

Research on Financing Problems of Small and Medium-sized Enterprises from the Perspective of Inclusive Finance in China

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Abstract

The large number of small and Medium-sized enterprises, flexible business model, and constantly provide the market and consumers with more abundant services, in China's economic development, occupy a very important position. In recent years, national policies have been supporting the development of small and Medium-sized enterprises and encouraging financial services to the real economy, but the effect is not very ideal, and there are still many problems in financing for small and Medium-sized enterprises. In 2016, the State Council issued the Plan to Promote the Development of Inclusive Finance (2016-2020), which put the development of inclusive finance at a new strategic height. It clearly stated that the construction and development of an inclusive finance system, would continuously provide certain financial services for small and Medium-sized enterprises and promote the harmonious, healthy, and sustainable development of the society.

Keywords

Inclusive Finance; Small and Medium-sized Enterprises; Financing.

1. Development Status of Inclusive Finance and Small and Medium-sized Enterprises in China

Inclusive finance aims to provide effective and appropriate financial services for small and Medium-sized enterprises and vulnerable groups in a comprehensive way. The concept of financial inclusion was first introduced by the United Nations in 2005 as part of its promotion of the International Year of Microfinance. Since then, the concept of inclusive finance has been gradually accepted by all countries. On the premise of ensuring the financial sustainability of financial institutions and affordable costs for consumers, SMEs can obtain certain financial services to meet their development through continuous market competition, support from national policies and financial innovation. In recent years, China is also paying more and more attention to the development of inclusive finance. The Third Plenary Session of the 18th CPC Central Committee held in 2013 also clearly proposed: "Develop inclusive finance, encourage financial innovation, and enrich financial market services and products". In 2016, the State Council issued the Plan to Promote the Development of Inclusive Finance (2016-2020), which puts the development of inclusive finance in China at a new strategic height, and states that by 2020, it will comprehensively build inclusive financial services and systems that are in line with China's economic and social development and people's well-off life. How to make inclusive finance better serve the real economy and small and Medium-sized enterprises and other vulnerable groups is also a major issue that the country must pay attention to.

From the current economic development, China's small and Medium-sized enterprises are growing, and occupy a pivotal position in the national economy. The number of small and Medium-sized enterprises is huge. According to the "2018 edition of China's Small and Medium Enterprises Development Research and Financing Strategy Research Report" released by China Industry Information Research Network, it can be seen that at the beginning of 2017, the

number of small and medium enterprises above the national scale in China was as high as 370,000, which was nearly an increase of 5,000 enterprises compared with the beginning of 2016. Among the 370,000 enterprises, the number of Medium-sized enterprises reached 54,000, accounting for 14.6% of the total number of small and Medium-sized enterprises; The number of small enterprises was 316,000, accounting for 85.4 percent of the total number of small and Medium-sized enterprises. At present, small and Medium-sized enterprises account for 60% of China's gross national product and 85.4% of its tax revenue. At the same time, the development of small and Medium-sized enterprises has also absorbed a lot of labor and solved the employment problem of up to 75%.

2. Problems Existing in the Financing of SMEs from the Perspective of Inclusive Finance

2.1. Quality of SMEs Themselves is Low

(1) Low profitability and short life cycle. There are many small and Medium-sized enterprises in China, which can be seen everywhere, but many of them have relatively small registered capital and relatively small scale. Moreover, most enterprises have low scientific and technological content, insufficient accumulation, and low profitability, so it is far from enough to rely only on their own profits as the main source of funds to expand the production and development of enterprises. Such characteristics of small and Medium-sized enterprises are relatively short life cycle and easy to go bankrupt, which leads to the fact that banks and other financial institutions refuse to lend to small and Medium-sized enterprises or are only willing to make small and short-term loans to reduce their own risks.

(2) Poor credit and lack of collateral. Generally, when an enterprise seeks a loan from a bank or other financial institution, it must be a small and Medium-sized enterprise registered in China with good operating conditions and no bad credit record. The credit examination of the enterprise is to be in bank credit, financial credit, commercial credit, and pay taxes credit commonly 4 respects. Maybe some business owners in ordinary life do not care about their credit, make some damage to their integrity, not on-time repayment of interest, do not abide by the promise, and so on some dishonest things. If there are these situations, even if the company's operating conditions are good, it may also be rejected by banks and other financial institutions because of some credit problems. On the other hand, it is difficult for banks and other financial institutions to grasp all the information of enterprises in need of loans, and information asymmetry will also lead to poor credit of SMEs as a whole, and it is difficult for SMEs to borrow funds from banks.

(3) Weak awareness of inclusive finance. Judging from the overall situation in China, financial institutions still need to improve their financial service awareness of inclusive finance. The application of inclusive finance in most financial institutions is formed over substance and lack of initiative and enthusiasm. The main reason is the absence of incentive mechanisms and supportive preferential policies. At the same time, financial institutions are accustomed to using traditional financial instruments to provide financial services, and their business philosophy has not been great and timely changed. Financial products and services for small and Medium-sized enterprises and other vulnerable groups are obviously not enough. In addition, from the perspective of enterprises, many enterprises can not timely understand some national and provincial policies, and can not make good use of relevant inclusive financial policies to promote their own development. Some small and Medium-sized enterprises know the policies issued by the government, but they do not know how to deal with the related business, which will also lead to the policy can not achieve the expected effect.

2.2. Poor Inclusive Financial Development

(1) Inclusive finance lacks service innovation for small and Medium-sized enterprises. Inclusive finance aims to serve all classes of the society. The financial services and products under the traditional financial model cannot serve the inclusive finance well, so it is necessary to continuously strengthen the innovative development of the financial products, financial services, and financial models under the inclusive finance. In recent years, the country is becoming more and more attention to the development of pratt &whitney financial, constantly encourage social use of the Internet, the modern network technology to develop large data and so on financial, pratt &whitney ascension pratt &whitney coverage and depth of the financial services, push pratt &whitney financial innovation and development, to ease the small and Medium-sized enterprise capital needs of the socially vulnerable groups such as the problem.

(2) Policy defects in the development of inclusive finance. At present, the government usually carries out relatively mandatory orders to require banks and other financial institutions to increase the lending intensity or reduce the loan interest rate, so as to increase inclusive financial services. However, the implementation effect of this method is not very optimistic. Although the compulsory execution of financial institutions will increase some financial services, banks and other financial institutions are unwilling to lose their interests and increase their risks. In addition, from the point of view of capital demanders, there will be dependence on policy-based loans and a lack of repayment incentives. Although the country has introduced a lot of loan preferential policies, the final decision of the bank is whether to lend or not to lend, and the bank should comprehensively consider the cost, risk, benefit, and other factors. In addition, many loan preferential policies are too broad, facing many specific problems in operation, and can not have a direct effect on enterprises, making it difficult for enterprises to enjoy the preferential policies.

(3) The service environment of inclusive finance is poor. Under the current economic situation in China, the development of inclusive finance has not formed a financing strategy conducive to the development of small and Medium-sized enterprises. The funds and financial services of some large commercial banks are also inclined to large enterprises, and few of them are aimed at SMEs. There are still many credit problems between financial institutions and SMEs. At the same time, with the development of inclusive finance, there is also a lack of special funds to support the development of small and Medium-sized enterprises. If the government can set up a special fund for the development of small and Medium-sized enterprises, it will also be a signal to constantly guide banks and other financial institutions to open more financial services to small and Medium-sized enterprises. In addition, due to the uneven economic development in different regions, the degree of inclusive financial development will also vary greatly, and places with poor economic performance will provide less support for small and Medium-sized enterprises.

2.3. Inadequate Financing Support System for SMEs under Inclusive Finance

(1) Insufficient credit management and information disclosure services. Inclusive finance requires financial services to cover all groups of the society, so it is very important to effectively control risks. One of the important factors of risks is information asymmetry. China's current credit investigation system is not perfect and information sharing is not smooth, which greatly limits the integrity of information and makes it difficult for big data and other means to play a full role in risk prevention and control, thus greatly affecting the financial assistance of inclusive finance development for small and Medium-sized enterprises. First, there are some problems in the connection between the inclusive financial system and the credit investigation system. The data collected by the credit investigation system of the central bank is generally strict for large financial institutions, and many enterprises that are not large enough cannot meet such requirements. Second, the credit system needs to be improved. China's current credit system is

far from perfect, such as small scale, lack of professional knowledge of practitioners, lack of diversification of credit products, and weak overall strength, etc., and the support for financial inclusion objects is very limited.

(2) The guarantee system is not perfect. Many small and Medium-sized enterprises have been refused loans due to a lack of collateral. For these large parts of the lack of collateral for small and Medium-sized enterprises, guarantee can effectively control the risk. At present, China's economic development has not established a relatively perfect guarantee system, relying on the support of government policies is far from enough. Under the current financial environment in China, the supervision cost to reduce the guarantee risk is huge. In addition, due to the mismatch between the low premium rate of insurance and the risks to be assumed by the guarantee company, the business sustainability of SME financing guarantee institutions is also difficult to be guaranteed.

3. Countermeasures and Suggestions for Solving SME Financing from the Perspective of Inclusive Finance

3.1. Small and Medium-sized Enterprises Constantly Improve Their Quality

(1) Improve the company management system and enhance innovation ability. To a large extent, the financing difficulty of small and Medium-sized enterprises is caused by some defects in the enterprise's system. Although the influence of external factors is also very important, the most fundamental solution still needs small and Medium-sized enterprises to continuously improve their quality, profitability, and development prospects. If an enterprise lacks a sound and standardized corporate management system, it may not get the required funds even if the external financing environment is very good. For small and Medium-sized enterprises, can draw lessons from the modern enterprise management system and operation mode, improve their management system and management mode, find their business and management strategy of development, but also combined with the feature of own enterprise, set up the company's cultural management system, and constantly improve their own normative and competitive.

(2) strengthen the credit management of enterprises. In order to effectively avoid the problem of financial exclusion and discrimination, small and Medium-sized enterprises should first solve their credit problems, enhance the credit awareness of enterprises, and at the same time, avoid the lack of credit in the subsequent production and operation activities. First of all, an enterprise at the beginning of its development should strive to cultivate its credit awareness, and take the credit of the enterprise as the primary goal of its operation and development, so that everyone in the enterprise can be honest, and every business in the company is real. In addition, small and Medium-sized enterprises should also continue to learn the laws and regulations related to finance, consciously fulfill their obligations, timely repayment of loans and interest to capital providers, do not exceed the repayment term, establish a good benchmark of honest and trustworthy enterprises in the economic environment, and gain social recognition. Finally, it is necessary to make financial statements according to the actual situation of the business operation of the enterprise, and not to resort to fraud. It is necessary to provide real and accurate financial information of the company to banks and other financial institutions in time and pay taxes on time. Strengthen the trust and goodwill of banks and other financial institutions to small and Medium-sized enterprises to form a good image of social enterprises.

(3) Strengthen the awareness of inclusive finance. In order to effectively solve the financing problems of small and Medium-sized enterprises, it is necessary to strengthen their own awareness of inclusive finance. Small and Medium-sized enterprises can learn about relevant national policies through news newspapers and the Internet and actively respond to them. Only

in this way can national policies be put into effect, rather than loud talk and little rain. At the same time, it is necessary to cultivate relevant talents at various levels, constantly enrich the professional skills and knowledge of existing relevant practitioners, and strengthen the dissemination of financial knowledge. Improving the awareness of inclusive finance of small and Medium-sized enterprises can promote the development of inclusive finance and the development of small and Medium-sized enterprises themselves. Besides, banks and other financial institutions should also continuously improve their awareness of inclusive finance. They should not only actively implement relevant inclusive financial services under the guidance of policies, but also change their business philosophy to approach inclusive finance to meet the growing diversified financial needs of small and Medium-sized enterprises.

3.2. Enhanced Inclusive Finance Support for SME Financing

(1) Expand financing channels and innovate inclusive financial services. First of all, we should formulate corresponding financing products according to different situations of different enterprises, which are more targeted and operable. At the same time, we can moderately increase the non-performing loan ratio of some small and Medium-sized enterprises. Establish a certain credit rating system to divide the credit ratings of small and Medium-sized enterprises. Enterprises with good credit can obtain higher funds, while those with poor credit can reduce the amount or take other punitive measures. Secondly, we can introduce more private capital and formulate relevant preferential policies for private capital. It not only expands financing channels, but also solves the problem of waste of social resources and gives full play to the role of idle funds. Finally, the government can create a small and Medium-sized enterprise development fund to continuously support the innovative development of small and Medium-sized enterprises. For the development of good prospects of small and Medium-sized enterprises can focus on training, increase financial support, promote the sustainable development of small and Medium-sized enterprises.

(2) Improve relevant policies and increase support. First of all, it is necessary to continuously increase the formulation and implementation of government policies to promote the development of inclusive finance. The government should do a good job in the publicity and implementation of policies, and make the policies implemented, so that more enterprises and the public can know about these policies and enjoy and use them well. Secondly, the capital market should be constantly supervised and standardized. We should constantly strengthen the supervision of the economic capital market, regulate the behavior of economic entities, and create a fair and just economic society. Finally, the current preferential policies for small and Medium-sized enterprises are in the general direction. In the actual implementation, measures should be taken according to local conditions, reducing the application links, simplifying the application procedures, and changing the convenience of administrative organs to the convenience of enterprises. The implementation of supportive policies should also be supervised and inspected in time.

(3) Optimize the service environment for inclusive finance. In order to continuously optimize the development environment of inclusive finance, the primary task is to develop institutions that can provide financial services for small and Medium-sized enterprises, constantly strengthen the construction of a richer market system, and improve the construction of the small and Medium-sized board, the Growth Enterprise Board and the New Third Board. Secondly, it is necessary to improve the equity market serving SMEs to meet the different needs of SMEs in different stages of development. We can accelerate the development of private equity investment funds and venture capital funds and guide them to increase financing support for small and Medium-sized enterprises. It can also reduce the debt of enterprises through the transfer of bonds and stocks and effectively promote the development of the capital market. Finally, it is necessary to strengthen the supervision of the financing market. Effective

supervision can promote economic development, continuously optimize the development of inclusive finance and financial service environment, and promote financing support for small and Medium-sized enterprises.

3.3. Improving the Financing Support System for SMEs in Inclusive Finance

(1) Strengthen credit management and information disclosure services. The government takes the lead to organize and implement the establishment of enterprise credit files. Scientific and effective management should be carried out on the disclosure of enterprise data, and a general enterprise credit investigation model suitable for China's economic development should be gradually established. When financial institutions collect data, they should pay more attention to various aspects of data collection, such as the daily business activities of small and Medium-sized enterprises, the financial service mode they choose to obtain funds and credit rating, etc. Only through data collection from various parties can we have a more comprehensive understanding of the development status of an enterprise and its demand for financial services. Besides, information sharing and interconnection among various institutions should be realized, and a legal, compliant, unified, convenient, and queryable credit data system should be built. After all aspects of data and information are perfected, a process-based data analysis mechanism should be established to form specific risk management and product pricing strategies for customers through in-depth analysis and evaluation of credit data. Will be effectively applied to the data analysis results in the financial services, financial institutions can not only save a lot of information acquisition cost, but the current service objects can also have a more profound understanding, easy to prevent and control its own risks, resist some have a higher risk of fraud, help the bank to decide whether to dole out money and conducive to promoting the development of risk investment and financing.

(2) Improve the guarantee system. Small and Medium-sized enterprises often lack effective collateral guarantees, so it is necessary to constantly improve the guarantee system, build a government-guided, market-oriented, multi-party win-win financing guarantee system for small and Medium-sized enterprises, and constantly explore the risk management and diversification of small and Medium-sized enterprises. First of all, the relevant departments need to continue to innovate the mortgage mechanism, appropriately relax the threshold of mortgage loans, and increase the types of mortgage loans. Secondly, it is necessary to do a good job in the ownership assessment, pricing, and final asset treatment of the asset collateral guarantee, and improve the financing guarantee system of small and Medium-sized enterprises overall. Finally, to strengthen monitoring of financing guarantee institutions and norms, improve the internal control and management ability of financing guarantee institutions, continue to strengthen risk control ability, to form the financial industry, bank and guarantee risk-sharing, mutually beneficial and win-win long-term effective mechanism, through the credit guarantee model to improve the innovation of the industry development potential. At the same time, the government should continue to play an active role in guiding the development of the guarantee industry.

4. Conclusion

The financing problem of small and Medium-sized enterprises is a worldwide problem. Due to some reasons of their own, small and Medium-sized enterprises have low earnings and poor corporate integrity, so it is difficult for them to get the trust of external financial institutions. China has strong supervision on banks and high requirements on the funds of financial institutions. In order to reduce their own risks, banks and other financial institutions will limit the financing of SMEs, which leads to many problems in the financing and development of SMEs. Moreover, China's current financing support system has some defects, such as insufficient credit management and insufficient information disclosure. In order to obtain information on

SMEs, financial institutions must spend more manpower, material, and financial resources, which increases their own costs. The guarantee system is not perfect, and the social service environment is chaotic. Government policies have not been truly implemented, a variety of reasons lead to the generation of small and Medium-sized enterprises financing problems. The continuous development of inclusive finance can add more financing channels for the financing of small and Medium-sized enterprises, reduce the cost of obtaining funds, and help solve the financing problem of small and Medium-sized enterprises. However, to solve the financing problem, we still need to rely on the joint efforts of SMEs themselves, the government and financial institutions to establish a more fair and just economic environment, continuously develop inclusive finance, and promote the development of SMEs and the economy.

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