681 newly-established enterprises. 89.02 percent of newly-established SMEs' total sales came from the domestic market in 2019, higher than the 71.32 percent for newly-established large enterprises in the previous year (Table 1-1-4).

Table 1-1-4 Number and Sales Performance of Newly-established Enterprises, 2019

Unit: Enterprises; million NT\$; %

Enterprise size Indicator	Total (1)	No. of SMEs (2)	SMEs ratio (3) = (2)/(1)	Share of SMEs total	No. of large enterprises (4)	Large enterprises ratio (5) = (4)/(1)	Share of large enterprises total
No. of enterprises	100,681	100,497	99.82	-	184	0.18	-
Total sales	263,221	207,602	78.87	100.00	55,619	21.13	100.00
Domestic sales	224,479	184,814	82.33	89.02	39,665	17.67	71.32
Export sales	38,742	22,788	58.82	10.98	15,953	41.18	28.68

Note: "-": not applicable.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

9. The Service Sector Accounted for the Largest Number of Newly-established SMEs

As for the different sectors, the service sector accounted for the largest number of newly-established SMEs (85,116 or 84.70 percent of newly-established SMEs) in 2019 and accounted for about 68.30 percent of sales, 73.11 percent of domestic sales, and 29.30 percent of the exports of newly-established SMEs (Table 1-1-5).

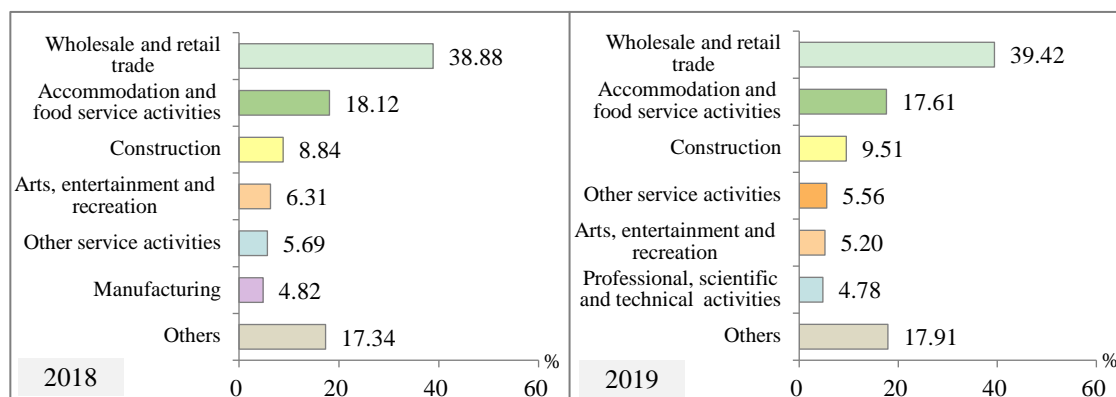
Table 1-1-5 Number and Sales Performance of Newly-established SMEs by Sector, 2019

Unit: Enterprises; million NT\$; %

Sector	Indicator	No. of enterprises	Total sales		Domestic sales		Export sales		
			Share of total	Share of total	Share of total	Share of total			
All sectors		100,497	100.00	207,602	100.00	184,814	100.00	22,788	100.00
Agricultural sector		696	0.69	478	0.23	419	0.23	59	0.26
Industrial sector		14,685	14.61	65,322	31.47	49,271	26.66	16,052	70.44
Service sector		85,116	84.70	141,801	68.30	135,124	73.11	6,677	29.30

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

Concerning the industries, 39.42 percent of newly-established SMEs were in wholesale and retail trade, followed by accommodation and food service activities at 17.61 percent, and construction at 9.51 percent in 2019 (Figure 1-1-5).

Figure 1-1-5 Distribution of Number of Newly-established SMEs by Industry, 2018-2019

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2018-2019.

In 2019, the largest growth by industry in terms of the number of SMEs was in human health and social work activities (58.56 percent), followed by real estate activities (14.60 percent) and information and communication (13.57 percent). By contrast, arts, entertainment and recreation (-18.91 percent), manufacturing (-11.89 percent), mining and quarrying (-9.09 percent), and agriculture, forestry, fishing and animal husbandry (-6.70 percent) showed the largest decreases. Although the number of SMEs fell by 1.66 percent in 2019 compared to 2018, sales rose sharply by 15.80 percent. In terms of industry, electricity and gas supply showed clearer growth (287.69 percent) due to a relatively low baseline. However, given that sales accounted for only 0.25 percent, high performance growth translated into little effect. Meanwhile, manufacturing (114.02 percent), information and communication (67.61 percent) and education (66.15 percent) exhibited sales growth of 60 percent or higher. By contrast, negative sales growth in mining and quarrying (-38.78 percent) was particularly pronounced (Table 1-1-6).

Table 1-1-6 Growth Profile of Number and Annual Sales of Newly-established SMEs, 2017-2019

Unit: %

Industry	Indicator Year	Number of enterprises				Annual sales			
		Annual growth rate			Share	Annual growth rate			Share
		2017	2018	2019	2019	2017	2018	2019	2019
Total		6.55	0.62	-1.66	100.00	2.62	6.17	15.80	100.00
Agriculture, forestry, fishing and animal husbandry		5.33	-16.09	-6.70	0.69	11.94	-30.79	7.49	0.23
Mining and quarrying		21.57	-46.77	-9.09	0.03	190.06	136.04	-38.78	0.14
Manufacturing		1.28	3.51	-11.89	4.32	7.78	28.46	114.02	19.41
Electricity and gas supply		28.02	24.03	9.00	0.31	-23.89	-30.37	287.69	0.25
Water supply and remediation activities		-1.44	11.65	-4.13	0.44	4.72	67.55	-36.57	0.35
Construction		5.06	-3.45	5.74	9.51	2.07	6.07	6.49	11.32
Wholesale and retail trade		3.61	-5.20	-0.28	39.42	-0.03	0.72	1.54	38.83
Transportation and storage		14.86	-1.80	-1.67	1.76	42.21	-21.57	6.81	2.01
Accommodation and food service activities		4.71	-0.94	-4.40	17.61	-1.80	3.04	0.52	11.62
Information and communication		12.68	2.12	13.57	2.67	-0.53	42.61	67.61	3.44
Financial and insurance activities		2.50	8.22	-4.78	1.01	27.77	-6.96	5.52	0.67

Industry	Indicator Year	Number of enterprises			Annual sales				
		Annual growth rate			Share	Annual growth rate			Share
		2017	2018	2019	2019	2017	2018	2019	2019
Real estate activities		9.67	0.57	14.60	3.42	-0.61	5.81	25.77	2.82
Professional, scientific and technical activities		8.62	4.68	4.68	4.78	-2.04	25.54	1.17	3.25
Support service activities		0.19	-3.35	-6.06	2.34	-9.82	4.55	2.24	1.57
Education		35.62	47.67	-1.84	0.74	39.21	-21.17	66.15	0.40
Human health and social work activities		105.41	-26.97	58.56	0.18	1,117.77	-65.03	-6.39	0.12
Arts, entertainment and recreation		73.15	71.48	-18.91	5.20	29.94	84.53	-17.44	2.01
Other service activities		7.27	1.54	-3.85	5.56	10.58	-9.02	8.24	1.57

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2017-2019.

10. SMEs Were More Flexible in Entry & Exit than Large Enterprises

As of 2019, 6.74 percent of SMEs had been in existence for less than one year. 29.58 percent of SMEs had been operating for up to five years, and 48.68 percent for up to 10 years. On the other hand, large enterprises in existence for over 20 years constituted 49.15 percent of large firms. These figures showed that, in terms of market entry and exit, SMEs display more flexibility than large enterprises (Table 1-1-7).

Table 1-1-7 Number and Shares of Enterprises by Particular Ages, 2019

Unit: Enterprises; %

Enterprise size Age	Total	SMEs		Large enterprises	
		Number of enterprises	Share of total	Number of enterprises	Share of total
Total	1,527,272	1,491,420	100.00	35,852	100.00
Less than 1 year	100,681	100,497	6.74	184	0.51
1 – 2 years	103,241	102,677	6.88	564	1.57
2 – 3 years	90,780	90,021	6.04	759	2.12
3 – 4 years	77,012	76,173	5.11	839	2.34
4 – 5 years	72,680	71,796	4.81	884	2.47
5 – 10 years	289,191	284,791	19.10	4,400	12.27
10 – 20 years	374,285	363,686	24.38	10,599	29.56
20 years or more	419,402	401,779	26.94	17,623	49.15

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

However, the share of SMEs in existence for 10 years or more was 51.32 percent, a figure that had risen over the years.

11. About 53 Percent of SMEs Were Sole Proprietorships

Sole proprietorships constituted the largest group of SMEs, with 789,903 firms or 52.96 percent of the total, followed by limited corporations, with 464,503 firms (31.15 percent of the total), and corporations limited, with 126,672 firms (8.49 percent). These three types accounted for a combined total of 92.60 percent of all SMEs in Taiwan. On the other hand, corporations limited constituted the largest group of larger enterprises, at 54.28 percent of the total, followed by limited

corporations at 23.25 percent and subsidiaries of the domestic company at 11.05 percent. These three types accounted for a combined total of 88.58 percent of all larger enterprises in Taiwan (Table 1-1-8).

Table 1-1-8 Number and Shares of Enterprises by Form of Organization, 2019

Unit: Enterprises; %

Enterprise size Organization	Total	SMEs		Large enterprises	
		Number of enterprises	Share of total	Number of enterprises	Share of total
Total	1,527,272	1,491,420	100.00	35,852	100.00
Corporation limited	146,132	126,672	8.49	19,460	54.28
Limited corporation	472,839	464,503	31.15	8,336	23.25
Unlimited corporation	70	70	0.00	0	0.00
Unlimited corporation with limited liability shareholders	20	20	0.00	0	0.00
Partnership	33,452	33,344	2.24	108	0.30
Sole proprietorship	790,032	789,903	52.96	129	0.36
Subsidiary of domestic company	38,177	34,217	2.29	3,960	11.05
Subsidiary of foreign company	5,839	4,883	0.33	956	2.67
Others	40,711	37,808	2.54	2,903	8.10

Notes: 1. Others denotes business entities not in the form of any type of company, partnership or sole proprietorship.

2. The majority of business entities in this group are offices, branches or retail shops of domestic companies, not counted as subsidiaries of those companies.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

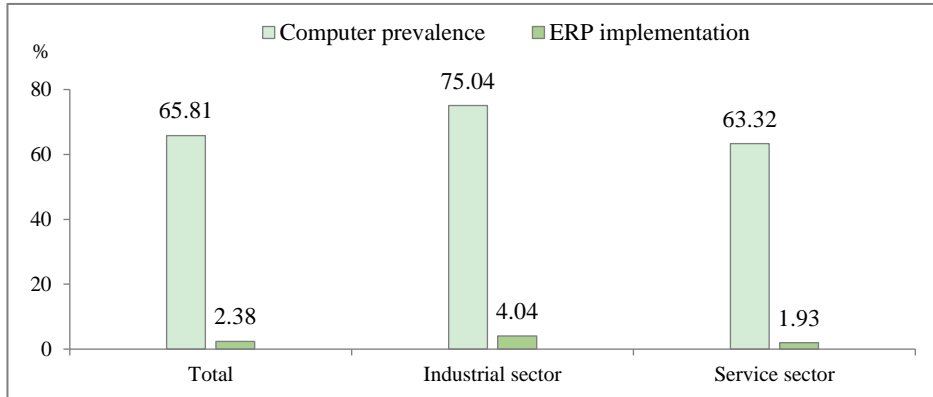
12. SME Digitalization, Innovation and Overseas Expansion

The source of the data in this section is the *2016 Industry, Commerce and Service Census Report*. An SME is defined as an enterprise with fewer than 200 regular employees in the mining and quarrying, manufacturing, and construction industries, or an enterprise with fewer than 100 regular employees in other industries. The rest are large enterprises.

Regarding SME digitalization, the prevalence of computer or network equipment was 65.81 percent in 2016, close to 10 percentage points higher compared to 2011. The prevalence was 99.30 percent in large enterprises. Most SMEs using computers to manage internal processes were using them in basic operations. Only 2.67 percent were using them in management and decision-making processes, and 2.38 percent had implemented ERP systems. The figures indicated that there was room for improvement in digitalization. In terms of two large sectors, computer prevalence was 75.04 percent and ERP implementation was 4.04 percent in the industry sector, both of which were higher than the service sector (63.32 percent and 1.93 percent, respectively) (Figure 1-1-6). Meanwhile, online sales accounted for 7.07 percent of total sales for SMEs and 26.89 percent for large enterprises.

4.06 percent of SMEs and 44.43 percent of large enterprises engaged in innovation activities in 2016. In terms of the two large sectors, 5.75 percent in the industry sector engaged in innovation while 3.60 percent in the service sector did. Only 0.27 percent of SMEs invested overseas compared to 26.61 percent of large enterprises.

Figure 1-1-6 Overview of SME Digitalization in 2016



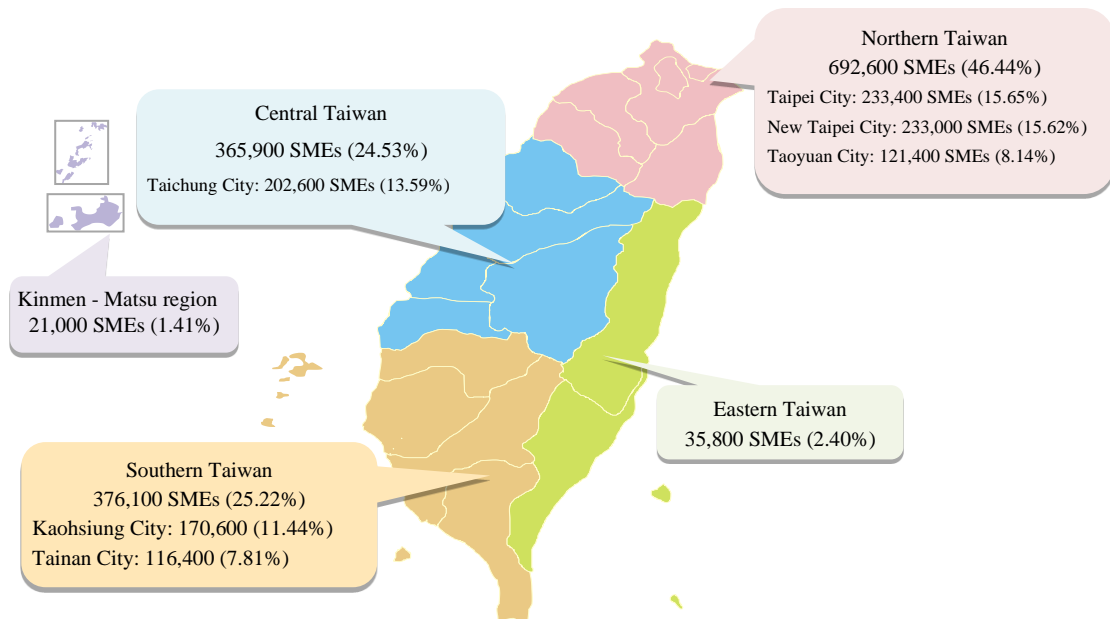
Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan (2019, January). *2016 Industry, Commerce and Service Census Report*.

II SMEs and Regional Development

1. About 46 Percent of SMEs Were Concentrated in Northern Taiwan

In regional terms, in 2019, 46.44 percent of SMEs (692.6 thousand) were concentrated in northern Taiwan; 24.53 percent (365.9 thousand) were located in central Taiwan and 25.22 percent (376.1 thousand) were in southern Taiwan (Figure 1-2-1).

Figure 1-2-1 Distribution of SMEs by Region in 2019



Note: Northern Taiwan includes Taipei City, New Taipei City, Keelung City, Ilan County, Taoyuan City, Hsinchu City and Hsinchu County. Central Taiwan includes Miaoli County, Taichung City, Changhua County, Nantou County and Yunlin County. Southern Taiwan includes Chiayi City, Chiayi County, Tainan City, Kaohsiung City, Pingtung County and Penghu County. Eastern Taiwan includes Hualien County and Taitung County. The Kinmen-Matsu region includes Kinmen County and Lienchiang County.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

A closer look at the changes in the number of SMEs in different regions showed no clear difference from region to region. For example, the number in Northern Taiwan rose from 681,700 to 692,600, which translated into annual growth of 1.59%. This growth rate did not differ significantly from the growth rates in Central, Southern, and Eastern Taiwan and in Kinmen and Matsu, which were 2.03%, 1.68%, 1.61%, and 1.38%, respectively (Table 1-2-1).

Table 1-2-1 Number and Total Sales of Enterprises in Taiwan's Regions by Enterprise Size, 2019

Unit: Enterprises; million NT\$; %

Enterprise size \ Region	Total	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Kinmen - Matsu region
Number of enterprises						
All enterprises	1,527,272	714,691	372,472	382,977	36,057	21,075
SMEs	1,491,420	692,573	365,912	376,124	35,790	21,021
Share of total	100.00	46.44	24.53	25.22	2.40	1.41
Annual growth rate	1.72	1.59	2.03	1.68	1.61	1.38
Large enterprises	35,852	22,118	6,560	6,853	267	54
Total sales						
All enterprises	42,979,088	26,535,040	8,070,570	8,033,832	271,348	68,298
SMEs	12,712,963	6,254,605	3,322,870	2,945,691	149,406	40,391
Share of total	100.00	49.20	26.14	23.17	1.18	0.32
Annual growth rate	0.70	1.93	-1.19	0.12	3.15	4.64
Large enterprises	30,266,126	20,280,435	4,747,700	5,088,141	121,943	27,907

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

Taiwan's six special municipalities are the top six with the largest number of SMEs: 1,077.4 thousand or 72.24 percent of total SMEs combined in 2019. As can be seen from the data presented in Table 1-2-2, of the six special municipalities, Taipei City had the largest number of SMEs: 233.4 thousand or 15.65 percent of all SMEs, followed by 233.0 thousand or 15.62 percent in New Taipei City which ranked second. Compared to 2018, the six special municipalities reported rising numbers of SMEs. Taoyuan City and Taichung City showed the largest growth (2.35 percent and 2.16 percent, respectively) in terms of the number of SMEs (Table 1-2-2).

A look at the number of SMEs by region and by industry showed that in 2019 most industries were located in Northern Taiwan. As many as 71.48 percent of the SMEs in information and communication were in Northern Taiwan, suggesting a high degree of clustering in Northern Taiwan. Meanwhile, the number of SMEs in financial and insurance activities and professional, scientific and technical activities was clearly higher in Northern Taiwan, accounting for 65.57 percent and 62.34 percent of the total, respectively. Both were above 60 percent. In comparison, agriculture, forestry, fishing and animal husbandry and electricity and gas supply had lower percentages in Northern Taiwan, and accounted for only 23.49 percent and 28.40 percent of SMEs in those categories, respectively.

In Central Taiwan, SMEs in electricity and gas supply accounted for the largest percentage at 35.46 percent, higher than the 34.28 percent in Southern Taiwan and 28.40 percent in Northern Taiwan. In Southern Taiwan, SMEs in agriculture, forestry, fishing and animal husbandry accounted for the largest percentage at 44.05 percent, higher than the 25.77 percent in Central

Taiwan and 23.49 percent in Northern Taiwan.

Table 1-2-2 Number and Total Sales of Enterprises in Taiwan's Six Special Municipalities by Enterprise Size, 2019

Unit: Enterprises; million NT\$; %

Enterprise size	Total	Combined total for the six special municipalities	Taipei City	New Taipei City	Taoyuan City	Taichung City	Tainan City	Kaohsiung City
Number of enterprises								
All enterprises	1,527,272	1,107,083	244,490	238,433	124,622	206,840	118,548	174,150
SMEs	1,491,420	1,077,385	233,355	232,976	121,443	202,645	116,407	170,559
Share of total	100.00	72.24	15.65	15.62	8.14	13.59	7.81	11.44
Annual growth rate	1.72	1.75	0.95	1.84	2.35	2.16	1.72	1.84
Large enterprises	35,852	29,698	11,135	5,457	3,179	4,195	2,141	3,591
Total sales								
All enterprises	42,979,088	33,712,965	3,458,801	5,008,264	3,939,919	4,278,365	2,347,963	4,679,653
SMEs	12,712,963	9,752,511	2,014,960	2,071,124	1,354,993	1,893,414	947,522	1,470,498
Share of total	100.00	76.71	15.85	16.29	10.66	14.89	7.45	11.57
Annual growth rate	0.70	1.02	2.92	1.19	1.77	-0.11	-0.18	-0.21
Large enterprises	30,266,126	23,960,454	11,443,841	2,937,140	2,584,927	2,384,951	1,400,441	3,209,155

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

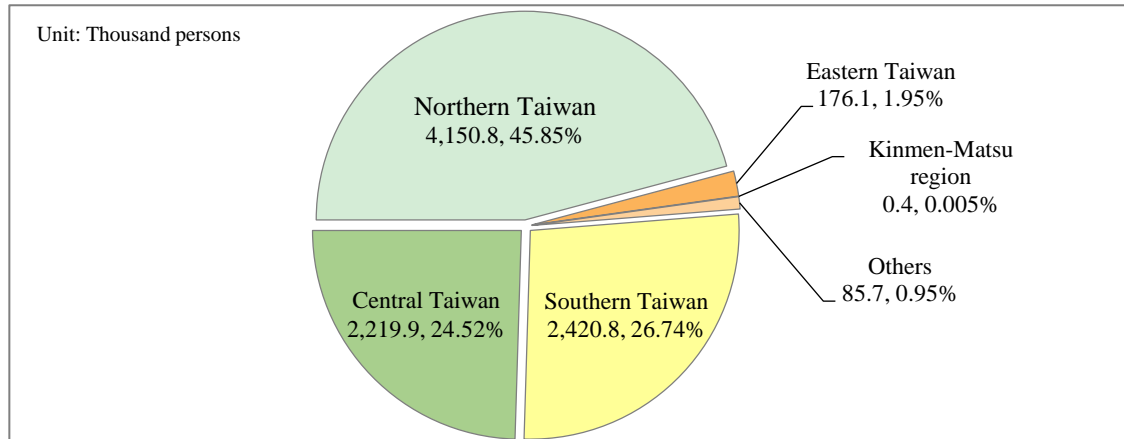
2. Close to 50 Percent of SME Sales Took Place in Northern Taiwan

Northern Taiwan continued to report the highest SME sales in 2019, accounting for 49.20 percent of total SME sales. In particular, SME sales in Northern Taiwan accounted for 78.15 percent of the total in Information and communication and 71.84 percent in professional, scientific and technical activities. Meanwhile, SME sales in Northern Taiwan accounted for the largest percentage in human health and social work activities (62.13 percent), financial and insurance activities (60.33 percent), and education (60.18 percent), all of which were 60 percent or higher and suggested clustering.

SME sales in Central Taiwan exhibited negative growth (-1.19 percent), indicating a certain degree of difficulty for SMEs to increase sales in this area. In Southern Taiwan, SME sales were higher in agriculture, forestry, fishing and animal husbandry, which accounted for 46.31 percent, higher than in Northern Taiwan (27.33 percent), Central Taiwan (22.72 percent), Eastern Taiwan (3.18 percent), and Kinmen and Matsu (0.47 percent).

3. The Northern Region Had about 46 Percent of SME Employees

As can be seen from the 2019 data presented in Figure 1-2-2, of the four regions, northern Taiwan had the largest number of SME employees (4,150.8 thousand or 45.85 percent), followed by Southern Taiwan (26.74 percent), and Central Taiwan (24.52 percent).

Figure 1-2-2 Distribution of SME Employment by Region, 2019

Note: Others denotes employed persons with a domicile record in Taiwan but who worked for SMEs overseas in 2019.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2019.

III Female-owned SMEs

Based on data from the Fiscal Information Agency, Ministry of Finance, the gender of a person is identified by the first digit of her (his) identity card number. Therefore, enterprises where the owner is a juridical person or foreigner have to be excluded from the calculations. It follows that the total number of SMEs in Section I may not match the sum of female-owned SMEs and male-owned SMEs.

1. Female-owned SMEs Accounted for over 36 Percent of All SMEs

In 2019, there were 1,509,071 enterprises in Taiwan for which the sex of the business owner could be identified. Of these, 550,933 (36.51 percent of the total) were owned by women. Of these female-owned enterprises, 98.66 percent (543,535) were SMEs. Female-owned SMEs increased by 9,876 or 1.85 percent from 2018, accounting for 36.83 percent of the total number of SMEs (Table 1-3-1).

2. Female-owned Enterprises Were More Oriented toward the Domestic Market, Female-owned SMEs in Particular

In 2019, domestic sales accounted for a dominant 91.57 percent of the total sales of female-owned SMEs, with export sales accounting for only 8.43 percent (a disparity of 83.14 percentage points). For male-owned SMEs, export sales accounted for 10.88 percent, and domestic sales accounted for 89.12 percent, a disparity of 78.24 percentage points (Figure 1-3-1).

Table 1-3-1 Number and Sales Performance of Enterprises by Sex of Business Owner, 2019

Unit: Enterprises; million NT\$; %

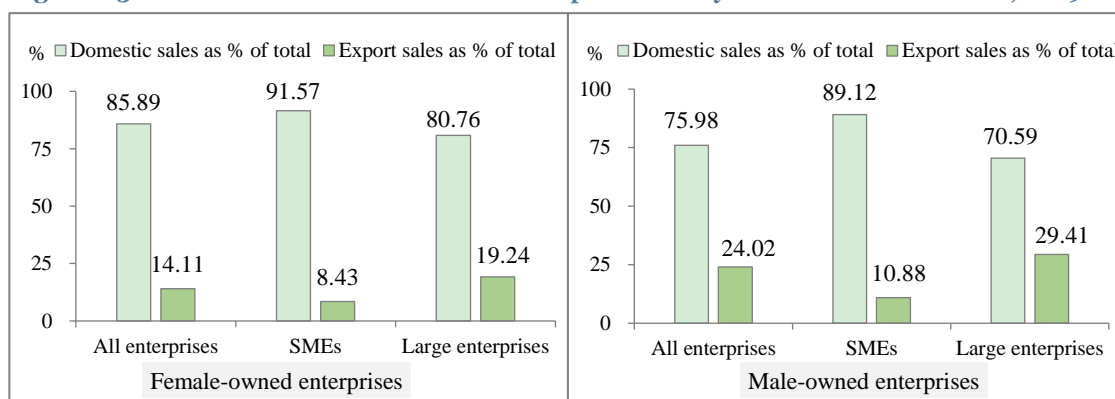
Indicator \ Enterprise size	All enterprises	SMEs	Large enterprises
No. of enterprises	1,509,071	1,475,708	33,363
Female-owned enterprises	550,933	543,535	7,398
Share of total ^a	100.00	98.66	1.34
Share of total ^b	36.51	36.83	22.17
Male-owned enterprises	958,138	932,173	25,965
Total sales	37,898,724	12,245,416	25,653,309
Female-owned enterprises	6,692,992	3,175,311	3,517,681
Share of total ^a	100.00	47.44	52.56
Share of total ^b	17.66	25.93	13.71
Male-owned enterprises	31,205,732	9,070,104	22,135,628
Domestic sales	29,457,443	10,991,081	18,466,362
Female-owned enterprises	5,748,650	2,907,781	2,840,869
Share of total ^a	100.00	50.58	49.42
Share of total ^b	19.52	26.46	15.38
Male-owned enterprises	23,708,793	8,083,300	15,625,493
Export sales	8,441,281	1,254,334	7,186,947
Female-owned enterprises	944,342	267,530	676,812
Share of total ^a	100.00	28.33	71.67
Share of total ^b	11.19	21.33	9.42
Male-owned enterprises	7,496,939	986,804	6,510,135

Notes:

- Whether an enterprise should be classified as male-owned or female-owned was determined using the registered identity of the business owner.
- The totals for all enterprises given in this table do not conform to those given in Table 1-1-1 because some enterprises are registered as being owned by other enterprises or by foreigners; these enterprises were excluded from the data used in this table.
- Share of total ^a in the table represents the percentages of SMEs (large enterprises) in all female-owned enterprises; share of total ^b represents the percentage of female-owned enterprises in all enterprises.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

Figure 1-3-1 Shares of Domestic Sales and Export Sales by Sex of Business Owner, 2019



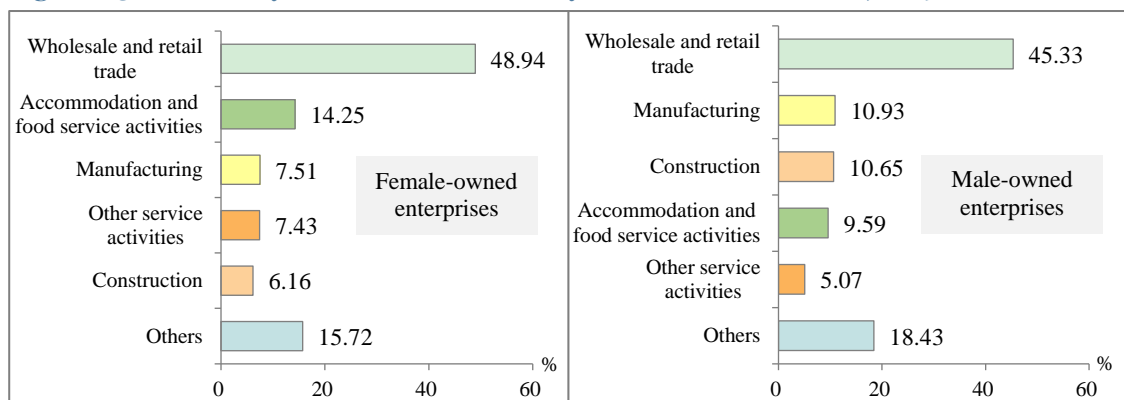
Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

3. The Top 3 Industries of Female-owned SMEs Were Wholesale and Retail Trade, Accommodation and Food Service Activities, and Manufacturing

The service sector accounted for the largest share of the total number of female-owned SMEs at 85 percent, compared to a 77 percent share of male-owned SMEs. Wholesale and retail trade accounted for the largest share of the total number of female-owned SMEs, and also for the largest share of female-owned SMEs in total sales, and domestic sales, at 48.94 percent, 41.63 percent, and 41.33 percent in 2019. Manufacturing accounted for the largest share of female-owned SMEs in export sales, at 50.87 percent.

The same top five industries accounted for the largest shares of the total number of both male and female-owned SMEs but with a slightly different order. For female-owned SMEs in 2019, the order was wholesale and retail trade at 48.94 percent, followed by accommodation and food service activities at 14.25 percent, manufacturing at 7.51 percent, other service activities at 7.43 percent, and construction at 6.16 percent. For male-owned SMEs, the order was wholesale and retail trade at 45.33 percent, followed by manufacturing at 10.93 percent, construction at 10.65 percent, accommodation and food service activities at 9.59 percent, and other service activities at 5.07 percent (Figure 1-3-2).

Figure 1-3-2 Industry Distribution of SMEs by Sex of Business Owner, 2019



Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

4. The Percentage of Female-owned SMEs in Business for 10 Years or Less Was Slightly Higher than of Male-owned SMEs

In terms of the number of years in business, there were 37,790 new female-owned (less than one year since establishment) SMEs in 2019, 23,000 fewer than the 60,460 new male-owned SMEs. In terms of the percentage of SMEs with less than 10 years in business, the percentage of female-owned SMEs (49.98%) was slightly higher than that of male-owned SMEs (47.48%), showing that female SME owners had been in business for fewer years than their male counterparts (Table 1-3-2).

Table 1-3-2 Number and Shares of SMEs by Particular Ages and Sex of Business Owner, 2019

Unit: Enterprises; %

Age \ Sex of owner	Total men and women	Female-owned enterprises		Male-owned enterprises	
		No. of enterprises	Share of total	No. of enterprises	Share of total
Total	1,475,708	543,535	100.00	932,173	100.00
Less than 1 year	98,250	37,790	6.95	60,460	6.49
1 – 2 years	100,601	38,326	7.05	62,275	6.68
2 – 3 years	88,491	34,071	6.27	54,420	5.84
3 – 4 years	74,962	28,606	5.26	46,356	4.97
4 – 5 years	70,687	26,828	4.94	43,859	4.71
5 – 10 years	281,184	106,068	19.51	175,116	18.79
10 – 20 years	361,143	132,504	24.38	228,639	24.53
20 years or more	400,390	139,342	25.64	261,048	28.00

Note: The difference between the sum of all indicators and the sum listed in Table 1-1-7 is because representatives of some enterprises were legal persons or foreigners and thus their gender could not be distinguished.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

5. 60 Percent of Female-owned SMEs Were Sole Proprietorships

Sole proprietorships were the most common form of organization for both female-owned enterprises (59.85 percent) and male-owned enterprises (49.76 percent), followed by limited corporations at 28.84 percent and 32.30 percent, and corporations limited at 6.10 percent and 9.72 percent, respectively (Table 1-3-3).

Table 1-3-3 Number and Shares of SMEs by Form of Organization and Sex of Business Owner, 2019

Unit: Enterprises; %

Organization \ Sex of owner	Total men and women	Female-owned enterprises		Male-owned enterprises	
		No. of enterprises	Share of total	No. of enterprises	Share of total
Total	1,475,708	543,535	100.00	932,173	100.00
Corporation limited	123,759	33,141	6.10	90,618	9.72
Limited corporation	457,815	156,734	28.84	301,081	32.30
Unlimited corporation	66	30	0.01	36	0.00
Unlimited corporation with limited liability shareholders	19	7	0.00	12	0.00
Partnership	33,314	12,128	2.23	21,186	2.27
Sole proprietorship	789,163	325,307	59.85	463,856	49.76
Subsidiary of domestic company	32,990	6,198	1.14	26,792	2.87
Subsidiary of foreign company	2,750	988	0.18	1,762	0.19
Others	35,832	9,002	1.66	26,830	2.88

Note:

1. Others denotes business entities not in the form of any type of company, partnership or sole proprietorship. The majority of business entities in this group are the offices, branches or retail shops of domestic companies, not counted as subsidiaries of those companies.
2. The difference between the sum of all indicators and the sum listed in Table 1-1-8 is because representatives of some enterprises were legal persons or foreigners and thus their gender could not be distinguished.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

6. Sales Comparison between Male-owned and Female-owned Newly-established SMEs

Observation of sales in newly-established SMEs showed that, in 2019, newly-established SMEs' sales were 183.75 billion, which accounted for 1.50 percent of all SMEs' sales. The sales numbers of male-owned and female-owned newly-established SMEs were 113.3 billion and 70.45 billion, respectively, accounting for 1.25 percent and 2.22 percent of male-owned and female-owned SMEs. Female-owned newly-established SMEs accounted for 38.34 percent of sales in newly-established SMEs, approximately half the amount of male-owned newly-established SMEs (61.66 percent) (Table 1-3-4).

Table 1-3-4 Number and Sales Performance of Newly-established SMEs by Sex of Business Owner, 2019

Unit: Enterprises; million NT\$; %

Item Indicator	Male and female combined (1)	Female-owned enterprise size (2)	Female-owned enterprise ratio (3)=(2)/(1)	Female-owned enterprise structural ratio	Male-owned enterprise size (4)	Male-owned enterprise ratio (5)=(4)/(1)	Male-owned enterprise structural ratio
Number	98,250	37,790	38.46	-	60,460	61.54	-
Sales	183,754	70,447	38.34	100.00	113,307	61.66	100.00
Domestic sales	162,316	53,939	33.23	76.57	108,377	66.77	95.65
Export sales	21,439	16,508	77.00	23.43	4,930	23.00	4.35

Notes:

1. "-" means that it does not apply.

2. Due to rounding, sales and the sum of domestic sales and export sales may not be the same.

3. The difference between the sum of all indicators and the sum listed in Table 1-1-4 is because representatives of some enterprises were legal persons or foreigners and thus their gender could not be distinguished.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

In terms of domestic sales and export sales, both male-owned and female-owned SMEs' sales were at least 89 percent domestic, and for both male-owned and female-owned newly-established SMEs, domestic sales accounted for more than 76 percent of their sales (95.65 percent and 76.57 percent, respectively). This shows that in their early stage, newly-established enterprises relied mainly on the domestic market.

IV Business Performance of SMEs

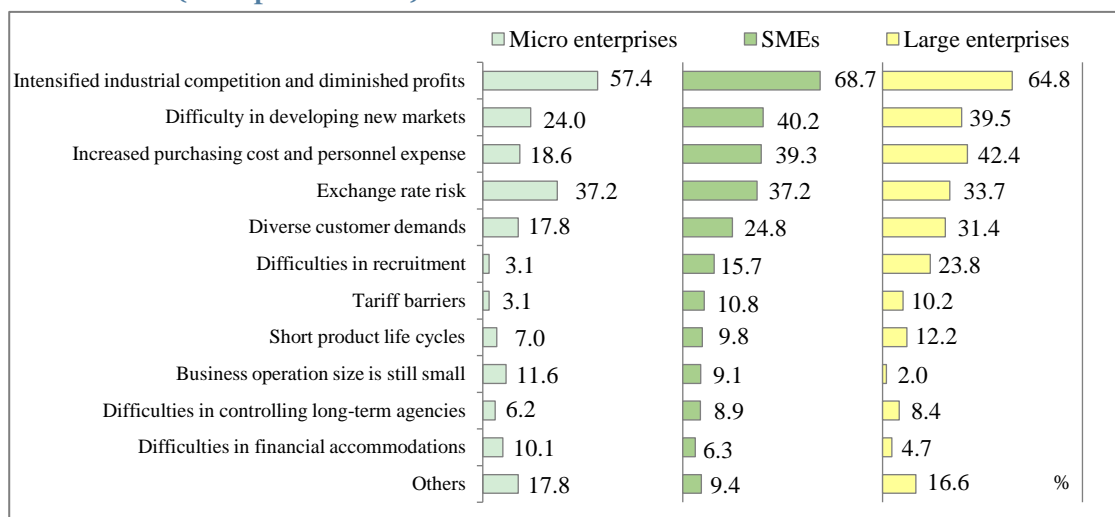
To provide a clear picture of the current state of Taiwanese SMEs in the wholesale, retail and food service activities industries, this section presents the business performance of SMEs in the wholesale and retail industry based on the results of the *Trade and Food Service Operations Surveys 2019* conducted in October 2019 by the Department of Statistics, Ministry of Economic Affairs. In this survey, a micro enterprise is defined as a business entity with fewer than 5 regular employees, an SME is defined as a business entity with fewer than 100 regular employees, and a large enterprise is defined as a business entity with 100 or more regular employees.

1. SMEs in Wholesale Trade: Business Performance

(1) Wholesale Trade: Business Predicaments, Mainly “Intensified Industrial Competition and Diminished Profits”

Regardless of size, the main business predicaments facing wholesale were “intensified industrial competition and diminished profits.” Over 57 percent of micro, small- and medium-sized and large enterprises referred to this as an obstacle in their operations. The second to fourth difficulties in those were “difficulty in developing new markets,” “increased purchasing cost and personnel expense,” and “exchange rate risk,” but the ranking for micro enterprises was somewhat different (Figure 1-4-1).

Figure 1-4-1 Obstacles in Operations for Wholesale Trade by Enterprise Size, 2019 (Multiple Selection)

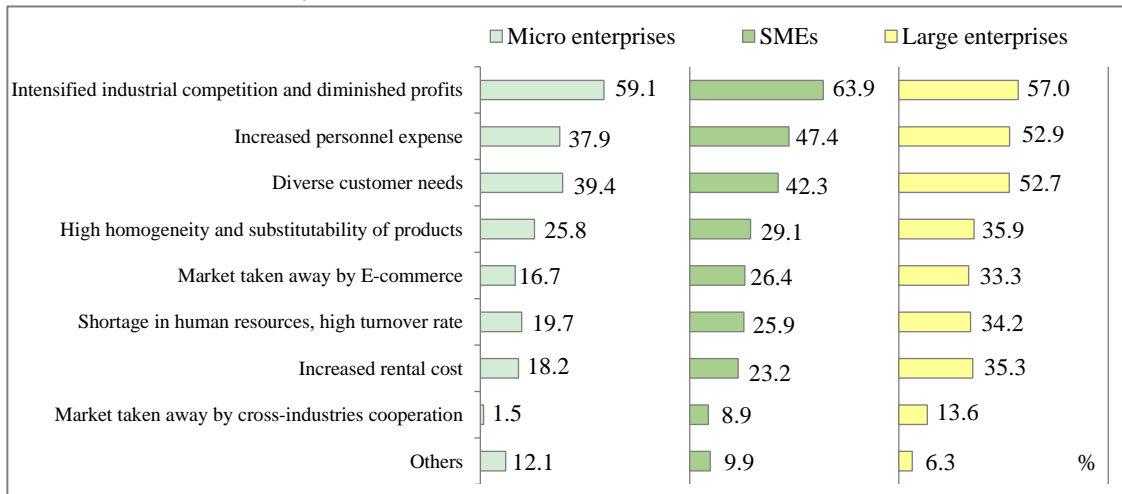


Source: Department of Statistics, Ministry of Economic Affairs (2019, October). *Trade and Food Service Operations Surveys 2019*.

(2) Retail Trade: Business Predicaments, Mainly “Intensified Industrial Competition and Diminished Profits”

Regardless of size, the main business predicaments facing retail were “intensified industrial competition and diminished profits,” with about 60 percent of all naming this as a difficulty. The second and third difficulties in micro, small- and medium-sized and large enterprises were “increased personnel expense,” and “diverse customer needs,” but the ranking for micro enterprises was somewhat different (Figure 1-4-2).

Figure 1-4-2 Obstacles in Operations for Retail Trade by Enterprise Size, 2019 (Multiple Selections)



Source: Department of Statistics, Ministry of Economic Affairs (2019, October). *Trade and Food Service Operations Surveys 2019*.

2. SMEs in Food and Beverage Service Activities: Business Performance

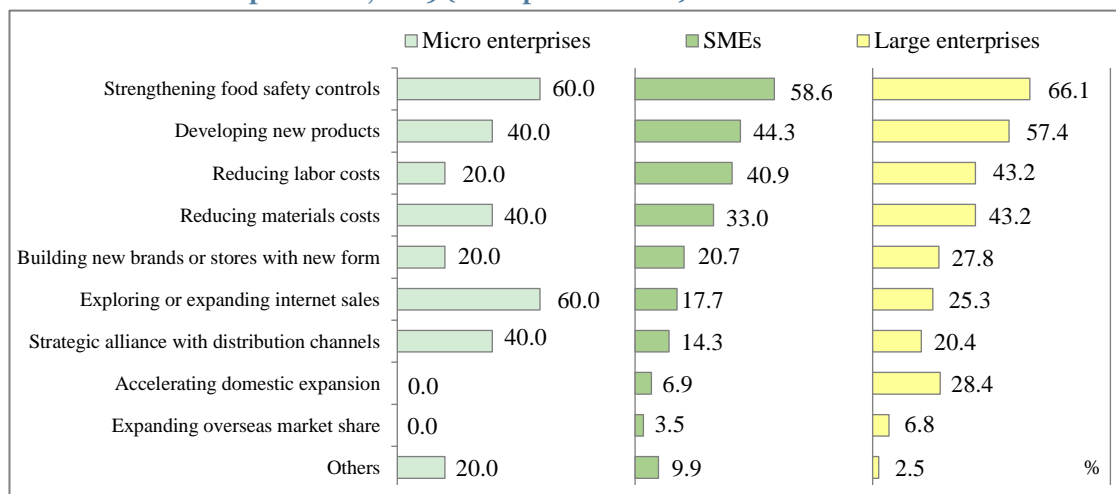
(1) The Top Priority in a Business Plan for an Enterprise of Any Size Was to “Strengthen Food Safety Controls”

The percentages of micro and small- and medium-sized enterprises with plans to open new stores in the future were 0 percent and 25.1 percent, respectively. The percentage was 63.6 percent for large enterprises, showing that large enterprises were more aggressive in expanding their networks. As a result of the string of food safety problems in recent years, consumers started paying more and more attention to food safety. The attention in turn drove micro, small- and medium-sized, and large enterprises to make “strengthening food safety controls” the top priority in their business plans (60.0 percent, 58.6 percent, and 66.1 percent, respectively). The second to fourth priorities for small- and medium-sized and large enterprises were “developing new products,” “reducing labor costs,” and “reducing materials costs” (Figure 1-4-3).

(2) The Hardest Challenges in the Business Were “Fierce Competition against Same Business” and “Fast Changing Consumer Preferences” for Micro Enterprises; and “Excessive Labor Costs” for Small and Medium-sized Enterprises

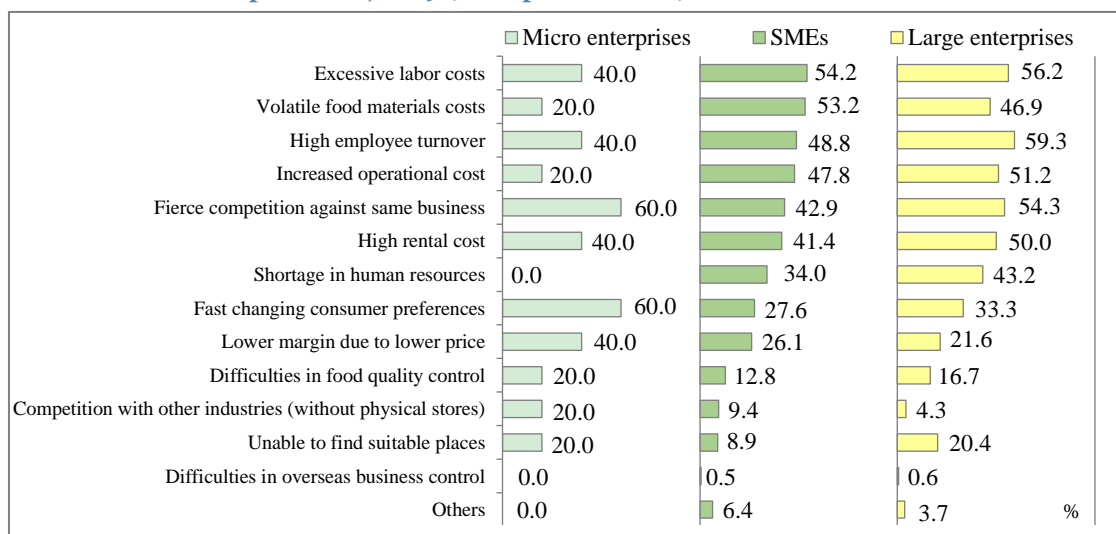
The difficulties in the business were topped by “fierce competition against same business” and “fast changing consumer preferences” (60.0 percent) for micro enterprises. The Top 3 difficulties for small and medium-sized enterprises were “excessive labor costs” (54.2 percent), “volatile food materials costs” (53.2 percent), and “high employee turnover” (48.8 percent). Those for large enterprises were “high employee turnover” (59.3 percent), “excessive labor costs” (56.2 percent), and “fierce competition against same business” (54.3 percent) (Figure 1-4-4).

Figure 1-4-3 Operational Development Plan for Food and Beverage Service Activities by Enterprise Size, 2019 (Multiple Selection)



Source: Department of Statistics, Ministry of Economic Affairs (2019, October). *Trade and Food Service Operations Surveys 2019*.

Figure 1-4-4 Obstacles in Operations for Food and Beverage Service Activities by Enterprise Size, 2019 (Multiple Selection)



Source: Department of Statistics, Ministry of Economic Affairs (2019, October). *Trade and Food Service Operations Surveys 2019*.

V Overview of SMEs' Expenditure on R&D

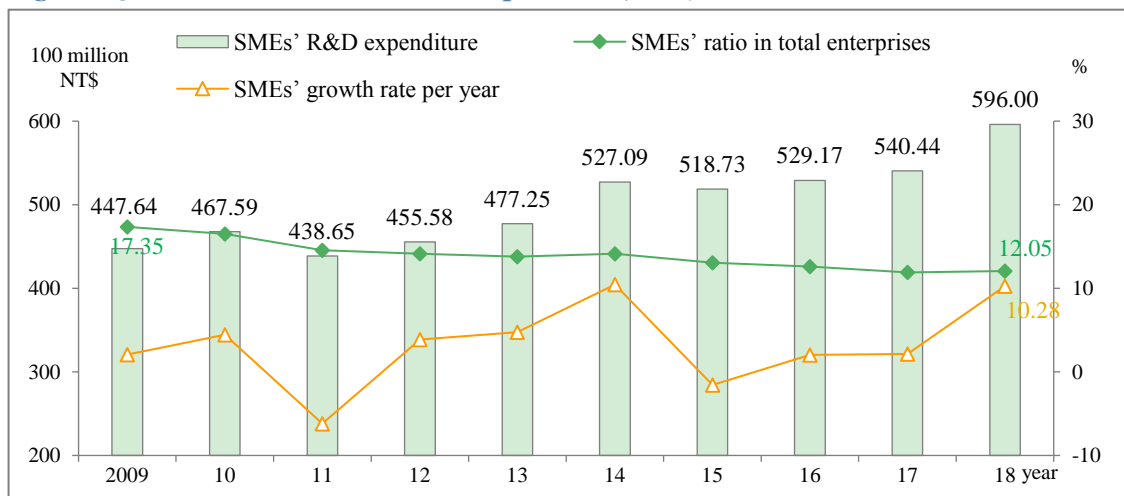
Expenditure on R&D is significant for enterprises' upgrading and transformation to remain competitive and profitable. To measure enterprises' innovation, the most commonly used indicator is firms' R&D expenditure. This section will explore the R&D spending of the nation as a whole and the corporate sector. At the same time, to gain a clear understanding of the R&D strategies of SMEs, we will also analyze the original data from the *Indicators of Science and Technology*

Taiwan 2019 published by the Ministry of Science and Technology.

1. R&D Expenditure of SMEs Grew

In terms of size, total R&D expenditure of SMEs (defined as enterprises with fewer than 200 employees) was NT\$59.6 billion in 2018, accounting for 12.05 percent of the total for all enterprises. Total R&D expenditure by SMEs had been rising in recent years, rebounded in 2016, then hit a growth rate of 2.13 percent in 2017, and increased sharply by 10.28 percent in 2018. Total R&D expenditure by large enterprises had also risen from 2009 to 2018 and rose by 8.76 percent in 2018 (Figure 1-5-1).

Figure 1-5-1 Overview of SMEs' R&D Expenditure, 2009-2018



Note: SMEs here are those with less than 200 employees.

Source: Ministry of Science and Technology (2019, December). *Indicators of Science and Technology Taiwan 2019*.

CHAPTER 2

Financial and Funding Analysis of SMEs

Financial analysis plays a vital role in the understanding of the current state of Taiwan's SMEs and the outlook for their future development. The first two sections of this chapter present an overview of the financial status of Taiwan's SMEs as well as ratio analysis, using the Business Income Tax Return dataset for 2018 provided by the Fiscal Information Agency of the Ministry of Finance; there is thus a one-year time lag as compared with the data presented in the other chapters of this White Paper. The third section examines the interaction between SMEs and the banking sector, using survey data from the Central Bank of the Republic of China (Taiwan) or statistics collected by the Financial Supervisory Commission.

I SMEs: Consolidated Financial Analysis

In this section, consolidated balance sheet and income statement data (where the figures for each account are converted into percentages of total assets for the balance sheet and percentages of net operating revenue for the income statement) are used to examine the fund utilization, asset allocation and operating performance of SMEs, so as to gain an overall understanding of SMEs' financial and business condition.

1. Asset Allocation Analysis

(1) SMEs in More than 50 Percent of the Industries Held More Cash than Before

As can be seen from Table 2-1-1, for SMEs in 2018, the share of total assets accounted for by current assets was down 6.55 percentage points, mainly caused by decreased shares of inventories (down 1.21 percentage points), and other current assets (down 0.24 percentage points), while the share of accounts receivable decreased by 2.59 percentage points. The share of liabilities was down by 3.94 percentage points. Moreover, the share of current liabilities was down 5.52 percentage points.

In terms of the cash ratio, 2018 saw an increased share of cash in half of the 18 industries, showing short-term liquidity in 2018 similar to that in 2017. These industries were mining and quarrying, manufacturing, construction, wholesale and retail trade, information and communication, and support services (Table 2-1-2).

Table 2-1-1 Consolidated Balance Sheet for Taiwanese Enterprises, 2017-2018

Unit: %

Enterprise size / year Item	SMEs		Large enterprises	
	2017	2018	2017	2018
Current assets	49.90	43.35	43.39	53.55
Cash	17.89	15.58	14.06	19.11
Accounts receivable	12.95	10.36	15.32	27.93
Inventories	15.46	14.25	11.22	5.01
Advance payments	1.82	1.62	1.20	0.52
Other current assets	1.78	1.54	1.59	0.99
Non-current assets	50.10	56.65	56.61	46.45
Long-term investment	23.72	29.08	24.48	13.10
Fixed assets	21.01	17.87	23.28	9.82
Land and buildings	14.14	12.56	11.96	4.69
Machinery	5.67	4.32	8.55	4.20
Other fixed assets	1.19	0.99	2.77	0.94
Intangible and other assets	5.37	9.70	8.85	23.53
Total assets = Liabilities + Net worth	100.00	100.00	100.00	100.00
Liabilities	57.39	53.45	50.95	75.72
Current liabilities	48.23	42.71	34.99	52.04
Short-term loans	14.38	12.75	12.41	34.99
Accounts payable	13.14	11.16	14.93	8.30
Income received in advance	4.45	3.42	3.71	3.22
Other current liabilities	16.27	15.38	3.94	5.53
Non-current liabilities	9.15	10.74	15.96	23.68
Net worth	42.61	46.55	49.05	24.29

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2017-2018.

(2) Long-term Investment Increased

Funds and long-term investments are investments undertaken by an enterprise for financial or operational reasons, where the investments are held over the long term in the form of stocks, bonds, and so on, that the enterprise does not intend to convert into cash within one year. As can be seen from Table 2-1-1, 2018 saw the long-term investments share of total assets increase for SMEs and decrease for large enterprises.

(3) Fixed Assets Share of Total Decreased

Fixed assets as a percentage of total assets declined in 2018 for both SMEs and large enterprises, driven by a decrease in land and buildings, machinery and other fixed assets (Table 2-1-1).

Table 2-1-2 Consolidated Balance Sheet for Taiwanese SMEs by Industry, 2018

Unit: %

Item \ Industry	Agriculture, forestry, fishing and animal husbandry	Mining and quarrying	Manufacturing	Electricity and gas supply	Water supply and remediation activities	Construction	Wholesale and retail trade	Transportation and storage	Accommodation and food service activities
Current assets	36.54	53.79	57.00	22.36	38.03	83.33	63.80	46.74	27.95
Cash	13.34	20.39	19.75	13.08	19.14	21.48	22.75	25.14	13.96
Accounts receivable	9.12	14.50	18.71	4.48	10.90	19.58	17.60	15.83	4.99
Inventories	6.24	14.12	15.31	0.62	3.45	38.41	19.21	0.95	4.66
Advance payments	6.42	3.08	2.10	2.79	2.93	2.24	2.47	2.81	2.49
Other current assets	1.41	1.70	1.14	1.39	1.61	1.62	1.77	2.00	1.85
Non-current assets	63.46	46.21	43.00	77.64	61.97	16.67	36.20	53.26	72.05
Long-term investment	8.41	2.04	1.54	7.17	14.49	1.10	11.07	9.01	3.75
Fixed assets	47.50	36.91	38.16	61.10	36.40	11.42	19.42	37.28	59.14
Land and buildings	17.36	20.26	24.82	4.21	16.97	5.18	14.02	9.76	42.67
Machinery	21.99	14.83	11.61	46.77	18.29	5.35	4.30	25.67	9.38
Other fixed assets	8.15	1.81	1.73	10.11	1.15	0.89	1.10	1.85	7.09
Intangible and other assets	7.55	11.35	3.10	9.37	11.08	4.14	4.75	6.97	9.35
Total assets =Liabilities + Net worth	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Liabilities	71.20	65.98	67.46	64.08	49.56	68.55	65.03	45.15	75.66
Current liabilities	55.65	58.16	57.31	38.76	39.00	64.40	57.08	37.13	49.86
Short-term loans	21.80	16.02	17.37	12.70	7.42	8.66	14.44	9.06	13.09
Accounts payable	9.86	16.79	19.85	16.87	17.18	15.54	18.73	15.59	10.19
Income received in advance	0.56	0.77	3.56	0.68	0.67	29.91	1.19	0.41	1.06
Other current liabilities	23.43	24.59	16.53	8.50	13.73	10.29	22.73	12.07	25.52
Non-current liabilities	15.55	7.82	10.15	25.32	10.56	4.15	7.95	8.02	25.80
Net worth	28.80	34.03	32.54	38.34	50.43	31.30	36.66	54.85	24.34

Table 2-1-2 Consolidated Balance Sheet for Taiwan SMEs by Industry, 2018 (Continued)

Unit: %

Item \ Industry	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Support service activities	Education	Human health and social work activities	Arts, entertainment and recreation	Other service activities
Current assets	58.87	17.80	47.83	39.24	53.54	47.21	47.56	25.34	40.24
Cash	27.65	11.50	8.50	19.75	28.57	33.84	22.39	13.29	19.81
Accounts receivable	18.86	4.28	3.91	11.02	19.71	8.71	20.15	6.25	7.03
Inventories	4.38	0.72	30.95	4.76	0.91	0.66	0.81	1.53	10.08
Advance payments	4.61	0.22	2.24	1.73	2.04	2.25	1.95	2.90	1.61
Other current assets	3.38	1.08	2.23	1.99	2.31	1.76	2.27	1.38	1.72
Non-current assets	41.13	82.20	52.17	60.76	46.46	52.79	52.44	74.66	59.76
Long-term investment	12.29	68.14	13.11	37.83	14.94	11.42	4.60	7.87	34.94
Fixed assets	15.00	2.66	21.13	14.10	19.37	25.50	39.05	55.29	21.24
Land and buildings	10.04	2.47	18.97	10.47	8.44	13.40	23.89	42.49	16.14

Industry Item	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Support service activities	Education	Human health and social work activities	Arts, entertainment and recreation	Other service activities
Machinery	3.30	0.15	1.36	2.65	7.55	9.35	7.65	8.22	3.67
Other fixed assets	1.66	0.04	0.80	0.97	3.37	2.76	7.50	4.58	1.42
Intangible and other assets	13.84	11.40	17.93	4.83	12.15	15.86	8.79	10.40	3.59
Total assets = Liabilities + Net worth	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Liabilities	67.64	28.23	70.59	45.18	49.80	77.06	68.11	76.22	45.25
Current liabilities	60.75	20.46	50.31	36.84	39.33	62.71	58.39	47.81	38.34
Short-term loans	8.18	8.91	17.59	7.13	9.17	13.33	4.91	11.45	4.04
Accounts payable	21.76	3.64	8.38	9.79	12.35	11.72	31.55	11.20	8.66
Income received in advance	3.66	0.06	2.18	3.85	1.24	8.89	6.33	2.35	4.84
Other current liabilities	27.14	7.85	22.15	16.07	16.57	28.77	15.59	22.81	20.81
Non-current liabilities	6.89	7.77	20.28	8.34	10.47	14.35	9.72	28.41	6.91
Net worth	32.36	71.77	29.41	54.82	51.24	22.94	31.90	25.89	54.75

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2018.

2. Analysis of SMEs' Financial Structure

Looking at the SMEs' debt structure with the above examination of the asset allocation of SMEs can give a more comprehensive picture of the SMEs' overall financial status.

(1) Share of Current Liabilities Declined

As can be seen from Table 2-1-1, the share of current liabilities decreased in 2018 for SMEs and increased for large enterprises.

(2) Declining Non-current Liabilities

Non-current liabilities include long-term liabilities and other non-current liabilities. From 2017 to 2018, non-current liabilities in SMEs and large enterprises both increased.

3. Analysis of SMEs' Profit and Loss

(1) Gross Margin Improved as Operating Costs Declined for SMEs

Regarding operating costs' share of net revenue, operating costs of large enterprises increased slightly while operating costs of SMEs declined slightly from 2017 to 2018. As a result, the SMEs' gross margin (referring to the "gross operating profit" item in Table 2-1-3) increased modestly compared to that of 2017. In 2018, SMEs' potential profitability increased.

(2) Operating Expenses Rose Slightly

The term "operating expenses" is used to refer to expenditure derived from an enterprise's selling, general and administrative (SG&A) activities, including sales, management, and R&D expenses, and so on. Regardless of size, firms need to continually think of ways to cut costs and

reduce operating expenses.

In 2018, SMEs' operating expenses rose slightly to 21.23 percent, and continued to be higher than those of large enterprises.

Table 2-1-3 Profit and Loss of Taiwanese Enterprises, 2017-2018

Unit: %

Enterprise size / year Item	SMEs		Large enterprises	
	2017	2018	2017	2018
Net operating revenue	100.00	100.00	100.00	100.00
Minus: Operating costs	76.80	76.25	83.17	87.76
Gross operating profit	23.20	23.75	16.83	12.24
Minus: Operating expenses	20.54	21.23	10.99	8.23
Net operating profit	2.66	2.52	5.84	4.01
Plus: Non-operating revenue	1.54	2.06	2.69	4.16
Minus: Interest expenses	0.56	0.68	0.46	0.37
Minus: Other non-operating expenses	0.62	0.68	1.32	2.63
Current term profit (before tax)	3.02	3.06	6.75	5.17

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2017-2018.

(3) The Decrease in Operating Costs Was Lower than the Increase in Operating Expenses, and SMEs' Profitability Decreased Slightly

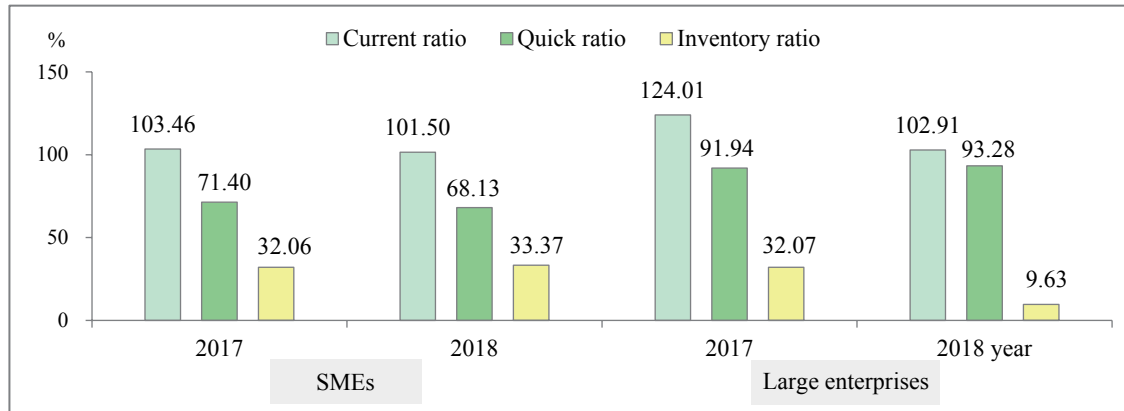
In 2018, SMEs' net operating profit decreased marginally to 2.52 percent, with a decrease in operating costs lower than the increase in operating expenses.

II Analysis of SMEs' Financial Ratios

1. SMEs' Short-term Debt Servicing Ability Decreased Slightly

The current ratio is a measure of enterprises' short-term repayment ability. Ideally, a company that is in good financial health should have a current ratio of around 200 percent, indicating that the enterprise has NT\$2 of current assets available to repay every NT\$1 in current liabilities (with the exception that companies with superior cash generation capability and/or fast turnover ratios could maintain a much lower current ratio, hence their superior financial efficiency). The reference value for the quick ratio is 100 percent, indicating that the enterprise has NT\$1 in current assets that can be quickly converted into cash at close to their book values to repay every NT\$1 in current liabilities.

In 2018, the current ratio declined slightly from 103.46 percent in 2017 to 101.50 percent in 2018. The quick ratio fell from 71.4% in 2017 to 68.13%, indicating SME solvency in the short and very short term had fallen slightly. Large enterprises exhibited a lower current ratio but a higher quick ratio in 2018, indicating that large enterprises saw falling solvency in the short term but improved solvency in the very short term compared to 2017 (Figure 2-2-1).

Figure 2-2-1 Short-term Liquidity of Taiwanese Enterprises, 2017-2018

Notes:

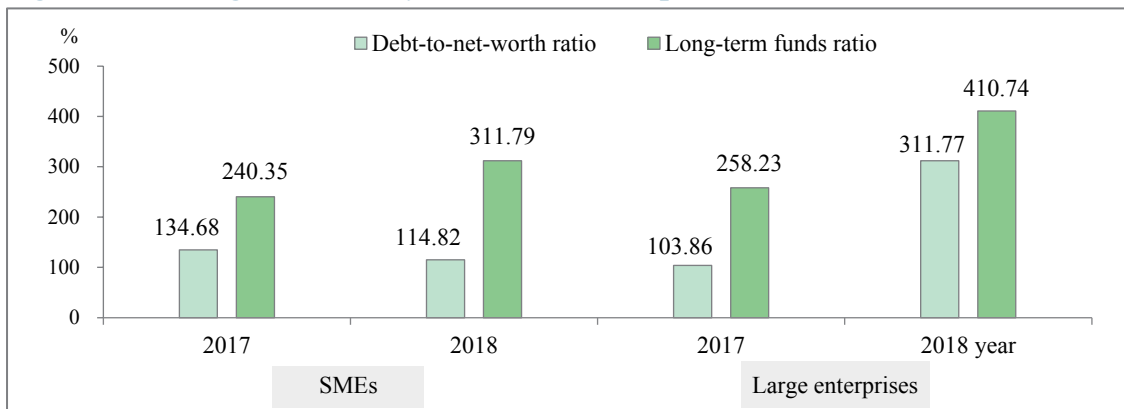
1. Current ratio = current assets ÷ current liabilities × 100% (reference value = 200; ideally, the ratio should be higher than the reference value).
2. Quick ratio = (current assets – inventories) ÷ current liabilities × 100% (reference value = 100; ideally, the ratio should be higher than the reference value).
3. Inventory ratio = inventories ÷ current liabilities × 100% (reference value = 100; ideally, the ratio should be higher than the reference value).

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2017-2018.

2. SMEs: Declining Debt-to-Net-Worth Ratio and Rising Long-term Funds Ratio

For the debt-to-net-worth ratio, a reference value of 100 percent is normally used, indicating that the enterprise has NT\$1 of capital available for every NT\$1 of debt. The higher the debt-to-net-worth ratio, the more heavily leveraged the enterprise is.

In 2018, the average debt-to-net-worth ratio of SMEs was 114.82 percent; for large enterprises, the debt-to-net-worth ratio in 2018 was 311.77 percent; indicating large enterprises' higher usage of financial leverage (Figure 2-2-2).

Figure 2-2-2 Long-term Stability of Taiwanese Enterprises, 2017-2018

Note: 1. Debt-to-net-worth ratio = debt ÷ net worth × 100% (reference value = 100; ideally, the ratio should be below the reference value).

2. Long-term funds ratio = (equity + long-term debt) ÷ fixed assets × 100% (reference value = 100; ideally, the ratio should be above the reference value).

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2017-2018.

The long-term funds ratio is mainly used to gauge whether a firm's long-term funding operations are appropriate. Ideally, enterprises should rely mainly on long-term funds for their funding of fixed asset purchases. The fact that both SMEs and large enterprises hit over 100 percent in their long-term funds ratio illustrated that their stability in terms of their long-term funds allocation was above average and better than that of 2017.

3. SMEs' Operational Efficiency Down Modestly

An enterprise's operational efficiency can be gauged by examining its efficient utilization of merchandise, fixed assets, and capital, as well as the efficiency of collection. Merchandise turnover is an indicator that can be used to determine whether an enterprise is managing to achieve a reasonable balance between inventory and sales; fixed asset turnover is used to measure the efficiency of utilization of a firm's buildings, machinery, land, and other fixed assets; receivables turnover measures the efficiency of a company's collection activities. Net worth turnover denotes the ratio of net sales to net worth; if this figure is too high, it could imply that the enterprise has insufficient capital and is too aggressive; if it is too low, it may indicate that the firm has too much capital, or that its sales revenue is too low. Other things being equal, a company with a high net worth turnover rate is earning a higher rate of income on its net worth than a company with a low turnover rate.

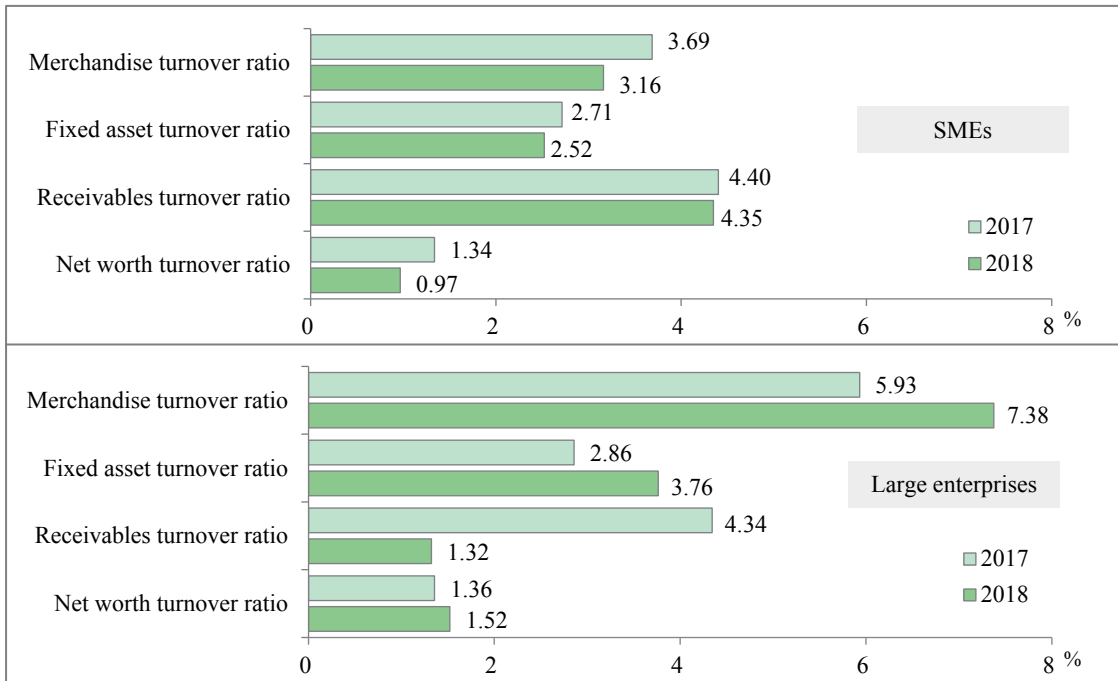
Examination of the data in 2018 shows that receivables turnover for SMEs decreased slightly to 4.35 percent in 2018, and merchandise turnover went down modestly to 3.16 percent. In the meantime, receivables turnover for large enterprises was 1.32 percent in 2018, and merchandise turnover was 7.38 percent, suggesting that the SMEs' merchandise efficiency was down modestly (Figure 2-2-3).

Examination of the net worth turnover and fixed asset turnover indicators shows that, for SMEs, fixed asset turnover declined to 2.52 percent, while net worth turnover declined to 0.97 percent. For large enterprises, fixed asset turnover was 3.76 percent, and net worth turnover rose to 1.52 percent (Figure 2-2-3).

4. SMEs' Profitability Went Down

2018 saw all five indicators decreasing in SMEs except for the operating profit ratio. The operating profit ratio increased to 3.12 percent, the return on total assets declined to 1.41 percent, the return on fixed assets declined to 7.87 percent, and the return on capital declined to 3.72 percent, while the return on net worth declined to 3.02 percent. Overall, the SMEs' profitability went down (Figure 2-2-4).

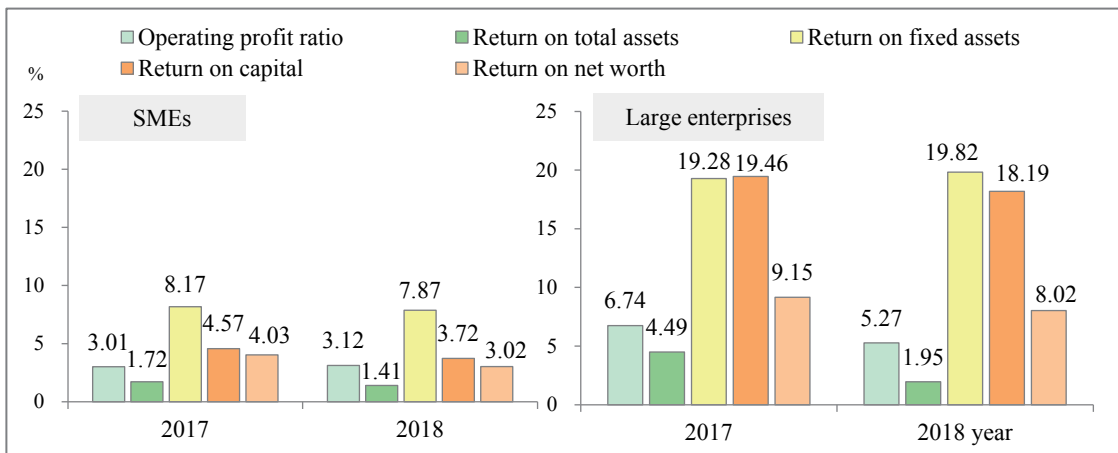
Figure 2-2-3 Operating Capability of Taiwanese Enterprises, 2017-2018



- Notes: 1. Net worth turnover ratio = net sales/net worth.
 2. Receivables turnover ratio = net sales/receivables.
 3. Fixed asset turnover ratio = net sales/fixed assets.
 4. Merchandise turnover ratio = net sales/inventories

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2017-2018.

Figure 2-2-4 Profitability of Taiwanese Enterprises, 2017-2018



- Notes: 1. Operating profit ratio = current profit ÷ net operating income × 100%.
 2. Return on total assets = current profit ÷ total assets × 100%.
 3. Return on fixed assets = current profit ÷ fixed assets × 100%.
 4. Return on capital = current profit ÷ net worth × 100%.
 5. Return on net worth = current profit ÷ net worth × 100%.

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2017-2018.

III SME Funding and Financing

Funding is the lifeline of an enterprise, and this is particularly true for SMEs, which typically lack adequate funds. Ready access to funds and efficient fund management are among the keys to the successful operation of SMEs.

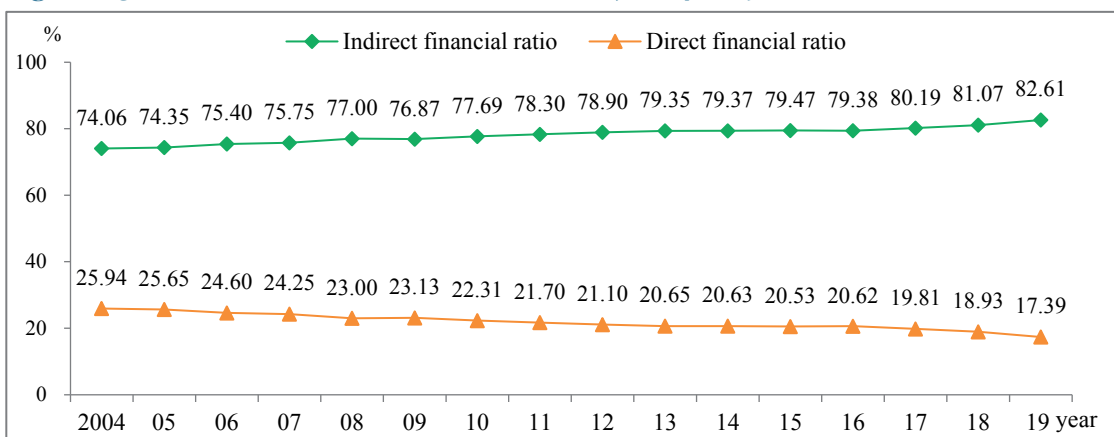
The sources of SME financing are from internal organic growth and/or external funding such as private lending, commercial loans, bond or equity financing, and government programs; the channels of financing are directly through financial markets (stock and bond) and indirectly through financial intermediaries, such as banks and finance companies. SMEs are typically heavily reliant on indirect financing as compared to their larger counterparts.

1. Indirect Financing Remains the Main Funding Source

The trend towards diversification in financial services has been accompanied by a similar broadening of the funding channels available to business enterprises. However, SMEs and their owners tend to have insufficient knowledge of the range of financing tools that are now available, and in many cases they are unable to provide the comprehensive financial statements needed to secure direct financing. As a result, indirect financing has been growing for SMEs with help from government policy measures, while direct financing currently accounts for only a very small percentage of overall SME financing.

According to the report *Direct Financial and Indirect Financial Stock Analysis*, compiled by the Central Bank of the Republic of China (Taiwan), since 2004, the proportion of indirect financing has continued to show steady growth, while the proportion of direct financing has been declining, but the growth of indirect financing has slowed in recent years. In 2019, the proportion of indirect financing accounted for 82.61 percent of financing while the remaining 17.39 percent was direct financing (Figure 2-3-1).

Figure 2-3-1 Direct and Indirect Financial Ratios, 2004-2019

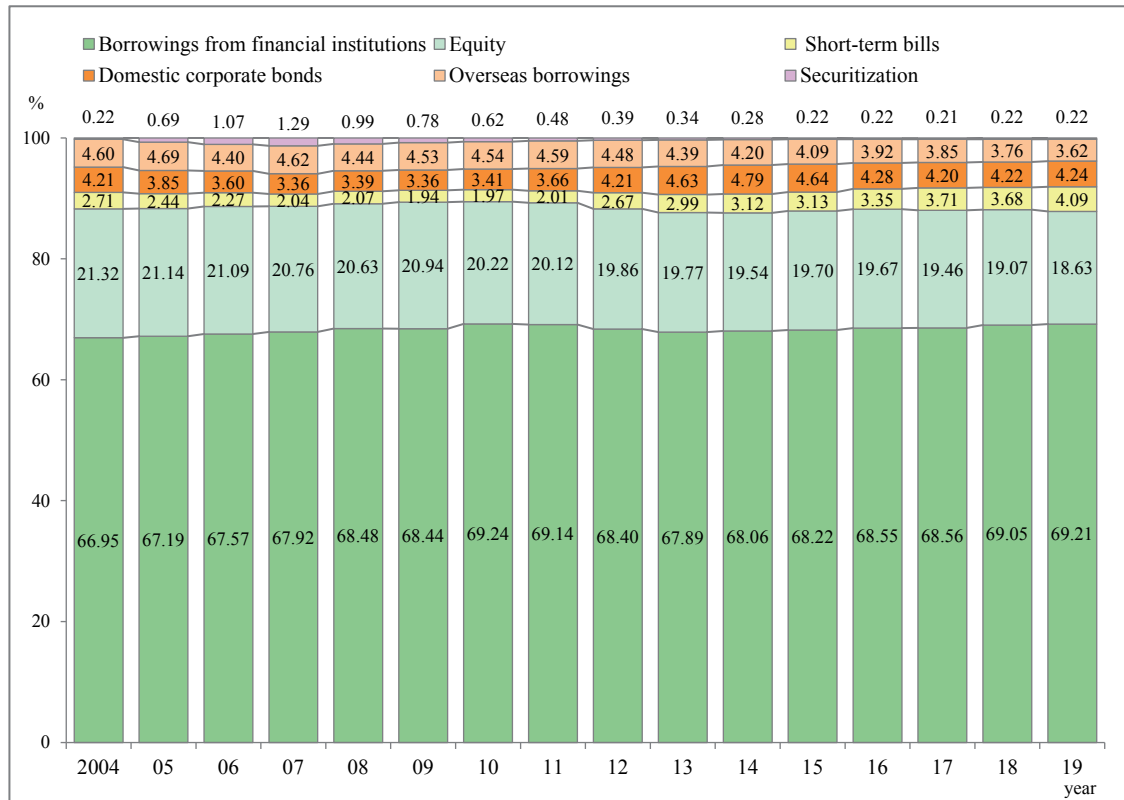


Source: Central Bank of the Republic of China (2019, June). *Direct Financial and Indirect Financial Stock Analysis*.

Regarding the structure of their liabilities, large, medium- and small-sized enterprises in Taiwan are all heavily reliant on borrowings from financial institutions and accounted for nearly 70 percent

of the total debt in 2019 for all enterprises (69.21 percent). Direct financing through equity accounted for 18.63 percent in 2019. Direct financing through other means such as domestic corporate bonds, overseas borrowings, short-term bills and asset securitization all accounted for less than 5 percent in 2019 (Figure 2-3-2).

Figure 2-3-2 Comparison of Enterprise Financing Channels, 2004-2019



Notes: 1. Financial institutions include the Central Bank, other monetary institutions and life insurance companies.

2. Financial institution loans include collection and bad debt write-offs.

3. Enterprise financing channels do not include financial institution investments or government bonds.

Source: Central Bank of the Republic of China (2019, June). *Direct Financial and Indirect Financial Stock Analysis*.

2. The Borrowing Cost Has Fallen for Five Consecutive Years

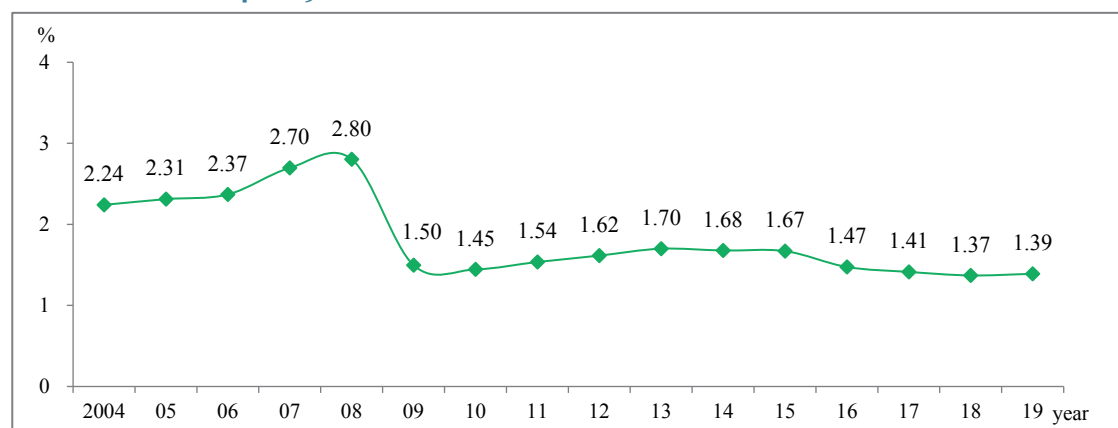
The average new loan interest rate of the five major banks has been falling for five consecutive years since 2014. It rose slightly to 1.39% in 2019, while the borrowing cost for all enterprises as a whole has exhibited a downward trend (Figure 2-3-3).

3. SMEs: The Primary Funding Source Was Financial Institutions

SMEs and their owners tend to have insufficient knowledge of the range of financing tools that are now available, and in many cases, they are unable to provide the comprehensive financial statements needed to secure direct financing. As a result, small-sized enterprises' funding sources are mostly limited to borrowings from financial institutions (59.92 percent) and commercial credit (39.38 percent). Medium-sized enterprises' funding sources are also mostly limited to borrowings

from financial institutions (53.60 percent) and commercial credit (44.21 percent). Large enterprises' funding sources are not as heavily reliant on indirect financing as those of SMEs, but are still highly dependent on borrowings from financial institutions (40.39 percent) and commercial credit (48.07 percent) (Table 2-3-1).

Figure 2-3-3 Average Interest Rate on New Loans by Taiwan's Five Largest Banks, 2004-2019



Notes: 1. The interest rates given in the figure are weighted averages for the month of December in each year.

2. Up until October 2008, the five largest banks in Taiwan were the Bank of Taiwan, Taiwan Cooperative Bank, First Commercial Bank, Hua Nan Commercial Bank and Chang Hwa Commercial Bank; from November 2008 onwards the five largest banks were the Bank of Taiwan, Taiwan Cooperative Bank, First Commercial Bank, Hua Nan Commercial Bank and the Land Bank of Taiwan.

Source: Central Bank of the Republic of China, Statistical database, accessed June 2019.

Table 2-3-1 Corporate Liability Structure as of the End of 2018

Unit: 100 million NT\$, %

Item	Large enterprises		Medium-sized enterprises		Small-sized enterprises	
	Amount	Share	Amount	Share	Amount	Share
Total liabilities	234,714	100.00	49,302	100.00	12,201	100.00
Borrowings from financial institutions	94,810	40.39	26,426	53.60	7,312	59.92
Government loans	41	0.02	0	0.00	0	0.00
Borrowings from firms and individuals	2,824	1.20	898	1.82	53	0.44
Overseas borrowings	1,304	0.56	10	0.02	1	0.01
Transactions with repurchase clause	-	-	-	-	-	-
Short-term bills	6,685	2.85	63	0.13	2	0.02
Domestic corporate bonds	10,548	4.49	-	-	-	-
Overseas securities	543	0.23	-	-	-	-
Commercial credit (Trading liabilities)	112,829	48.07	21,794	44.21	4,804	39.38
Provisions and other liabilities	5,129	2.19	110	0.22	29	0.23

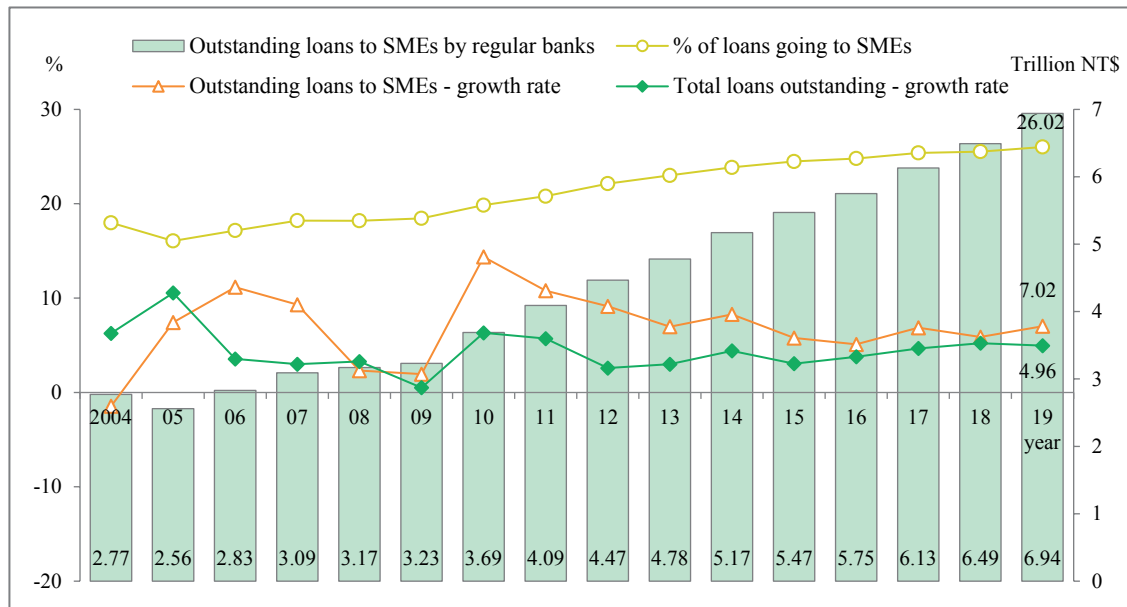
Notes: 1. "-" denotes no data available or data uncertain; "0" is used to denote any figure less than NT\$500. 2. Data may not sum to the total due to rounding. 3. An enterprise with total assets of NT\$300 million or more is classified as a large enterprise; a medium-sized enterprise: between NT\$25 million and NT\$300 million; a small enterprise: less than NT\$25 million.

Source: Central Bank of the Republic of China (2019, December). *Survey Report of the Financial Conditions of Private and Public Enterprises*.

4. Continuous Increase in Total Bank Loans to SMEs in 2019

At the end of 2019, the total outstanding loans of SMEs from ordinary commercial banks in Taiwan (including the Taiwan branches of foreign banks, but excluding overseas loans) came to NT\$6.94 trillion, a record high (Figure 2-3-4).

Figure 2-3-4 Changes in Bank Loans to SMEs by Regular Banks, 2004-2019



Note: Total loans outstanding = (regular banks' outstanding loans to SMEs, overdue loans included) ÷ (loans to SMEs as a percentage of total loans).

Source: Banking Bureau, Financial Supervisory Commission, *Statistics of Banking Business*, consecutive years.

5. Top 10 Banks Based on SME Loan Balances

The Top 10 banks based on SME loan balances in 2019 were led by First Commercial Bank. Other banks with government ownership included Taiwan Cooperative Bank, Hua Nan Commercial Bank, and Taiwan Business Bank at the top. The Top 10 banks based on loan balances held a combined market share of 69.31 percent, slightly less compared to 2018 (Table 2-3-2).

6. Private Banks Active in Lending to SMEs

With the introduction of various government measures to provide preferential loans to SMEs, private banks' SME loans increased substantially in 2018 and 2019 as shown in Financial Supervisory Commission data. In terms of the annual growth rate from 2018 to 2019, the top 10 private banks saw SME loans grow between -4.64 percent and 20.85 percent, with loan balances of between NT\$144 billion and NT\$366 billion (Table 2-3-3).

Table 2-3-2 Top 10 Banks by Amount of Loans to SMEs in 2019

Unit: 100 million NT\$, %

Bank	Loans outstanding	Market share	Loans to SMEs as percentage of total loans
Total	48,127.53	69.31	-
First Commercial Bank	7,007.45	10.09	48.69
Taiwan Cooperative Bank	6,678.32	9.62	34.30
Hua Nan Commercial Bank	5,348.64	7.70	36.33
Taiwan Business Bank	5,339.33	7.69	51.81
Mega International Commercial Bank	5,042.51	7.26	38.72
Land Bank of Taiwan	4,613.52	6.64	24.63
Chang Hwa Commercial Bank	4,570.87	6.58	36.24
E. Sun Commercial Bank	3,662.47	5.27	30.50
Bank of Taiwan	3,642.55	5.25	14.47
CTBC Bank	2,221.87	3.20	15.55

Note: “-”: not applicable.

Source: Banking Bureau, Financial Supervisory Commission (2019). *Statistics of Banking Business*.**Table 2-3-3 Top 10 Private Banks by Amount of Loans to SMEs in 2019**

Unit: 100 million NT\$, %

Bank	Loans outstanding by the end of 2018	Loans outstanding by the end of 2019	Annual growth rate
E. Sun Commercial Bank	3,473.39	3,662.47	5.44
CTBC Bank	2,109.61	2,221.87	5.32
Shanghai Commercial & Savings Bank	2,063.66	2,156.64	4.51
Cathay United Bank	1,780.92	2,094.04	17.58
Bank SinoPac	1,653.19	1,815.28	9.80
Taichung Commercial Bank	1,841.36	1,755.93	-4.64
Taipei Fubon Bank	1,504.43	1,710.10	13.67
Taishin International Bank	1,383.28	1,619.08	17.05
Sunny Bank	1,297.82	1,568.44	20.85
Yuanta Bank	1,374.43	1,437.96	4.62

Source: Banking Bureau, Financial Supervisory Commission (2019). *Statistics of Banking Business*.

CHAPTER 3

SMEs: Human Resources

In 2019, human resources in Taiwan also exhibited steady growth. According to the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan, the number of employed persons increased by about 72,000 people (0.60 percent) to 11,946,000, with a modestly improved participation rate of 59.17, 0.18 percent higher than for the previous year. The number of unemployed people was 446,000, 6,000 more than in 2018, and it averaged 3.73 percent over the course of the year, 0.02 percent more than in 2018.

This chapter is divided into two sections. Section I examines SME human resources utilization (in terms of scale, industries, and characteristics of employed and unemployed persons such as age, sex, and education); Section II discusses working conditions (including average working hours and salary by industry).

An SME is defined as an enterprise with fewer than 200 regular employees in the manufacturing, construction, and mining and quarrying industries, or an enterprise with fewer than 100 regular employees in other industries.

I Labor Utilization by SMEs

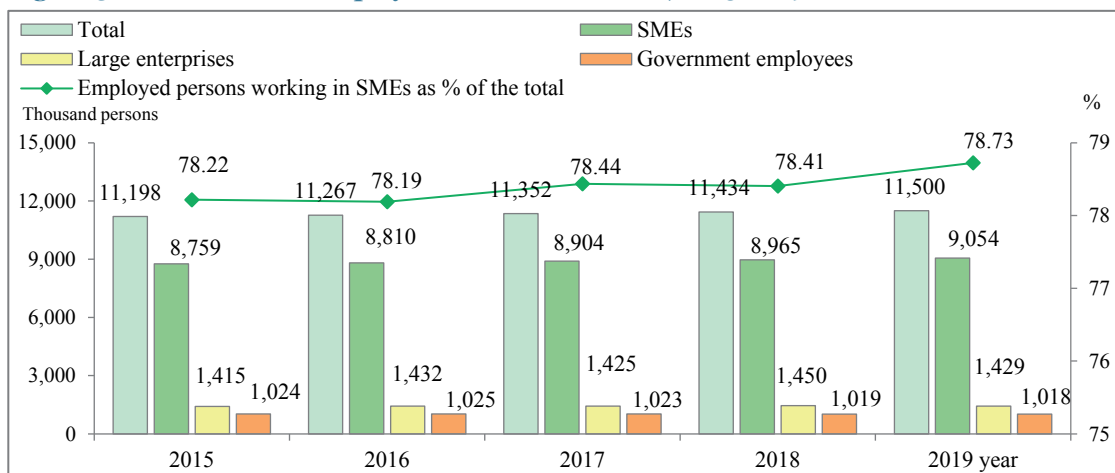
1. SMEs Provided Labor Market Stability

In 2019, employed persons (including employers, own-account workers, paid employees and unpaid family workers) in Taiwan totaled 11,500,000 people. The number of employed persons working in SMEs in Taiwan totaled 9,054,000, accounting for 78.73 percent of all employed persons in Taiwan. Large enterprises employed 1,429,000 persons and accounted for 12.42 percent; the government employed 1,018,000 persons and accounted for 8.85 percent.

Compared to large enterprises, SMEs have functioned as a more stabilizing force in the labor market through many business and economic cycles. The total number of employed persons in SMEs has been rising slightly every year by between 0.59 percent and 1.78 percent and has been mostly above 78 percent in the share of employed persons (Figure 3-1-1).

In terms of industries, the number of employed persons working in SMEs in the manufacturing industry in 2019 stood at 2,216,000, accounting for 24.47 percent of all SME-employed persons. The wholesale and retail trade industry had the second largest number of employed persons working in SMEs, or 1,846,000 (20.38 percent), followed by the construction industry, with 893,000 employees (9.86 percent). 2019 saw employment growth in many sectors with stable distribution (Figure 3-1-2).

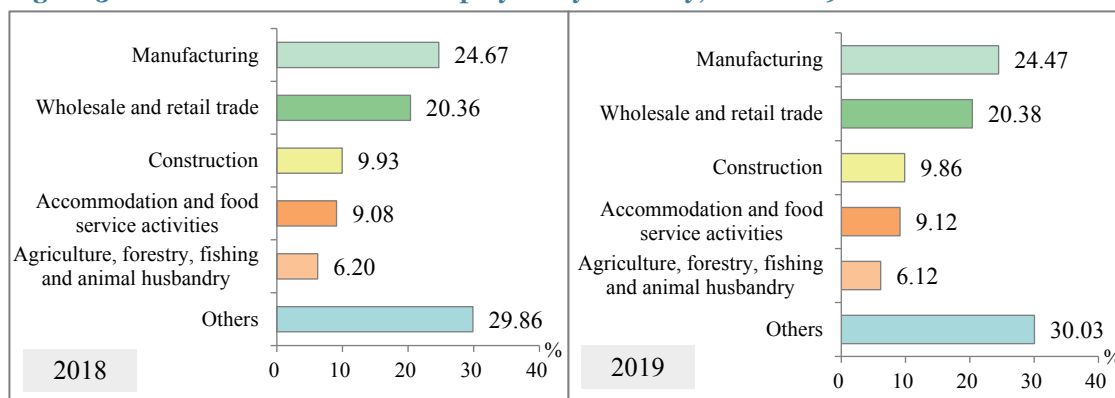
Figure 3-1-1 Number of Employed Persons in Taiwan, 2015-2019



Note: An SME is defined as an enterprise with fewer than 200 paid employees in the mining and quarrying, manufacturing, and construction industries, or an enterprise with fewer than 100 paid employees in other industries.

Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2015-2019.

Figure 3-1-2 Breakdown of SME Employees by Industry, 2018-2019

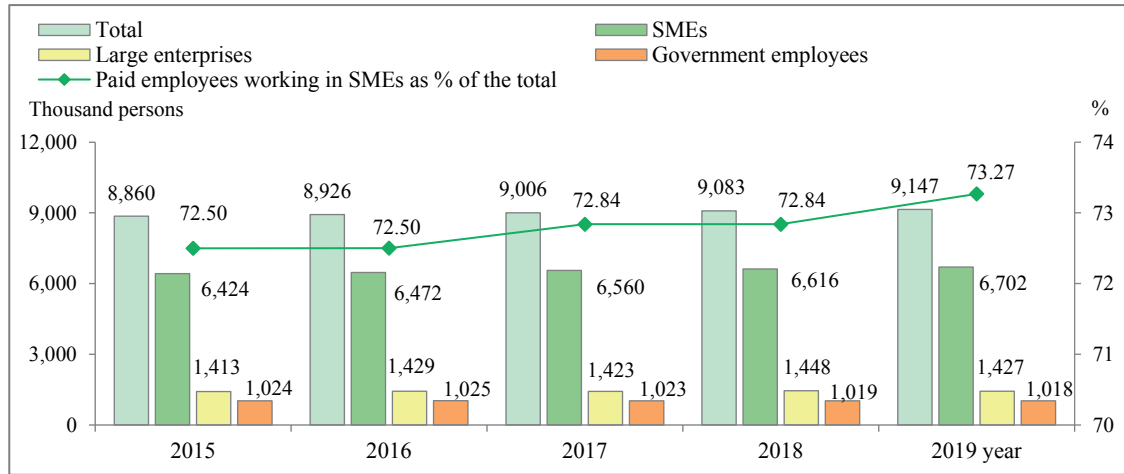


Note: An SME is defined as an enterprise with under 200 paid employees in the mining and quarrying, manufacturing, and construction industries, or an enterprise with fewer than 100 paid employees in other industries.

Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2018-2019.

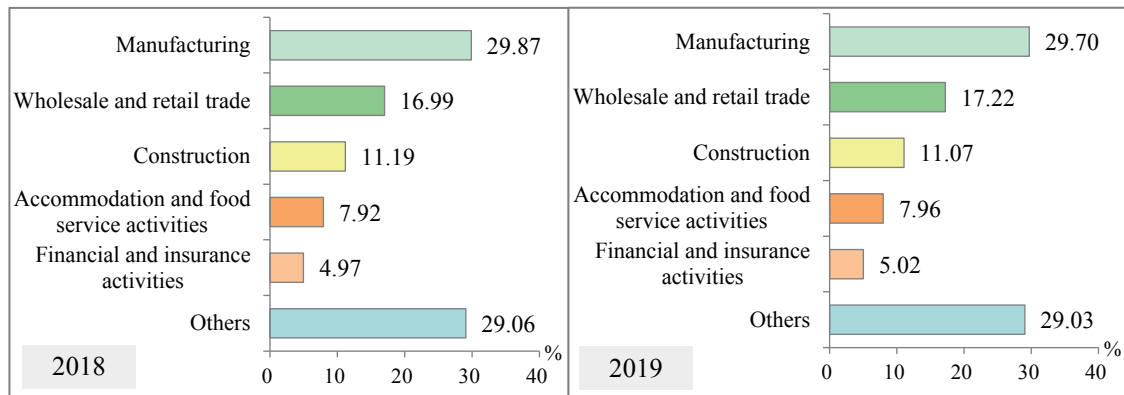
2. The Share of Paid Employees Working in SMEs Has Risen Consistently

The total number of paid employees in Taiwan averaged 9,147,000 in 2019 (including government employees and private company employees), representing an increase of 64 thousand people from 2018; the number of paid employees working in SMEs was 6,702,000 or 73.27 percent, up 0.71 percent year on year; paid employees working in large enterprises fell by 21,000 (1.44 percent), and paid employees working in government fell by 1,000 or 0.10 percent. The number of paid employees working in SMEs has increased consistently since the global financial crisis of 2009. The share of paid employees working in SMEs has risen consistently since 2011 as well (Figure 3-1-3).

Figure 3-1-3 Number of Paid Employees in Taiwan, 2015-2019

Note and source: See Figure 3-1-1.

In terms of industry distribution, the number of paid employees working in SMEs in the manufacturing industry in 2019 stood at 1,990,000, accounting for 29.70 percent of all SME paid employees. The wholesale and retail trade industry had the second largest number of paid employees working in SMEs, or 1,154,000 (17.22 percent), followed by the construction industry, with 742,000 employees (11.07 percent). Compared to 2018, the number of employees hired by SMEs by industry in 2019 did not vary significantly (Figure 3-1-4).

Figure 3-1-4 Breakdown of Paid SME Employees by Industry, 2018-2019

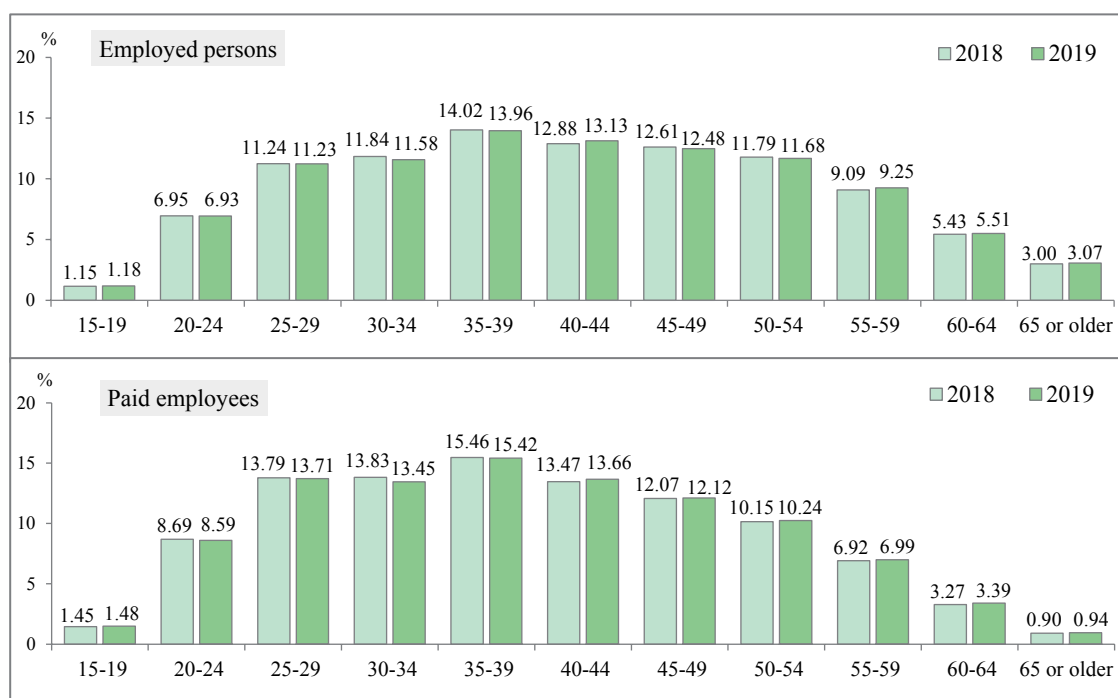
Note and source: See Figure 3-1-2.

3. The Share of SMEs' Manpower with a College Education Increased Gradually

In 2019, the highest proportion by age of employed persons working in SMEs was between the ages of 35 and 39 at 13.96 percent, followed by those between 40 and 44 at 13.13 percent and those between 45 and 49 at 12.48 percent; the proportion of paid employees working in SMEs was also highest between the ages of 35 and 39 at 15.42 percent, followed by those between 25 and 29 at

13.71 percent and those between 40 and 44 at 13.66 percent (Figure 3-1-5).

Figure 3-1-5 Age Structure of Employed Persons and Paid Employees Working in SMEs, 2018-2019

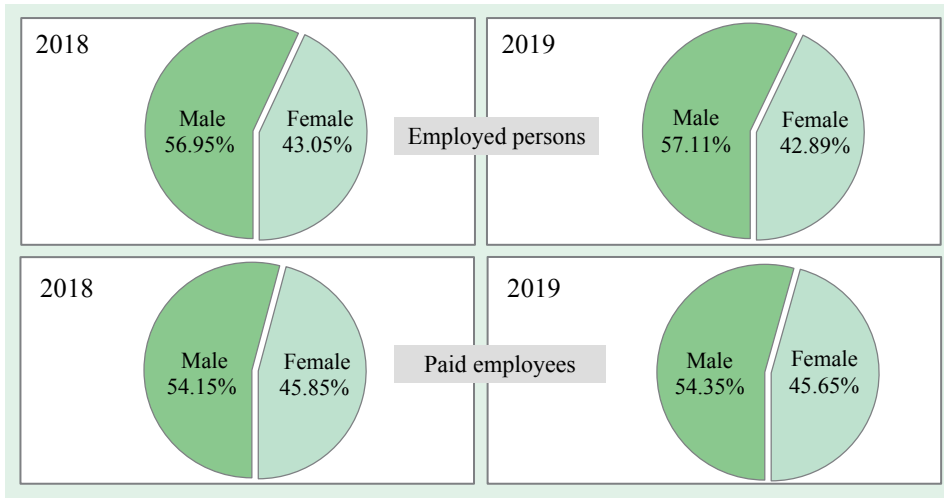


Note and source: See Figure 3-1-2.

The male/female ratios of employed persons (57.11 percent/42.89 percent) and paid employees (54.35 percent/45.65 percent) in SMEs were both higher than one in 2019. However, in the cases of both indicators, the number of females has decreased in 2019 year on year (Figure 3-1-6).

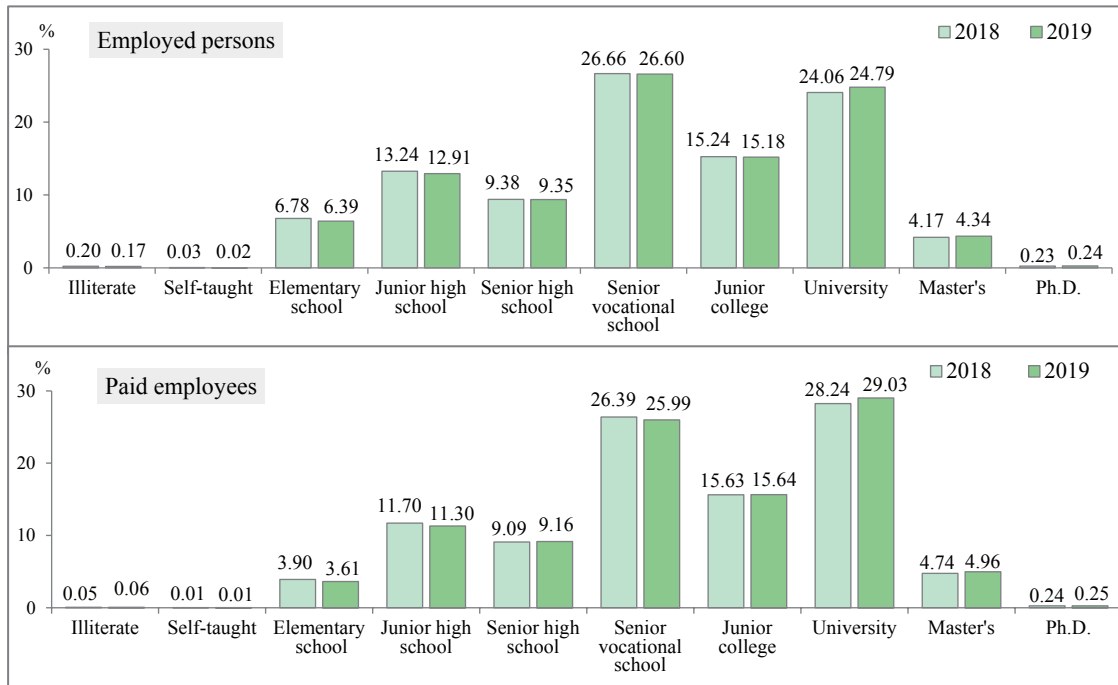
As can be seen from the educational structure, the highest proportion of employed persons working in SMEs in 2019 consisted of those with a vocational education at 26.60 percent, followed by those with a university education (24.79 percent) and those with a junior college education (15.18 percent). The highest proportion of paid employees working in SMEs consisted of those with a university education at 29.03 percent, followed by those with a vocational education (25.99 percent) and by those with a junior college education (15.64 percent). Moreover, the increase in the share of employed persons and paid employees with a university education and higher showed that the education levels of employed persons and paid employees in SMEs have both risen in recent years. This is consistent with Taiwan's higher education expansion policy (Figures 3-1-7).

Figure 3-1-6 Male/Female Ratio of Employed Persons and Paid Employees Working in SMEs, 2018-2019



Note and source: See Figure 3-1-2.

Figure 3-1-7 Educational Structure of Employed Persons and Paid Employees Working in SMEs, 2018-2019



Note and source: See Figure 3-1-2.

4. Regional Distribution of SMEs' Employees and Paid Employees

Observation of the regional distribution of SMEs' employed persons and paid employed persons in 2019 indicated that employed persons in SMEs among the six major cities mostly worked in

New Taipei City and Taipei City (1,475,000 persons or 16.29 percent and 1,356,000 persons or 14.98 percent, respectively). As for employed persons in large enterprises among the six major cities, most worked in Taipei City and Taoyuan City (283,000 persons or 19.80 percent and 239,000 persons or 16.72 percent, respectively) (Table 3-1-1).

Table 3-1-1 Number of Employed Persons by Region, 2019

Unit: Thousand persons; %

City or Country	Size Total	SMEs		Large enterprises		Government employment	
		Share		Share		Share	
Total	11,500	9,054	100.00	1,429	100.00	1,018	100.00
Taipei City	1,879	1,356	14.98	283	19.80	240	23.58
New Taipei City	1,693	1,475	16.29	111	7.77	107	10.51
Taoyuan City	1,060	747	8.25	239	16.72	73	7.17
Taichung City	1,467	1,228	13.56	146	10.22	94	9.23
Tainan City	976	785	8.67	125	8.75	65	6.39
Kaohsiung City	1,345	1,066	11.78	162	11.34	116	11.39
6 cities combined	8,419	6,657	73.53	1,066	74.60	695	68.27
Other cities combined	3,081	2,396	26.47	362	25.40	323	31.73

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2019.

As for paid employed persons in 2019, paid employed persons in SMEs among the six major cities mostly worked in New Taipei City and Taipei City (1,189,000 persons or 17.74 percent, and 1,139,000 persons or 16.99 percent, respectively). As for paid employed persons in large enterprises among the six major cities, most worked in Taipei City and Taoyuan City (282,000 persons or 19.76 percent, and 239,000 persons or 16.75 percent, respectively) (Table 3-1-2).

Table 3-1-2 Number of Paid Employees by Region, 2019

Unit: Thousand persons; %

City or Country	Size Total	SMEs		Large enterprises		Government employment	
		Share		Share		Share	
Total	9,147	6,702	100.00	1,427	100.00	1,018	100.00
Taipei City	1,661	1,139	16.99	282	19.76	240	23.58
New Taipei City	1,408	1,189	17.74	111	7.78	107	10.51
Taoyuan City	916	603	9.00	239	16.75	73	7.17
Taichung City	1,162	923	13.77	146	10.23	94	9.23
Tainan City	734	544	8.12	125	8.76	65	6.39
Kaohsiung City	1,082	803	11.98	162	11.35	116	11.39
6 cities combined	6,963	5,202	77.62	1,065	74.63	695	68.27
Other cities combined	2,184	1,499	22.38	362	25.37	323	31.73

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2019.

5. The Number of SME Employers Increased Slightly in 2019

There were around 447,000 SME employers, a mere 2,600 persons or a 0.59 percent increase compared to 2018. As for large enterprises, there were approximately 1,320,000 employers in 2019. The number of large enterprise employers fell by about 526 or 28.52 percent from 2018. The age

structure of SME employers shows that they were younger than large enterprise employers, and the educational structure distribution was broader (Table 3-1-3).

Table 3-1-3 Characteristics of Employers, 2018-2019

Unit: Thousand persons; %

Item	Year	2018		2019	
		SMEs	Large enterprises	SMEs	Large enterprises
No. of employers		443.99	1.84	446.63	1.32
Share of total		99.59	0.41	99.71	0.29
Age		100.00	100.00	100.00	100.00
15 – 19		0.01	-	0.01	-
20 – 24		0.48	-	0.33	-
25 – 29		2.07	0.67	1.78	-
30 – 34		4.52	0.58	5.06	-
35 – 39		9.63	1.50	9.35	-
40 – 44		12.87	5.45	13.44	-
45 – 49		16.69	5.42	15.74	20.08
50 – 54		19.15	15.35	19.34	37.71
55 – 59		17.38	27.33	17.74	14.01
60 – 64		11.49	26.98	11.38	18.68
65 or older		5.71	16.71	5.83	9.52
Sex		100.00	100.00	100.00	100.00
Male		79.81	74.95	78.89	87.12
Female		20.19	25.05	21.11	12.88
Education		100.00	100.00	100.00	100.00
Illiterate		0.03	-	0.05	-
Self-taught		0.00	-	0.02	-
Elementary school		6.70	7.76	6.78	2.48
Junior high school		12.59	3.98	13.39	-
Senior high school		9.72	12.13	9.09	12.78
Senior vocational school		25.40	8.64	26.81	12.65
Junior college		20.58	14.36	20.02	16.00
University		18.47	24.59	17.05	38.16
Master's		5.91	14.04	6.04	16.10
Ph.D.		0.59	14.51	0.74	1.83

Note: “-” denotes no available data.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2018-2019.

6. The Number of Self-employed Persons Rose Slightly; the Share of Self-employed with a University and Higher Education Increased in 2019

The self-employed either work alone or as part of a partnership, but they do not have any paid employees. Self-employed persons can thus all be classified as SMEs. The number of

self-employed persons in Taiwan had fallen consistently in consecutive years from 2009 to 2014 but started to increase in 2015. The number of self-employed persons in Taiwan reached 1,326,000 in 2019.

As can be seen from the age structure, the share of self-employed in the 55-59 age group was the highest at 16.46 percent in 2019, followed by the 50-54 age group (16.19 percent), and the 45-49 age group (13.44 percent). Compared to that for 2018, the self-employed in 2019 were younger, with those aged below 40 accounting for 18.50 percent. In terms of education, the share of self-employed with a senior vocational education was the highest at 27.21 percent, followed by those with a junior high school education at 20.43 percent, and by those with an elementary school education at 18.08 percent. Compared to 2018, the shares of self-employed with a university or higher education degree increased slightly from 11.15 percent in 2018 to 11.88 percent in 2019 (Table 3-1-4).

Table 3-1-4 Characteristics of Self-employed Persons, 2018-2019

Unit: Thousand persons; %

Item \ Year	2018	2019
No. of self-employed persons	1,326	1,326
Age	100.00	100.00
15 – 19	0.05	0.04
20 – 24	1.01	1.10
25 – 29	2.80	3.23
30 – 34	5.54	5.22
35 – 39	9.03	8.91
40 – 44	10.82	11.11
45 – 49	13.99	13.44
50 – 54	16.87	16.19
55 – 59	15.96	16.46
60 – 64	12.88	12.95
65 or older	11.04	11.36
Sex	100.00	100.00
Male	74.57	74.53
Female	25.43	25.47
Education	100.00	100.00
Illiterate	0.66	0.55
Self-taught	0.07	0.06
Elementary school	18.72	18.08
Junior high school	20.27	20.43
Senior high school	9.83	9.29
Senior vocational school	26.69	27.21
Junior college	12.60	12.51
University	8.98	9.72
Master's	2.05	2.03
Ph.D.	0.12	0.13

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2018-2019.

7. The Number of Unemployed Persons Previously Working for SMEs Decreased by 7,000 in 2019

In 2019, the number of unemployed persons in Taiwan rose by approximately 6,000 (or 1.22 percent), and the unemployment rate rose by 0.02 percent to 3.73 percent. Apart from first-time job-seekers, the number of unemployed persons who had previously been working for SMEs decreased marginally by 2.45 percent to 285,000 in 2019 from 292,000 in 2018; the number of unemployed who had previously been working for large enterprises increased by 18.66 percent to 37,000 in 2019 from 31,000 in 2018; the number of unemployed who had previously been working for the government increased by 21.16 percent to 17,000 in 2019 from 14,000 in 2018; and the number of unemployed who were first-time job-seekers increased by 4.00 percent to 107,000 in 2019 from 103,000 in 2018 (Table 3-1-5).

Table 3-1-5 Characteristics of the Unemployed, 2018-2019

Unit: Thousand persons; %

Item \ Year	2018				2019			
	SMEs	Large enterprises	Government	First time job-seekers	SMEs	Large enterprises	Government	First time job-seekers
No. of the unemployed	292.49	31.14	13.76	102.60	285.34	36.95	16.67	106.71
Share of total	66.48	7.08	3.13	23.32	64.02	8.29	3.74	23.94
Age	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
15 – 19	1.38	0.46	-	6.28	1.16	0.62	0.00	7.44
20 – 24	11.31	9.29	4.13	64.14	12.05	9.00	8.46	62.80
25 – 29	19.31	26.31	29.27	24.23	19.77	20.91	26.45	23.69
30 – 34	14.17	17.24	21.13	2.68	12.66	16.99	14.67	2.28
35 – 39	16.99	15.10	19.36	1.93	14.46	22.58	18.55	2.42
40 – 44	11.96	14.09	4.37	0.20	12.74	16.10	9.86	0.49
45 – 49	10.22	7.04	4.77	-	9.11	7.21	3.90	0.34
50 – 54	7.14	6.84	10.79	0.24	7.97	4.55	12.08	0.54
55 – 59	4.44	3.03	2.62	-	5.53	1.77	1.60	-
60 – 64	2.99	0.54	3.51	0.30	4.20	0.26	4.42	-
65 or older	0.09	0.06	0.04	-	0.35	0.02	0.01	-
Sex	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Male	60.38	55.43	34.63	52.59	59.46	57.09	46.59	53.06
Female	39.62	44.57	65.37	47.41	40.54	42.91	53.41	46.94
Education	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Illiterate	-	0.00	-	-	-	-	-	-
Self-taught	-	0.00	-	-	-	-	-	-
Elementary school	4.31	0.78	2.73	-	4.84	0.06	2.75	0.27
Junior high school	10.94	6.58	1.51	2.38	12.97	3.75	2.40	1.19
Senior high school	10.93	6.82	1.13	4.54	9.59	5.59	1.66	5.94
Senior vocational school	27.28	26.00	4.96	11.40	26.74	20.63	17.98	11.32
Junior college	13.96	13.38	12.14	5.67	12.82	19.79	11.97	4.06
University	28.44	37.50	60.66	65.41	29.87	38.06	45.24	65.25
Master's	4.12	8.76	16.50	10.56	3.05	12.12	16.82	11.45
Ph.D.	0.01	0.17	0.36	0.04	0.13	-	1.16	0.52

Notes: 1. "-" denotes no available data. 2. The enterprise size in the table is the size of the last company where the unemployed worked.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2018-2019.

In terms of the age structure of the unemployed in 2019, the age 25 to 29 group accounted for the largest percentage (19.77%) out of those whose previous employers were SMEs; the age 35 to 39 group accounted for the largest percentage (22.58%) out of those whose previous employers were large enterprises; the age 25 to 29 group accounted for the largest percentage (26.45%) out of those whose previous employers were government agencies; and the age 20 to 24 group accounted for the largest percentage (62.80%) out of those who were first-time job seekers (Table 3-1-5).

Regarding the sex distribution of unemployed persons, those who had previously been working for the government were mostly women, while those who had previously been working for large enterprises or SMEs were mostly men (Table 3-1-5).

In terms of the education distribution of unemployed persons, those who had previously been working for SMEs, large enterprises or the government, or were first-time job-seekers, mostly had a university education (29.87 percent, 38.06 percent, 45.24 percent, and 65.25 percent, respectively). The number of unemployed youths was higher among those with a vocational education and a university education (Table 3-1-5).

In terms of the reasons for leaving the previous jobs, “dissatisfaction with previous jobs” was the No. 1 reason for leaving SMEs (51.10 percent) or large enterprises (62.71 percent). However, the No. 1 reason for leaving government agencies was the “end of seasonal or temporary jobs” (57.72 percent) (Table 3-1-6).

Table 3-1-6 Reasons for Leaving Previous Jobs, 2018-2019

Unit: Thousand persons; %

Item \ Year	2018			2019		
	SMEs	Large enterprises	Government	SMEs	Large enterprises	Government
No. of persons	292.49	31.14	13.76	285.34	36.95	16.67
Downsizing or out of business	32.15	22.10	6.87	32.89	26.73	7.05
Dissatisfaction with previous jobs	52.91	66.50	29.08	51.10	62.71	29.29
Poor health	1.69	3.79	0.62	1.30	3.06	0.87
End of seasonal or temporary jobs	10.03	5.07	57.26	11.33	3.29	57.72
Women: marriage or giving birth	0.84	-	1.78	0.89	0.57	0.00
Retired	0.17	0.34	0.61	0.12	0.52	0.56
Housework too busy	0.93	0.54	1.66	0.95	1.82	0.44
Others	1.29	1.66	2.11	1.42	1.30	4.07

Notes: 1. “-” denotes no available data.

2. The enterprise size in the table is the size of the last company where the employee worked.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2018-2019.

8. Nearly 60 Percent of Foreign Employees Worked in SMEs

2019 saw a continuous increase in the number of foreign laborers working in the manufacturing and construction industries in Taiwan, which rose to 444,100, up 7,992 (or 1.83 percent) from 2018 (Table 3-1-7).

Table 3-1-7 Number of Foreign Workers by Enterprise Size, 2015-2019

Unit: Persons; %

Year \ Size	Total	SMEs	Large enterprises
2015	353,686	200,714 (56.75)	152,972 (43.25)
2016	376,605	215,145 (57.13)	161,460 (42.87)
2017	413,685	233,480 (56.44)	180,205 (43.56)
2018	436,118	250,155 (57.36)	185,963 (42.64)
2019	444,110	256,654 (57.79)	187,456 (42.21)

Note: 1. Figures only include foreign workers in both the manufacturing and construction industries. Hence, an SME here is defined as an enterprise with less than 200 regular employees in mining and quarrying, manufacturing, and construction industries.

2. Figures in parentheses denote the share of the total based on enterprise size.

Source: Figures were provided by the Workforce Development Agency, Ministry of Labor, 2020.

Regardless of the size of enterprises that employ foreign laborers, both the number of applications to employ foreign laborers and the number of foreign laborers working in Taiwan rose in 2019. The number of foreign laborers working for SMEs rose by 6,499 (up 2.60 percent) in 2019, while the number of foreign laborers working for large enterprises rose by 1,493 (up 0.80 percent).

9. SMEs Hired Workers to Work Longer Hours in Some Areas, and the Number of Temporary Workers Continued to Rise

According to the data presented in the 2019 Manpower Utilization Survey, the number of part-time workers in SMEs rose by 17,000 to 397,000, while in large enterprises the part-time manpower fell by 11,000. There was an increase of 51,000 full-time workers in SMEs, an increase of 16,000 in large enterprises and an increase of 3,000 in government. The utilization of part-time workers is most common in SMEs in the service sector, especially in the accommodation and food service activities and the wholesale and retail trade industry (Table 3-1-8).

SMEs employed 567,000 temporary or dispatched workers in 2019, 9,000 or 1.61 percent more compared to 2018. In terms of industry, construction SMEs employed the largest number of temporary or dispatched workers (231,000). Compared to 2018, the increase in temporary or dispatched workers in 2019 was highest in the construction industry (26,000), followed by the supporting service industry (10,000). Furthermore, large enterprises employed 4,000 or 16.00 percent fewer temporary or dispatched workers in 2019 compared to 2018; and government agencies employed 2,000 or 3.70 percent more temporary or dispatched workers compared to 2018 (Table 3-1-9).

Table 3-1-8 Full-time and Part-time Manpower Utilization by Industry and Enterprise Size, 2018-2019

Unit: Thousand persons

Industry	Year / size		2018						2019					
			SMEs		Large enterprises		Government		SMEs		Large enterprises		Government	
			Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Total	8,528	380	1,465	19	996	23	8,579	397	1,481	8	999	19		
Agriculture, forestry, fishing and animal husbandry	541	13	2	-	3	-	549	10	1	-	3	-		
Mining and quarrying	3	0	-	-	1	-	3	-	-	-	1	-		
Manufacturing	2,147	46	843	4	20	-	2,138	43	863	1	19	-		
Electricity and gas supply	4	-	2	-	25	-	4	-	3	-	23	-		
Water supply and remediation activities	31	-	2	-	48	-	28	0	4	-	52	0		
Construction	855	31	10	-	5	-	854	34	11	-	5	-		
Wholesale and retail trade	1,733	80	69	1	8	5	1,734	99	68	-	13	2		
Transportation and storage	306	8	72	5	54	1	314	10	65	0	59	1		
Accommodation and food service activities	723	89	25	1	0	-	729	92	22	1	-	-		
Information and communication	183	6	68	1	1	-	194	8	60	0	0	-		
Financial and insurance activities	330	6	82	-	16	-	338	6	80	-	10	-		
Real estate activities	100	2	3	-	0	-	101	1	6	-	0	-		
Professional, scientific and technical activities	294	4	50	-	24	1	286	6	55	-	29	-		
Supporting service activities	250	21	24	-	1	-	253	20	22	1	-	-		
Public administration and defense; compulsory social security	1	-	-	-	364	1	1	-	0	-	365	1		
Education	212	27	61	7	331	15	228	24	61	5	323	15		
Human health and social work activities	212	15	146	1	81	-	214	14	151	1	79	-		
Arts, entertainment and recreation	84	7	5	-	14	0	87	7	4	-	15	0		
Other service activities	520	27	3	-	1	0	522	26	4	-	2	-		

Note: “-” denotes no available data; “0” denotes a figure is less than one unit (one unit=1,000 persons).

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Utilization Survey* data, 2018-2019.

Table 3-1-9 Utilization of Temporary or Dispatched Labor, 2018-2019

Unit: Thousand persons; %

Industry	Year / size	2018			2019		
		SMEs	Large enterprises	Government	SMEs	Large enterprises	Government
Total		558	25	54	567	21	56
Share		87.60	3.95	8.45	88.05	3.26	8.69
Agriculture, forestry, fishing and animal husbandry		22	-	-	18	-	0
Mining and quarrying		0	-	-	-	-	-
Manufacturing		56	8	-	48	8	1
Electricity and gas supply		-	-	0	1	-	1
Water supply and remediation activities		-	-	1	2	-	2
Construction		205	-	-	231	0	-
Wholesale and retail trade		78	4	6	78	-	2
Transportation and storage		7	3	1	5	1	2
Accommodation and food service activities		92	1	-	87	2	-
Information and communication		6	1	-	2	0	-
Financial and insurance activities		4	-	-	4	1	-
Real estate activities		2	-	-	1	-	-
Professional, scientific and technical activities		3	-	1	5	-	1
Supporting service activities		34	2	-	44	3	-
Public administration and defense; compulsory social security		-	-	5	-	-	11
Education		9	5	37	7	4	35
Human health and social work activities		10	1	1	9	1	1
Arts, entertainment and recreation		5	-	1	5	1	-
Other service activities		25	-	-	22	-	0

Note: "0" indicates data under one unit; and "-" indicates no data.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Utilization Survey* data, 2018-2019.

10. A Modest Increase in the Number of SME Employees Changing Jobs; the Number Switching to Government Agencies Rose

In 2019, a total of 514,000 SME employees changed jobs; this figure was up about 4,000 from 2018. The rate of those taking up a position with another SME remained high at 88.22 percent, while only 7.88 percent took a job in a large enterprise and 3.89 percent did so in the government. It is worth noting that the number of workers moving from SMEs to government agencies rose by 4,000 in 2019 compared to 2018. This was the largest increase in recent years, suggesting that workers changing jobs in recent years preferred relatively stable government positions (Table 3-1-10).

Table 3-1-10 Choice of New Employer by Former SME Employees, 2015-2019

Unit: Thousand persons

Year	Total	Going to work for another SME		Going to work for a large enterprise		Going to work for a government agency	
		No. of persons	Share of total	No. of persons	Share of total	No. of persons	Share of total
2015	571	505	88.44	49	8.58	17	2.98
2016	533	472	88.56	48	9.01	13	2.44
2017	470	425	90.43	31	6.60	14	2.98
2018	510	451	88.43	43	8.43	16	3.14
2019	514	454	88.22	41	7.88	20	3.89

Note: An SME is defined here as an enterprise with less than 200 regular employees in the manufacturing, construction, and mining and quarrying industries, or an enterprise with less than 100 regular employees in other industries.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Utilization Survey* data, 2015-2019.

II Labor Conditions in SMEs

1. SMEs in Other Service Activities Had the Longest Average Working Hours

In 2019, for SMEs, other service activities had the longest average working hours at 43.58 hours per week (and employed 546,180 workers, accounting for 6.10 percent of all employed workers in SMEs), followed by the transportation and storage industry at 43.53 hours per week, which accounted for 3.60 percent of all employed workers in SMEs, and real estate activities at 43.10 hours per week, accounting for 1.14 percent of all employed workers in SMEs. Education had the shortest average working hours at 37.89 hours per week, and accounted for 2.80 percent of all employed workers in SMEs (Table 3-2-1).

2. The Average Monthly Income for SME Employees Rose Slightly in 2019; the Largest Average Monthly Income Increase Was Seen in Professional Science and Technical Services Activities

The average monthly income for SME employees was NT\$38,000 in 2019, slightly higher than the NT\$37,000 in 2018. The average monthly income was highest in public administration and defense; compulsory social security at NT\$50,000. However, there were only 809 employees in this industry. The second highest average monthly income was NT\$48,000 in financial and insurance activities (4.07 percent of population), followed by NT\$47,000 in professional, scientific and technical activities (3.38 percent). The lowest income was in agriculture, forestry, fishing and animal husbandry at NT\$29,000 (4.97 percent) (Table 3-2-2).

SMEs in manufacturing had the highest percentage of paid workers (25.33 percent), who received an average primary income of NT\$38,000 per month in 2019. Wholesale and retail trade had the second highest percentage (19.74 percent) and an average monthly income of NT\$37,000.

The average monthly salary level for SME employees rose in most industries in 2019 from 2018 except for electricity and gas supply, water supply and redemption activities, transportation and

storage, real estate activities, public administration and defense; compulsory social security and education. The average monthly salary level for SME employees rose the most at around NT\$2,960 in professional, scientific and technical activities, followed by information and communication at NT\$2,820 and mining and quarrying at NT\$2,650.

Generally speaking, compared to 2018, in 2019 the average monthly salary level for SME employees rose around NT\$1,210 and the average working hours declined by 0.18 hours per week.

Table 3-2-1 Working Hours per Week and Number of Employed Workers by Enterprise Size and Industry, 2019

Unit: Thousand persons; %, hours / per week

Industry	Item	No. of employed workers				Weekly working hours		
		SMEs	Share	Large enterprises	Government employees	SMEs	Large enterprises	Government employees
Total		8,949.81	100.00	1,480.26	1,013.14	41.39	42.14	40.81
Agriculture, forestry, fishing and animal husbandry		556.69	6.22	1.05	2.96	40.08	40.00	42.25
Mining and quarrying		3.27	0.04	-	0.81	41.43	-	40.00
Manufacturing		2,178.06	24.34	859.02	19.08	40.90	42.37	40.52
Electricity and gas supply		4.30	0.05	3.49	22.93	41.77	43.54	40.77
Water supply and remediation activities		28.18	0.31	3.74	52.09	40.64	40.89	40.24
Construction		879.12	9.82	10.63	4.99	39.51	43.33	40.73
Wholesale and retail trade		1,831.98	20.47	68.03	14.80	42.48	41.75	38.15
Transportation and storage		321.78	3.60	64.50	59.92	43.53	43.06	41.09
Accommodation and food service activities		817.97	9.14	22.49	-	42.28	41.40	-
Information and communication		200.30	2.24	60.35	0.18	40.93	41.81	40.00
Financial and insurance activities		343.80	3.84	78.60	10.15	41.38	41.55	41.37
Real estate activities		102.41	1.14	6.33	0.22	43.10	41.82	40.00
Professional, scientific and technical activities		291.76	3.26	54.15	29.30	40.70	41.73	41.16
Supporting service activities		272.65	3.05	22.92	-	41.95	43.57	-
Public administration and defense; compulsory social security		0.81	0.01	0.09	363.84	40.00	40.00	42.28
Education		251.02	2.80	65.76	336.19	37.89	38.60	39.13
Human health and social work activities		226.81	2.53	151.23	79.26	40.46	42.63	41.95
Arts, entertainment and recreation		92.73	1.04	3.97	14.70	40.43	41.67	39.55
Other service activities		546.18	6.10	3.92	1.73	43.58	40.61	40.00

Notes: 1. Employed persons with non-zero main working hours are classified as employed workers. Hence the figure for the sum of employed workers in each industry is different from the number of employed persons based on enterprise size as noted in Figure 3-1-1.

2. "-" denotes no available data.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2019.

Table 3-2-2 Number of Paid Employed Persons and Average Wage of Main Work by Enterprise Size and Industry, 2019

Unit: Thousand persons; %, thousand NT\$/ per month

Industry	No. of paid employed persons				Average wage of main work			
	SMEs	Share	Large enterprises	Government employees	Total	SMEs	Large enterprises	Government employees
Total	8,385.60	100.00	1,489.32	1,017.92	40.43	38.09	47.03	50.07
Agriculture, forestry, fishing and animal husbandry	417.03	4.97	1.05	2.96	29.15	29.04	37.59	41.11
Mining and quarrying	3.37	0.04	-	1.01	43.33	41.40	-	49.79
Manufacturing	2,123.70	25.33	864.00	19.08	39.90	38.32	43.59	49.27
Electricity and gas supply	4.30	0.05	3.49	22.93	59.35	40.91	62.96	62.25
Water supply and remediation activities	27.18	0.32	3.74	52.09	39.79	36.54	92.56	37.69
Construction	865.63	10.32	10.63	4.99	40.92	40.75	51.78	47.15
Wholesale and retail trade	1,655.70	19.74	68.03	14.80	37.55	37.27	45.08	34.78
Transportation and storage	320.79	3.83	65.70	59.92	42.36	39.02	53.79	47.75
Accommodation and food service activities	711.53	8.49	22.49	-	33.43	33.35	35.95	-
Information and communication	199.19	2.38	60.35	0.18	48.93	46.79	56.00	42.00
Financial and insurance activities	341.57	4.07	79.98	10.15	49.46	47.91	54.71	60.11
Real estate activities	101.14	1.21	6.33	0.22	39.37	38.45	53.77	47.71
Professional, scientific and technical activities	283.67	3.38	54.79	29.30	50.16	47.36	60.39	58.14
Supporting service activities	267.10	3.19	23.16	-	32.90	32.45	38.05	-
Public administration and defense; compulsory social security	0.81	0.01	0.09	365.92	49.32	50.00	45.00	49.32
Education	248.00	2.96	65.76	338.45	46.26	35.95	55.17	52.08
Human health and social work activities	223.29	2.66	151.83	79.34	47.44	43.50	50.12	53.38
Arts, entertainment and recreation	92.26	1.10	3.97	14.86	34.79	34.58	31.99	36.84
Other service activities	499.35	5.95	3.92	1.73	35.77	35.70	42.20	40.64

Notes: 1. Employed persons with working hours of 15 or more are classified as paid employed persons here. Hence the figure for the sum of paid employed persons in each industry is different from the number of employed persons by enterprise size as noted in Figure 3-1-1.

2. "-" denotes no available data.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2019.

3. The Demand for Labor Rose in July 2020, but the Increase was Slightly Smaller

According to the *Report of Manpower Requirements Survey 2020 (2nd)* published by the Ministry of Labor, the COVID-19 pandemic had been restricting global economic activities, and consumers were spending less on outings and travel. However, with stable progress in emerging technologies such as a growing stay-at-home economy, 5G, and artificial intelligence, companies continued to expand production capacity in Taiwan and e-commerce platforms saw strong growth. In addition, the combination of Taiwan being more successful at keeping the virus at bay, the government launching economic relief programs, and the demand for summer travel as the impact of the pandemic eased meant that companies would still need to hire more employees.

Compared to the end of April, 16.41 percent of the companies expected the demand for manpower at the end of July 2020 to rise, 68.87 percent to remain unchanged, 6.88 percent to fall, and 7.85 percent to be unable to be forecast. In terms of the demand in numbers, 34,500 workers were expected to be added and 13,400 cut with a net total increase of 21,100 (Table 3-2-3).

Table 3-2-3 Anticipated Changes in the Number of Personnel Employed by Business Enterprises during the Period from April 31 to June 31, 2020

Unit: Persons

Industry	Item	Net increase in no. of employees	Change in manpower demand		Top 4 occupational categories			
			New positions	Positions eliminated	Skilled labor, equipment operators and assembly workers	Technicians and professional assistants	Service and sales representatives	Professionals
Total		21,101	34,497	13,396	6,602	6,451	4,135	2,627
Manufacturing		7,224	12,859	5,635	4,250	2,089	-73	595
Construction		1,394	1,459	65	548	767	-	24
Wholesale and retail trade		3,020	4,988	1,968	702	787	213	132
Transportation and storage		371	638	267	61	174	-	19
Accommodation and food service activities		931	2,669	1,738	12	-4	1,030	10
Information and communication		1,625	1,978	353	-	798	55	449
Financial and insurance activities		824	1,163	339	-	858	-	46
Real estate activities		544	594	50	-	416	80	-
Professional, scientific and technical activities		827	1,150	323	112	697	-	98
Supporting service activities		1,417	3,959	2,542	874	-332	1,768	-47
Human health and social work activities		2,204	2,234	30	-8	72	620	1,271
Arts, entertainment and recreation		598	646	48	10	113	410	30
Other service activities		122	160	38	41	16	32	-

Source: Ministry of Labor (2020, April). *Report of Manpower Requirements Survey 2020 (2nd)*.

A look by sector showed that, compared to the end of April, the expected demand for manpower at the end of July 2020 rose by 8,600 in the industry sector and by 12,500 in the service sector. A look by industry showed that the demand for manpower rose the most by 7,200 in manufacturing, followed by 3,000 in wholesale and retail trade, and by 2,200 in human health and social work activities (Table 3-2-3).

A look by occupation showed that, compared to the end of April, the expected demand for manpower at the end of July 2020 rose the most by 6,600 in the demand for skilled labor, equipment operators and assembly workers, followed by 6,500 in the demand for technicians and professional assistants, and by 4,100 and 2,600 in the demand for service and sales representatives and for professionals, respectively (Table 3-2-3).

Part Two

Government SME Policies and Prospects

- Chapter 4** Improving Financial and Funding Services and Strengthening Investment in SMEs
- Chapter 5** Enhancing R&D and Promoting Upgrading and Transformation for SMEs
- Chapter 6** Strengthening Start-ups and Incubation & Acceleration Mechanisms
- Chapter 7** Revitalizing Local Industries by In-depth Development, Marketing and Expansion
- Chapter 8** Other Government Measures to Support SMEs

To provide small and medium enterprises with support for their businesses, the Ministry of Economic Affairs established the “Small and Medium Enterprise Counseling System” in accordance with Article 12 of the “Act for Development of Small and Medium Enterprises” and Article 2 of the “Regulations for the Establishment of the Small and Medium Enterprise Counseling System and Counseling Services” to provide counseling for all aspects of the development of small and medium enterprises. This paper summarizes the policies and measures implemented for small and medium enterprises by related authorities each year. The specific measures and results are collected and presented for all sectors and owners of small and medium enterprises to learn more about channels of the government’s diverse counseling resources.

The government makes timely adjustments to its small and medium enterprise (SME) development strategy in response to changes in the domestic and foreign economic situation. Digital transformation and startup incubation are the theme for policy making in 2020. In addition to guidance and support measures, the government actively implements numerous new programs, including programs to enhance the competitive advantages of industries and to expand exports in response to the digital transformation and execution of innovative international marketing plans for small and medium enterprises. Startup Terrace was established to strengthen startup incubation and industrial innovation and development for the execution of the International Startup Campus Program. The Standards for Identifying Small and Medium-sized Enterprises are amended to eliminate ambiguity in industry categories and to simplify the standards for easier identification.

CHAPTER 4

Improving Financial and Funding Services and Strengthening Investment in SMEs

The government actively implements financing counseling and related support measures to help small and medium enterprises effectively respond to changes in the internal and external environment, facilitate their stable growth, and provide them with comprehensive financing support.

This chapter is divided into three sections. Section I discusses measures to improve financial and funding services. Section II focuses on SME credit guarantees. Section III covers government measures to strengthen investment in SMEs.

I Improving Financial and Funding Services

1. Providing SME Financing Counseling and Value Added Service

(1) One Contact for Financing Assistance - Instant Solution Center

In 1996, the Small and Medium Enterprise Administration of the Ministry of Economic Affairs (SMEA of the MOEA) created the Instant Solution Center and started providing consulting services via the toll-free hotline, 0800-056-476, to better help SMEs overcome challenges in running a business. Relevant assistance programs, coordination and service mechanisms are connected to assist SMEs in effectively overcoming challenges in operating a business, especially by offering financing-related consulting and assistance. The Instant Solution Center and Finance/Accounting Information Services website is: <https://0800056476.sme.gov.tw>.

(2) Small and Medium Enterprises Operations and Financing Assistance Program

To help SMEs succeed in obtaining funding for business development by having a strengthened financial structure, sound business practices, and appropriate finance/accounting systems, the SMEA of the MOEA merged the SMEs Financing Diagnosis Services Program and the Instant Solution Center into the Small and Medium Enterprises Operations and Financing Assistance Program in 2018. Strategies for 2020: 1. organizing the “SMEs Instant Solution Center on Wheels” campaign to provide face-to-face advice and financing assistance for local businesses; 2. selecting companies of different sizes in different industries to receive assistance in digital transformation in order to develop benchmark cases; and 3. professional consulting services and in-depth diagnosis services.

(3) Small and Medium-Sized Enterprises Value Innovation Application Project

To eliminate the funding and knowledge gaps in the early stages and encourage innovative startups to seek funding, the SMEA of the MOEA started the Small and Medium-Sized Enterprises Value Innovation Application Project in 2015, which was succeeded by the Innovation and Fundraising Intelligent Support Program in 2019. The early-stage funding database, “FINDIT,” was created in 2020. The SMEA of the MOEA also organized startup proposal advice, fund matching, early-stage funding workshops, and early-stage investment forums. FINDIT website: <https://findit.org.tw/>.

(4) Project for Promoting SMEs Development of Sound Finance

To help SMEs build up finance/accounting skills and achieve sustainable development, the SMEA of the MOEA launched the Project for Promoting SMEs Development of Sound Finance in 2018. Services available in 2020 include: 1. services for digital services teams in order to develop program highlights; 2. SME finance/accounting seminars and tours of benchmark companies; 3. corporate succession forums and SME financing matchmaking events; and 4. collection and utilization of financial resources.

(5) Project on Promoting Innovative Financing and Commercialization

To help startups and SMEs gain access to innovation funding sources, the SMEA of the MOEA started the Project on Promoting Innovative Financing and Commercialization in 2019. The project helps startups and SMEs connect with domestic and foreign crowdfunding platforms on which they may conduct business fundraising and creative marketing brainstorming. The project so far has helped 21 startups launch on crowdfunding platforms, and assisted 15 companies in completing trial production for commercialization. More than 50 manufacturers have registered on Qmakit, a fast production oriented commercialization services platform. Qmakit website: <https://qmakit.findit.org.tw/home>.

2. SME Financing Services Platform

The SME Financing Services Platform was established by the SMEA of the MOEA to make it easier for SMEs to secure bank loans by providing financial diagnosis and clear, transparent details about SME operations that banks can use as a basis for decision-making when determining whether or not to grant loans to SMEs. If banks have a clearer picture of the business models that SMEs are using and of what their funding needs are, they are more likely to expand the provision of loans to SMEs, creating a win-win situation for SMEs and the creditors (plan site: https://www.jcic.org.tw/main_member/docDetail.aspx?uid=308&pid=285&docid=148).

3. Policy Loans for Special Projects to Help SMEs

The government provides SMEs with various types of policy loans, either directly or through collaboration with banks. What distinguishes these loans from ordinary ones is that the loans are granted for specific purposes, and have preferential interest rates. The policy loans currently available to SMEs include the following categories (2020): establishment and upgrade, equipment

procurement, startup, R&D, exports and foreign investment, tourism development, restoration, small loans, overseas intellectual property litigation, service development, and investment. Other similar policy loans include policy loans for agricultural projects provided by the Council of Agriculture of the Executive Yuan, credit financing for tourism revival by the Tourism Bureau of the Ministry of Transportation and Communications, and loans from the Comprehensive Development Fund for Indigenous Peoples under the Council of Indigenous Peoples.

4. Plan for Increasing Loans to SMEs by Domestic Banks

To encourage the development of a long-term partnership relationship between SMEs and banks, and thus help SMEs obtain working capital, the Financial Supervisory Commission (FSC) decided that the implementation of the Plan for Increasing Loans to SMEs by Domestic Banks should continue into the fifteenth stage in 2020 with a plan target of NT\$300 billion. Despite the severe impact of COVID-19 on Taiwan's economy, securities financing by the central bank has been included in the list of funding sources in support of the government's relief loan programs. In 2019 (fourteenth stage), domestic banks made loans to SMEs amounting to a net increase of NT\$459.9 billion over 2018 (plan site: <https://www.banking.gov.tw/>).

II SME Financing and Credit Guarantees

1. SME Credit Guarantee Fund: Operating Mechanism and Application Process

To help strengthen the provision of credit guarantees to SMEs, the government established the Small and Medium Enterprise Credit Guarantee Fund of Taiwan (Taiwan SMEG) in 1974. The main purpose of establishing this fund was to provide credit guarantees to SMEs, and to work closely with financial institutions in the development of financing guidance services for SMEs, helping SMEs obtain the funding they need from financial institutions and thereby contributing to the healthy development of Taiwan's SME sector and promoting Taiwan's economic growth and social stability. The SME Credit Guarantee Fund's main functions are as follows:

- (1) Helping SMEs overcome the difficulties that they experience when trying to provide the collateral needed to secure loans.
- (2) Making financial institutions more willing to provide loans to SMEs.
- (3) Maximizing the efficacy of guidance projects undertaken by other SME guidance organizations.

The mechanisms for the establishment and operation of the Taiwan SMEG involved the allocation of a supporting budget by the government and the signing of contracts with financial institutions, whereby they agree to provide additional funding to boost the Fund's ability to provide credit guarantees, and to share some of the potential loss, thereby enabling the Fund to continue providing guarantees and helping SMEs that have significant development potential but lack sufficient collateral to secure the financing they need from financial institutions.

Application for a credit guarantee can be made either via a financial institution, or directly to the SME Credit Guarantee Fund, or a dedicated window, depending on the requirements of the individual enterprise making the application (plan site: <https://www.smeg.org.tw/>).

2. Benefits Achieved through the Credit Guarantee Fund

(1) Helping SMEs Secure Funding

As of the end of December 2019, the Taiwan SMEG had helped a total of 434,828 enterprises. The total number of credit guarantees provided through financial institutions was over 7.47 million, with a cumulative credit guarantee volume of NT\$14,351.1 billion for loans of NT\$19,297.9 billion. The performance of the SME Credit Guarantee Fund in the last 5 years is outlined in Table 4-2-1.

Table 4-2-1 Performance of Credit Guarantee Fund in Credit Guarantee Provision, 2015-2019

Unit: Recipients; items; million NT\$

Year	Item	No. of credit guarantee recipients	No. of credit guarantee applications accepted	Combined value of credit guarantees	Total amount of financing secured	Outstanding credit guarantees at year-end	Outstanding financing at year-end
2015		118,309	382,936	1,020,753	1,336,580	634,274	838,395
2016		118,517	366,221	964,912	1,291,398	609,951	818,340
2017		116,097	345,805	969,806	1,287,392	602,037	802,044
2018		113,018	334,789	1,006,592	1,308,104	614,174	803,281
2019		130,742	352,814	1,029,377	1,311,731	639,903	822,740

Source: Credit Guarantee Fund, 2020.

(2) SME Credit Guarantee Fund Has Great Impact on Growth of SMEs

The vast majority of SMEs that received credit guarantees from the SME Credit Guarantee Fund have found that, within a few years, they have been able to raise money on the capital markets or obtain loans directly from banks. Furthermore, as of December 2019, 2,804 of the SMEs that had been granted credit guarantees in the past have since grown sufficiently large to be classified as “large enterprises,” and 904 have secured a stock market, OTC, or GISA listing.

3. Government Policy Measures Being Implemented and Supported by the Credit Guarantee Fund

(1) Counterpart Guarantee

Beginning in 2006, the Taiwan SMEG launched a service for providing counter-guarantees in which an earmarked fund was established through cooperation between the SMEG and key leading enterprises. The Taiwan SMEG then provided corresponding financial support for fund matching services in the form of credit guarantees to upstream, midstream, and downstream enterprises, third-party vendors, distributors, and affiliated enterprises. In May 2007, the scope of eligibility of program participants was extended to encompass relevant ministries and councils of the central government as well as local government authorities. Subsequently, earmarked funds were allocated by relevant government agencies, and these funds were then matched by the Taiwan SMEG. By

working together to provide credit guarantees and consolidate the government’s guidance policies and credit guarantee schemes, the program provided a means to jointly assist SMEs and micro enterprises as well as individual entrepreneurs in securing funds from financial institutions needed to found new startups and maintain current operations, reinvigorating local economies and achieving a multiplier effect through resource sharing.

As of December 2019, the Taiwan SMEG had 1. collaborated with the central government on a total of 15,646 loans, amounting to a total of NT\$12.02 billion; 2. collaborated with local governments on a total of 7,590 loans, amounting to a total of NT\$5.43 billion; and 3. collaborated with companies on a total of 41,810 loans, amounting to a total of NT\$34.19 billion.

(2) Small and Medium Enterprise Billion Credit Guarantee Project

To help startups and micro enterprises obtain financing from financial institutions to facilitate smooth upgrading, transformation, and succession and ease their financial burdens, the Taiwan SMEG launched the Small and Medium Enterprise Billion Credit Guarantee Project in 2019. The project provides “expanded small loan guarantee measures,” and “expanded batch guarantee measures” with up to NT\$6 million in credit guarantees for SMEs with a paid-up capital of NT\$30 million or under, businesses created for the sole purpose of taxation registration, and small farmers and fishermen.

(3) COVID-19 Relief Credit Guarantee

To help companies affected by COVID-19 manage their businesses during the pandemic, the Taiwan SMEG has adopted a free-for-all approach to relief application and launched the Guarantee Fee Waiver for Extension or Renewal. SMEs intending to stay in business and having made interest payments on time will be eligible for extension or payment by installments. In addition, SMEs with debts with the same or better terms and in good credit standing may apply for renewal. Guarantee fees may be waived for extension, payment by installments, and renewal.

Furthermore, the Taiwan SMEG follows the relief measures taken by various competent authorities, and provides credit guarantees in the form of special purpose funds. The Taiwan SMEG is fully committed to supporting businesses and individuals and contributing better health preparedness capabilities during the pandemic.

(4) Credit Guarantee for Small Enterprise Loans

To make it easier and more convenient for small businesses to access financing in the form of small advances of working capital from financial institutions, the SMEA of the MOEA has continued to implement the “Small Enterprise Loans” program, wherein participating financial institutions independently formulate the loan rates but handle collections of loans guaranteed by the Taiwan SMEG based on the individual guarantee percentages of each case. In addition, the SMEG provides a minimum credit guarantee of 90% for loans to startups established for less than 5 years, which helps the startups gain working capital.

(5) Credit Guarantee for Young Entrepreneur Dream Building Financing Loans

The MOEA integrated the “Young Entrepreneur Dream Building Financing Loans” and the “Young Entrepreneur Loans” into the “Loans for Young Entrepreneurs and Start-ups” in 2014. To create a friendly environment for young entrepreneurs and provide assistance for young startups, funding is provided for startups in the preparation and launch stages to meet the needs of growth after the launch. The Taiwan SMEG provides a maximum credit guarantee of 95% and a minimum credit guarantee of 80% for loans up to NT\$18 million. The loan is limited to the reserve required by the business, registration fees, working capital, and capital expenditures.

(6) Credit Guarantee for SME Innovation Development Project Loans

In order to shore up the innovative capabilities of SMEs, provide SMEs with the funds they need to achieve innovative management and spur development, and help SMEs employ innovation and advanced technology service models to expand into international markets, the MOEA launched the “SME Innovation Development Project Loan” in 2014. The program facilitates the provision of loan facilities to eligible applicants of up to NT\$20 million for working capital and up to NT\$80 million for capital expenditures. In addition, the SMEG provides a minimum credit guarantee of 80% for each loan, thereby increasing the willingness of banks to make such loans. In addition, the SMEG provides a minimum credit guarantee of 90% for loans to startups established for less than 5 years, which helps the startups gain working capital. If an aforementioned startup receives a specific award or program, an additional 5% is provided, up to NT\$5 million.

(7) Direct Guarantee Project to Promote Business Innovation

The Taiwan SMEG began providing the Direct Guarantee Project to Promote Business Innovation in 2017. Eligible targets include projects that received subsidies or assistance related to MOEA innovation and research projects and SMEs recommended by the MOEA. The financing limit is within 80% of the approved innovation and R&D project minus the project subsidies or the amount after subsidies or assistance funding. The guarantee amount is 95% and the annual guarantee service fee rate is fixed at 0.5%.

(8) Preferential Guarantee Measures for Innovative Industries

In coordination with the FSC’s Incentives for Domestic Banks to Provide Innovative Industries Loans, the Taiwan SMEG has implemented Preferential Guarantee Measures for Innovative Industries for Asia’s Silicon Valley, for example, for biomedical, green energy, smart machinery, defense technology, agricultural modernization, and the circular economy, under the 5+2 Innovative Industries Plan, offering credit guarantees of up to 90%. The service fees for approved credit guarantees are reduced by an additional 0.025 percentage points.

(9) Guarantee Measures for Forward-Looking Infrastructure and Green Energy Technology Loans

In coordination with the government’s Forward-looking Infrastructure Development Program and green energy policy, preferential guarantee measures are provided to SMEs participating in government procurements under the Forward-looking Infrastructure Development Program or SMEs that are in the green energy technology industry. The Taiwan SMEG hopes to thereby drive

industrial development, attract investments from Taiwan and overseas, and increase employment by offering credit guarantees of up to 90%.

(10) Export Loan Preferential Credit Guarantee Project

Starting in 2016, the Taiwan SMEG and the Bureau of Foreign Trade of the Ministry of Economic Affairs (BOFT of the MOEA) began jointly implementing the Export Loan Preferential Credit Guarantee Project. This provides additional guarantees for loans and credit guarantees of up to 90%, helping SMEs gain the capital required for exports. Depending on the region exported to, the SMEG provides a guaranteed commission exemption or reduction for loan periods of less than one year. Starting July 12, 2018, the additional guarantee was also increased from NT\$60 million to NT\$100 million for SMEs exporting to countries targeted by Taiwan's New Southbound Policy (hereafter, 'New Southbound countries').

(11) Helping SMEs Acquire Financing Guarantees for Investments in New Southbound Countries

In order to accommodate the government's New Southbound Policy and help SMEs secure the funds they need to make investments in New Southbound countries, beginning in 2017, the Taiwan SMEG appropriated a sum of NT\$2 billion, the Agricultural Credit Guarantee Fund (ACGF) appropriated a sum of NT\$1 billion, and the Overseas Credit Guarantee Fund (OCGF) appropriated a sum of NT\$2 billion, resulting in a total of NT\$5 billion in earmarked funds. The maximum guarantee amount of NT\$100 million and up to 90% of loans is provided for SME investment plans in New Southbound countries or those approved by or registered with the MOEA. The guarantee service fee is calculated at a fixed ratio of 0.1%.

(12) Preferential Guarantee Measures for Small and Medium Enterprise Investment in Taiwan

To encourage SMEs to invest in Taiwan, the Taiwan SMEG launched the "Preferential Guarantee Measures for Small and Medium Enterprise Investment in Taiwan" on May 10, 2019 to provide credit guarantees for capital expenditures for new plants (expansion) or additional machinery or equipment of NT\$100 million and up to 90% of the loans. For example, guarantee fees will be capped at 0.3% p.a. for funds spent on factory construction/expansion in industrial parks overseen or developed by the government, industry clusters created according to the Statute for Industrial Innovation, or science parks created according to the Act for the Establishment and Administration of Science Parks.

(13) Welcome Taiwanese Businesses' Investment to Taiwan Project Loan Guidelines

In collaboration with the government assistance for Taiwanese businesses to return to Taiwan and invest, the Taiwan SMEG began providing credit guarantees for loans organized in accordance with the "Welcome Taiwanese Businesses' Investment to Taiwan Project Loan Guidelines" on May 16, 2019. The maximum guarantee amount is 90% and the minimum annual guarantee service fee rate is 0.375%.

(14) Small and Medium Enterprise Accelerated Investment Loan Credit Guarantee

To encourage SMEs to accelerate investments, the Taiwan SMEG began implementing the “Small and Medium Enterprise Accelerated Investment Loan Credit Guarantee” on July 4, 2019 to provide an additional credit guarantee of up to NT\$100 million for capital and medium-term financing loans. The maximum guarantee amount is 95% and the minimum annual guarantee service fee rate is capped at 0.3%.

(15) Local Co-Creation Enterprise Project Loan Credit Guarantee

To help local co-creation enterprises obtain working capital, the Taiwan SMEG began organizing the “Local Co-Creation Enterprise Project Loan Credit Guarantee” on June 3, 2019 to provide credit guarantees for short-term financing, medium-term financing, and capital expenditures for co-creation enterprises. The maximum guarantee amount is 90% and the minimum annual guarantee service fee rate is fixed at 0.375%.

(16) Social Innovation Enterprise Project Loan Credit Guarantee

To help social innovation enterprises obtain funding, the Taiwan SMEG began organizing the “Social Innovation Enterprise Project Loan Credit Guarantee” on June 3, 2019 to provide social innovation enterprises and type B enterprises with credit guarantees for short-term financing, medium-term financing, and capital expenditures. The maximum guarantee amount is 90% and the minimum annual guarantee service fee rate is fixed at 0.375%.

III Strengthening Investment in SMEs

1. Establishment of SME Startup Incubation Investment Trust Account

In October 2003, the SMEA of the MOEA established the “Investment and Trust Account for Incubation and Start-up of SMEs” for the purpose of facilitating investment in domestic SMEs which show potential for development, and thus increasing the national competitiveness of Taiwan’s industries. The program includes specific criteria for the use of trust assets, and retains development firms specializing in SME investment along with financial institutions and venture capital enterprises to serve as management consultants for handling investment management affairs. The scope of investment comprises newly established SMEs, SMEs formed through incubator centers, and SMEs undergoing upgrade and transformation. In addition, to help SMEs raise funds to execute international technology transfers and engage in various activities such as technical cooperation and production, a sum of NT\$900 million was appropriated for the “Investment and Trust Account for Incubation and Start-up of SMEs,” and the “Project for Cooperation on International Investments” was launched in May 2015.

2. National Development Fund’s Plan for Promoting Investment in SMEs

To stimulate investment in the SME sector by venture capital firms and other private-sector companies, in 2007 the National Development Fund (NDF) approved the Plan for Promoting Investment in SMEs. The SMEA selected a total of 28 venture capital firms to make collective investments in domestic SMEs, helping SMEs gain capital in the early stages. The SMEA of the MOEA also assigned designated personnel to provide investment services, including investment advice, diagnosis, and guidance, and organizing investment courses, business meetings, and investment fairs (plan site: <https://www.moeasmea.gov.tw/ct.asp?xItem=1283&ctNode=609&mp=1>).

3. National Development Fund's Plan for Promoting Investment in Strategic Service Industries

To stimulate investment in the strategic service industries to promote service industries and employment, service exports, and the financing of SMEs in service industries, on May 2012, the NDF approved the Plan for Promoting Investment in Strategic Service Industries. The key elements of the Plan are: the Fund was allocated NT\$10 billion for investment in strategic service industries. This Plan is expected to be implemented over a period of 13 years, with the actual investment taking place during the first ten years, and the remaining three years being devoted to the disposal of remaining investments. In the plan, governmental and private venture capital engage in joint investment, and additional incentives are also provided to encourage venture capital to help operators achieve policy goals (plan site: <https://www.issip.org.tw>).

4. Implementation Project for Strengthening Investment in Strategic Manufacturing Industries

In order to copy the successful model of venture capital firms investing in high-tech industries, enhance the competitiveness of manufacturers, and accelerate industrial transformation and enhancement, in 2015, the NDF specially allocated NT\$10 billion to the Industrial Development Bureau of the Ministry of Economic Affairs (IDB of the MOEA) to realize the Implementation Project for Strengthening Investment in Strategic Manufacturing Industries. The funds are used exclusively with the domestic manufacturing industry. Features of this project include an investment period reaching 10 years (investments are made in the first 7 years, and stakes are sold in the last 3 years), and establishing an advisory unit to conduct broad searches for potential investment projects. The project encourages venture capital firms to make investments and provides policy incentives to increase the effectiveness of investment (<https://www.psism.org.tw/cht/index.php>).

5. Statute for Industrial Innovation

The related preferential taxation measures in the “Statute for Industrial Innovation” were extended by 10 years in 2019. To help startups obtain working capital and increase investments in small and medium enterprises, Article 23-2 of the Statute states that where an individual invests at least NT\$1 million in cash in one year in domestic innovative startups that have been incorporated for less than two years and identified by the central authority in charge of relevant enterprises as

high-risk innovative startups, and acquires and holds the new shares issued by the company for two years, up to 50% of the investment may be excluded from the individual's consolidated income for the year in which the second anniversary of such shareholding falls. The aggregate amount excludable from an individual's consolidated income each year in accordance with this paragraph shall not exceed NT\$3 million.

6. Project to Increase Investment in the Cultural and Creative Industry

The Ministry of Culture began implementing the Project to Increase Investment in the Cultural and Creative Industry in 2010, and allocated NT\$10 billion to invest in the domestic cultural and creative industry. The funds were invested in proportion with private investments, to find suitable cultural and creative companies to provide guidance on a corporate scale, thus giving cultural and creative companies greater market value. The Cultural Content Investment Project was implemented under this project in 2018, and encouraged content industry investors to apply to the Ministry of Culture for joint ventures.

7. Fundraising Guidance Mechanism – GISA

The Taipei Exchange (TPEX) launched the Go Incubation Board for Startup and Acceleration Firms (GISA) in 2014. The GISA offers fundraising guidance mechanisms and equity fundraising that is untradable to innovative micro-enterprises and SMEs that have creative ideas and development potential but which have not yet gone public. It thereby provides micro-enterprises and SMEs with a low-cost method for raising the funds they need to sustain and grow their operations and increase their brand awareness. This will help them recruit outstanding talent, expand their marketing channels, and further enhance their competitiveness to maintain corporate sustainability. The standard listing requirement is for paid-up capital reaching a minimum threshold of NT\$50 million; in contrast to this, the GISA does not set any requirements on the company's paid-up capital. In addition, such companies are exempted from various other requirements such as having to undergo an initial public offering or comply with profitability requirements.

8. Equity Crowdfunding Program for Securities Dealers

In order to help more young people engage in entrepreneurial activities, the FSC began allowing securities dealers to implement equity crowdfunding services in 2015 for joint-stock companies which (1) have paid-up capital of less than NT\$50 million and (2) have not yet gone public. Such companies are permitted to utilize an approved crowdfunding platform to raise funds, wherein total funding may not exceed NT\$30 million within a one-year period. General investors are limited to making a maximum of NT\$50,000 per investment proposal, and total investments on a single platform may not exceed NT\$100,000 within a 1-year period. In addition to giving startup teams another outlet to obtain the funding they need, these rules also serve to protect the rights and interests of investors.

CHAPTER 5

Enhancing R&D and Promoting Upgrading and Transformation for SMEs

The government promotes improvement in SMEs' digital application capabilities, helps enterprises achieve business and structural innovation and development, assists in the upgrading of green environmental protection and energy conservation technologies, and boosts SMEs' innovative R&D capacity to strengthen their health, to promote the upgrading and transformation of SMEs, to power the overall development of SMEs, and to enhance the competitiveness of SMEs in a globalized and liberal world.

This chapter is divided into four sections. Section I covers actual and virtual integration and various network resource applications for SMEs; Section II examines measures to enhance SME operation, quality and innovation; Section III reviews guidance on energy conservation, green opportunities, and sustainable growth models; Section IV discusses measures to promote up-, mid-, and downstream cooperation and innovation, in pursuit of high-value transformation and upgrading for SMEs.

I Measures Related to Actual / Virtual Integration and Network Resource Applications for SMEs

1. Empowering SMEs to Participate in Digital Transformation

The Small and Medium Enterprise Administration of the Ministry of Economic Affairs (SMEA of the MOEA) implemented the Digital Outreach Program for SMEs in 2016 to help launch clusters of co-op networks, facilitate digital outreach in rural communities, encourage the use of digital applications among early-stage SMEs, and increase the use of virtual channels and digital business methods by small businesses. The “Empowering SMEs to Participate in Digital Transformation” campaign continues in 2020. Key tasks include: (1) increasing the degree of participation by businesses, (2) establishing e-clusters, (3) helping businesses in clusters lay a strong foundation for sustainability and digital marketing capabilities, and (4) fostering SMEs' information technology upgrading (plan site: <https://www.198.org.tw/>).

2. SME Mobile Payment Popularization and Promotion Plan

The SMEA of the MOEA began implementing the SME Mobile Payment Popularization and Promotion Plan in 2017 to achieve the Executive Yuan's goal of mobile payment adoption reaching 90% by 2025. Action plans in 2020 include completing the infrastructure for mobile payment,

expanding the field of applications for mobile payment, and enhancing the experiential marketing of mobile payment. The purposes of this are to broaden the scope of mobile payment services, offer citizens a more in-depth experience of cashless consumption, and provide convenient access.

3. SMEs' Cloud Innovative Application Development Plan

The SMEA of the MOEA began implementing the Plan to Develop SMEs' Cloud-based Innovative Applications in 2016 with the goal of providing cloud services with featured applications that make a perceptible difference for enterprises. In 2020, large enterprises lead SMEs in the industry through alliances that focus on innovative cloud applications, and increase the utilization of cloud application services and commercial benefits.

4. SME Digital Broadband Applications Popularization and Promotion Plan

The SMEA of the MOEA began implementing the SME Digital Broadband Applications Popularization and Promotion Plan in 2017. The purposes of this Plan are to popularize digital broadband applications among SMEs and micro-enterprises in remote areas, and to enhance their digital capabilities, which will drive digital development in such areas. Main work items in 2020 include: (1) promoting digital applications for innovative business models of SMEs and micro-enterprises in remote areas; (2) organizing seminars and training related to digital applications; and (3) reinforcing digital broadband signals.

5. Program of Promotion of 5G-Intelligent Service for SMEs

To create 5G demonstration applications in the business domain to encourage SMEs to adopt 5G applications and services, the SMEA of the MOEA launched the Program of Promotion of 5G-Intelligent Service for SMEs in 2020. The program focuses on business domains (shopping districts and promenades) for the installation and authentication of 5G smart services. It brings together domain operators, content designers, service operators, 5G mobile service providers and technology suppliers to create and collaborate in a 5G application ecosystem. The goal is to build a model of smart business, create opportunities, and improve vendors' digital capabilities.

6. Manufacturing Value Chain Application Project

To help manufacturers make the shift from centralized large-scale production to customization and fast and demand-driven production development, the IT service industry is encouraged to develop locally-built evidence-based smart manufacturing solutions. These solutions are expected to effectively jump start the development of smart manufacturing in the domestic manufacturing sector. The Industrial Development Bureau of the Ministry of Economic Affairs (IDB of the MOEA) created the Manufacturing Value Chain Application Project in 2017. The smart manufacturing integrated service value chain ecosystem was formed through the systemic integration of the services industry in 2020 (plan site: <https://www.ecos.org.tw>).

7. Helping Businesses in Digital Marketing and Digital Trade Transformation

To counter the impact of COVID-19 on businesses, the Bureau of Foreign Trade of the Ministry of Economic Affairs (BOFT of the MOEA) has implemented measures to help businesses shift toward digital marketing and digital trade in 2020. Key tasks include: (1) helping suppliers strengthen digital trade and e-commerce operations on an ongoing basis: 1. providing a variety of digital marketing support services; 2. planning to create close to 60 online exhibitions/brand pavilions/product pavilions in 2020; and 3. providing digital trade assistance and organizing digital trade courses; and (2) organizing the digital marketing for exports tour.

II Promoting Operational Excellence and Innovation

1. SME IP Value-added Program

The SMEA of the MOEA integrated the “SME IP Value-added Program” and the “Small Business Innovation Research (SBIR) Program” in 2018. The former program helps enterprises gain the ability and mechanisms necessary for managing and using their IP, and also enhances their R&D efficiency. Action plans for 2020 include customized guidance and general IP-related knowledge and capacity enhancement services (plan site: <https://ipcc.moeasmea.gov.tw/>).

2. Project of Promoting Service Innovation for SMEs

The SMEA of the MOEA began actively implementing the Project of Promoting Service Innovation for SMEs in 2018. The project utilizes ICT applications and service innovation to help micro and small businesses innovate and transform. Main work items in 2020 include: (1) diagnosis of a company’s capability for service innovation; (2) providing guidance for micro enterprise clusters; (3) individual/cluster assistance for digital innovation of consumer experience; and (4) new services and assistance for digital technology; and (5) organizing innovation service experience and exchange activities (plan site: <https://micro.sme.gov.tw/index.php>).

3. SME Digital Transformation and Smart Manufacturing Promotion Program

The SMEA of the MOEA implemented the SME Digital Transformation and Smart Manufacturing Promotion Program in 2018 to enhance SMEs and help them transition to innovative business models. Main work items in 2020 include: (1) digital transformation and smart manufacturing innovative application diagnosis for small and medium manufacturing enterprises; and (2) organizing information forums and digital transformation workshops and other education and training events.

4. Project for Promoting Smart Commercial Services in the Asian Silicon Valley Project

In 2017, the Department of Commerce of the Ministry of Economic Affairs (DOC of the MOEA) executed the “Project for Promoting Smart Commercial Services in the Asian Silicon Valley Project,” which is designed to support the launch of the “Asian Silicon Valley Promotional Plan” and ensure that the program has a wider range of effectiveness by integrating the local and global resources of Taiwan’s commercial service industry and incorporating them into various intelligent and innovative solutions. Action plans for 2020 include: (1) promoting smart business service models and the added value of data; (2) encouraging smart technology-enabled shopping districts, demonstration models, and smart projects to duplicate themselves in other countries; and (3) carrying out talent cultivation, and organizing innovation and startup activities (plan site: <https://like.logistics.org.tw/>).

III Guidance to SMEs on Energy Conservation, Green Opportunities, and Carbon Emission

1. Circular Economy Capacity Building for SMEs’ International Connectivity Project

To help SMEs seek sustainable value innovation and strengthen their environmentally friendly practices, business continuity management, and ability to fulfill corporate social responsibility, the SMEA of the MOEA replaced the Guidance Program for Rising Stars in SME Green Innovation with the Circular Economy Capacity Building for SMEs’ International Connectivity Project in 2020. Key tasks include: (1) implementing a circular material supply/demand matchmaking platform; (2) promoting innovative applications in a green circular economy; and (3) exploring global supply chain opportunities for the SME circular economy (plan site: <https://green.pidc.org.tw/#/home>).

2. Green Technology Advancement Program

The IDB of the MOEA launched the “Green Technology Advancement Program” to help various industries develop green technologies and comply with environmental regulations and standards. Action plans for 2020 include: (1) guidance to help various industries upgrade and reinforce their environmental protection policies; (2) studying and formulating response measures to the latest trends in environmental regulations; (3) investigating and examining relevant environmental issues; and (4) advocacy and promotion (plan site: <https://proj.ftis.org.tw/eta/>).

3. Promoting Commercial Energy Conservation and Carbon Emissions Reduction Guidance

The DOC of the MOEA began promoting commercial energy conservation and carbon emissions reduction guidance in 2008 to help commercial service providers implement energy conservation measures and use improvements in energy efficiency to increase the competitiveness of the industry. Action plans for 2020 include: (1) energy conservation guidance, implementation, and promotion; (2) analysis of energy saving and low carbon emission stores; (3) voluntary GHG

reduction by business and trade associations; and (4) promotion of an inter-agency consultation platform for commercial operations (plan site: <https://escs.cdri.org.tw>).

IV SMEs: R&D Enhancement and Technology Upgrading

1. Small Business Innovation Research Program (SBIR)

To encourage SMEs to engage in innovating industrial technologies, products and services, Taiwan's government has continually promoted the "Small Business Innovation Research (SBIR) Program" which it launched in February 1999. In 2008, the "Promotion of Innovative R&D for Local Industries Program" (Local SBIR) was implemented, which seeks to assist in funding so that each municipal, county, and city government can allocate more funds for R&D that addresses the needs of industries with local characteristics.

The SBIR program processes applications by SMEs for conducting innovative research on industry technologies and products; businesses can file applications with the MOEA's SBIR program office to participate.

Local SBIR uses supportive funding provided by the Ministry of Economic Affairs to promote an innovative R&D program aimed at local cultural industries; businesses can file applications with their respective municipal, county, and city governments to participate.

The New Generation SBIR Program was planned and implemented in 2017 in coordination with the 5+2 Industrial Innovation Policy, as well as with the policy goals of innovation, startups, and industry enhancement and transformation. This includes the SBIR that focuses on startups, providing incentives and subsidies in three stages. The 4th SBIR for Startups - Creativity Selection Plan (Stage 1) is taking place as planned in 2020. Selection is made by region and separately for two categories, Newcomers and All-Star. The number of winners is capped at 50 and 150, respectively, and the prize money is NT\$600,000 and NT\$200,000, respectively (plan site: <https://www.sbir.org.tw/index>).

2. Industrial Working Environment Improvement Project

In order to reduce industrial occupational hazards in the country, improve the investment and development environment, establish new competitive advantages and reduce overall operating risks, the IDB of the MOEA has implemented the "Industrial Working Environment Improvement Project" with the following key tasks in 2020: (1) technical guidance to achieve baseline improvement; (2) technical guidance on risk management; (3) training and promotions; and (4) efforts to promote previous achievements (plan site: <https://www.cesh.twmail.org>).

3. Instant Technical Assistance to SMEs

In order to help SMEs upgrade and transform, the IDB of the MOEA has implemented the "Instant Technical Assistance Program of SME" since 1999 by utilizing existing mature

technological capabilities of the corporate world, academic community and technical services industry to provide R&D, design, production, logistics, automation and electronic technologies necessary for upgrading the industry and to provide real-time, small scale, short-term technical guidance, so that the technology levels of SMEs can be upgraded and their competitiveness enhanced. The program ended in 2019.

4. Conventional Industry Technology Development (CITD)

The IDB of the MOEA launched the “Traditional Industry Technology Development Assistance Plans” in 1991 to provide subsidies to traditional industries for research and development and encourage enterprises to conduct independent research and development, enhance the capabilities for innovation and R&D of traditional industries in Taiwan, accelerate upgrading and transformation, and improve competitiveness. The 2020 priorities are: (1) product development, (2) product design, (3) R&D alliances, (4) industry-academic R&D cooperation, and (5) commercialization of works from the “Young Designers’ Exhibition” (plan site: <https://www.citd.moeaidb.gov.tw/CITDweb/Web/Default.aspx>).

5. Industrial Upgrading and Innovation Platform Counseling Program

In order to help industries upgrade and transform, the IDB of the MOEA has launched the “Industrial Upgrading and Innovation Platform Counseling Program” and an industry promotion measure to help firms to develop competitive products and services, and further to increase the added value of industries to help firms connect with international markets. The main areas of the program in 2020 are: (1) the high-end products plan (for improving added value and shaping the high-value product image), (2) the innovation and optimization plan (for encouraging firms to own core technologies and products and build up systematic solution methods), (3) the new industry development plan (for encouraging firms to develop new products and services), and (4) the theme-based development plan (themes initiated by the IDB) (plan site: <https://tiip.itnet.org.tw/>).

6. A⁺ Industrial Innovation R&D Program

To lead businesses into investing in potential technologies in advanced industries, the Department of Industrial Technology of the Ministry of Economic Affairs (DOIT of the MOEA) in 2014 announced that it would replace the “Industrial Technology Development Program (TDP)” with the “A⁺ Industrial Innovation R&D Program” to constantly encourage businesses to innovate. In the hope of guiding businesses to invest in high-end technology with higher industrial value, the DOIT encourages vertical- and cross-domain cooperation in order to tap industrial demand and develop a comprehensive industrial ecosystem and maximum efficiency.

In 2020, the A⁺ Industrial Innovation R&D Program can be divided into five types of programs: (1) the Industrial Technology Foresight Research Program (emerging technologies, products, and services), (2) the Integrated R&D Program (vertical- and cross-domain cooperation to tap industrial demand and develop a comprehensive industrial ecosystem and maximum efficiency), (3) the Industrial Technology Innovation Center Program (R&D management system, encouraging foreign

firms to set up R&D in Taiwan, intellectual property rights, etc.), (4) Special Programs, and (5) the Global R&D New Partnership Program (plan site: <https://aiip.tdp.org.tw/index.php>).

7. Methods for Promoting Technical Innovation in Traditional Industries

The DOIT of the MOEA implemented the “Methods for Promoting Technical Innovation in Traditional Industries” in the form of a project which integrates relevant research institutions, combines resources from industry, academic, and research sectors, and helps traditional industries complete technical developments and upgrades.

Key tasks in 2020 include creating added value for innovations of local businesses and working with academia in a project to help SMEs develop technologies: (1) An R&D alliance among the Metal Industries Research & Development Center, the National Chung-Shan Institute of Science of Technology, the Alliance of Innovation in Traditional Industry and other institutions has chosen five industries, including motorcycle parts and pressure control valves, to provide assistance for businesses to create added value and complete transformation. (2) The rich resources in academic research can be drawn upon to strengthen industry-academia ties and push traditional industries forward (plan site: <https://www.citd.moeaidb.gov.tw/CITDWeb/Web/Index.aspx>).

8. Service Industry Innovation Research Program (SIIR)

In order to foster the development of the commercial services industry and encourage enterprises to engage in research on “new service products,” “new business models” and “new marketing models” or the development of “new business application technologies,” the DOC of the MOEA has initiated the “SIIR” program to provide case-based subsidies, thus facilitating the introduction of new aspects and categories of business activities and enhancing the core competitiveness of the industry, while increasing its added value and creating a competitive advantage. In 2020, there are two subsidy categories, which are “innovative operations” and “integrated alliance,” and four added main themes for subsidies (smart business, brand creativity, digital life, and leisure experience) as the strategy for promoting industrial development (plan site: <https://gcis.nat.gov.tw/neo-s>).

9. Value-added Program for Industry by Indigenous People – Subsidies for Innovation R&D

The Council of Indigenous Peoples began providing innovation R&D subsidies for the first time in 2018 under the Value-added Program for Industry by Indigenous People. The subsidies aim to help indigenous enterprises engage in technology or service innovation and thereby create a competitive advantage. The Program provides subsidies to industry alliances formed under the Industry Demonstration Zone Project previously implemented by the Council of Indigenous Peoples, or to indigenous enterprises (including individual cases and syndicates) in 2020 (plan site: <https://www.apc.gov.tw>).

CHAPTER 6

Strengthening Start-ups and Incubation & Acceleration Mechanisms

To continue to build a high-quality environment for innovation in Taiwan, the government is establishing a comprehensive ecosphere for creativity, innovation, and entrepreneurship and actively implementing entrepreneurship incubation and assistance programs.

This chapter consists of three sections. Section I discusses the incorporation of online-offline systems into the innovation incubation ecosystem; Section II focuses on strengthening the Incubation Support System; and Section III covers strategy optimization to meet international standards.

I Incorporation of Online-Offline Systems into the Innovation Incubation Ecosystem

1. Project for Integrating the Service Platform Infrastructure in the Taiwan Entrepreneurial Ecosystem

The Small and Medium Enterprise Administration of the Ministry of Economic Affairs (SMEA of the MOEA) is promoting the establishment of the Project for Integrating the Infrastructure of Service Platforms in the Taiwan Entrepreneurial Ecosystem, and integrates innovation and startup resources in various fields through a strategic alliance, which also involves international organizations. Action plans for 2020: (1) strengthening the functions of the entrepreneurial consultation and guidance information platform; (2) facilitating cross-domain exchanges of innovation, and linking startups with potential to both international and corporate opportunities; (3) observing startups around the world with a global perspective, conducting rolling analysis of developments in the domestic startup ecosystem; and (4) establishing and implementing innovation industry and entrepreneurship measures, and regulatory adjustment mechanisms. “Taiwan Entrepreneur Gathering” website: <https://www.teg.tw/>.

2. Startup Hubs and Website

To allow full utilization of entrepreneurial services located on online platforms, the SMEA of the MOEA established a physical location (Start-up Hub) in 2015 to provide startups with comprehensive resources and support services, based on the concept of one-stop service. The Start-up Hub website (<https://sme.moeasmea.gov.tw/startup/>) has filled the government’s role as a

medium for promoting innovation and startups via an online platform. Action plans for 2020: (1) managing the Executive Yuan startup hub and a toll-free hotline for startups (0800-589-168), (2) maintenance and optimization of the Start-up Hub website, and (3) a nationwide tour to provide services to startups.

3. Project for Supportive Platform of Social Innovation Enterprises

The SMEA of the MOEA integrated resources across departments through the Project for Supportive Platform of Social Innovation Enterprises in 2018. Opinions of social enterprises were collected and barriers were eliminated to establish a friendly environment for social innovation. Work items in 2020 include: (1) providing free consultation services and in-depth guidance for incubation; (2) constructing a social innovation registration database, and including social innovation products in common supply contracts; (3) implementing the Buying Power – Social Innovation Product and Service Procurement Incentive Mechanism; and (4) conducting the social Innovation survey. “Social Impact” website: <https://si.taiwan.gov.tw/>.

4. Social Innovation Lab

The Social Innovation Lab was opened on October 18, 2017 as a directly operated service location for social innovation. People can gather together in this open space to discuss and focus on social and environmental issues, and resources such as guidance and social networks are provided to realize and optimize creative ideas, from which solutions for sustainability can be found.

II Strengthening the Incubation Support System

1. Project for the Great Entrepreneurship Academy

The SMEA of the MOEA established the Great Entrepreneurship Academy in 2003 to enable all citizens to achieve lifelong learning. The academy is an integrated portal for e-learning and physical courses, and operates a one-stop charging station for SMEs in Taiwan. Work items in 2020 include: (1) offering nearly 550 free online courses; (2) providing an organization learning area for enterprises, diverse e-learning services and lifelong learning electronic passport services; and (3) offering startup-related courses and family business successor training (plan site: <https://www.smelearning.org.tw/>).

2. Start-up Demonstration Development Program

The SMEA of the MOEA began implementing the Start-up Demonstration Development Program in 2018 to drive the development of startups and guide them into the government market; procurements from startups have been made under the program using common supply contracts. The Program provides convenience, and increases the government authorities’ willingness to experience innovative products and services. Work items in 2020 include: (1) assisting startups in acquiring common government supply contracts; and (2) satisfying government needs with startup solutions: allowing businesses to plan and adjust products or services in accordance with the requirements of government authorities (plan site: <https://www.spp.org.tw/spp/>).

3. SME Incubators

To help SMEs get established, innovate and grow at various stages, strengthen start-ups and incubation, and accelerate forward-looking SMEs' global connection, since 1997 the SMEA of the MOEA has been working with other government agencies, research institutions, universities and private-sector companies to implement the government's incubation center policy and encourage the establishment of new incubation centers. The following sections describe the current state of incubation center operation in Taiwan.

(1) Current Status of Incubators

Performance of all Incubation Centers: in 2019, 54 incubation centers received subsidies totaling NT\$149 million from the SMEA of the MOEA which successfully induced incremental capital investment of NT\$5.5 billion.

By the end of 2019, there were over 160 incubation centers in Taiwan, and the SMEA of the MOEA had provided subsidies to 145 incubation centers and helped 109 TWSE/TPEX listed companies induce accumulated incremental capital investment of NT\$148 billion. The total number of people working at these firms was 320,000 (Table 6-2-1).

Table 6-2-1 Incubation Center Performance, 2015-2019

Unit: 100 million NT\$; enterprises; persons; items

Item		Year				
		2015	2016	2017	2018	2019
Input	SMEA subsidy	1.59	1.57	1.28	2.23	1.49
Output	No. of incubated SMEs	1,951	1,921	1,713	1,510	1,427
	No. of incubated startups	1,294	1,413	1,108	967	891
	Employees	26,346	24,788	20,728	13,618	14,536
	Ratio of increased capital over subsidy	106.91	64.13	87.5	48.8	36.91
	Increased capital	170	101	112	109	55
	No. of enterprises listed on stock market or OTC	9	9	9	5	-

Source: Small and Medium Enterprise Administration, Ministry of Economic Affairs, 2020.

(2) Innovative Approach

The SME Incubator Development Project continues to guide incubators toward transformation in 2020. The industry-specific approach encourages incubators to provide professional services and work with investors to increase returns. The higher returns and lead investor effect in the early stages create merger and acquisition opportunities for startups. The project develops three types of incubators: international startup accelerators, technology startup amplifiers, and industry co-creation networks. The project promotes the internationalization of private incubation centers, enhances technologies for incubation in schools, and strengthens local incubation to support the innovative startup assistance system and build a comprehensive incubation ecosystem.

(3) Incubation Centers Operated Directly by the SMEA of the MOEA

The SMEA of the MOEA began the establishment of incubation centers such as the Nangang Software Incubator in 2002 to focus on the incubation of key technology industries and provide SMEs with comprehensive incubation services for different development stages.

4. Constructing an Ecosystem for International Incubation and Start-ups Acceleration Program

The SMEA of the MOEA began implementing the “Constructing an Ecosystem for International Incubation and Start-ups Acceleration Program” in 2018 to integrate Taiwan’s entrepreneurial resources, and create an incubation ecosystem with innovation and startups at its core, and fully integrate different industries’ capacities. Work items in 2020 include: (1) release of *the 2020 Taiwan Incubation Industry Report* and formulating future industrial development strategies; (2) encouraging enterprises to invest in startup industries; and (3) promoting international strategic cooperation in incubation.

5. Knowledge Industry Promotion and Development Plan

The SMEA of the MOEA began promoting the “Knowledge Industry Promotion and Development Plan” in 2018 to improve the service capabilities for the incubation industry, and achieve the rapid growth of SMEs and startups. Action plans for 2020 include: (1) establishing a knowledge service platform to provide digital tools, mentors, and market information services; (2) organizing industry SME and business matchmaking activities to connect businesses to domestic and foreign markets; and (3) adopting an ecosystem model to support the incubation industry (plan site: <https://www.smefast.org.tw/>).

6. Women’s Entrepreneurship Flying Geese Program

The SMEA of the MOEA began implementing the Women’s Entrepreneurship Flying Geese Program in 2012, which provides customized and integrated services to female entrepreneurs based on their needs at different stages. The program creates a friendly entrepreneurial environment to enhance women’s economic strength and competitiveness. Action plans for 2020 include: (1) women entrepreneurship knowledge courses and after-course group entrepreneurship consultation; (2) continuous accelerated assistance over 6 months with the exclusive women entrepreneurship accelerator; (3) women entrepreneurship elite contests, media promotion for successful model cases, and elite gathering events; and (4) organizing social media marketing and training courses in collaboration with Facebook and Google (plan site: <https://woman.sysme.org.tw/>).

7. Business Startup Phoenix Plan for Microenterprises

The Ministry of Labor (MOL) has promoted the “Business Startup Phoenix Plan for Microenterprises” since 2007 to create a friendly environment for entrepreneurship and resolve challenges in business management. Action plans for 2020 include: (1) organizing entrepreneurship courses and providing people with free comprehensive entrepreneurship consultation and assistance

services before, during, and after starting their businesses; (2) targeting businesses set up by women aged 20 to 65, residents of remote islands, middle-aged to elderly people aged 45 to 65, and the unemployed covered by employment insurance, and providing up to NT\$2 million in low-interest entrepreneurship loan and interest subsidies. A nationwide toll-free service hotline at 0800-092-957 and the Business Startup Phoenix Plan for Microenterprises website (<https://beboss.wda.gov.tw/>) are provided for people to access more information.

8. Entrepreneurship Studies, Consultation, and Guidance

To encourage people to start businesses and stabilize business management, the MOL has promoted entrepreneurship studies and consultation and guidance that encompass the following: (1) providing beginner courses, advanced courses, and improvement courses for entrepreneurship as well as online marketing courses; (2) establishing digital entrepreneurship courses on labor development digital service platforms to provide people with methods for learning across different points in time, places, and platforms; (3) organizing entrepreneurship consultants to provide people with free entrepreneurship consultation and assistance services before, during, and after starting their businesses (plan site: <https://portal.wda.gov.tw>).

9. Angel Investor Program

The National Development Fund (NDF) approved the Angel Investment Program in 2017, under which the NDF and angel investors jointly invest in startups registered in Taiwan or foreign startups whose business activities are mainly in Taiwan. The program provides startups with working capital during the early stages, and also utilizes the investment experience of angel investors to provide startups with subsequent guidance, consultation, and networking (plan site: <https://www.df.gov.tw>).

10. U-start Innovation and Startup Program

The Youth Development Administration of the Ministry of Education (YDA of the MOE) has implemented U-start to create a culture of innovation and entrepreneurship on campuses, encourage universities to optimize the campus entrepreneurship environment, integrate school incubation and assistance resources, provide young entrepreneurs with space and resources for experiments, cultivate talents with entrepreneurial capabilities, and assist young students in entrepreneurship and implementation. The project provides entrepreneurship teams with two stages of subsidies (rewards) (plan site: <https://ustart.yda.gov.tw/bin/home.php>).

11. U-start Plan for Indigenous Innovation and Entrepreneurship

To take advantage of the resources under the U-start Innovation and Startup Program, support is given to help young indigenous people start new businesses or propose and implement innovations based on tribal traditions, cultures, local produce and social relationships. The aim is to empower young indigenous people as entrepreneurs and facilitate economic development for the tribes. The YDA of the MOE and the Council of Indigenous Peoples (CIP) are teaming up for the first time in 2020 to launch the U-start Plan for Indigenous Innovation and Entrepreneurship, which offers

startups subsidies/prizes in two stages (plan site: <https://ustart.yda.gov.tw/>; <https://www.apc.gov.tw/>).

12. Lean Startup Guidance Program for Indigenous People of Taiwan

The CIP began implementing the Lean Startup Guidance Program for Indigenous People of Taiwan in 2015 to support indigenous people in engaging in indigenous industries, and thereby create more industrial development opportunities. The program in 2020 provides entrepreneurship subsidies and further guides indigenous startups to use innovative business models and improve their knowledge in business and financial management, and also facilitates visits to business locations. Business diagnosis is conducted to understand gaps in the market, so that the startups can improve upon their weaknesses and show their strengths (plan site: <https://startup.cpc.tw/index.asp>).

III Strategy Optimization to Meet International Standards

1. Entrepreneur Visa

The Executive Yuan ratified Entrepreneur Visas in 2015 to attract outstanding foreign entrepreneurs to Taiwan, and to inject new energy into the innovation and startup environment. Foreign entrepreneurs and entrepreneurs from Hong Kong and Macau with capacity and technology for innovation will be eligible for a 1-year residency after meeting certain requirements determined by the Investment Commission of the Ministry of Economic Affairs. Once they establish a company and provide evidence of business activity, they will be eligible to extend their residency by an additional 2 years. Foreign entrepreneurs and entrepreneurs from Hong Kong and Macau who legally reside in Taiwan for 5 consecutive years, provided that they are physically present in Taiwan for over 183 days each year, will be eligible to apply for permanent residency or for registered permanent residency.

2. International Startup Campus Program

To combine startup resources in the domestic and international markets, the SMEA of the MOEA created the International Startup Campus Program in 2018 in order to build the Startup Terrace into a world-class startup cluster. Areas in which to invest resources in 2020: (1) strategic startups: to accelerate the commercialization of technologies, products or service models; and (2) international accelerators and startup talent incubators: to entice entry into the Startup Terrace, where assistance and training will be available. International Entrepreneur Initiative Taiwan (IEIT) English Portal: <https://startup.sme.gov.tw/>. “Startup Terrace” website: <http://www.startupterrace.tw>.

3. Taiwan Tech Arena (TTA)

To help startups in Taiwan to grow and adopt international standards, the Ministry of Science and Technology created the Taiwan Tech Arena (TTA) at the Taipei Arena in 2018 as a startup hub where startups meet and collaborate with each other. Key tasks for 2020: (1) to manage a world class tech startup hub: bringing in global accelerators and tech startups from all over the world, and establishing links with supply chains of major companies; and (2) to establish links with resources in international startup ecosystems such as Silicon Valley: sending selected teams to undergo local training, and bringing teams to attend benchmark startup conventions. “Taiwan Tech Arena” website: <https://taiwanarena.tech/zh/index>.

CHAPTER 7

Revitalizing Local Industries by In-depth Development, Marketing and Expansion

To stimulate local economic development, create more local job opportunities, improve urban and rural marketing performance, and gain insights on domestic and foreign market opportunities, the government has adopted diverse assistance measures to help local industries and SMEs as a whole establish their niches and expand into domestic and overseas markets.

This chapter is divided into three sections. Section I discusses plans to promote the development of local industrial clusters; Section II focuses on measures to help local industries build marketing capabilities; and Section III covers SME business matchmaking and export expansion.

I Promoting the Development of Local Industrial Clusters

1. The Project for the Development of Village Industry

The Small and Medium Enterprise Administration of the Ministry of Economic Affairs (SMEA of the MOEA) began actively investing resources to assist in the development of village industries in 1989. The SMEA began utilizing the special budget of the Forward-Looking Infrastructure Development Program in 2018 to drive industrial development, revitalize the economy, and provide stable employment opportunities. The SMEA subsidized the construction of industrial parks by county and city governments for village industries that form clusters, play key roles in their areas, and drive the development of related industries. The SMEA further optimized public spaces and hardware industrial parks to help production-scale SMEs move in. This project uses a competitive proposal mechanism and subsidizes the needs of special municipalities and county and city governments for industrial development, in hopes of driving the development of surrounding village industries (plan site: <https://www.otop.tw/city/fund>).

2. Small Business for Township Revitalization

The SMEA of the MOEA began implementing the project “Small Business for Township Revitalization (SBTR)” in 2018 to help SMEs apply the concepts of the circular economy, the digital economy, and the experiential economy. The project increases enterprise robustness through production processes and innovative business models, thus guiding enterprises towards the superior local, industrial, and human resources of townships to be utilized for industrial transformation, create new value, and achieve the vision of “township revitalization.” Proposals for this project are

divided into four categories: Individual Enterprises (Category A), Collaborative Enterprises (Category B), Platform Operations (Category C), and Design Activation (Category D) (plan site: <https://sbtr.org.tw/>).

3. Industry Transformation and Upgrading Program for Local Industrial Clusters

The Industrial Development Bureau of the Ministry of Economic Affairs (IDB of the MOEA) has promoted the “Industry Transformation and Upgrading Program for Local Industrial Clusters” since 2014 to help transform traditional factories into “tourism factories” and help unique factories improve their educational and entertainment tourism value and new business model. Contents of the plans for 2020: (1) tourism factory evaluation and promotion; (2) selection of high-quality tourism factories and tourism factories with an international appeal; and (3) inter-regional integration, value-added assistance, etc.

4. Creative Life Industry Development Program

In order to help businesses combine creative and cultural elements into the development of creative products and services encompassing merchandise, locations, services, and events, as well as go on to create innovative new business models which lead to greater value-added economic activity and more business opportunities, the IDB of the MOEA launched the “Creative Life Industry Development Program.” Action plans for the program in 2020 include evaluating and selecting companies in the creative lifestyle sector, organizing and providing guidance on improving customer experiences, and jointly implementing promotional efforts for industry-specific marketing (plan site: <https://www.creativelife.org.tw/>).

II Helping Local Industries Build Marketing Capabilities and Regional Brands

1. OTOP (One Town One Product) Program

In 1989, the SMEA of the MOEA launched a policy for providing guidance to local cultural industries. Through cooperation between specialized guidance teams and businesses, the policy helps local industries work toward adopting boutique and specialized business models. Under Taiwan’s “One Town One Product” (OTOP) brand image, the policy also promotes products in Taiwan with local characteristics and a reputation for high quality. Main action plans for 2020: (1) organizing or participating in domestic and overseas exhibition events, and local industry OTOP design awards and award ceremony activities; (2) promoting cross-domain platforms, planning and promoting tours with unique local features; (3) providing training and demonstration assistance for commercial/shopping districts; and (4) subsidizing development and environmental cleanup tasks in relation to COVID-19. “One Town One Product Taiwan” website: <https://www.otop.tw/>.

2. OTOP (One Town One Product) International Marketing Alliance Program

The SMEA of the MOEA has promoted the “Counseling Project for Internationalization of Local Cultural Industries” since 2007, which features the use of Taiwan’s joint OTOP brand, selects companies and products with international market development potential, enhances overseas identification and localization, and integrates relevant industry alliances and matchmaking for the collaborative development of global channels. The SMEA has participated in Taiwan Expos in New Southbound countries and expanded overseas exhibition and sales outlets to enable unique local industries in Taiwan to expand into international markets. Main action plans for 2020 include: (1) talent cultivation, matchmaking for business opportunities, and expansion of channels; (2) providing diagnosis and assistance services to enterprises with development potential; and (3) organizing overseas exhibitions, trade shows and conventions to keep advertising OTOP products in countries listed in the New Southbound Policy and other potential markets (plan site: <https://www.otop.tw/>).

III SME Business Matchmaking and Export Expansion

1. Small and Medium Enterprise Digital Innovation International Marketing Project

The SMEA of the MOEA began implementing the “Small and Medium Enterprise Digital Innovation International Marketing Project” in 2019 to use high-tech digital marketing, e-commerce platforms, and integrated virtual and actual channels to create innovative digital marketing and innovation business models to help small and medium enterprises expand into the international market. Main action plans for 2020 include: (1) organizing alliances for southbound industrial business opportunities and constructing an international collaboration network for SMEs; (2) professional consulting and international market diagnosis services; (3) assisting high-quality digital innovative enterprises; and (4) organizing a series of matchmaking activities to create international business opportunities (plan site: <https://info.moeasmea.gov.tw/>).

2. Project of Enhancing SMEs’ Cross-domain Innovation and Value-added Capability

The SMEA of the MOEA implemented the Project of Enhancing SMEs’ Cross-domain Innovation and Value-added Capability in 2017. The project integrates resources and member expertise across government departments, legal persons, and domains, and utilizes value-added technologies, service innovation, and business model changes to create a cross-domain ecosystem for SMEs. This will help SMEs utilize technologies as they create greater value and develop innovative business models. The SMEA of the MOEA connects domestic and foreign export resources to create a collaborative model for enterprises in the ecosystem with potential for export

to jointly expand international markets. Strategies for 2020 include promoting an ecosystem for software and hardware innovation, regional growth, value growth, and export potential (plan site: <https://smefuture.org.tw>).

3. Small and Medium Enterprise Business Growth and Value-added Project

The SMEA of the MOEA has promoted the “Small and Medium Enterprise Business Growth and Value-added Project” since 2018 to help small and medium enterprises achieve sustainable development, strengthen their structures, and improve international competitiveness. Main action plans: (1) providing consulting and diagnosis services from “business management perspectives” with professional consultants; (2) promoting communication and cooperation between enterprises and helping enterprises publish and display new products and new technologies; and (3) providing government procurement information and consulting and assistance services to accelerate the expansion and matchmaking of business opportunities for enterprises (plan site: <https://smeomcs.moeasmea.gov.tw>).

4. Trade Promotion Working Plan

The Bureau of Foreign Trade of the Ministry of Economic Affairs (BOFT of the MOEA) has launched the Trade Promotion Working Plan to promote export market diversification, with a particular focus on increasing Taiwan’s exports share in emerging markets. Related activities are taking place online instead in response to COVID-19.

(1) Trade Promotion Working Plan

Main tasks include: (1) organizing frequent overseas exhibition events, inviting foreign buyers to make purchases in Taiwan, and providing customized project services; (2) providing business opportunity information services through diverse channels and maintaining and operating Taiwan’s portal website for trade — “Taiwantrade;” (3) providing services for overseas operations and branches; and (4) cultivating talent in international marketing (plan site: <https://info.taiwantrade.com/>).

(2) Integrating Private Sector Resources for Market Development

In 1998, the BOFT of the MOEA began working to integrate the resources of various associations with an aim to jointly develop and expand international markets. Activities mainly include organizing delegations to travel overseas on trade missions, participating in trade shows and international economic and trade conferences, holding professional training for persons working in the field of international trade, and providing subsidies to individual companies or establishments to participate in overseas international exhibitions. The subsidy programs and procedures are modified to allow for more flexibility in response to COVID-19.

(3) Launching Various Projects and Programs

A. New Southbound Market Innovation Marketing Development Project

To help companies grasp business opportunities in consumer markets in ASEAN and South Asia, the BOFT of the MOEA implemented the “New Southbound Market Innovation Marketing Development Project”. Specific approaches in 2020 include: (1) providing business opportunity information services through diverse channels; (2) promoting cross-industry cluster guidance alliances for “commercial channels” to provide related professional consultation and guidance; and (3) assisting companies in using digital technologies and new media for online product tests and social media marketing promotion, and organizing precision buyer matchmaking events (plan site: <https://mvp-plan.cdri.org.tw/>).

B. Green Trade Implementation Project

The BOFT of the MOEA has promoted the “Green Trade Implementation Project” since 2017 to help domestic companies respond to global green industry trends, gain a better understanding of environmental regulations in various other nations and green procurement standards of major global manufacturers, and win global green business opportunities. Specific approaches in 2020 include: (1) assisting domestic companies in collecting information on overseas green trade business opportunities and government policies and regulations; (2) operations and maintenance of the “Green Product Verification Index Platform” to provide companies with consultation and assistance for green product marketing and attestation and preferential green attestation fees; (3) online exhibitions and trade shows, green ecosystems, green CRM programs, and international media marketing (plan site: <https://www.greentrade.org.tw/>).

C. Taiwan Industrial Image Promotion Project

To enhance the recognition and favorable image of Taiwanese products and high-quality industries for target markets and consumers and thus improve the international image of Taiwan’s industries and promote export growth, the BOFT of the MOEA continuously promotes the “Taiwan Industrial Image Promotion Project.” The main projects consist of diverse and integrated marketing and promotional activities in 2020 including: (1) selection and promotion of Taiwan Excellence products; (2) management and promotion of the Taiwan Excellence permanent pavilion; and (3) market-specific digital marketing approaches and localized integrated marketing campaigns (plan site: <https://www.taiwanexcellence.org>).

D. Project to Secure Business Opportunities in Global Government Procurement

To help suppliers gain access to foreign government procurement contracts as direct bidders or subcontractors, the BOFT of the MOEA is promoting the Project to Secure Business Opportunities in Global Government Procurement. Key tasks for 2020 include (1) helping suppliers become better equipped to secure opportunities in global government procurement; (2) helping domestic suppliers break into the global government procurement market; (3) helping domestic suppliers go abroad and secure opportunities in global government procurement; and (4) maintaining and promoting the Global Government Procurement Opportunities website (plan site: <https://gpa.taiwantrade.com.tw/>).

E. Smart Machinery Overseas Promotion Project

To showcase Taiwan's turnkey smart machine solutions and competitive advantages in differentiation and to support domestic smart machine manufacturers in securing opportunities overseas, the BOFT of the MOEA is promoting the Smart Machinery Overseas Promotion Project. In 2020, developed markets, including Europe, the United States, and Japan, and other countries, including Mexico, Russia, Vietnam, Indonesia, and China, have been selected as designations for important trade shows and integrated marketing to promote Taiwan's healthy industries (plan site: <https://twmt.tw.taiwantrade.com/>).

F. International Market Development Subsidy Plan

The BOFT of the MOEA launched the International Market Development Subsidy Plan in 2013 to encourage manufacturers to apply diversified, innovative and integrated marketing to international market expansion through special project subsidies. Subsidies in the year 2020 included 42 cases with total subsidies amounting to NT\$144 million (plan site: <https://www.imdp.org.tw/>).

G. Textile Export Promotion Project

To help Taiwan's textile companies expand in foreign markets, the BOFT of the MOEA is promoting the Textile Export Promotion Project. The range of assistance provided in 2020 includes (1) integrated marketing and opportunity development; (2) international marketing consulting and other services; and (3) customized marketing assistance (plan site: <https://export.textiles.org.tw>).

CHAPTER 8

Other Government Measures to Support SMEs

To optimize the business environment for SMEs, the government continues to promote related support for SMEs including government aid for various SME guidance fees, improvements to the legal system for SMEs, participation in international exchanges, talent cultivation for SMEs, and the organization of various selection and commendation activities for SMEs.

This chapter comprises five sections that will discuss other SME-supporting resources and measures not covered in previous chapters. Section I presents the utilization of government resources to assist SMEs, such as government procurement and SME financing. Section II examines the government's regulatory flexibility related to SMEs to help create a first-class legal environment for SMEs. Section III outlines the active role of government agencies in organizing and participating in international affairs and activities of SMEs. Section IV covers manpower cultivation in SMEs. Section V covers national SME awards from the Ministry of Economic Affairs.

I Government Resources Allocated to SMEs

It is explicitly stated in the Act for the Development of SMEs that the government should clearly specify in the SME White Paper the amount of resources allocated to SMEs. In addition to the resources expended by the government on SMEs, this section will also contain statistics pertaining to the government's procurement of property, public works or labor from SMEs as well as special loans made available to SMEs. However, statistics on government guidance resources and financing are limited to those from agencies at the central government level.

1. Assistance to SMEs Totaled NT\$28.855 Billion

The statistics on resources allocated by the government for SME guidance purposes include funding to government agencies that have a significant relationship with SMEs, e.g., the Small and Medium Enterprise Administration of the Ministry of Economic Affairs (SMEA of the MOEA), Industrial Development Bureau (IDB), Bureau of Foreign Trade (BOFT), Department of Commerce (DOC), Department of Industrial Technology (DOIT), and financial institutions and credit cooperatives that make donations to the Taiwan SMEG, as well as training expenses of the Ministry of Labor (MOL).

Based on the final budget for MOEA units, a budget totaling NT\$34.398 billion was approved for 2019 and NT\$25.927 billion was allocated to SMEs. It accounted for 75.37% of the final budget, which was 0.69 percentage points higher than in 2018. The amount of funding rose by NT\$1.007 billion in 2019 compared to 2018. The increase was spent mostly on funding for SME assistance, primarily due to additional spending on SMEs by the SMEA and the IDB in 2019 (Table 8-1-1).

Table 8-1-1 Ministry of Economic Affairs Resources and Funding Allocated to SMEs, 2018-2019

Unit: 100 million NT\$; %

Organizer	Annual funding	Fiscal year final accounts		Total amount allocated to SMEs		Increase (decrease) ③ = ② - ①
		2018	2019	2018①	2019②	
SMEA (SME Development Fund included)		51.07	54.64	51.07 (100.00)	54.64 (100.00)	3.57
IDB (Industrial technology guidance and Industrial Park Development and Management Fund included)		73.80	80.25	44.44 (60.22)	52.58 (65.51)	8.14
BOFT (Overseas marketing and marketing consultation, and Trade Promotion Fund included)		49.66	50.13	45.77 (92.16)	44.52 (88.81)	-1.25
DOC (Promotion of trade modernization and commercial technology development included)		9.24	8.72	6.00 (64.97)	5.74 (65.82)	-0.26
DOIT		150.13	150.25	102.09 (68.00)	101.80 (67.76)	-0.29
Total		333.91	343.98	249.38 (74.68)	259.27 (75.37)	9.89

Notes:

1. SMEA stands for the Small and Medium Enterprise Administration; IDB stands for the Industrial Development Bureau; BOFT stands for the Bureau of Foreign Trade; DOC stands for the Department of Commerce; and DOIT stands for the Department of Industrial Technology.

2. Figures in parentheses represent the percentages in the final accounts.

Source: Various government agencies, 2020.

In 2019, in addition to the relevant government resources allocated to SMEs by agencies such as the MOEA, 36 financial institutions and 6 credit cooperatives also contributed a total of NT\$2.613 billion to the Small and Medium Enterprise Credit Guarantee Fund of Taiwan to enhance the Fund's strength. Training expenses of the Council of Labor Affairs for SMEs totaled NT\$0.315 billion. Therefore, government guidance resources allocated to SMEs totaled NT\$28.855 billion in 2019.

2. Providing SMEs with Special Loans Totaling NT\$3.321 Billion

Eligible SMEs in Taiwan have access to the following various types of special loans: the Free Trade Industry Revitalization and Counseling Preferential Loans, Small and Medium Enterprises Development Fund Supported Export Loans, Overseas Investment Loans, Overseas Construction Project Loans, SME Development Fund Special Loans, Indigenous Integrated Development Fund Loans and Micro-Business Start-up Phoenix Loans and Employment Insurance Startup Loans for the Jobless (MOL). A total of NT\$3.321 billion in government-funded SMEs loans were excluded in 2019 (Table 8-1-2).

Table 8-1-2 Special Loans to SMEs Funded by the Government in 2019

Unit: 100 million NT\$

Name of loan	Eligible applicant	Structure	Status	
			Total loan amount	Government funding
The Free Trade Industry Revitalization and Counseling Preferential Loans	To accommodate the need for guidance on revitalization efforts, structural adjustments, and financial relief under assistance programs and proposals designed to address economic trade liberalization policies and industry adjustments for companies in relevant industries, such as manufacturing and services, which have distressed assets or sustained losses, or other companies with losses in particular industries as determined by relevant competent authority	Every loan comes from the National Development Fund of Executive Yuan	24.34	24.34
Small and Medium Enterprises Development Fund Supported Export Loans Overseas Investment Loans Overseas Construction Project Loans	SMEs	SME Development Fund	4.97	4.97
Special Loan Assistance for SMEs to Take Root	SMEs	Supported with long-term special funding allocation of National Development Council or banks with proprietary funds	23.00	0.07
Indigenous Integrated Development Fund Loans (Indigenous Youth Business Loans, Indigenous Economic Industry Loans, Indigenous Micro-Business Activities Loans included for production use)	Indigenous people	Fully funded by Council of Indigenous Peoples	3.83	3.83
Micro-Business Start-up Phoenix Loan Employment Insurance Startup Loans for the Jobless	Women aged 20-65, offshore islands residents and women aged 45-65 and the jobless with employment insurance	Loans provided by banks' own funds and interests subsidized by Ministry of Labor	3.53	0.00
Total			59.67	33.21

Source: Various government agencies, 2020.

3. Government Procurement from SMEs Reached NT\$886.2 Billion

According to Government Procurement System statistics on awarded contracts published in March 2020, in 2019 the total amount of government procurement totaled NT\$1,805.2 billion, an increase of 6 percent from 2018; the total amount contracted or subcontracted by SMEs (including all cases over NT\$100,000) in government procurement totaled NT\$886.2 billion, an increase of 5 percent from 2018. The share of government procurement from SMEs in 2019 was 49.1%.

II Regulatory Flexibility to Create a First-class Legal Environment for SMEs

1. Regulatory Affairs Concerning Small and Medium Enterprises

(1) Amendment of the Standards for Identifying Small and Medium-sized Enterprises

The Standards for Identifying Small and Medium-sized Enterprises were amended in June 2020 for the purpose of eliminating ambiguity in industry categories, simplifying the standards for easier identification, effectively reducing business risks and costs, and facilitating access to assistance programs and enabling companies to be more competitive. The identification criteria were adjusted to reflect the current conditions. The criteria are based on relatively fixed paid-in capital or the number of regular employees. Given the needs of upgrading and transformation, the trend towards a growing concentration of capital, and the growing number of employees in other sectors (service sector) and the growing number of large companies, SMEs, regardless of industry category, are defined as a business with a paid-in capital of NT\$100 million or more or employing less than 200 regular employees.

(2) Amendment of the Disaster Relief and Advisory Regulations for SME Financing

To strengthen disaster relief measures, a rule was added to allow loans received by disaster stricken SMEs prior to the disasters to be eligible for interest waivers. Eligible SMEs should apply to their financial institutions within six months starting on the day following the incident that brought about the disaster. Meanwhile, as an incentive for financial institutions, another rule was added to allow the competent authority to subsidize losses to financial institutions arising from interest waivers. Each SME is eligible for up to NT\$400,000 in relief. Each loan is eligible for only one relief payment for the same relief period.

2. Helping SMEs Adapt to Critical Regulatory Frameworks

(1) Removal of restriction that foreign investors must use the "NTD" as the sale currency

Foreign companies used to wire money in foreign currencies to a domestic bank to fund their investments. The money would have had to be converted into NTD when the Investment Commission of the MOEA (MOEAIC) conducted a review. In the event of a difference in exchange rates, the foreign investor would have had to go to the trouble of depositing more money, which led to extra costs and potentially less willing investors. Hence, the SMEA of the MOEA proposed relaxing the requirement, and the MOEAIC introduced an amended Article 3 of the Regulations for Verification of Investment by Overseas Chinese and Foreign Nationals on July 29, 2019. The article allows foreign investors to keep the money in the original foreign currency and have the investment stated in the same foreign currency to avoid foreign exchange rate differences.

(2) Lower paid-in capital threshold for Class B travel agencies

There have been many startups and local businesses trying to enter regional tourism but hesitating over the potential violation of the law given that the tourism industry is a regulated

industry. In addition, travel agency-related regulations used to install barriers in the form of an excessively high capital or guarantee requirement. Therefore, the SMEA of the MOEA has been coordinating discussions through many meetings with and letters to the related departments since 2016. As a result, the Tourism Bureau of the Ministry of Transportation and Communications introduced an amended Article 11 of the Regulations Governing Travel Agencies on September 23, 2019. The amendment lowers the capital threshold for Class B travel agencies from NT\$3 million to NT\$1.2 million, effectively making it more likely for businesses in remote areas to obtain a travel agency license.

3. SME Innovation Application Experiment

The innovative application service validation mechanism was adopted in 2017 based on the concept of a sandbox experiment. It resolves the dilemma of finding a balance between industry innovation and regulatory supervision, by helping enterprises clarify the applicability of laws, and also through innovative application experiments, in hopes of gradually optimizing the regulatory environment for innovation and startups.

(1) Clarifying whether a passport is a valid personal ID in order to facilitate implementation of digital identification

To enable vendors to expand their digital identification services to include a passport as a valid personal ID, the SMEA of the MOEA provided assistance for vendors to meet with the Bureau of Consular Affairs of the Ministry of Foreign Affairs, the National Immigration Agency of the Ministry of the Interior and other competent authorities. The parties met and clarified the legitimacy of accepting a passport as a valid ID. It also created an opportunity for the parties to discuss the feasibility of creating a system by which consumers might check expiry dates for their passports. Adding a passport to the digital identification services will expand the scope of digital identification applications, and will hopefully make the identification process safer and more user friendly.

(2) Listing and analyzing legal issues involved in smart traffic light installation and facilitating cooperation with local governments

Companies wish to install wireless smart signal services that will support the development of unmanned vehicles. To help companies clarify the legal issues involved in smart traffic lights, the SMEA of the MOEA has listed and analyzed the central and local regulations involved, clarified issues on traffic light installation and procurement, and visited the Keelung City Government for discussion. The SMEA of the MOEA will continue to facilitate cooperation between businesses and local governments to create opportunities for innovative applications of smart traffic lights.

III Participating in International SME Meetings and Events

1. Participating in APEC

(1) Attending the 25th APEC Small and Medium Enterprises Ministerial Meeting

The government sent a representative to attend the 25th APEC Small and Medium Enterprises Ministerial Meeting and the 49th APEC Small and Medium Enterprises Working Group Meeting in Concepción, Chile from September 3 to September 6, 2019. The representative gave a presentation on “MSME Digital Transformation Fosters the Sustainable Development of an Innovation Ecosystem” at the ministerial meeting as a summary of partnerships with the Philippines, Malaysia, Thailand, Vietnam and Chile as part of the APEC O2O Initiative over the previous four years (2016-2019).

(2) Hosting the 2019 APEC IncluNext Week

The 2019 APEC IncluNext Week took place in Taipei between June 24 and June 27, 2019. It consisted of the Local Innovation Ecosystem Forum and the APEC SME O2O Summit. Experts in various fields were brought together to share their experiences in policymaking, social innovation and cluster development. Discussions also involved the digital economy, O2O business models, and experience in promoting related innovations.

2. New Southbound Industrial Collaboration Summit

The Chinese National Federation of Industries and the IDB of the MOEA began co-organizing the New Southbound Industrial Collaboration Summit in 2017. SMEs can use this platform to gain information on ASEAN markets, and create new business opportunities in those markets. A total of six forums were organized in 2019 including Industrial Collaboration Summits between Taiwan and Thailand, Taiwan and Indonesia, Taiwan and India, Taiwan and Malaysia, Taiwan and Vietnam, and Taiwan and the Philippines. Taiwan continued to use the collaboration platforms with the six nations to identify target industries for development in 2020 and focus on key bilateral industrial collaboration to promote more highlighted cases, conduct in-depth discussions on issues, and help remove obstacles for industrial collaboration to intensify bilateral cooperation.

3. Promoting SME International Exchange and Collaboration

The SMEA of the MOEA participated in bilateral annual ministerial meetings with SME Memoranda of Cooperation with Malaysia, the Philippines, Thailand, Vietnam, India, Japan and the United States, attended important bilateral meetings with the Philippines, Singapore, Thailand, India, and the European Union, and promoted plurilateral and multilateral cooperation, such as in relation to the WTO and CPTPP.

Signing memorandums of understanding and letters of intent: (1) contributed to the Memorandum of Understanding for MSME Development between the Republic of China and the

Philippines, the Memorandum of Understanding for Innovation and Startups between the Republic of China and the Netherlands, and the Memorandum of Understanding for SMEs between the Republic of China and Turkey; and (2) facilitated communication and information exchange via the annual meeting of the Malaysia-Taiwan Economic Cooperation Committee (MTECC).

As of the end of December 2019, a total of 279 people in 35 foreign delegations were received.

IV Manpower Cultivation in SMEs

1. SME Management and Entrepreneur Talent Cultivation

To improve the knowledge and capacity of enterprises at each stage of development, and improve enterprises' talent cultivation capacity, the SMEA of the MOEA implemented a variety of talent cultivation projects starting in 2018, based on SMEs' different needs. The Great Entrepreneurship Academy was planned to provide both online and in-person courses and promote lifelong learning passports among SMEs (plan site: <https://www.smelearning.org.tw/>).

2. Talent Training Programs in the Manufacturing Industry

To train talents necessary for industrial upgrading and transformation and construct a professional talent training environment, the IDB of the MOEA continues to promote professional talent development programs for industries to organize short-term professional courses and medium- to long-term cultivation training programs, establish baselines and evaluation of professional skills, and cooperate with industries and academia for talent cultivation. Furthermore, related units have engaged in cross-departmental collaboration in coordination with developments in the digital economy and the 5+2 innovative industries since 2017 to promote "interdisciplinary digital talent cultivation" by integrating with universities and legal person research institutions to train innovation and application talents for industries (plan site: <https://idbtrain.stpi.narl.org.tw/classinfo.htm>).

3. Talent Training Programs in the Service Industry

Courses on big data analysis, digital marketing, and the Internet of Things (IoT) were planned for the retail and integrated service industries, and were offered using the resources of various associations beginning in 2017 by the DOC of the MOEA. The programs scheduled for 2020 include training in advanced smart business technology (4 classes), basic training in smart business service applications (1 class), and a high-end business strategy workshop (2 sessions).

4. International Business Management Talent Cultivation

In response to industry's demand for foreign trade talents, the BOFT of the MOEA in 1987 began training work in two categories, namely, specialized training and on-the-job training. The "Meet Taiwan" project was implemented in 2009 to cultivate MICE talent, while the "Funding for Taiwanese Student Internships in Emerging Markets" project has cultivated students' understanding of international trade processes, international marketing, and the cross-cultural

business administration of emerging markets in Southeast Asia since 2014. The overseas internship program was suspended in 2020 in response to the pandemic.

5. Cooperating with Industries and Academia for Talent Cultivation

The Ministry of Education started to offer industrial technology graduate programs in the spring of 2011. Enterprises and schools jointly submitted program applications based on industry needs, and the programs were offered after gaining approval from the Ministry of Education, increasing the supply of master's-level talent needed by enterprises. Furthermore, the Industrial College Program was implemented to offer industrial programs, which consist of jointly planned courses taught by mentors and internships that lead directly to employment. Students that graduate from the programs are able to immediately work at the enterprise co-organizing the program.

6. Enterprise Talent Improvement and Independent Studies for Laborers

The MOL has implemented the Enterprise Human Resource Upgrading Plan since 2004 to help business entities organize on-the-job training. The Small Enterprises Talent Skill Progressive Program was launched in 2014, and provides specialized, individual guidance and consultation services and entrepreneurship studies courses for small enterprises with fewer than 50 employees. Entrepreneurship courses are also offered.

Furthermore, the Industrial Human Resource Investment Program was implemented in 2005, and offers a wide variety of practical training courses in cooperation with private training institutes. A maximum subsidy of NT\$70,000 over three years is provided for each individual to encourage on-the-job training for laborers and accumulate human capital.

V National SME Awards from the Ministry of Economic Affairs

1. National Award for Outstanding Small and Medium Enterprises

The SMEA of the MOEA established the “National Award for Outstanding Small and Medium Enterprises” in 1992 for the purpose of selecting SMEs with outstanding performance in management, innovation, branding, quality, and image as well as specific contributions to society as models of industry. They receive public commendation to promote the establishment of SME benchmark models to create a model for all SMEs in Taiwan to learn from each other's successes, help inspire each other, and accelerate business upgrades. 12 SMEs are expected to win the Award in 2020. As of the end of 2019, 302 SMEs had won the award (award site: <https://smeaward.moeasmea.gov.tw/>).

2. Rising Star Award

The SMEA of the MOEA established the “Rising Star Award” in 1998 to use selection and commendation activities to select outstanding SMEs with high levels of competitiveness, outstanding export performance, and comprehensive management systems that make them role models for other domestic enterprises. The SMEA also hopes to use related events to disperse the role model effect and continue to promote cooperation within and between industries and encourage more SMEs that mainly operate in Taiwan to expand into international markets. As of the end of 2019, 312 SMEs had been recognized as “Rising Stars” (award site: <https://award.moeasmea.gov.tw/>).

3. SMEs Innovation Award

The SMEA of the MOEA has organized the “SMEs Innovation Award” since 1993 to continue to reward outstanding SMEs with specific performance in innovation and research through organized and systematic methods. The Award encourages enterprises to continue to accumulate R&D capacity to achieve local technological development and attain the goals for industrial upgrading and healthy development. Innovative products from a total of 30 SMEs are expected to be selected in 2020. As of 2019, a total of 897 innovative SME products had been selected and 64 enterprises that had won awards had been listed on the Taiwan Stock Exchange or Taipei Exchange, 14 enterprises had been listed on the emerging markets, and eight companies had become public companies (award site: <https://tsia.moeasmea.gov.tw/>).

4. Business Startup Awards

The SMEA of the MOEA began the “Business Startup Award” in 2002 and it became the only national award for startups that have been established for less than five years. The Award seeks startups with innovative technologies, products, services, or business models to develop startups with high-quality operating models, establish successful cases for success, and invigorate domestic innovation and entrepreneurship. As of 2019, a total of 256 enterprises had won the award and at least 25 enterprises had been listed on the Taiwan Stock Exchange or Taipei Exchange, or had become public companies. In addition, 64 enterprises had received venture capital investment or had merged with other enterprises (award site: <https://startupaward.sme.gov.tw/>).

5. Model of Entrepreneurs Award

In 2005, the SMEA of the MOEA began providing subsidies to the “Model of Entrepreneurs Award” organized by the National Innovation and Entrepreneurship Association to encourage the private sector to organize events that recognize model entrepreneurs, encourage entrepreneurs to pursue their passions and take courageous steps, promote positive cycles for the sustainable development of society and enterprises, and improve Taiwan’s competitiveness. A total of 630 individuals have won the award since 1978 including 429 winners in the country and 201 winners overseas as well as 168 enterprises that are listed on the Taiwan Stock Exchange or Taipei Exchange, or are emerging stocks (award site: <https://www.careernet.org.tw/modules.php?name=kaimo>).



Appendix

Appendix A Act for Development of Small and Medium Enterprises

Appendix B Standards for Identifying Small and Medium Enterprises

Appendix C SME Statistics by Industry

APPENDIX A

Act for Development of Small and Medium Enterprises

Publically announced in accordance with the Presidential Decree dated February 4, 1991.

Revised in accordance with the Presidential Decree dated May 21, 1997.

Revised in accordance with the Presidential Decree dated January 21, 1998.

Revised in accordance with the Presidential Decree dated December 27, 1990.

Revised in accordance with the Presidential Decree dated December 21, 2001.

Revised in accordance with the Presidential Decree dated December 17, 2003.

Revised in accordance with the Presidential Decree dated November 25, 2009.

Revised in accordance with the Presidential Decree dated June 4, 2014.

Revised in accordance with the Presidential Decree dated January 6, 2016.

Chapter 1 General Principles

Article 1

This Act is enacted for the furtherance of sound development of small and medium enterprises by helping them improve their operation environments, promoting mutual cooperation, and assisting them in striving for growth with their own efforts. With regard to matters not provided for in this Act, the provisions of other relevant acts and regulations shall apply.

Article 2

The term “small and medium enterprises” used in this Act shall refer to the enterprises which have legally completed company registration or commercial registration under the Act and conform to the standards for identifying small and medium enterprises.

The standards referred to in the preceding paragraph shall be drawn up by the central competent authority according to the category, capital stock, amount of operating revenue and the number of regular employees and shall be submitted periodically to the Executive Yuan for approval.

Other government authorities, which administer small and medium enterprise assistance and guidance may, in accordance with their respective operational requirements, formulate separate criteria with loose requirements for objects of assistance and guidance.

Article 3

The term “competent authority” used in this Act shall be the Ministry of Economic Affairs at the central government level, the provincial (municipal) government at the province (municipality) level, and the county (city) government at the county (city) level.

Where any of the matters set forth in this Act involves the functional duties of an authority in charge of a particular enterprise, the competent authority referred to in this Act shall handle such matters in coordination with the said authority in charge of such enterprise.

For enforcement of this Act, government at various levels shall set up or designate a government agency to provide assistance and guidance.

Article 4

For achieving the objectives of this Act, the competent authority concerned shall take appropriate assisting or encouraging measures in respect of the following:

1. Market research and development;
2. Furtherance of rationalization of business operations;
3. Promotion of mutual cooperation;
4. Acquisition and securing of production factors and technology;
5. Education and training of competent personnel; and
6. Other matters relating to the establishment or sound development of small and medium enterprises.

In formulating the policy, acts and regulations, and measures in the preceding paragraph, the competent authority concerned shall aim the contents at the furtherance of improvement and development of the business operations of small-scaled enterprises without unfair treatment in respect of financial and taxation systems and other related matters.

The central competent authority shall publish a white paper, at the end of each fiscal year, on small and medium enterprises given the enforcement status, the review results and the prospective development of the provisions of the preceding two paragraphs.

Article 5

For furthering small and medium enterprises to conduct market research and development activities, the assistance and guidance provided by the competent authority to small and medium enterprises shall be emphasized on the provision of information services, the creation of exclusive brands for their own products, arrangement of marketing channels and/or development of potential market.

Article 6

For furthering small and medium enterprises to rationalize their business operations, the assistance and guidance provided by the competent authority shall be emphasized on the following:

1. Research and development and development of new products;
2. Modernization and renovation of production facilities and improvement of production technology;
3. Improvement of the methods of operational management;
4. Expansion of market and acquisition of necessary information;
5. Conversion and adjustment of the field of business; and
6. Acquisition of resources and technical know-how for business operation.

Article 7

For encouraging mutual cooperation between small and medium enterprises, the assistance and guidance to be provided by the competent authority shall be emphasized on the following:

1. Vertical amalgamation of businesses of the trade and establishment and promotion of the satellite-factory system;
2. Horizontal amalgamation of businesses of the trade and establishment and promotion of joint production and marketing system;
3. Mutual fund or cooperative enterprise;
4. Technical cooperation and development of common technology;
5. Procurement of common equipment; and
6. Establishment of strategic marketing points.

Article 8

For assisting small and medium enterprises to acquire and secure production resources and technology, the assistance and guidance to be provided by the competent authority shall be emphasized on the following:

1. Formation and accumulation of capital;
2. Capital accommodation;
3. Acquisition of land, plant building, equipment, business site and business information;
4. Personnel training and upgrading of labor productivity;
5. Securing the sources of agricultural and industrial raw materials and technical know-how;
6. Assisting small and medium enterprises to obtain fund from capital market; and
7. Upgrading of the level of services and technical skill.

Article 9

The central competent authority shall set up small and medium enterprise development fund, with the use thereof to be confined to the following:

1. To finance the operating expenses required for carrying out assistance plans,
2. To take part in investment and development projects or provide financing assistance and guaranty jointly with financial institutions under the condition that such financial institutions or credit guarantee institutions can not provide financing or guaranty under normal terms and conditions,
3. To make investment in small and medium enterprise development companies, or to take part in investment in small and medium enterprise with small and medium enterprises development companies, financial institutions and identified investment institutions.
4. To provide financial support to the juridical persons institutions that are incorporated to conduct the activities specified in Article 4 , and
5. Other purposes relating to the furtherance of sound development of small and medium enterprises and as specified in this Act.

For the income-expenditures, safeguarding and utilization of the small and medium enterprise development fund, a small and medium enterprise development fund management committee shall be formed, with its organization structure and the regulations for income and expenditure, safeguarding and utilization of the fund to be stipulated by the Executive Yuan.

Article 10

The small and medium enterprise development fund shall be derived from the following sources:

1. Appropriation from the annual budget programmed by the central government,
2. Appropriation from other special-case funds,
3. Donation from individuals or public and private business organizations or groups,
4. Interests accrued on the fund, and
5. Other associated income.

The donation referred to in item 3 the preceding paragraph may, when certified by the competent authority, be deductible from the total income of the current year, free from any restriction on the amount, in accordance with the Income Tax Act.

Article 11

The provincial (municipal) and the county (city) competent authority (henceforth referred to as “local competent authority”) may, taking into account of the specific development requirements of small and medium enterprises, under its jurisdiction, draw up assistance plan and formulate budget, and shall be responsible for the execution.

To carry out the assistance plan referred to in the preceding paragraph, the local competent authority may apply to the small and medium enterprise development fund for subsidy or assist the small and medium enterprises to obtain capital accommodation under special projects.

Article 12

The competent authority may, taking into account of actual requirements, cooperate with or consign to public and/or private research and service institutions, financial institutions, credit guarantee institutions, trade promotion institutions, industrial and/ or commercial organizations or other agencies for execution of the assistance activities under this Act; and shall set up separate assistance systems in connection with respectively the operations including financial accommodation, operational management, production technology, research and development information management, industrial safety, pollution control, marketing, mutual cooperation, and quality reinforcement, etc.

The regulations governing establishment up and supervision of the assistance systems shall be drawn up by the central competent authority and submitted to the Executive Yuan for approval.

Article 12-1

In enacting or adjusting acts related to small and medium enterprises, governments at various levels shall review the operation scales or characteristics of small and medium enterprises to facilitate observance by small and medium enterprises.

The central competent authority shall periodically review the acts related to small and medium enterprises on term, and judge the adapt ability of small and medium enterprises, and the influence to small and medium enterprises, and take a review report to the Legislative Yuan yearly.

Chapter 2 Financing Facilities and Guaranty

Article 13

In order to meet the capital requirements for small and medium enterprises, the central competent authority shall coordinate with financial institutions and credit guarantee institutions to enhance their respective functions of providing financing and guaranty to small and medium enterprises.

In order to meet the capital requirements for small and medium credit guarantee institutions, the central competent authority shall allocate budget for donation to such credit guarantee institutions for the maintenance of their guarantee capacity. Financial institutions which contract with such credit guarantee institutions shall also cooperate with the donation whereas and the central competent authority may also solicit donation from private businesses.

The total amount of donation from various financial institutions mentioned in the preceding Paragraph, taking into account the actual requirements, may be adjusted upward annually until reaching 35% of the total donation amount and be determined by the central competent authority according to the safekeeping amount, overdue ratio, substitute pay off amount, credit remainder, net value, profit and loss status, and the donated amount.

The central competent authority shall actively help small and medium enterprises get the loan from banks, and report the review results of each fiscal year to the Legislative Yuan.

Article 14

All banks throughout the Republic of China shall, within the scope of their respective business, elevate the ratio of financing facilities provided to small and medium enterprises and shall set up small and medium enterprises assistance center in order to enhance the provision of relevant services.

Article 15

The competent authority shall coordinate various agencies to make ample budget available for providing special loans to small and medium enterprises, and instruct sponsoring banks to provide special or emergency financing facilities or to extend loans to meet with the requirements of enterprises implementing business converting projects or adapting to the change of economic situation; and to elevate, when necessary, the ceiling of such financing, loans and guaranty.

Article 16

The term “special financing” used in the preceding Article shall refer to the financing provided to small and medium enterprises carrying out any of the following projects:

1. Operational project for reinforcement of competitiveness;
2. Research and development, pollution control or market expansion project;
3. Project for creation of new product(s) or upgrading the quality of product(s);
4. Factory relocation project which must be carried out so as to meet with the requirements of environment protection, urban planning, or road construction or other infrastructural projects sponsored by the government;
5. Any other special projects as approved by the competent authority.

Article 17

The term “emergency financing facilities” as used in Article 15 shall refer to the following financing provided to small and medium enterprises:

1. Loan provided as revolving fund in support of production and sales during the period of significant economic crisis;
2. Loan required for recovery of significant natural disaster;
3. Other loan as required to cope with emergency events.

Article 18

The term “loans to meet with the requirements of enterprises implementing business converting projects or adapting to the change economic situation” used in Article 15 shall refer to any of the following loans extended to small and medium enterprises:

1. Loan provided as revolving fund in support of production and sales during the period of economic recession;
2. Loan required for procurement of replacement or additional machinery and equipment in the course of business conversion; or
3. Loan required for procurement of automation equipment for improvement of productivity.

Article 19

Funds appropriated from the small and medium enterprise development fund for participate in the loans or guaranties sponsored by financial institutions or credit guarantee institutions in accordance with the preceding three Articles; the ratio of such appropriations may be determined by the competent authority in accordance with the actual requirements.

With regard to the bad debts resulted from causes which are not attributable to the intentional act, gross negligence or malpractice of the personnel handing the relevant matters set forth in the preceding Paragraph, they shall be fully indemnified from damage liabilities and exempt from disciplinary measures, according to the provisions of item 1, Article 77 of the Audit Act.

Article 20

The competent authority concerned may coordinate the financial institutions and/or credit guarantee enterprises to give priority to small and medium enterprises, which have sound management, financial and accounting systems and have paid up all taxes due, in providing financing facilities and guaranties.

Article 21

Where the operation of a small or medium enterprise is affected or it has to move to another place in order to meet with the requirements of environmental protection, urban planning, or road construction or other projects sponsored by the government, the competent authority shall assist it to apply for operating revolving loan or relocation loan from financial institution, and assist it to acquire the land required for factory relocation, when it is deemed necessary.

Article 22

Where a small or medium enterprise suffers great damages caused by natural disaster, the competent authority shall coordinate the financial authority for tax exemption or reduction or other remedies.

Article 23

In order to prevent small and medium enterprises from involvement in domino effect resulted from the close-down of their respective related enterprises, the competent authority may coordinate and assist industrial associations to establish, either separately or jointly, mutual guaranty fund(s) for prevention of chain close-down of small and medium enterprises so as to provide credit guarantee in respect of special financing facilities for the small and medium enterprises having financial or operational difficulties in such cases.

The small and medium enterprise development fund may, when necessary, contribute to such mutual guaranty fund(s) at the initial stage upon its (their) establishment.

Chapter 3 Operation Management, Market and Product Development

Article 24

The competent authority may establish or assist the private sector to establish a small and medium enterprise guidance and service center, and may cooperate with relevant public and private institutions to provide small and medium enterprises with the following guidance and services:

1. Business operation diagnosis;
2. Improvement of the marketing and production technology, operation management and financial structure of small and medium enterprises;
3. Training of management or technical personnel of small and medium enterprises;
4. Production and market information and consultation services; and
5. Other relevant businesses activities.

Article 24-1

The competent authority may set up funds to assist in the development of local culture industries for local economic prosperity.

Article 25

For improvement of the operating efficiency and reinforcement of the competitiveness of small and medium enterprises, the competent authority may assist small and medium enterprises to jointly engage in activities such as production, marketing, procurement, transportation, cooperation in technology development, and research and development.

Article 26

The central competent authority may work jointly with relevant institutions, universities and colleges in the training of professionals in the fields of operation diagnosis and business administration so as to provide small and medium enterprises with guidance and services.

Article 27

The competent authorities may provide necessary assistance to various industrial associations or industrial and commercial organizations which have a dedicated service unit responsible for providing services to small and medium enterprises.

Article 28

For encouraging small and medium enterprises to manufacture quality and/or high value-added products or service, and to expand export market, the competent authority shall provide, in conjunction with institutions concerned, technical and marketing guidance and assist medium and small enterprises to participate in overseas exhibition, acquire market information, make joint advertising activities, trademark registration, patent application, or establish joint distribution warehouses abroad.

Where the plan of a small or medium enterprise for manufacturing quality and/or high value-added products or service planning has been evaluated and approved by the competent authority in conjunction with authorities concerned, the said small or medium enterprise may apply to the small and medium enterprise development fund to subsidize the expenses incurred in product and market developments.

Article 29

For upgrading the level of production skill of small and medium enterprises, the competent authority may entrust technical service institutions or retain technical experts to make research and development for new products or to acquire advanced technology for providing relevant guidance and services to various industries.

For transfer of new products or advanced technology, the competent authority may collect reasonable charges for amortization of costs incurred; If necessary, these charges may also be partly subsidized by the small and medium enterprise development fund.

Article 30

In order to assist small and medium enterprises for research and development, the competent authority may cooperate with appropriate technology research institutes in the establishment of institutes or places for exclusive use by small and medium enterprise conducting research , testing and development of technical skill and/or new products.

Small and medium enterprises may apply for use, by paying necessary charges, the equipment and facilities of the institutes or places set forth in the preceding to conduct experiment and research activities.

Article 31

The competent authority may, when it deems necessary, negotiate with public or private enterprises for appointment of their respective technical personnel, and support and assistance system to provide guidance in the fields of production skill or service know-how as required by small and medium enterprises.

Article 32

The central competent authority may establish or assist in the establishment of small and medium enterprise development companies to invest directly or indirectly in the small and medium enterprises having development potential and to provide consulting services and other relevant services in connection with domestic and/or overseas technical cooperation, market and product development or investment.

The central competent authority shall provide assistance to the institutes and juridical persons established for carrying out the activities specified in Article 4 of this Act.

The central competent authority may coordinate with the competent authority in charge of banking business under the Banking Act for approval of the participation of banks in the said small and medium enterprise development company so as to enable them to directly provide services referred to in the preceding paragraph.

The small and medium enterprise development fund may take part in the investment for capital formation of small and medium enterprise development companies.

The regulations governing the establishment and operation of the small and medium enterprise development companies and the standard and proportion of investment made by the small and medium enterprise development fund shall be stipulated by the Executive Yuan.

Chapter 4 Tax Remittance

Article 33

Where an investor provides a parcel of land in an industrial zone as his capital investment in a small or medium enterprise, and the said medium or small enterprise agrees to allow the investor to furnish the stock(s) of the said small or medium enterprise acquired by the said investor as the security for his payment of taxes, then the land value increment tax payable by the said investor may be paid in five equal installments in five consecutive years from the year in which the said parcel of land is committed to the investment.

The land to be invested under the preceding paragraph shall be used only by the said small or medium enterprise for its own. If the land is not used by the said small or medium enterprise for its own or is transferred to any other person, the outstanding land value increment tax shall be paid, in a lump sum, by the investor.

Article 34

Where a small or medium enterprise has moved, on account of any of the following causes, its factory or plant into an industrial zone, an industrial zone under an urban plan, or an industrial land designated in accordance with the act for Encouragement of Investment prior to the enforcement of this Act, the land value increment Tax payable on the sale or transfer of its original factory or plant site (land) shall be levied at the lowest tax rate:

1. Where the original factory land does not meet with the zoning requirements upon implementation of the urban planning or zoning plan;
2. Where the relocation of factory or plant is applied by the said small or medium enterprise and is approved by the competent authority due to the difficulties in making necessary improvement to meet with the requirements for pollution control, public safety or maintenance of natural landscape; and

3. Where the relocation of factory or plant implemented under the initiative assistance of the government.

Where the new factory land of a small or medium enterprise is transferred to another party (or other parties) within three years after the factory relocation made under the preceding paragraph, the reduced portion of land value increment tax reduced while assessing such tax on the original factory land sold or transferred prior to the factory relocation shall be assessed supplementarily in accordance with the act.

Article 35

This article is enacted to promote innovation and research and development of small and medium enterprises. A small and medium enterprise, by investing in research and development, may select to get the amount of tax credit up to 30% of the current year profit-seeking enterprise income tax payable between the following two methods. No change of the method is allowed once the choice is made.

1. Tax credit up to 15% of the research and development expenses, applied to the current year profit-seeking enterprise income tax payable.
2. Tax credit up to 10% of the research and development expenses, applied to the annual profit-seeking enterprise income tax payable for three years, starting from the current year.

For any instrument and equipment used for research and development, experiment or quality inspection purposes, if its service life is more than two years, the depreciation thereof may be accelerated by one half (1/2) of the number of years applicable as listed in the table of service life of fixed assets annexed to the Income Tax Act. Balance of service life in a length of less than one year after the depreciation acceleration shall not be taken into account.

The standards referred to the tax credit from investment in this Article, regarding scope, application deadline, application procedure, approving authority, applicable period, tax credit rate and other related matters shall be stipulated by the Executive Yuan.

Article 35-1

To promote circulation and application of innovation and R&D results, new shares of stock issued to a small and medium enterprise in exchange of its intellectual property rights, by an enterprise that is not listed in the Taiwan Stock Exchange, OTC, or the Emerging Stock Board, shall be excluded from the current year profit-seeking enterprise taxable income of the said small and medium enterprise.

New shares of stock issued to an individual in exchange of her (his) intellectual property rights, by an enterprise that is not listed in the Taiwan Stock Exchange, OTC, or the Emerging Stock Board, shall be excluded from the current year taxable consolidated income of the said individual.

When shares of stock mentioned in preceding Paragraph 1 and 2 are transferred through an actual transaction, stock gift, or inheritance, the total stock value shall be included in the current year taxable income of the recipient(s), calculated based on the actual transaction price or the fair market value of the stock at the time of the transfer, minus the related expenses or cost, incurred but not recognized yet, in obtaining the stock.

The above mentioned enterprise that issues new shares of stock to obtain intellectual property rights should report to the local tax authority within 30 days from the day after the date of the stock transfer. The said enterprise is subject to a 20% fine based on the actual transfer amount and required to resubmit the report with voucher(s) in required format if it fails to meet the reporting deadline, to report the fact, or to report with voucher(s) in required format.

In case the said small and medium enterprise or the individual who receive the shares of stock through intellectual property transfer is unable to provide the cost basis of the transfer for income calculation, a default 30% of the transaction price shall be applied to the cost basis of obtaining the stock.

Article 36

A small and medium-sized enterprise may retain and withhold from distributing a surplus earning in an amount not exceeding double the amount of its paid-in capital. In case the retained and undistributed earnings exceed the aforesaid limit, any additional surplus earning retained in each year thereafter shall be free from the restriction stipulated in the Income Tax Act after as profit seeking enterprise income tax at the rate of 10% has been surcharged.

The retain and withhold from distributing a surplus earning after 1998 until then, shall obey the Income Tax Acts, and not apply to the preceding paragraph.

Article 36-1

Small and medium enterprises development companies may raise the preparation to investment loss, under 20% of the investment amount, so as to compensate for actual loss. If there is no actual loss situation within 5 years, they shall turn the raising preparation to be the benefit of the 5th year.

When corporations calculate the clearing accounts income due to cancellation, rescission, revocation, merger, or transference with Article 75, of the Income Tax Act, the accumulate remaining amount from the investment loss preparation within the preceding paragraph, shall turn to be the benefit of the same year.

Article 36-2

This article is enacted to respond to changes in the international economic situation and promote the willingness of domestic small and medium enterprises to invest and raise the domestic employment rate. During the period when the Composite Leading Indicators are above certain levels, a newly created small and medium enterprise or an existing small and medium enterprise that commits certain amount of capital expansion, hires certain number of additional people and increases its aggregate gross salary payments, it can deduct up to 130% of the annual gross salary payments to the additional domestic hires from its current year profit-seeking enterprise income.

Of the additional domestic hires mentioned in the preceding Paragraph who are 24 years old or younger, the small and medium enterprise can deduct up to 150% of the annual gross salary payments to these young domestic hires from its current year profit-seeking enterprise income.

During the period when the Composite Leading Indicators are above certain levels, if a small and medium enterprise raises the average salary paid to the domestic junior employees, it can deduct up to 130% of the incremental annual gross salary payments, excluding statutory basic wage adjustment, to the junior employees from its current year profit-seeking enterprise income. However, the additional salary paid to the new hires shall not be deducted here as it has been used for tax benefit applied to the provisions in the preceding two Paragraphs.

During the applicable period of this Article, if the said small and medium enterprise fails to meet the preceding three key requirements in a year, it shall calculate its profit-seeking enterprise income and income tax payable based on the provisions of the Income Tax Act, starting from that year.

The standards referred to Paragraph 1, 2 and 3 of this Article, regarding levels of the Composite Leading Indicators, applicable period, investment amount, number and types of additional people hired, aggregate gross salary payments, the range of junior employees, calculation of the average salary paid, approving authority, application deadline, application procedure, and measures of other related matters, shall be stipulated by the central competent authority and the Ministry of Finance.

The amendment as stipulated in Paragraph 2, 3, 4 and 5 on December 18, 2015, shall be effective on January 1, 2016 until May 19, 2024. The proviso in Article 40 of the Act shall not be applied.

Article 36-3

In case a small and medium enterprise is qualified for the tax benefit of the same nature in the Act for Industrial Innovation, it can only select one Act for this tax benefit.

Chapter 5 Public Procurement Projects or Public Works

Article 37

Governments at various levels and government-owned enterprises shall assist small and medium enterprises to acquire business opportunities in making public announcements for procurement projects or construction of public works.

Article 38

For making public announcement for procurement projects, construction of public works or for entrustment of research and development tasks, government at various levels and government-owned enterprises shall, based on actual requirements, establish qualification requirement and registration system in respect of small and medium enterprises eligible for acting as a supplier or bidder.

Chapter 6 Supplementary Provisions

Article 39

The Executive Yuan may form a Small and Medium Enterprise Policy Deliberation Committee to be in charge of planning and reviewing the small and medium enterprise development policy. The organizational rules shall be stipulated by the Executive Yuan.

Article 40

This Statute shall come into force from the date of promulgation. However, Article 35, Article 35-1, and Article 36-2 come into force for 10 years from May 20, 2014.

APPENDIX B

Standards for Identifying Small and Medium Enterprises

Approved by Executive Yuan Order Tai (80) Jing #33054 on October 19, 1991.

Promulgated by Ministry of Economic Affairs Order Jing (80) Chi Tzu #059364 on November 25, 1991.

Revision approved by Executive Yuan Order Tai (84) Jing #32284 on September 4, 1995.

Revision promulgated by Ministry of Economic Affairs Order Jing (84) Chi Tzu #84029087 on September 27, 1995.

Revision approved by Executive Yuan Order Tai (89) Jing #10056 on April 8, 2000.

Revision promulgated by Ministry of Economic Affairs Order Jing (89) Chi Tzu #89340202 on May 3, 2000.

Revision approved by Executive Yuan Order Yuan Tai Jing #0940022741 on June 14, 2005.

Revision promulgated by Ministry of Economic Affairs Order Jing Chi Tzu #09400561550 on July 5, 2005.

Revision approved by Executive Yuan Order Yuan Tai Jing #0980048943 on August 17, 2009.

Revision promulgated by Ministry of Economic Affairs Order Jing Chi Tzu #09800639470 on September 2, 2009.

Revision approved by Executive Yuan Order Yuan Tai Jing #1040008378 on March 4, 2015.

Revision promulgated by Ministry of Economic Affairs Order Jing Chi Tzu #10404601530 on March 30, 2015.

Revision approved by Executive Yuan Order Yuan Tai Jing #1090015419 on June 11, 2020.

Revision promulgated by Ministry of Economic Affairs Order Jing Chi Tzu #10904602890 on June 24, 2020.

Article 1

The Standards have been drawn up in accordance with the provisions of Paragraph 2, Article 2 of the Small and Medium-sized Enterprise Development Statute (hereinafter referred to as the “Statute”).

Article 2

The term “Small and Medium-sized Enterprise (SME)” as referred to under the Standards shall mean an enterprise which has completed company registration or business registration in accordance with relevant laws, and whose paid-in capital is no more than NT\$100 million, or which hires fewer than 200 regular employees.

Article 3

The term “small-scale enterprise” as used in Paragraph 2, Article 4 of the Statute shall mean a SME with less than 5 regular employees.

Article 4

Deleted

Article 5

The number of regular employees under the Standards refers to the average monthly number of insured employees that an enterprise has registered with the Bureau of Labor Insurance, Ministry of Labor in the most recent 12 months.

Article 6

An enterprise shall be deemed to be a SME if any of the following is applicable:

1. In the case of a SME which has received guidance for expansion, where after expansion the size of the enterprise exceeds the standards listed in Article 2, such enterprise shall continue to be deemed to be a SME for two years immediately after the date of expansion.
2. In the case of a SME which has received guidance for merger, where after the merger the size of the enterprise exceeds the standards listed in Article 2, such enterprise shall continue to be deemed to be a SME for three years immediately after the date of the merger.
3. Where a guidance agency, guidance system or relevant agency undertakes the provision of collective guidance for SMEs in a given industry, if some of the enterprises exceed the standards listed in Article 2, and if the guidance agency, guidance system or relevant agency determines that there is good reason for providing joint guidance, such enterprises shall be deemed to be SMEs during the period of collective guidance.

Article 7

The Standards shall come into effect on the date of promulgation.

APPENDIX C

SME Statistics by Industry

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Table C-1 Number of SMEs by Industry, 2017-2019

Unit: Enterprises; %

Enterprise size		Total (1)	SMEs (2)	(2)/(1)	Share
Industry / year					
Total	2017	1,471,433	1,437,616	97.70	100.00
	2018	1,501,642	1,466,209	97.64	100.00
	2019	1,527,272	1,491,420	97.65	100.00
Agriculture, Forestry, Fishing and Animal Husbandry	2017	11,972	11,899	99.39	0.83
	2018	11,366	11,288	99.31	0.77
	2019	11,409	11,328	99.29	0.76
Mining and Quarrying	2017	1,108	1,079	97.38	0.08
	2018	1,093	1,064	97.35	0.07
	2019	1,051	1,024	97.43	0.07
Manufacturing	2017	149,322	143,429	96.05	9.98
	2018	149,821	143,853	96.02	9.81
	2019	149,769	143,699	95.95	9.64
Electricity and Gas Supply	2017	1,195	1,055	88.28	0.07
	2018	1,480	1,322	89.32	0.09
	2019	1,781	1,616	90.74	0.11
Water Supply and Remediation Activities	2017	7,603	7,268	95.59	0.51
	2018	7,740	7,383	95.39	0.50
	2019	7,885	7,543	95.66	0.51
Construction	2017	126,131	124,897	99.02	8.69
	2018	129,904	128,646	99.03	8.77
	2019	134,242	132,951	99.04	8.91
Wholesale and Retail Trade	2017	706,784	689,038	97.49	47.93
	2018	711,534	693,019	97.40	47.27
	2019	714,996	696,666	97.44	46.71
Transportation and Storage	2017	33,111	31,979	96.58	2.22
	2018	33,654	32,443	96.40	2.21
	2019	34,303	33,055	96.36	2.22
Accommodation and Food Service Activities	2017	157,969	157,388	99.63	10.95
	2018	164,237	163,617	99.62	11.16
	2019	168,775	168,112	99.61	11.27

Table C-1 Number of SMEs by Industry, 2017-2019 (Continued)

Unit: Enterprises; %

Enterprise size		Total (1)	SMEs (2)	(2)/(1)	Share
Industry / year					
Information and Communication	2017	21,612	20,808	96.28	1.45
	2018	22,861	21,982	96.16	1.50
	2019	24,234	23,325	96.25	1.56
Financial and Insurance Activities	2017	19,931	17,372	87.16	1.21
	2018	20,666	17,964	86.93	1.23
	2019	21,240	18,485	87.03	1.24
Real Estate Activities	2017	37,515	35,973	95.89	2.50
	2018	38,948	37,171	95.44	2.54
	2019	40,958	38,945	95.09	2.61
Professional, Scientific and Technical Activities	2017	49,205	48,397	98.36	3.37
	2018	51,439	50,554	98.28	3.45
	2019	53,674	52,751	98.28	3.54
Support Service Activities	2017	31,644	31,097	98.27	2.16
	2018	32,568	31,999	98.25	2.18
	2019	33,202	32,607	98.21	2.19
Education	2017	2,797	2,780	99.39	0.19
	2018	3,824	3,798	99.32	0.26
	2019	4,401	4,378	99.48	0.29
Human Health and Social Work Activities	2017	1,027	1,007	98.05	0.07
	2018	1,113	1,090	97.93	0.07
	2019	1,219	1,200	98.44	0.08
Arts, Entertainment and Recreation	2017	27,891	27,733	99.43	1.93
	2018	32,909	32,742	99.49	2.23
	2019	35,963	35,777	99.48	2.40
Other Service Activities	2017	84,616	84,417	99.76	5.87
	2018	86,485	86,274	99.76	5.88
	2019	88,170	87,958	99.76	5.90

Note:

1. Since 2017, the industries are classified according to the 10th revision of Industry Classification Standard by Directorate-General of Budget, Accounting and Statistics (DGBAS).
2. The term "SME" shall mean an enterprise which conforms to the following standards: (1) the enterprise is an enterprise in the manufacturing, construction, mining and quarrying industry with paid-in capital of NT\$80 million or less; (2) the enterprise is an enterprise in the industry other than any of those mentioned above and had its sales revenue of NT\$100 million or less in the previous year, according to the Standards for Identifying Small and Medium Enterprises revised by the MOEA in 2015.

Source: Fiscal Information Agency, Ministry of Finance, Value-Added Business Tax (VAT) data, 2017-2019.

Table C-2 Total Sales Value of SMEs by Industry, 2017-2019

Unit: Million NT\$, %

Enterprise size		Total (1)	SMEs (2)	(2)/(1)	Share
Industry / year					
Total	2017	40,169,099	12,139,513	30.22	100.00
	2018	42,663,539	12,624,472	29.59	100.00
	2019	42,979,088	12,712,963	29.58	100.00
Agriculture, Forestry, Fishing and Animal Husbandry	2017	53,668	27,489	51.22	0.23
	2018	52,573	28,824	54.83	0.23
	2019	57,150	29,894	52.31	0.24
Mining and Quarrying	2017	43,454	29,301	67.43	0.24
	2018	49,436	32,180	65.09	0.25
	2019	51,919	32,650	62.89	0.26
Manufacturing	2017	14,506,053	4,279,857	29.50	35.26
	2018	15,335,930	4,456,814	29.06	35.30
	2019	14,965,278	4,286,228	28.64	33.72
Electricity and Gas Supply	2017	843,161	7,316	0.87	0.06
	2018	910,487	8,468	0.93	0.07
	2019	942,016	11,651	1.24	0.09
Water Supply and Remediation Activities	2017	208,564	60,108	28.82	0.50
	2018	213,825	62,684	29.32	0.50
	2019	202,917	62,625	30.86	0.49
Construction	2017	2,133,675	1,412,521	66.20	11.64
	2018	2,326,984	1,527,771	65.65	12.10
	2019	2,466,735	1,626,093	65.92	12.79
Wholesale and Retail Trade	2017	14,386,521	4,397,080	30.56	36.22
	2018	15,076,833	4,475,925	29.69	35.45
	2019	15,204,412	4,516,661	29.71	35.53
Transportation and Storage	2017	1,215,870	278,330	22.89	2.29
	2018	1,272,112	287,676	22.61	2.28
	2019	1,276,839	294,890	23.10	2.32
Accommodation and Food Service Activities	2017	655,114	468,385	71.50	3.86
	2018	692,988	491,310	70.90	3.89
	2019	727,711	519,165	71.34	4.08

Table C-2 Total Sales Value of SMEs by Industry, 2017-2019 (Continued)

Unit: Million NT\$, %

Enterprise size		Total (1)	SMEs (2)	(2)/(1)	Share
Industry / year					
Information and Communication	2017	1,093,203	126,785	11.60	1.04
	2018	1,238,943	133,616	10.78	1.06
	2019	1,279,890	144,257	11.27	1.13
Financial and Insurance Activities	2017	2,243,145	212,859	9.49	1.75
	2018	2,512,536	216,723	8.63	1.72
	2019	2,589,055	215,718	8.33	1.70
Real Estate Activities	2017	1,162,729	256,316	22.04	2.11
	2018	1,241,823	275,209	22.16	2.18
	2019	1,443,152	306,612	21.25	2.41
Professional, Scientific and Technical Activities	2017	713,679	224,259	31.42	1.85
	2018	776,800	239,899	30.88	1.90
	2019	779,123	257,143	33.00	2.02
Support Service Activities	2017	524,944	152,811	29.11	1.26
	2018	547,973	164,385	30.00	1.30
	2019	557,659	172,493	30.93	1.36
Education	2017	16,838	12,397	73.62	0.10
	2018	20,318	14,989	73.77	0.12
	2019	22,098	17,051	77.16	0.13
Human Health and Social Work Activities	2017	28,190	5,747	20.39	0.05
	2018	31,580	7,167	22.69	0.06
	2019	33,171	8,002	24.12	0.06
Arts, Entertainment and Recreation	2017	102,069	59,514	58.31	0.49
	2018	111,531	68,591	61.50	0.54
	2019	122,250	74,412	60.87	0.59
Other Service Activities	2017	238,221	128,437	53.92	1.06
	2018	250,866	132,240	52.71	1.05
	2019	257,712	137,417	53.32	1.08

Note and source: See Table C-1.

Table C-3 Domestic Sales Value of SMEs by Industry, 2017-2019

Unit: Million NT\$, %

Enterprise size		Total (1)	SMEs (2)	(2)/(1)	Share
Industry / year					
Total	2017	30,172,981	10,717,138	35.52	100.00
	2018	32,043,842	11,171,567	34.86	100.00
	2019	32,443,572	11,299,248	34.83	100.00
Agriculture, Forestry, Fishing and Animal Husbandry	2017	46,367	23,704	51.12	0.22
	2018	45,962	25,849	56.24	0.23
	2019	49,857	26,387	52.92	0.23
Mining and Quarrying	2017	42,865	29,043	67.75	0.27
	2018	48,821	31,878	65.29	0.29
	2019	51,656	32,389	62.70	0.29
Manufacturing	2017	7,690,831	3,299,999	42.91	30.79
	2018	8,076,468	3,450,250	42.72	30.88
	2019	7,804,553	3,312,344	42.44	29.31
Electricity and Gas Supply	2017	828,879	7,216	0.87	0.07
	2018	887,756	8,400	0.95	0.08
	2019	918,863	11,582	1.26	0.10
Water Supply and Remediation Activities	2017	198,012	58,531	29.56	0.55
	2018	200,552	60,991	30.41	0.55
	2019	191,298	61,104	31.94	0.54
Construction	2017	2,082,614	1,399,285	67.19	13.06
	2018	2,276,091	1,514,362	66.53	13.56
	2019	2,412,440	1,614,963	66.94	14.29
Wholesale and Retail Trade	2017	11,948,763	4,003,967	33.51	37.36
	2018	12,503,618	4,083,156	32.66	36.55
	2019	12,578,926	4,131,419	32.84	36.56
Transportation and Storage	2017	854,493	270,222	31.62	2.52
	2018	907,016	279,158	30.78	2.50
	2019	939,022	286,605	30.52	2.54
Accommodation and Food Service Activities	2017	653,345	468,193	71.66	4.37
	2018	690,769	491,033	71.08	4.40
	2019	724,407	518,875	71.63	4.59

Table C-3 Domestic Sales Value of SMEs by Industry, 2017-2019 (Continued)

Unit: Million NT\$, %

Enterprise size		Total (1)	SMEs (2)	(2)/(1)	Share
Industry / year					
Information and Communication	2017	977,871	117,301	12.00	1.09
	2018	1,117,791	121,978	10.91	1.09
	2019	1,145,764	130,640	11.40	1.16
Financial and Insurance Activities	2017	2,234,380	212,026	9.49	1.98
	2018	2,504,640	215,497	8.60	1.93
	2019	2,577,405	214,611	8.33	1.90
Real Estate Activities	2017	1,159,810	255,444	22.02	2.38
	2018	1,238,711	274,221	22.14	2.45
	2019	1,440,073	305,650	21.22	2.71
Professional, Scientific and Technical Activities	2017	563,570	214,978	38.15	2.01
	2018	606,409	229,478	37.84	2.05
	2019	640,958	246,287	38.42	2.18
Support Service Activities	2017	517,979	151,714	29.29	1.42
	2018	540,564	163,022	30.16	1.46
	2019	544,854	170,541	31.30	1.51
Education	2017	16,750	12,340	73.67	0.12
	2018	20,170	14,885	73.80	0.13
	2019	21,981	16,961	77.16	0.15
Human Health and Social Work Activities	2017	27,960	5,683	20.33	0.05
	2018	30,846	7,078	22.95	0.06
	2019	32,492	7,867	24.21	0.07
Arts, Entertainment and Recreation	2017	101,603	59,324	58.39	0.55
	2018	111,055	68,361	61.56	0.61
	2019	121,392	74,019	60.97	0.66
Other Service Activities	2017	226,890	128,168	56.49	1.20
	2018	236,600	131,970	55.78	1.18
	2019	247,630	137,004	55.33	1.21

Note and source: See Table C-1.

Table C-4 Export Sales Value of SMEs by Industry, 2017-2019

Unit: Million NT\$, %

Enterprise size		Total (1)	SMEs (2)	(2)/(1)	Share
Industry / year					
Total	2017	9,996,119	1,422,375	14.23	100.00
	2018	10,619,697	1,452,905	13.68	100.00
	2019	10,535,516	1,413,715	13.42	100.00
Agriculture, Forestry, Fishing and Animal Husbandry	2017	7,301	3,785	51.84	0.27
	2018	6,611	2,975	45.00	0.20
	2019	7,292	3,507	48.09	0.25
Mining and Quarrying	2017	590	259	43.86	0.02
	2018	615	302	49.11	0.02
	2019	263	262	99.31	0.02
Manufacturing	2017	6,815,222	979,858	14.38	68.89
	2018	7,259,463	1,006,563	13.87	69.28
	2019	7,160,725	973,884	13.60	68.89
Electricity and Gas Supply	2017	14,282	100	0.70	0.01
	2018	22,731	69	0.30	0.00
	2019	23,153	69	0.30	0.00
Water Supply and Remediation Activities	2017	10,553	1,577	14.94	0.11
	2018	13,273	1,693	12.76	0.12
	2019	11,619	1,520	13.09	0.11
Construction	2017	51,061	13,236	25.92	0.93
	2018	50,893	13,410	26.35	0.92
	2019	54,295	11,130	20.50	0.79
Wholesale and Retail Trade	2017	2,437,758	393,113	16.13	27.64
	2018	2,573,215	392,770	15.26	27.03
	2019	2,625,485	385,242	14.67	27.25
Transportation and Storage	2017	361,376	8,108	2.24	0.57
	2018	365,096	8,518	2.33	0.59
	2019	337,817	8,285	2.45	0.59
Accommodation and Food Service Activities	2017	1,769	192	10.85	0.01
	2018	2,219	277	12.48	0.02
	2019	3,304	290	8.78	0.02

Table C-4 Export Sales Value of SMEs by Industry, 2017-2019 (Continued)

Unit: Million NT\$, %

Enterprise size		Total (1)	SMEs (2)	(2)/(1)	Share
Industry / year					
Information and Communication	2017	115,332	9,484	8.22	0.67
	2018	121,152	11,638	9.61	0.80
	2019	134,126	13,617	10.15	0.96
Financial and Insurance Activities	2017	8,765	833	9.50	0.06
	2018	7,895	1,225	15.52	0.08
	2019	11,650	1,107	9.51	0.08
Real Estate Activities	2017	2,919	872	29.86	0.06
	2018	3,112	988	31.75	0.07
	2019	3,080	962	31.22	0.07
Professional, Scientific and Technical Activities	2017	150,109	9,281	6.18	0.65
	2018	170,390	10,421	6.12	0.72
	2019	138,165	10,856	7.86	0.77
Support Service Activities	2017	6,965	1,097	15.75	0.08
	2018	7,409	1,363	18.40	0.09
	2019	12,805	1,952	15.24	0.14
Education	2017	88	57	64.68	0.00
	2018	148	104	70.44	0.01
	2019	117	90	76.77	0.01
Human Health and Social Work Activities	2017	231	64	27.60	0.00
	2018	734	89	12.11	0.01
	2019	679	135	19.84	0.01
Arts, Entertainment and Recreation	2017	467	191	40.86	0.01
	2018	476	230	48.29	0.02
	2019	858	393	45.86	0.03
Other Service Activities	2017	11,330	269	2.37	0.02
	2018	14,266	270	1.89	0.02
	2019	10,082	412	4.09	0.03

Note and source: See Table C-1.

Table C-5 Number of SME Employees by Industry, 2017-2019

Unit: Thousand persons; %

Enterprise size Industry / year		Total (1)	SMEs (2)	Unit: Thousand persons; %	
				(2)/(1)	Share
Total	2017	11,352	8,904	78.44	100.00
	2018	11,434	8,965	78.41	100.00
	2019	11,500	9,054	78.73	100.00
Agriculture, Forestry, Fishing and Animal Husbandry	2017	557	551	99.09	6.19
	2018	561	556	99.13	6.20
	2019	559	554	99.10	6.12
Mining and Quarrying	2017	4	3	88.69	0.03
	2018	4	3	81.63	0.04
	2019	4	3	78.44	0.04
Manufacturing	2017	3,045	2,218	72.83	24.91
	2018	3,064	2,212	72.18	24.67
	2019	3,066	2,216	72.28	24.47
Electricity and Gas Supply	2017	30	5	15.37	0.06
	2018	30	4	14.47	0.05
	2019	31	3	9.08	0.03
Water Supply and Remediation Activities	2017	82	35	42.28	0.39
	2018	81	34	41.98	0.38
	2019	84	34	40.84	0.38
Construction	2017	901	886	98.28	9.95
	2018	904	890	98.41	9.93
	2019	907	893	98.40	9.86
Wholesale and Retail Trade	2017	1,875	1,801	96.05	20.23
	2018	1,901	1,825	96.03	20.36
	2019	1,915	1,846	96.39	20.38
Transportation and Storage	2017	443	315	71.07	3.54
	2018	446	320	71.84	3.57
	2019	450	329	73.18	3.64
Accommodation and Food Service Activities	2017	832	810	97.29	9.10
	2018	838	814	97.16	9.08
	2019	848	826	97.43	9.12

Table C-5 Number of SME Employees by Industry, 2017-2019 (Continued)

Unit: Thousand persons; %

Enterprise size		Total (1)	SMEs (2)	(2)/(1)	Share
Industry / year					
Information and Communication	2017	253	187	73.80	2.10
	2018	258	193	74.68	2.15
	2019	262	200	76.08	2.20
Financial and Insurance Activities	2017	429	330	76.95	3.71
	2018	432	334	77.15	3.72
	2019	434	343	78.97	3.79
Real Estate Activities	2017	103	100	97.19	1.12
	2018	106	101	95.55	1.13
	2019	108	103	94.96	1.13
Professional, Scientific and Technical Activities	2017	372	298	80.26	3.35
	2018	374	297	79.41	3.31
	2019	377	299	79.46	3.31
Support Service Activities	2017	292	267	91.22	3.00
	2018	296	269	91.07	3.00
	2019	297	272	91.42	3.00
Public Administration and Defense; Compulsory Social Security	2017	373	0	0.07	0.00
	2018	367	1	0.14	0.01
	2019	368	1	0.20	0.01
Education	2017	652	239	36.62	2.68
	2018	653	247	37.80	2.75
	2019	657	257	39.08	2.83
Human Health and Social Work Activities	2017	451	230	51.05	2.58
	2018	456	230	50.51	2.57
	2019	461	231	50.10	2.55
Arts, Entertainment and Recreation	2017	106	85	80.78	0.95
	2018	110	88	80.06	0.98
	2019	115	94	81.77	1.04
Other Service Activities	2017	551	543	98.59	6.10
	2018	554	547	98.88	6.11
	2019	557	551	98.95	6.09

Note:

1. Since 2017, the industries are classified according to the 10th revision of Industry Classification Standard by Directorate-General of Budget, Accounting and Statistics (DGBAS).
2. The term "SME" shall mean an enterprise which conforms to the following standards: (1) the enterprise is an enterprise in the manufacturing, construction, mining and quarrying industry with less than 200 regular employees; (2) the enterprise is an enterprise in the industry other than any of those mentioned above and with less than 100 regular employees, according to the Standards for Identifying Small and Medium Enterprises revised by the MOEA in 2015.
3. Employment indicates employed persons, including employers, own-account workers, paid employees and unpaid family workers.
4. "0" represents zero or less than one unit (1,000 persons); "-" represents no data available.

Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2017-2019.

Table C-6 Number of Paid SME Employees by Industry, 2017-2019

Unit: Thousand persons; %

Enterprise size		Total (1)	SMEs (2)	(2)/(1)	Share
Industry / year					
Total	2017	9,006	6,560	72.84	100.00
	2018	9,083	6,616	72.84	100.00
	2019	9,147	6,702	73.27	100.00
Agriculture, Forestry, Fishing and Animal Husbandry	2017	92	87	94.57	1.33
	2018	92	87	94.69	1.32
	2019	94	89	94.76	1.33
Mining and Quarrying	2017	4	3	88.16	0.05
	2018	4	3	81.47	0.05
	2019	4	3	77.99	0.05
Manufacturing	2017	2,802	1,975	70.49	30.11
	2018	2,828	1,976	69.88	29.87
	2019	2,840	1,990	70.09	29.70
Electricity and Gas Supply	2017	30	4	14.42	0.06
	2018	30	4	13.33	0.06
	2019	31	3	8.55	0.04
Water Supply and Remediation Activities	2017	75	28	37.03	0.43
	2018	74	27	36.54	0.41
	2019	77	28	36.00	0.42
Construction	2017	756	740	97.95	11.28
	2018	754	740	98.10	11.19
	2019	757	742	98.08	11.07
Wholesale and Retail Trade	2017	1,186	1,111	93.75	16.94
	2018	1,200	1,124	93.72	16.99
	2019	1,223	1,154	94.34	17.22
Transportation and Storage	2017	364	236	64.85	3.60
	2018	365	240	65.65	3.62
	2019	360	239	66.46	3.57
Accommodation and Food Service Activities	2017	539	516	95.83	7.87
	2018	548	524	95.69	7.92
	2019	555	534	96.11	7.96

Table C-6 Number of Paid SME Employees by Industry, 2017-2019 (Continued)

Units: Thousand persons; %

Enterprise size		Total (1)	SMEs (2)	(2)/(1)	Share
Industry / year					
Information and Communication	2017	239	173	72.31	2.64
	2018	246	180	73.47	2.73
	2019	248	185	74.72	2.76
Financial and Insurance Activities	2017	426	327	76.82	4.98
	2018	427	329	76.93	4.97
	2019	428	336	78.65	5.02
Real Estate Activities	2017	93	90	96.89	1.37
	2018	95	90	95.04	1.37
	2019	96	91	94.34	1.35
Professional, Scientific and Technical Activities	2017	299	226	75.50	3.45
	2018	305	228	74.84	3.45
	2019	306	229	74.78	3.42
Support Service Activities	2017	270	244	90.52	3.72
	2018	274	247	90.40	3.74
	2019	274	249	90.77	3.71
Public Administration and Defense; Compulsory Social Security	2017	373	-	0.07	0.00
	2018	367	1	0.14	0.01
	2019	368	1	0.20	0.01
Education	2017	621	208	33.43	3.17
	2018	621	215	34.62	3.25
	2019	625	225	35.98	3.35
Human Health and Social Work Activities	2017	421	201	47.68	3.06
	2018	429	203	47.33	3.07
	2019	439	209	47.55	3.11
Arts, Entertainment and Recreation	2017	85	65	76.12	0.99
	2018	89	67	75.50	1.02
	2019	90	69	76.85	1.04
Other Service Activities	2017	334	326	97.68	4.97
	2018	335	329	98.18	4.97
	2019	333	327	98.24	4.88

Note and source: See Table C-5.

Table C-7 Number and Sales Performance of Newly-established SMEs by Industry, 2019

Unit: Enterprises; million NT\$, %

Industry	Enterprise size	Total (1)	SMEs (2)		
				(2)/(1)	Share
Number of enterprises					
Total		100,681	100,497	99.82	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		696	696	100.00	0.69
Mining and Quarrying		31	30	96.77	0.03
Manufacturing		4,392	4,344	98.91	4.32
Electricity and Gas Supply		316	315	99.68	0.31
Water Supply and Remediation Activities		447	441	98.66	0.44
Construction		9,642	9,555	99.10	9.51
Wholesale and Retail Trade		39,626	39,617	99.98	39.42
Transportation and Storage		1,773	1,769	99.77	1.76
Accommodation and Food Service Activities		17,707	17,701	99.97	17.61
Information and Communication		2,685	2,679	99.78	2.67
Financial and Insurance Activities		1,023	1,015	99.22	1.01
Real Estate Activities		3,444	3,438	99.83	3.42
Professional, Scientific and Technical Activities		4,806	4,805	99.98	4.78
Support Service Activities		2,355	2,355	100.00	2.34
Education		745	745	100.00	0.74
Human Health and Social Work Activities		176	176	100.00	0.18
Arts, Entertainment and Recreation		5,228	5,227	99.98	5.20
Other Service Activities		5,589	5,589	100.00	5.56
Total sales					
Total		263,221	207,602	78.87	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		478	478	100.00	0.23
Mining and Quarrying		285	285	100.00	0.14
Manufacturing		58,084	40,302	69.39	19.41
Electricity and Gas Supply		705	516	73.10	0.25
Water Supply and Remediation Activities		721	721	100.00	0.35
Construction		24,978	23,500	94.08	11.32
Wholesale and Retail Trade		108,378	80,618	74.39	38.83
Transportation and Storage		5,701	4,163	73.03	2.01
Accommodation and Food Service Activities		25,126	24,120	96.00	11.62
Information and Communication		8,899	7,152	80.37	3.44
Financial and Insurance Activities		2,925	1,382	47.26	0.67
Real Estate Activities		7,318	5,861	80.09	2.82
Professional, Scientific and Technical Activities		7,561	6,748	89.25	3.25
Support Service Activities		3,377	3,264	96.67	1.57
Education		829	829	100.00	0.40
Human Health and Social Work Activities		247	247	100.00	0.12
Arts, Entertainment and Recreation		4,359	4,165	95.56	2.01
Other Service Activities		3,251	3,251	100.00	1.57

Table C-7 Number and Sales Performance of Newly-established SMEs by Industry, 2019
(Continued)

Unit: Million NTS; %

Industry	Enterprise size	Total (1)	SMEs (2)		
				(2)/(1)	Share
Domestic sales					
Total		224,479	184,814	82.33	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		419	419	100.00	0.23
Mining and Quarrying		285	285	100.00	0.15
Manufacturing		30,998	24,312	78.43	13.16
Electricity and Gas Supply		704	514	73.05	0.28
Water Supply and Remediation Activities		710	710	100.00	0.38
Construction		24,467	23,449	95.84	12.69
Wholesale and Retail Trade		99,569	75,673	76.00	40.95
Transportation and Storage		5,044	4,026	79.83	2.18
Accommodation and Food Service Activities		25,122	24,117	96.00	13.05
Information and Communication		7,880	6,133	77.83	3.32
Financial and Insurance Activities		2,882	1,352	46.90	0.73
Real Estate Activities		7,259	5,802	79.93	3.14
Professional, Scientific and Technical Activities		7,107	6,295	88.57	3.41
Support Service Activities		3,348	3,236	96.65	1.75
Education		828	828	100.00	0.45
Human Health and Social Work Activities		247	247	100.00	0.13
Arts, Entertainment and Recreation		4,357	4,164	95.56	2.25
Other Service Activities		3,251	3,251	100.00	1.76
Export sales					
Total		38,742	22,788	58.82	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		59	59	100.00	0.26
Mining and Quarrying		0	0	-	0.00
Manufacturing		27,086	15,990	59.03	70.17
Electricity and Gas Supply		2	2	100.00	0.01
Water Supply and Remediation Activities		11	11	100.00	0.05
Construction		511	50	9.79	0.22
Wholesale and Retail Trade		8,809	4,944	56.13	21.70
Transportation and Storage		657	137	20.86	0.60
Accommodation and Food Service Activities		3	3	100.00	0.01
Information and Communication		1,019	1,019	100.00	4.47
Financial and Insurance Activities		42	31	72.33	0.13
Real Estate Activities		59	59	100.00	0.26
Professional, Scientific and Technical Activities		453	453	100.00	1.99
Support Service Activities		28	28	100.00	0.12
Education		1	1	100.00	0.00
Human Health and Social Work Activities		0	0	-	0.00
Arts, Entertainment and Recreation		1	1	100.00	0.01
Other Service Activities		1	1	100.00	0.00

Note: "0" represents zero or less than one unit (a million NTS).

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

Table C-8 Number and Sales Performance of SMEs by Sex of Business Owner and Industry, 2019

Unit: Enterprises; million NT\$, %

Industry	Sex of business owner	Total	Female-owned enterprises		Male-owned enterprises	
			Share	Share	Share	Share
Number of enterprises						
Total		1,475,708	543,535	100.00	932,173	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		11,318	2,805	0.52	8,513	0.91
Mining and Quarrying		1,019	244	0.04	775	0.08
Manufacturing		142,713	40,807	7.51	101,906	10.93
Electricity and Gas Supply		1,554	422	0.08	1,132	0.12
Water Supply and Remediation Activities		7,524	2,240	0.41	5,284	0.57
Construction		132,715	33,464	6.16	99,251	10.65
Wholesale and Retail Trade		688,562	266,007	48.94	422,555	45.33
Transportation and Storage		32,341	8,904	1.64	23,437	2.51
Accommodation and Food Service Activities		166,839	77,456	14.25	89,383	9.59
Information and Communication		22,288	6,588	1.21	15,700	1.68
Financial and Insurance Activities		18,057	6,304	1.16	11,753	1.26
Real Estate Activities		38,501	11,884	2.19	26,617	2.86
Professional, Scientific and Technical Activities		51,327	19,134	3.52	32,193	3.45
Support Service Activities		32,341	12,497	2.30	19,844	2.13
Education		4,242	1,973	0.36	2,269	0.24
Human Health and Social Work Activities		1,185	486	0.09	699	0.07
Arts, Entertainment and Recreation		35,528	11,943	2.20	23,585	2.53
Other Service Activities		87,654	40,377	7.43	47,277	5.07
Total sales						
Total		12,245,416	3,175,311	100.00	9,070,104	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		29,743	7,413	0.23	22,330	0.25
Mining and Quarrying		32,369	5,651	0.18	26,718	0.29
Manufacturing		4,020,773	733,451	23.10	3,287,322	36.24
Electricity and Gas Supply		11,149	3,249	0.10	7,900	0.09
Water Supply and Remediation Activities		62,496	18,957	0.60	43,538	0.48
Construction		1,584,280	415,301	13.08	1,168,979	12.89
Wholesale and Retail Trade		4,412,975	1,321,945	41.63	3,091,030	34.08
Transportation and Storage		290,162	84,191	2.65	205,971	2.27
Accommodation and Food Service Activities		506,651	186,298	5.87	320,352	3.53
Information and Communication		132,800	33,202	1.05	99,598	1.10
Financial and Insurance Activities		213,003	69,915	2.20	143,089	1.58
Real Estate Activities		303,876	78,986	2.49	224,890	2.48
Professional, Scientific and Technical Activities		245,040	77,848	2.45	167,193	1.84
Support Service Activities		168,797	58,395	1.84	110,402	1.22
Education		16,034	4,936	0.16	11,098	0.12
Human Health and Social Work Activities		7,728	5,306	0.17	2,422	0.03
Arts, Entertainment and Recreation		71,544	20,167	0.64	51,377	0.57
Other Service Activities		135,996	50,100	1.58	85,896	0.95

Table C-8 Number and Sales Performance of SMEs by Sex of Business Owner and Industry, 2019 (Continued)

Unit: Enterprises; million NT\$; %

Industry	Sex of business owner	Total	Female-owned enterprises		Male-owned enterprises	
			Share	Share	Share	Share
Domestic sales						
Total		10,991,081	2,907,781	100.00	8,083,300	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		26,318	6,551	0.23	19,767	0.24
Mining and Quarrying		32,273	5,621	0.19	26,652	0.33
Manufacturing		3,176,445	597,370	20.54	2,579,076	31.91
Electricity and Gas Supply		11,129	3,239	0.11	7,890	0.10
Water Supply and Remediation Activities		61,005	18,271	0.63	42,735	0.53
Construction		1,577,880	414,108	14.24	1,163,772	14.40
Wholesale and Retail Trade		4,045,303	1,201,879	41.33	2,843,424	35.18
Transportation and Storage		283,094	82,213	2.83	200,881	2.49
Accommodation and Food Service Activities		506,386	186,244	6.41	320,142	3.96
Information and Communication		122,181	30,569	1.05	91,612	1.13
Financial and Insurance Activities		211,953	69,462	2.39	142,491	1.76
Real Estate Activities		302,956	78,736	2.71	224,220	2.77
Professional, Scientific and Technical Activities		236,678	75,493	2.60	161,184	1.99
Support Service Activities		167,080	57,823	1.99	109,257	1.35
Education		15,948	4,895	0.17	11,053	0.14
Human Health and Social Work Activities		7,664	5,302	0.18	2,362	0.03
Arts, Entertainment and Recreation		71,161	20,000	0.69	51,161	0.63
Other Service Activities		135,627	50,006	1.72	85,621	1.06
Export sales						
Total		1,254,334	267,530	100.00	986,804	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		3,425	862	0.32	2,563	0.26
Mining and Quarrying		96	30	0.01	66	0.01
Manufacturing		844,327	136,081	50.87	708,246	71.77
Electricity and Gas Supply		20	10	0.00	10	0.00
Water Supply and Remediation Activities		1,490	686	0.26	804	0.08
Construction		6,400	1,193	0.45	5,207	0.53
Wholesale and Retail Trade		367,672	120,066	44.88	247,607	25.09
Transportation and Storage		7,068	1,978	0.74	5,090	0.52
Accommodation and Food Service Activities		265	55	0.02	210	0.02
Information and Communication		10,618	2,633	0.98	7,986	0.81
Financial and Insurance Activities		1,050	453	0.17	597	0.06
Real Estate Activities		920	251	0.09	669	0.07
Professional, Scientific and Technical Activities		8,362	2,354	0.88	6,008	0.61
Support Service Activities		1,717	572	0.21	1,145	0.12
Education		86	41	0.02	44	0.00
Human Health and Social Work Activities		64	4	0.00	60	0.01
Arts, Entertainment and Recreation		383	167	0.06	216	0.02
Other Service Activities		369	94	0.04	275	0.03

Note:

1. Whether an enterprise should be classified as male-owned or female-owned was determined using the registered identity of the business owner.
2. The totals given in this table do not conform to those given in Table C-1-C-4 because some enterprises are registered as being owned by other enterprises or by foreigners; these enterprises were excluded from the data used in this table; data from male- and female-owned enterprises are included in total.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2019.

Table C-9 Export Sales Value of SMEs by Manufacturing Industry, 2017-2019

Unit: Million NT\$, %

Industry	Indicator / year	Export sales			Share of total		
		2017	2018	2019	2017	2018	2019
Total		979,858	1,006,563	973,884	100.00	100.00	100.00
Food Products and Prepared Animal Feeds Manufacturing		10,250	10,820	12,577	1.05	1.07	1.29
Beverages Manufacturing		452	530	544	0.05	0.05	0.06
Tobacco Products Manufacturing		*	*	*	*	*	*
Textiles Manufacturing		22,602	21,948	22,145	2.31	2.18	2.27
Wearing Apparel and Clothing Accessories		10,736	9,753	8,804	1.10	0.97	0.90
Leather, Fur and Related Products		8,339	7,418	7,769	0.85	0.74	0.80
Wood and of Products of Wood and Bamboo		2,906	2,322	2,675	0.30	0.23	0.27
Paper and Paper Products		7,107	5,985	5,873	0.73	0.59	0.60
Printing and Reproduction of Recorded Media		3,826	4,158	4,328	0.39	0.41	0.44
Petroleum and Coal Products Manufacturing		146	154	404	0.01	0.02	0.04
Chemical Material, Fertilizers and Nitrogen Compounds, Plastic and Rubber Materials, Man-made Fibres		26,691	29,178	32,830	2.72	2.90	3.37
Other Chemical Products Manufacturing		14,259	13,509	14,087	1.46	1.34	1.45
Pharmaceuticals and Medicinal Chemical Products Manufacturing		1424	1,563	1,510	0.15	0.16	0.16
Rubber Products Manufacturing		11,850	12,257	12,312	1.21	1.22	1.26
Plastic Products Manufacturing		48,291	51,901	49,559	4.93	5.16	5.09
Non-metallic Mineral Products Manufacturing		19,907	20,059	18,139	2.03	1.99	1.86
Basic Metal Manufacturing		29,693	30,723	25,266	3.03	3.05	2.59
Fabricated Metal Products Manufacturing		120,014	125,843	122,191	12.25	12.50	12.55
Electronic Parts and Components Manufacturing		301,530	309,452	281,608	30.77	30.74	28.92
Computers, Electronic and Optical Products Manufacturing		35,548	35,333	46,635	3.63	3.51	4.79
Electrical Equipment Manufacturing		42,764	35,542	32,119	4.36	3.53	3.30
Machinery and Equipment Manufacturing		141,460	149,239	138,984	14.44	14.83	14.27
Motor Vehicles and Parts Manufacturing		14,952	15,797	15,450	1.53	1.57	1.59
Other Transport Equipment and Parts Manufacturing		48,076	52,744	57,228	4.91	5.24	5.88
Furniture Manufacturing		15,683	16,908	16,235	1.60	1.68	1.67
Other Manufacturing		27,831	29,352	29,565	2.84	2.92	3.04
Repair and Installation of Industrial Machinery and Equipment		13,520	14,075	15,047	1.38	1.40	1.55

Note: Where the number of SMEs was 5 or under, the number would be indicated by "*" to keep the information of individual SMEs confidential.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2017-2019.

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