A Study on Financing Difficulties of SMEs in China
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Abstract. Small and medium-sized enterprises (SMEs) play an irreplaceable role in China’s economy. Since the reform and opening-up, China’s small and medium enterprises have developed rapidly. Especially, they played an important role in increasing employment opportunities, promoting scientific and technological innovation and promoting economic prosperity. However, their important role was not in line with the financing difficulties, which already blocked the development of SMEs. Therefore, it is urgent to solve the financing difficulties of small and medium-sized enterprises. The paper analyzes the financing situation of SMEs in China, analyzes the causes and puts forward some countermeasures and practical suggestions to solve the financing difficulties of SMEs.

1. Introduction
In recent years, China’s small and medium-sized enterprises have developed constantly, and the role they play in the development of national economy has been gradually intensified. Small and medium-sized enterprises play an important role in promoting national economic development, promoting technological innovation, easing employment pressure and increasing exports, which has become a pulling force in the socialist market economy. However, small and medium-sized enterprises also encountered many problems in the development. And among these problems, the financing problem is particularly important and becomes a problem of great concern throughout the country. Based on this, to solve the SME financing problems has very important significance. The article takes the domestic SME financing as the research object, takes experience of the developed countries for reference and perfects interior and exterior environment of enterprises, aiming at exploring and solving financing problems of SMEs in China from all sides.

What is financing? In a narrow sense, financing reflects the business demand for the funds, that is, enterprises formulate and implement financing plans according to their own state of operation. Such funds may be financed through creditors, that is, debt financing. And funds may be financed through investors, that is, equity financing. Fund procurement can also be a combination of both. Corporate financing is the redistribution of funds, so as to achieve the full and efficient use of resources under market economy conditions.

2. Current Situation of SME Financing
Any business model has its limitations, small and medium-sized enterprises are no exception. According to the survey, the average development life of SMEs in China is about 3.6 years. Essentially, the financing difficulty is an important constraint condition. Therefore, the financing of SMEs in China has the following characteristics.

2.1 High financing frequency and small limit
China’s small and medium-sized enterprises have a lower threshold, operate flexibly and have smaller scale, thus the amount of corporate financing will not be particularly large and the frequency of corporate financing is relatively high. Compared to large enterprises’ loans with long term and large amount of loans, the financing difficulty of SMEs is naturally increased.
2.2 Difficult to get loans

In China, most of the small and medium-sized enterprises do not have credit rating, not to mention the guarantee of relevant enterprises. In order to reduce risks, banks are more willing to lend secured loans to enterprises with mature and stable business conditions and small bankruptcy risk.

2.3 Single financing mode

Compared with foreign countries, in China, small and medium-sized enterprises are more inclined to conduct indirect financing, they rarely conduct direct financing. This often leads to short supply of loans. Banks will have more pressure and be more cautious to treat each loan, which makes the financing situation of SMEs become more severe.

2.4 Higher financing cost

Due to the unfavorable conditions of small and medium-sized enterprises, small and medium-sized enterprises sometimes can not get loans from the bank. In order to raise funds, many business operators tend to choose other ways to finance. The financing costs of these methods are far higher than the bank, which further increased the financing costs of SMEs.

3. Countermeasures and Suggestions on Solving Financing Difficulties of SMEs in China

3.1 To enhance the strength of SMEs

The important basis of bank loan decision-making and important conditions of bond issuance and listing and financing are comprehensive strength of enterprises. If an enterprise has good profitability, then stable net profit is its important source, which is also an important basis of the approval of bank loans. China is committed to promoting the healthy development of small and medium-sized enterprises, and the following measures can be taken: Firstly, strengthen the business literacy of financial staff, standardize the financial system of enterprises, improve the financial management of enterprises, strengthen the authenticity and transparency of financial information and guarantee the trade secret of enterprises; secondly, improve the overall quality of enterprises comprehensively and train personnel of small and medium-sized enterprises regularly; thirdly, carry out relevant guidance and strictly supervise the internal governance structure of enterprises; fourthly, give adequate financial support to enterprises’ technology innovation and expert assistance, encourage enterprises to form their own brands, and reward small and medium-sized enterprises for their scientific and technological innovation results; fifthly, build essential and wide service platforms, and the government should acts as a bridge.

3.2 To perfect laws and regulations related to SME financing

In general, small scale, low capital and technology structure and weak competitiveness are all disadvantages of SMEs, therefore, it’s very necessary to make laws and regulations to constrain the government, intermediaries, financial institutions and SMEs. The establishment of comprehensive legal norms provides a fair and just environment of competition for the survival and healthy growth of enterprises. Nowadays, the “SME Promotion Law” has been promulgated, and a set of laws and regulations are urgently needed to be formulated and implemented. The basic economic positioning, financing guarantee and mechanism of enterprises are determined. Besides, we should also enact laws such as the “SME Investment Law”, the “SME Guarantee Law” and the “SME Banking Management Ordinance”, so as to determine the legal status of small and medium-sized enterprises and provide SMEs with various policy guarantees and create a good environment.

3.3 To perfect the credit guarantee system of SMEs

At the present stage, based on the current problems of credit guarantee system, the following countermeasures are proposed: firstly, rationally use social free funds to expand the capital scale of guarantee institutions. Secondly, improve the policies of credit guarantee institutions. At the same
time, establish commercial guarantee institutions according to the criteria of rational division of labor and well-organized competition. Thirdly, make clear the supervision laws and regulations and management system of the industry. Due to the reason that the current guarantee system still has many unreasonable places, laws and regulations are needed to regulate the guarantee system.

3.4 To strengthen the support of financial institutions

First of all, it’s necessary to perfect China’s banking system and set up small and medium-sized banks that serve for SMEs. In addition to this action, we should also pay attention to increase loans of major state-owned banks to SMEs and provide related benefits. For example, build new small and medium-sized banks in some big cities, provide development opportunities for many enterprises, formulate preferential policies that can stimulate the enthusiasm of the major business owners. Besides, we should also speed up the reform of financial systems such as banking system. We should be agreed to build private capital shares in the form of investment funds, as well as provide good financial services for capital owned by enterprises.

3.5 To build an open and transparent financial platform for SMEs

In general, banks are not able to accurately understand the actual business property status of enterprises, resulting in the consequence that banks can not grasp the operation capacity and prospect of enterprises. In reality, relevant credit institutions should pay certain fees in order to obtain business credit status. Therefore, in order to reduce the costs, the lending institutions are less inclined to lend to SMEs. SMEs can take the initiative to establish a transparent information platform and actively disclose their true and reliable financial information, which is not only conductive to reduce the cost of bank information acquisition, but also helpful for enterprises have more concessions to get loans. In order to establish an open and transparent financial platform, the following measures are needed to be taken. First of all, SMEs should be in strict accordance with national accounting standards in the establishment of account books and accounting treatment, and ensure the authenticity and integrity of accounting information. Secondly, SMEs should establish a scientific and perfect financial budget and final accounts system, and formulate internal financial management approach of enterprises in accordance with the relevant provisions of the state. Thirdly, SMEs should strengthen the management of funds. They should not only hold a certain amount of funds to maintain business needs, but also invest the fixed assets of production. It’s necessary for SMEs to pay attention to the balance between the two and maintain both profitability and liquidity.

3.6 To play the macro-control role of the government and provide policy support for SME financing

Enterprises, governments and financial institutions work together to solve the financing difficulties of small and medium-sized enterprises, of which the government’s attention and support is an important part of solving the problem. Each government should determine its own solutions and adopt effective measures according to its own situation, such as setting up government funds, providing various types of government guarantees, strengthening the construction of guarantee system at each level, and appropriately reducing the taxation of SMEs, solving the problem of the lack of credit and low credit of SMEs and trying to bring them more money. In addition to these measures, the government should also increase the opportunities of cultivating financial guarantee under the guidance of “government guidance, market-oriented operation”. Finally, in terms of the operation situation of SMEs in the market, the government should establish the SME development fund according to the local conditions, and use it in SME entrepreneurship counseling and business incubation and credit guarantee, personnel training, independent innovation and other issues; encourage people to establish venture capital funds, according to the law establishment of venture capital funds, venture capital enterprises a venture capital institutions, so as to broaden the financing channels for SMEs.
4. Conclusion

Small and medium-sized enterprises have made great contributions to China’s economic development, and have played an indispensable role in developing and expanding China’s industry and science and technology, improving the efficiency of work and developing Chinese culture, which is an indispensable part for the society and economy. Currently, financing difficulties in China have become the focus of public concern, which is not conductive to the healthy and stable development of enterprises meanwhile. Faced with financing difficulties of SMEs, we can not cope with them negatively. We should make clear the current situation and combine enterprises themselves with social-economic environment to research, so as to find resolutions suitable to solve financial difficulties of SMEs in China. In this way, a good way to solve financial difficulties of SMEs will be found definitely, and enterprises will reach a new level of development, so as to greatly promote China’s economic growth and social stability and development.

References


