

Cause of formation and countermeasure research of financing problem of small and medium-sized enterprise of our country

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Abstract: Small and medium-sized enterprises are an important component of the national economy and play a key role in promoting the development of the market economy. With the rise of small and medium-sized enterprises, they play an important role in personnel employment, economic development and social stability. At the same time, they also face a series of practical problems. As a necessary means of enterprise development, financing is very important for the operation and development of enterprises. However, due to the influence of management factors, environmental factors and credit factors, small and medium-sized enterprises cannot timely and effectively finance in the financial market, which limits the development of small and medium-sized enterprises.

1. Financing status of small and medium-sized enterprises in China

The rise of national economic strength has greatly improved the quality of life of the Chinese people, especially the market entities have played a key role in promoting the national economy. At present, in the development process of China's market economy, small and medium-sized enterprises have played an important role in promoting, with greater advantages^[1]. However, due to the influence of their own management structure and environmental governance factors, the biggest difficulty encountered for small and medium-sized enterprises in the development process is the financing problem. In recent years, although the state has issued a series of guiding policies for small and medium-sized enterprises, the real implementation still needs to overcome many problems. Therefore, under the background of "six stability" and "six guarantees" policies, it has been strengthened the solution of the financing problem of small and medium-sized enterprises to become one of the most urgent tasks.

1.1 Unreasonable financing structure of small and medium-sized enterprises

Nowadays, the financing means of small and medium-sized enterprises can be divided into two types: exogenous financing and endogenous financing, among which exogenous financing, mainly bank loans, accounts for more than half of the total^[2]. The IFO joint survey shows that bond financing and external equity financing account for less than 20% of all funds of Chinese private enterprises. It can be seen that the financing structure of small and medium-sized enterprises in China is single, excessively dependent on bank loans, and the proportion of external financing is too small. This means that once enterprises cannot obtain bank loans, they will lose their important source of funds and their capital operation will be difficult to sustain.

1.2 Financing costs for small and medium-sized enterprises are high

In China, the average social financing cost is 7.6%, while the financing cost of small and medium-sized enterprises reaches more than 10%^[3]. If small and medium-sized enterprises choose financing methods such as financial leasing, factoring and small loans, their financing costs are likely to reach 20%. "Short, small, weak and urgent" are the characteristics of small and medium-sized enterprise

loans. In addition, small and medium-sized enterprises will also face some hidden costs in the financing process, such as the increased financing cost of deposit return business. In order to complete the assessment task, banks often require loan enterprises to make "deposit return". As a result of the above fees, the cost of SME loans is much higher than the benchmark bank interest rate.

1.3 It is difficult for small and medium-sized enterprises to borrow money from banks

Small and medium-sized businesses want loans from banks, but they are more difficult. First, the operation of small and medium-sized enterprises lacks stability; compared with state-owned enterprises, insufficient market share, small asset scale, coupled with financing difficulties and high operating cost, lead to the poor repayment ability of small and medium-sized enterprises, which is not consistent with the operation principle (safety principle). Second, the financial information of state-owned enterprises is open and transparent, with a high authenticity. However, the authenticity of the financial situation of small and medium-sized enterprises cannot be directly considered, and there are non-standard disclosure, banks can not quickly understand the details of the real reputation of small and medium-sized enterprises, which will spend a lot of manpower and material resources.

1.4 Small and medium-sized enterprises to private loans risk is high

Because bank lending to businesses is limited, often accounting for less than 50 percent of potential demand, small and medium-sized enterprises can only turn their attention to private borrowing. Our country has not yet established a perfect legal system of private lending, and there are many problems in private lending, such as low entry threshold and high interest rate with high risk. Private lending rates are usually more than four times higher than bank lending rates, and small and medium-sized enterprises are under great pressure to repay loans. However, private loan companies have to continue to raise their loan interest rates due to their high risk, which further increases the repayment pressure of small and medium-sized enterprises, and small and medium-sized enterprises become the biggest victims.

2. The financing problem of small and medium-sized enterprises in China

2.1 Low scale and credit level restrict its financing ability

Small and medium-sized enterprises' own reasons are the fundamental reasons for the formation of financing difficulties. First, the quality of small and medium-sized enterprises is low. A considerable part of small and medium-sized enterprises in our country are urban and rural enterprises, and their quality is generally lower than that of large enterprises. The technological innovation ability of enterprises is weak, and the management ability is poor. Most of the small and medium-sized enterprises are private or partnership enterprises, and the managers have limited experience and low management level. In addition, some enterprises have poor credit concept and high debt default rate, which greatly increases the lending risk of banks and financial institutions. Second, small and medium-sized enterprises lack collateral. Due to the very limited asset scale and their own credit is not guaranteed, it is difficult for small and medium-sized enterprises to obtain mortgage loans from banks with only machinery and equipment, real estate and other collateral. Moreover, the default rate of guarantee institutions in our country is relatively high, and the quality of personnel needs to be improved. Third, endogenous financing of small and medium-sized enterprises is less in China, it is difficult for small and medium-sized enterprises to go public, and it is difficult for enterprises to obtain endogenous financing such as equity and bonds. According to the survey, the total amount of endogenous financing of small and medium-sized enterprises in our country only accounts for 30% of the total amount of financing. In some developed countries, the total amount of endogenous financing of small and medium-sized enterprises can reach more than 50% of the total amount of corporate financing, and some enterprises even reach 90%. In contrast, the endogenous financing of small and medium-sized enterprises in China is too little, and they rely too much on bank loans, while ignoring the endogenous financing, which is also an important reason for the formation of financing difficulties.

2.2 Lack of fair competition financing environment and legal and regulatory protection

From the relevant policies of our country, it can be concluded that the financial support for small and medium-sized enterprises, large enterprises or state-owned enterprises is unfair. The relevant policies of the state show that the support for large enterprises is very strong, especially in terms of loans. The support for large enterprises and state-owned enterprises is very strong, so that they can better and faster borrow money from banks. However, the state has not issued relevant laws and regulations to protect the interests of small and medium-sized enterprises. In this way, small and medium-sized enterprises are unable to finance themselves in the economic market to develop themselves better. In addition, with the attention of financial services to enterprise credit, the main financial service institutions represented by banks are not optimistic in the face of small and medium-sized enterprises lacking a credit system. In order to meet the needs of avoiding risks, they are usually unwilling to provide financing services for small and medium-sized enterprises. Affected by the capital market, China's current financial service threshold is relatively high. Only a small number of enterprises can obtain financing normally, which limits the financing activities of small and medium-sized enterprises.

2.3 Strong financing constraints

The financing constraints of banks and non-bank licensed financial institutions on private enterprises are always an important factor restricting the stability of capital flow and capital chain maintenance of small and medium-sized enterprises. The financing constraints on both macro and micro aspects have a strong impact on small and medium-sized enterprises. As the central bank for Banks and other financial institutions comprehensive prudent credit and risk control put forward more stringent requirements, small and medium-sized enterprises from the bank the difficulty of further financial support, embodies the macro level to all kinds of constraints restrict enterprise financial support, also reflect from the micro level, floating interest rates and increase the difficulty of enterprise loans. The problem is difficult for financing constraints to be completely alleviated, so small and medium-sized enterprises cannot obtain flexible and stable capital support from banks, which deepens the dependence of small and medium-sized enterprises on private capital, and thus aggravates the financing difficulties of small and medium-sized enterprises.

3. The countermeasure that solves problem of financing of medium and small enterprise of our country

3.1 Strengthen self-construction of small and medium-sized enterprises of our country

3.1.1 Enhance economic benefits

Small and medium-sized enterprises in our country should strengthen technological innovation, improve their own strength and reputation, produce marketable products, increase sales, improve market share and enterprise economic benefits, improve credit, and then form a virtuous cycle of "money can be lent, money can be repaid".

3.1.2 Standardize the financial management system

Small and medium-sized enterprises in our country should strengthen the construction, and actively promote themselves to scientific, compliance, rationalization of management. Small and medium-sized enterprises in our country should strengthen the construction, and actively promote themselves to scientific, compliance, rationalization of management. Small and medium-sized enterprises need to establish and improve the financial management system, improve the level of financial management and information transparency, and focus on the construction of credit system, so as to promote the economic development of small and medium-sized enterprises, form a good development environment, and increase their attractiveness to external investors.

3.1.3 Attach importance to internal financing channels

At present, the majority of small and medium-sized enterprises in our country have a strong

preference for external financing, but ignore the internal financing which has the characteristics of low cost, low risk and autonomy. Therefore, internal financing through capital accumulation, savings and idle funds of the retained annual earnings may be more suitable for Chinese small and medium-sized enterprises as the main financing channels.

3.2 Improving the indirect financial system dominated by banks

Banks and other financial institutions serve as important capital sources for small and medium-sized enterprises. Due to the high risk of small and medium-sized enterprises, banks often set high loan threshold, complex approval process and small loan amount for such enterprises. Therefore, banks should change their management philosophy, learn from the advanced experience of domestic and foreign financial institutions, and design and improve the credit procedures according to the characteristics of small and medium-sized enterprises. The development potential of such enterprises should be included in the elements of loan review, and loan conditions should be appropriately relaxed in combination with relevant policies. For enterprises with good credit and great business potential, the approval process should be appropriately reduced, grass-roots employees should be given certain loan authority, so that enterprises can use intellectual property rights for mortgage, etc.

3.3 Strengthen the institutional environment construction of enterprises

3.3.1 We will improve the relevant legal system

First, China has stipulated stricter conditions for the company to be listed that most small and medium-sized enterprises cannot achieve, and the registration system implements the principle of openness in the issuance management of securities. The securities issuance system is more relaxed than the approval system currently implemented in China, and it is easy for small and medium-sized enterprises in China to do it. Our country should carry out the registration system of securities issuance and perfect the existing laws and regulations of securities issuance according to the characteristics of small and medium-sized enterprises, so as to open the direct financing channel for small and medium-sized enterprises. Second, we should vigorously promote the process of small and medium-sized enterprises credit legislation. On the one hand, to fill the gap in our country's credit legislation, make credit the basis of future economic development and financing guarantee; On the other hand, improving the existing legal system not only enhances the operability and enforceability of the existing law and improves the ability to solve practical problems, but also improves the supporting documents of the existing legal system and stipulates specific implementation rules.

3.3.2 Give full play to the role of financial policy

Tax breaks. Combined with the actual situation of China's economic development, we can provide tax reduction and exemption policies with our own characteristics for small and medium-sized enterprises in different economic regions and different life cycles from the aspects of threshold, exemption amount, tax rate and collection rate.

Financial subsidies. China can increase subsidies to small and medium-sized enterprises and broaden the types of subsidies, especially for small and medium-sized enterprises with scientific and technological innovation.

Loan assistance. Our country can also try to set up special agencies to manage small and medium-sized enterprises under various provincial and municipal authorities.

3.4 Reduce the lending path dependence

The substantial demand scale of small and medium-sized enterprises in private lending can still be controlled, but the path dependence of small and medium-sized enterprises on private lending is a problem that needs to be fundamentally weakened. Small and medium-sized enterprises were previously faced with the problem of inadequate management of working capital and various debts, which often led to the short-term patent phenomenon of capital flow or the sudden increase in debt repayment risk in the short term. Therefore, the financial management department of small and medium-sized enterprises should pay more attention to the term structure of enterprise loans, to ensure

that there is no certain period of time due to the blank term structure of liabilities in enterprises. The financial management department needs to monitor the debt maturity structure of enterprises immediately, and take the early warning and control of financial risks as one of the important steps to reduce the dependence of private lending.

4. Conclusion

In short, with the continuous development of the economy, small and medium-sized enterprises have become an important economic strength in China. Under the new normal, China is in the transition period of economic development. The development of small and medium-sized enterprises is facing bottlenecks, among which the capital pressure is the most difficult problem for enterprises to overcome. Improving government support, improving the financial system, and enhancing the quality and competitiveness of small and medium-sized enterprises themselves also need to be implemented by the whole country and society.

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