Research on Financing Support for Small and Micro Enterprises in China

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Abstract—The problem of financing difficulties and financing for small and micro enterprises has been in China for a long time and has not been substantially resolved in the long run. The contribution of small and micro enterprises in China's national economic growth is increasing, and the role of China's fiscal revenue, employment absorption, innovation and development has become increasingly prominent. The problem of financing difficulties for small and micro enterprises has become a major problem that our government and people cannot delay and avoid. This paper believes that the fundamental measures to solve this major problem are from financial system reform and gradual reduction of discrimination against small and micro enterprises, broadening financing channels for small and micro enterprises, relaxing market access restrictions for small and micro bank loans and operating companies, and relaxing small and micro enterprises. Direct financing capital restrictions, strengthen the management of small and micro enterprise systems and private lending management, only from these two main links, "two-pronged approach" will fundamentally create a relaxed and orderly financing environment for small and micro enterprises, so as to truly solve the complex problem of "funding difficult financing" for small and micro enterprises.

Index Terms—Financing and investment, small and micro enterprises, financing support, financial reform.

I. INTRODUCTION

The problem of financing and financing in small and micro enterprises in China is well known and has been around for a long time. It has seriously threatened the development of small and micro enterprises in China and the pace of technological upgrading. It also seriously affects the industrial structure distribution, regional distribution, and rationalization of the distribution of employees in China's small and micro enterprises. The value created by small and micro enterprises accounts for half of China's GDP, and absorbs 80% of China's labor and employment. Therefore, how can we solve the problem of financing difficulties and financing for small and micro enterprises in China, and support the healthy growth of small and micro enterprises, which is related to China's macro economy. The strategic goal of development is to face the major challenges facing the great Chinese dream.

II. RELATED LITERATURE REVIEW

Domestic and foreign scholars have carried out a lot of research and discussion on the financing difficulties and financing problems of small and medium-sized enterprises. The results of Stiglitz & Weiss (1981) indicate that the allocation of banking financial institutions has caused financing difficulties for SMEs. [1] Kenneth (1994) believes that information asymmetry will trigger commercial banks to implement "credit rationing" for small and medium-sized enterprises, which will cause SMEs to fall into financing difficulties. [2] Hodgman and Mainell elaborated on the quality of enterprises themselves, arguing that small and micro enterprises have relatively short time for loan financing activities, and credit shortages lead banks and other financial institutions to conduct more rigorous review when providing financial services to small enterprises. Ma Naiyun (2012) found that although the government has introduced relevant fiscal and taxation policies, the implementation of the policies is not in place and the results are not good. It is necessary to further increase government support to help small and medium-sized enterprises to tide over the difficulties. [3] Luo Zhongwei (2014) shows that in emerging markets where the financial system is still not perfect, tailoring financial products for small and micro enterprises is an effective way to solve their financial problems. [4] Sun Yuxi (2014) believes that Internet finance can effectively solve the internal and external bottlenecks of financing difficulties for SMEs, and clarifies the development direction of SME financing in the Internet financial era. [5] Yan Yongjie (2014) conducted a dynamic game analysis, indicating that the syndicated loan model is conducive to solving the problem of financing difficulties for Chinese SMEs. [6]

Judging from the existing research results, the theoretical circles generally believe that the lack of credit for small and micro enterprises, the strict review of financial institution loan qualifications, and the imperfect financial market are the main reasons for the financing difficulties of SMEs. Through reflection on the causes and solutions of the financing difficulties of small and micro enterprises in China, the study finds that under the current economic and financial environment in China, it is not just a simple problem in the process of economic operation. Many scholars have tried to analyze and solve the dilemma of policy measures through the general principles of microeconomics, and have little effect on the financing difficulties of small and micro enterprises. This paper attempts to study the reasons for the financing and financing of small and micro enterprises from the perspective of enterprises and institutions, and proposes solutions.

III. ANALYSIS OF THE CAUSES OF FINANCING DIFFICULTIES

A. Lack of Sufficient Collateral for Credit Demand

The small natural production and operation of small and
micro enterprises has made it difficult for small and micro enterprises to enjoy the benefits brought by economies of scale. Although small and micro enterprises have flexible production and operation, investment projects are transferred and changed quickly, the problems of production and operation instability and fundamental defects are forced. Chinese commercial banks have to be cautious when making loans to small and micro enterprises. In general, banks will require companies to use sufficient assets, including securities and real estate, for mortgages and guarantees when issuing loans. Because small and micro enterprises are small in scale and have low real estate value, there are few securities holdings. Unlike big companies and listed companies, they can use their own stocks and other company stock bonds to pledge loans. Therefore, most large and small enterprises will be required to apply for loans to banks. The refusal or loan amount will be substantially reduced. Therefore, the financing difficulties of small and micro enterprises are manifested here. There are not enough collateral to apply for loans from banks. For many small and micro enterprises, it is tantamount to blocking the cheapest financing route to commercial banks. This forced small and micro enterprises to use private lending to raise funds, and the cost of private lending interest was high, and the financing problem of small and micro enterprises was revealed.

B. Insufficient Management, Weakening the Trust of Funding

China's current small and micro enterprises have a large number of enterprises that are family-owned enterprises. The business owners are the core figures of this family-owned enterprise and the core figures of this family. The main members of the family are also the main managers of this enterprise. The level of personnel culture, management quality is not high, and there is not enough training and review. Therefore, in production management, financial management is more arbitrary, "unclear accounts" problems abound, whether commercial banks or private lenders often impose harsh conditions on the loan requirements of such family-owned enterprises, this will naturally increase the loan cost of small and micro enterprises. If the cost of high capital borrowing costs encounters difficulties in its own production and operation, it will lose its ability to repay. Therefore, the micro-enterprise repayment of credit is naturally not as high as that of a large enterprise. This shortcoming makes it difficult for fund providers to believe in the commitment of small and micro enterprises, and it is inevitable that small and micro enterprises will have "loan difficulties".

C. The Low Average Profit Margin Weakens the Strong Guarantee of "Repay on Schedule"

As mentioned before, the industry distribution and regional distribution of China's small and micro enterprises are mostly concentrated in highly competitive industries and regions, that is, some small and micro-business owners or their partners are carefully calculating in production and management, and they are cautious in investment decisions, but due to fierce competition. The prices of its products and services are low, and the low profitability and high financing costs make small and micro enterprises lose their competitive advantage and quality advantage as a whole. Fund providers see this situation, in the face of small and micro enterprises' loan demand, they generally cut the amount and increase the additional repayment terms. Therefore, the problem of "funding expensive" for small and micro enterprises has become inevitable.

D. Strict Restrictions on Direct Financing Qualifications

The qualifications for small and micro enterprises to raise funds through public offering of stocks or to issue bonds are more stringent, and they are almost universal in the world. China's restrictions on listing financing for small and micro enterprises or issuing bond financing are also quite demanding. Strict market access restrictions have caused most small and micro enterprises to lose their listing financing or issue bond financing channels. If small and micro enterprises want to raise long-term development funds, in addition to bank loans or loan sharks, the only way is to borrow money from relatives and friends, but the funds that this channel could have raised are extremely limited, and the interest cost is high, which cannot meet the long-term business of small and micro enterprises. The need for development. Therefore, it is difficult for small and micro enterprises to become bigger and stronger in China. It is difficult to adhere to the long-term survival of an industry. The most important reasons are the credit system discrimination and the direct financing restrictions.

E. Commercial Bank Credit Discrimination

Small and micro enterprises cannot be directly listed and financed like state-owned enterprises and large enterprises. Their main sources of funds are self-financing, bank loans and private lending. Since the majority of commercial banks, especially state-owned large banks, mainly serve state-owned enterprises and large enterprises, large and small micro-enterprises are not active for large banks, and the credit rating of small and micro enterprises is low, and the demand for small enterprises is small. Small and micro enterprises have substantial discrimination in the form of loan claims, and even if some small and micro enterprises can get loans from large banks, they will be attached with additional guarantees and mortgages. This is tantamount to increasing the cost of small and micro enterprises, so the loans that small and micro enterprises can obtain (through normal channels and low interest rates) are actually very few. Statistics show that although the total assets and production and operation of small and micro enterprises account for 50% of the national relevant index, the proportion of loans they receive is less than 20%. It can be seen that China's current credit system and commercial banks' policy discrimination against small and micro enterprises are the most fundamental reasons for the financing difficulties of small and micro enterprises.

IV. SOLUTION TO THE FINANCING PROBLEM OF SMALL AND MICRO ENTERPRISES

The difficulty of financing small and micro enterprises is largely determined by its own weak nature. Small and micro enterprises have poor management and management, low risk prevention awareness and ability, and weak survivability.
These problems have increased the risk of financial institutions lending to small and micro enterprises, and reduced the return on capital of financial institutions. Commercial banks under the market economy, as the economic entities that operate independently and are responsible for their own profits and losses, naturally lack the enthusiasm for lending to small and micro enterprises. Therefore, to solve the problem of financing difficulties for small and micro enterprises, we must first start from the small and micro enterprises themselves, improve the quality of small and micro enterprises, enhance their ability to survive and develop, and thus enhance the ability to attract external funds.

A. Reform the Family Management Mode of Small and Micro Enterprises, Improve the Quality of Management Personnel of Small and Micro Enterprises

In order to help the quality of small and micro enterprise management personnel, the state can implement a mandatory training system for family management personnel of small and micro enterprises, and set up training content step by step for the common problems of small and micro enterprises. For example, financial management, accounting systems and methods, investment income measurement and risk estimation methods can be trained first. Training fees can be paid by government subsidies or by small and micro enterprises.

In addition, in order to encourage small and micro enterprises to actively introduce talents, the government can introduce incentive policies for talent introduction in small and micro enterprises. For example, the social security contributions of talents can be advanced by the government. After the small and micro enterprises grow to have sufficient strength and willingness, they will pay back. If some small and micro enterprises are unable to pay, they will be covered by state financial subsidies. This not only solves the worries of the influx of talents into small and micro enterprises, but also reduces the salary burden of small and micro enterprises.

B. It Regulates the Financial Management of Small and Micro Enterprises from the System and Enhances the Financial Transparency of Small and Micro Enterprises

On the one hand, small and micro enterprises should consciously abide by the "Accounting Practice Guidelines" and adopt strict punishment measures for non-compliance; on the other hand, the government should also strengthen the auditing and disclosure of small and micro enterprise accounting accounts, and improve small and micro enterprises. The credibility of financial information and business information. With credible financial information and business information, some financial institutions and private capital owners will lend more to small and micro enterprises, and the problem of small and micro enterprises' loan difficulties will be alleviated.

C. Improve the Financial Management Level of Small and Micro Enterprises and Ensure the Authenticity of Accounting Information

China's small and micro enterprises have widespread financial management confusion and accounting information distortion. Whether financial management is scientific or not is a matter of whether the fundraising, placement and distribution are reasonable. Improving the financial management level of small and micro enterprises is related to the big issue of whether small and micro enterprises can successfully raise funds. Some small and micro enterprises do not really understand the significance. Therefore, small and micro enterprises must correct their understanding of changing concepts. Raise awareness and make strengthening fund management an important part of the production and operation management of small and micro enterprises. Efforts to improve the efficiency of the use of funds, so that the use of funds to produce the best results. Improve the property and material management system of small and micro enterprises. Establish standardized operating procedures for material procurement, requisition, sales, and sample management. Strengthen the management of inventory and accounts receivable, so that small and micro enterprises can fall into the "triangular debt dilemma."

D. Optimize Loan Procedures and Reduce Lending Costs

Because of the high degree of flexibility of small and micro enterprises, their responsiveness to the market, their ability to grasp market opportunities, and their innovative inspiration are very active, they have higher requirements for timeliness of financing needs. Obviously, the traditional banking-oriented operation process of the bank cannot adapt to the financing characteristics and development rules of small and micro enterprises. The loan amount of small and micro enterprises is relatively small, but the number of pens is large, which requires high efficiency in reviewing loans. Therefore, banks must reduce unnecessary links and processes on the basis of the traditional loan review process. Different micro-enterprises can adopt differentiated authorization mechanisms to accept and quickly approve small and micro enterprises that meet certain amounts and business conditions improve efficiency.

E. Practically Strengthen the Pace of Construction of Local Commercial Banks and Rural Commercial Banks

First, strengthen the financial management of investment decisions for small and micro enterprises, and improve the safety of local commercial banks and rural commercial banks in lending to small and micro enterprises, established a small and micro enterprise loan risk compensation fund to improve the enthusiasm of local commercial banks and rural commercial banks for small and micro enterprises to lend. Second, strengthen the construction of small and micro enterprise lending insurance system to reduce the risk of small and micro enterprises repayment. Finally, increase the bank's quota for small and micro enterprises, and put the prescribed loan quota in place.

V. IN-DEPTH STUDY OF GERMAN AND JAPANESE EXPERIENCES

There are a large number of small and micro enterprises in Germany, as well as a large number of small banks, small loan companies, etc. Their main customers are small and micro enterprises. The German government has a special incentive system for small and micro enterprises, especially small and micro enterprises and innovative enterprises in the
manufacturing sector, and can receive certain subsidies from the government to pay interest on bank loans.

Large commercial banks in Japan can also receive certain subsidies from small and micro enterprises for the government, and encourage large commercial banks to lend money to small and micro enterprises to obtain the same interest rate for large enterprises. This method has reduced the high interest rate of small and micro enterprises. The burden also ensures the risk premium of large commercial banks lending to small and micro enterprises.

In order to ensure that small and micro enterprises obtain loans, Japan has also established the Micro Enterprise Guarantee Association in various counties. It is a non-profit organization that guarantees small and micro enterprises. Numerous private small and micro enterprise financial institutions are allowed to exist, and their service targets and business methods have a great degree of support for small and micro enterprise financing.

Both Japan and Germany are very concerned, valued and supported by small and micro enterprises, especially small and micro enterprises that adhere to the production and operation of a certain product for a long time. This is not only beneficial to the “lean production” of small and micro enterprises. The national economy continues to grow and employment increases. Japan’s “hundred-year-old stores” are numerous, but the scale of assets is small, and it can persist for a long time. It not only reflects the “holding” feelings of the Japanese national economy, but also reflects the long-term support and care of the Japanese government for persisting in feelings.

Both Japan and Germany attach great importance to the information services and management of small and micro enterprises, including production and operation information services, investment consulting services, financial information services and audit supervision. This has not only helped many small and micro enterprises to make investment decisions, but also increased Small and micro enterprises have the ability to resist risks and loan repayments, and also increase the accuracy of risk assessments of various commercial banks, including large commercial banks, small micro banks, and microfinance companies, to small and micro enterprises, and improve their The enthusiasm and security of small and micro enterprise loans. Japan and Germany have also severely punished the deliberate arrears and malicious defaults on bank loans by small and micro enterprises, making small and micro enterprises become more cautious when applying for loans from banks.

Germany and Japan have relatively loose market access for small and micro enterprises to list and issue bond financing, which is not only due to the integrity construction and management of their governments and nationals, but also to their standardized management and disclosure of various credits for small and micro enterprises. Small companies in Japan and Germany have considerable access to information in financial institutions, other companies, and the public. In addition to technical secrets and trade secrets, these small business operations, asset size, and management personnel can be queried. The qualifications for listing direct financing and issuing bond financing are also quite transparent, so there is almost no “illegal fundraising” in Japan and Germany because they are easier to issue bond financing and listing financing. In order to prevent fraudulent acts of corporate money, these countries are also severely penalized for small and micro enterprises to spend money.

Through the analysis of the support and help for financing small and micro enterprises in Germany and Japan, we can see the important role of the government in solving the financing difficulties of small and micro enterprises. From a global perspective, financing difficulties for small and micro enterprises is a common phenomenon. Spontaneous market mechanisms are flawed. Small and micro enterprises are not competitive with large enterprises in financing. To solve this problem, government intervention is a must. Whether in a country with a developed market economy or a country with a weak market economy, any government that has been concerned about this issue with a relatively early intervention has solved the problem of financing difficulties for small and micro enterprises. China is making every effort to improve the socialist market economy, and naturally it cannot escape this law. It should be said that China has attached great importance to the development of small and micro enterprises in recent years, but from the perspective of many measures, the depth and intensity of interventions are still lacking. To this end, the government departments should also increase their efforts to learn from the successful experience of foreign countries and formulate a set of macro policies that fully support the development of small and micro enterprises.

VI. Summary

Through understanding the characteristics of small and micro enterprises, their own business status, role, etc., a series of analysis on the financing difficulties of small and micro enterprises, and concluded that the financing difficulties of small and micro enterprises involve the enterprise itself and the outside world factor. Therefore, to solve this problem, enterprises and the relevant external agencies must work together. Small and micro enterprises must actively improve their own quality and credit rating; financial institutions must actively provide financing for small and micro enterprises to vigorously develop financing channels; government agencies must pay attention to the financing of small and micro enterprises, provide preferential policies for small and micro enterprises, and implement in place.

Secondly, the article also lists the solutions to the problem of small and micro enterprises in Germany and Japan. I hope that China can learn from Germany and Japan in light of its national conditions.

In short, it is a difficult and complicated project to solve the problem of the development of small and micro enterprises, and it is inseparable from the cooperation of various related industries. After all, small and micro enterprises have brought a lot of benefits to the development of society. But I believe that with the development of the economy, the dilemma of the development of small and micro enterprises will be gradually resolved. Small and micro enterprises will develop better and better, and continue to bring benefits to the entire development.
REFERENCES


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