Research on Problems and Strategies of Small and Medium-Sized Enterprises—Based on Comparison Research Between Jiangxi and Henan Provinces

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**Abstract.** Since the reform and opening up, China's national economy has been rapid development, has made great contributions to the small and medium-sized enterprises, the proportion has reached more than 99% of the total number of enterprises. Small and medium-sized enterprises not only to promote the steady and rapid economic growth, solve the employment problem in the aspects of science and technology innovation, it also brings some opportunities. But in recent years, due to the shortage of funds has been the obstacle to the development of small and medium-sized enterprises, so it is necessary to carry out financing to help enterprises to tide over the difficulties, and small and medium enterprises are often in the financing process of resistance. Therefore, the financing of small and medium enterprises is the problem that needs to be solved urgently in today's society.

**Introduction**

With the development of the decades of reform and opening-up, prompted China's average annual GDP growth reaching 9.8%, exceeded 7% from the same period in the world, has contributed more than 20% of world GDP. According to relevant data statistics, small and medium-sized enterprise's contribution to the GDP reached more than 65%, the contribution rate of tax accounted for more than 50%, exports accounted for nearly 70%, and has brought more than 75% of the staff employment opportunities. Therefore, our country small and medium-sized enterprises to promote economic growth, increase the fiscal revenue, strengthen technology innovation, made great contribution to expand the social employment, etc. Although the development of small and medium-sized enterprises in China soon, but due to the influence of the economic system, a large part of restricting its development, so our country small and medium-sized enterprises generally will have the problems existing in the financing process.

**Literature Review**

Foreign economists, simple to the system for small and medium-sized enterprise financing is studied, especially on how to solve the problem of financing difficulties of small and medium-sized enterprises made a careful study.

Edward S.S. Haw (1973) published in "financial deepening in economic development," pointed out that in developing countries the reality of the situation, the government is more according to their own preferences and to put money into the development of a good or large state-owned enterprise, the lack of financial support to small and medium enterprises [1]. Because the bank information and information asymmetry of small and medium-sized enterprises, even small and medium-sized enterprises can accept high interest rates, but Banks are also in order to avoid the risk of moral hazard will not approve a loan implementation [2].
M. Malhotra, Yang, Chen, A. Criscuolo’s expanding financing channels: suitable for micro and examples of small and medium-sized enterprises and policy, enterprise financing activities in the beginning of financing basic USES the enterprise internal financing way, and because of their own information opaque, lack of external financing, financing channel is too onefold [3].

Justin. G. Longnecker analyzed the middle in the "small business management" enterprise financing problems, think small and medium-sized enterprise financing by bank main procedures, information and incentive problems and the impact of mortgage guarantee conditions [4].

E.R. Yescombe’s the public sector and private enterprise mode of cooperation: policy and financing principles put forward the government public sector should be associated with the financing of small and medium-sized enterprises of the policy to support [5].

Present Small and Medium-Sized Enterprises

Small and medium-sized enterprise development present situation in our country

Although small and medium-sized enterprises in the industry occupies a place, but it has a very strong regional, its development limited to an area, limit the likelihood of outward development, and some enterprises located in small cities, villages and towns and even remote regions, it is difficult to attract talents. And more small and medium-sized enterprises is affected by environmental factors, both internal factors and external factors, the risk in the small and medium-sized enterprises are higher than large enterprises and state-owned enterprises. So we must try to solve the problem of the financing difficulties, the small and medium-sized enterprises can persistently active in a market economy.

Present Small and Medium-Sized Enterprises

Financing Problems of Small and Medium-Sized Enterprises

The Main Difficulties Encountered in the Process of the Loan

Through survey data, it shows that small and medium-sized enterprises in to the difficulties encountered in the process of bank loans are mainly concentrated in mortgage is insufficient, cannot find a guarantor, the loan interest rate and cost higher. Jiangxi and Henan provinces in these three aspects have been hampered smes accounted for more than fifty percent. In terms of the high cost of lending rates and proportion of small and medium-sized enterprises in Jiangxi province reached 93.3%; Visible, need government to Jiangxi province corresponding credit policy, lower lending rates, encourage small and medium-sized enterprise loan. In addition, both the provincial government should be encouraged to suitable for small and medium-sized enterprise development of guarantee agencies.

Financing is not approved that the Bank Denied Loans

The bank refused to the reason of small and medium-sized enterprise loan is concentrated in the mortgage and guarantee, the condition of financial management, credit rating, etc; Mortgage assets of enterprises and lack of credit guarantee are the main two aspects. Thus, guarantees and the mortgage is the essential condition of Banks willing to provide funds. For small and medium-sized enterprises, however, mortgage is insufficient, can't find the guarantor is small and medium-sized enterprise inherent resistance. Normally, the bank can get enterprise financial position and operating rare, cannot determine the profitability and development of the enterprise, make enterprise information asymmetry, gained by the bank to loans have certain binding. But because our country small and medium-sized enterprise credit rating is generally low, a certain distance from the bank of standard, want to get a loan is difficult.

Credit Guarantee Agencies and Guarantee Way

Jiangxi and Henan provinces with enterprise's own real estate, equipment mortgage as the primary way of guarantee, the second is to provide assurance of guarantee agencies. Combined with the data, it is easy to find, small and medium-sized enterprises to remove with the enterprise assets mortgage for guarantee, is the preferred way of guarantee in order to guarantee institutions to provide the
guarantee; Two provinces to provide guarantee of small and medium-sized enterprise guarantee agencies proportion than in other enterprises provide guarantee and other third-party guarantee responsibility of 30 to 50 percentage points higher than that of small and medium-sized enterprise scale. Compared to two provinces, the proportion of Jiangxi province was 13% higher than that in Henan province. Jiangxi province guarantee agencies for small and medium-sized enterprises financing support a greater role. But most of the small and medium-sized enterprise guarantee agencies guarantee conditions are too strict, make the small and medium-sized enterprises provided service.

Strategies to Solve Financing Problems of Small and Medium-Sized Enterprises

Develop Small and Medium-Sized Enterprise Financial System, Enhance the Transparency of Financial Information

Small and medium-sized enterprises to establish and perfect the system of financial management and accounting system is essential for the healthy development of the enterprise, and to build a suitable for their own financial system, hire a professional accounting personnel, improve the reliability of accounting; Accounting to establish the standard financial statements, and may not practice fraud, avoid excessive moisture in financial accounting, enhance the transparency of financial information, guarantee the authenticity and legitimacy of accounting work. Contrast two provinces, small and medium-sized enterprises of Henan province more needs to improve the company management system, perfect the financial accounting system. To sum up, only by constantly improve their own system, to achieve a better financing efficiency.

Strengthen Its Own Comprehensive Strength and Improve the Credit Rating

Small and medium-sized enterprises not only to improve the ability of independent innovation, ensure the quality of products, but also attach importance to their customers, establish a good credit system, so as to improve the image of honest and trustworthy enterprises. To improve the relationship between enterprises and Banks, establish a good credit concept, improve the credit rating, can give Banks provide loans to small and medium enterprises bring certain enthusiasm, thus lays the foundation for the long-term cooperation between the two. Relative to the Henan province, Jiangxi province, because of low credit rating by the Banks refuse to lend more, so the problem of Jiangxi province small and medium-sized enterprises need to improve the credit concept also appears more urgent. In order to the steady development of small and medium-sized enterprises, must improve its own credit consciousness, improve the credit system, improve the credit rating, in order to solve the financing of small and medium-sized enterprises under the condition of market economy difficult problem to lay a solid foundation.

Expand the Financing Channels and Use Multiple Financing Methods to Develop

Enterprises to increase transparency, reduce information asymmetry, capital providers collect information will reduce the cost, is beneficial to increase the possibility of offering loans to small and medium-sized enterprises. Of course, small and medium-sized enterprises in financial institutions must, also want to use a variety of the developing mode of financing means to coexist. Enterprise in the listed financing, issuing corporate bonds financing, direct financing at the same time, also can adopt many ways such as folk financing, the enterprise mutual. Two provincial financing channels are used by a single slightly, the share of direct financing. Visible, two provinces are required to actively improve the equity financing and bond financing, financing, broaden the financing channels, make the enterprise fast and good development.

Improve the Credit Guarantee System

Perfect guarantee system can build Bridges between Banks and small and medium-sized enterprises. From the results of a survey, Jiangxi and Henan provinces both province small and medium-sized enterprises has a big gap in guarantee, this would require the two provinces of guarantee agencies to increase support for one of the small business credit. And our country's credit guarantee institutions
almost one hundred percent of the risk, in order to effectively spread and transfer of risk, guarantee agencies can through the way of guarantee again, use again on the original guarantee agencies to undertake the project of guarantee agencies to guarantee again. In addition, the guarantee agency also should develop the professional security personnel, to improve their business standards, improve the credit guarantee system.

Conclusions

According to the situation of financing in Jiangxi province and Henan province, find the effective solution to the financing difficulties of small and medium-sized enterprises, formed the following conclusions:

Its system, credit institutions and credit guarantee system and government policy can be summed up in the main reason for the financing difficulties of small and medium-sized enterprises; So, in the small and medium-sized enterprises improve their management system and standardize the financial accounting system, credit institutions and credit guarantee institutions should also be more efforts to support the development of small and medium-sized enterprises, to ease credit conditions of small and medium-sized enterprises; Government agencies also to perfect the relevant laws and regulations, tax cuts and fiscal subsidies; Which will make you broaden the financing channels of small and medium-sized enterprises, reduce the cost of financing, financing efficiency, the realization of small and medium-sized enterprises win-win cooperation with other parties.

Solve the problem of small and medium-sized enterprise financing difficulties there will be a long way need to explore, it also requires the joint efforts of people from all walks of life, believe that our country small and medium-sized enterprise financing difficult problem through the unremitting efforts, can be effectively solved in the near future.

References


