Research on the Causes and Countermeasures of Financing Difficulties of Small and Medium-sized Enterprises

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Abstract. Small and medium-sized enterprises are an indispensable part of our national economy. It has become the most vigorous economic growth point, but financing is a major problem for small and medium-sized enterprises in China. This paper summarizes the existing financing methods and puts forward new ways to solve the financing difficulties.

Introduction
The establishment and development of small and medium-sized enterprises have special status and significance. Financing is the focus of attention of enterprises, which will arouse great attention of relevant management departments. Financing refers to the financing of funds. Enterprise financing is an economic behavior of the users and demanders of funds. As an integral part of social financing, enterprise financing plays an important role in the operation and production of enterprises.

Problems in Financing of Small and Medium-sized Enterprises in China

Banks have limited financial support
At this stage, the demand for SMEs’ funds cannot be met only by the business provided by SMEs' banks. On the one hand, small and medium-sized banks are relatively weak in risk resilience; on the other hand, small and medium-sized banks are limited to withdraw reserves because of their low capital. At present, the main financing channel of small and medium-sized enterprises in China is bank credit financing. Innovative products, innovative system and efficiency approval are the credit businesses that some banks try to develop. Since 2008, the tightening credit policy has exerted great pressure on bank funds, which has reduced the scale of bank credit. Therefore, it has not formed a characteristic scale benefit.

The credit guarantee institutions of small and medium-sized enterprises are not perfect
Guarantee institutions have not carried out the loan guarantee business for SMEs in accordance with the facts. China's laws rarely protect and restrict guarantee institutions. Guarantee institutions lack the ability to identify, control and defuse risks for professional knowledge, and lack risk control system and supervision system.

The financing of small and medium-sized enterprises lacks perfect legal environment
Market system and legal norms are the characteristics of China's market economy, but they are not in place in the actual implementation process. Although the corresponding rights are explained in some relevant laws and regulations, the perfect and effective implementation of relevant laws and regulations play a vital role in the financing and even development of SMEs.

The financing channels of SMEs are single
Enterprises still seldom use bank credit for financing to promote development. Generally, they use traditional ways of financing, such as internal accumulation, self-owned capital and commercial reputation for financing.
Analysis of the Reasons for the Financing Problem of Small and Medium-sized Enterprises in China

The financing structure is unreasonable, the channel is narrow, the financing channel is not smooth, the proportion of endogenous financing is too high, and the financing order is low, which restrict the financing of small and medium-sized enterprises in China. In-depth thinking, internal and external causes cause the current financing problems of small and medium-sized enterprises.

Internal causes

The internal management of enterprises is risky, irregular business structure and low level of management. Especially in management, small and medium-sized enterprises have been facing great problems. Fewer fixed assets, insufficient funds, limited debt capacity and weak capital strength are the problems of SMEs at the beginning of their establishment. It is not feasible to solve the financing problem by listing. The qualification and scale of enterprises restrict their use of issuing stocks to raise funds, which leads to the restriction of the listing qualification of small and medium-sized enterprises, and the construction of the management system of most small and medium-sized enterprises is not perfect. The credit level of SMEs is low and the guarantee system is not perfect. At present, some small and medium-sized enterprises lack the concept of credit in their operation. Exchanging non-honest behavior for short-term benefits is not conducive to the long-term development of enterprises, and affects their social image, further increasing the financing problem of enterprises.

External causes

State-owned commercial banks have less credit to support the financing of SMEs. The premise of commercial banks' operation is to improve bank profits and prevent credit risks. Its own strength is weak, and there are some problems such as information asymmetry, resulting in credit risk, banks give SMEs more loan restrictions, affecting their enthusiasm to provide loans, and narrow direct financing channels. The government's support is insufficient, lacking the support of policy system and comprehensive system to promote its development and the guarantee to solve the financing problem of small and medium-sized enterprises. An imperfect credit system, the imperfection of guarantee system and the lag of credit system construction increase the financing problem of small and medium-sized enterprises. Fourthly, there is a lack of financing channels and methods suitable for SMEs. China's economic level, policy and development planning constraints, fewer types of services and lower levels of modern services, so that the development needs of enterprises cannot be met, leading to a single financing channel and mode.

Ways to Solve the Financing Difficulties of Small and Medium-sized Enterprises

Improve Quality and Strengthen Financing Power

Firstly, improving management and strengthening core competitiveness are the key and foundation for enterprises to obtain financing. Enterprises must establish and standardize financial management system based on the principle of honest operation, ensuring the transparency and authenticity of accounting information, thus enhance the credibility of enterprises and establish a good image of enterprises.

Secondly, we should enhance the awareness of SMEs' transformation, seek long-term development and actively promote the development and innovation of SMEs. Enterprises should establish an accurate concept of financing, do a good job in rational planning, and use capital to promote the further development of small and medium-sized enterprises.

Thirdly, we should stimulate the initiative and creativity of enterprises, optimize management methods, strengthen internal management, establish and improve modern enterprise system, and cultivate and strengthen the core competitiveness of enterprises.
Decentralized Guarantee Risk

Guarantee risk refers to the impact of various reasons, in the process of guaranteeing small and medium-sized enterprises by the guarantor, the guarantor will suffer losses. Guarantee has certain risks. On the one hand, the failure of decision-making of guarantee institutions and macroeconomic policy control will lead to guarantee risks; on the other hand, the guaranteed enterprises' various operations that do not conform to laws and regulations, although some of them are not found in time, they have great hidden guarantee risks, namely potential risks.

Improving the Role of Small and Medium-sized Banks and Non-Bank Financial Institutions

At present, it is difficult for small and medium-sized banks and non-bank financial institutions to provide financing services for large enterprises because of the constraints of accounting conditions and operation scale. Commercial banks gradually realize the status and importance of small and medium-sized enterprises in the national economy. In order to tap the value of enterprises and provide value-added services, they should fully understand the financing needs of small and medium-sized enterprises, renew financing concepts, pay attention to the development space and potential of enterprises, and absorb and innovate investment concepts at home and abroad. Small and medium-sized banks and non-bank financial institutions should focus on small and medium-sized enterprises, be able to develop themselves and further solve the financing problems of small and medium-sized enterprises.

Widening Financing Channels

Expanding the financing channels of SMEs can effectively solve the financing problems of SMEs. Since the GEM began to operate in 2009, although it is not perfect enough and needs further improvement, it has provided new capital market for the development of SMEs and broadened the financing channels of SMEs. The highlight of the GEM market introduced in recent years is the low listing conditions, which can better serve the development of some small and medium-sized high-tech innovation enterprises. From the perspective of financing, in order to attract more excellent enterprises and meet the needs of the capital market, the government can set up a multi-level stock market to achieve a win-win effect.

More preferential policies for SMEs should be implemented

The development of small and medium-sized enterprises needs the comprehensive guarantee of the central government and local government, better support for the management and financial support of small and medium-sized enterprises, upgrade the institutional level of service for small and medium-sized enterprises, and create local institutions adapted to local conditions. In order to prevent the negative effects caused by the absence or dislocation of management, the government has set up a special organization for the management of small and medium-sized enterprises and unified management. The government plays an important role in solving the financing problem of small and medium-sized enterprises by actively giving full play to and increasing the support for small and medium-sized enterprises.

References

