

# Policy Suggestions on Financing Situation of Small and Medium-Sized Enterprises

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**Abstract:** *The rapid development of small and medium enterprises (SMEs) in China, which has a huge role in the national economy and social development, on the basis of SMEs financing status' research and analysis, this paper explores the SMEs' difficult reasons of obtaining bank loans, and makes some policy recommendations.*

**Keywords:** SME, Financing, Policy Recommendations

## 1. Introduction

Since 2011, in the tight liquidity and inflation pressure of sustained high prices of the situation, the small and medium-sized enterprise financial strain condition generally increased the financing problem of small and medium-sized enterprises once again become the focus of. According to incomplete statistics, China's existing small and medium-sized enterprises of about 40000000 households, labor intensive export products and export of high-tech products are mostly small and medium-sized enterprises in the production of small and medium-sized enterprises, exports accounted for 60% of total exports; the small and medium-sized enterprise provides about 75% of urban employment opportunities. Since the reform and opening up, transfer out of rural labor majority is absorbed in the small and medium sized enterprises. The small and medium-sized enterprise each year for the state to pay business tax accounted for about 50% of the total amount of. In twentieth Century 90 years of rapid economic growth, industrial added value of 76.7% is created by smes. Therefore, has an important significance to support the development of small and medium enterprises.

## 2. Financing Situation of Small and Medium-Sized Enterprises

The small and medium-sized enterprise financing mode is divided into internal financing and external financing, internal financing mainly refers to the use of the retained

earnings of enterprise and workers to raise funds, external financing is divided into direct financing and indirect financing, direct financing is mainly to raise funds through the issuance of stocks, bonds and other means, indirect financing refers to the financing by financial institutions.

With the April 21, 2011 the central bank deposit reserve rate once again raised the deposit reserve rate of 20.5% high, let bank credit tightened the strings. Monetary policies in the national implementation of robust, monetary and credit supply is generally tight, the economic subject especially small and medium-sized enterprises to obtain funds through bank loans has increased the difficulty of. According to the National Development Research Institute of Peking University recently released "small business financing difficulties investigation report", 2011 is not a small business survival environment is positive, which can borrow from the banks, only 15%, in the amount of 1000000 yuan loans are basically become blind, it is difficult to obtain bank attention.

Related survey data shows, 13.4% of small and medium-sized enterprises that "loans difficult", 82.2% of the small and medium-sized enterprises that "loans difficult", 12.2% of the small and medium-sized enterprises that "loans difficult", 12.2% of small and medium-sized enterprises that "say not clear". The loan difficult problem has been exist, most of the enterprises are difficult loans. According to the survey with the national industry and commerce, 90% the size of the

following small enterprises without any lending relationship with financial institutions, micro enterprise 95% does not have any relationship with the financial institutions lending.

**(1) The more difficult the financing of SMEs, folk lending concern**

Many small and medium-sized enterprises have said, enterprises lack of funds, it is difficult to turnover. In response, some owners chose the borrowed, small loan companies, investment Guarantee Corporation, network lending platform, pawning the folk lending way. In 2011, the people's Bank of China Zhejiang branch relevant personnel Chinese estimation, China folk loan balance has reached 3.8 yuan, accounting for the total size of the shadow banking Chinese loans of about 33%, equivalent to 7% of the total bank loans.

**(2) Positive capital market strategy to increase**

According to the data show that, compared with the past three years, listing plan to increase the proportion of the largest small businesses, increased from 0.7% to 13.5%, an increase of nearly 20 times; and medium-sized enterprises was increased to 30.4%, an increase of nearly 10 times. Through the above analysis, we can find that our country small and medium-sized enterprise financing to capital market, capital market strategy to increase.

**(3)The financing channel is unitary; bank credit is still the first choice**

Eighteenth national enterprise annual survey Chinese organization entrepreneurs survey system tracking, in the 4256 companies participating in the survey, 81.5% of the enterprises no listing plan, and to the listing Corporation, the parent company of the listing Corporation, the listing Corporation subsidiary, listing Corporation accounted for 18.5%. As the listing Corporation is still relatively scarce resources, listed the threshold is relatively high, the majority of enterprises still very hard through the direct financing channels to obtain funds.

The majority of enterprises of our country financing channel is single, bank loans and private lending is the main source of funds for the enterprises. Through the stock market to raise funds and the introduction of private equity, venture investment enterprises less.

According to the survey data of 297 sample enterprises in Jining City, the people's Bank of China branch in Ji'nan city in Chinese, bank credit funds as the primary channel of financing of small and medium enterprises accounted for 21.9%, followed by its own funds, accounted for 6.4%. In a survey of 294 home loans to enterprises, 28 enterprises have a loan in the bank, 109 enterprises have a loan in the bank, 157 enterprises have loan in three or three or more bank.

Although, with the launch of the gem, the financing of small and medium-sized enterprises and the emergence of new vitality, but the high cost of listing, enterprise's financial status unknown causes this channel has to be developed. But the folk financing basically underground or semi underground status, the lack of legal and institutional norms, usury and other illegal activities were relatively common. Friends and relatives can borrow funds raised must be limited, is not to be effective means to alleviate the financing of small and medium enterprises. Thus it can be seen, the bank credit funds is still the first choice for the financing of small and medium sized enterprises.

**3. Small and Medium Enterprises to Obtain Bank Loans More Difficult to Reason**

Aiming at the financing situation of small and medium-sized enterprises, we will find that the enterprise to obtain financing is not easy from the bank, investigate its reason, mainly from three aspects to consider:

First, small and medium enterprises from the point of view, its status is the underlying reason for the financing of the.

First of all, small and medium-sized enterprises to set up a short time, small scale, lack of fund; the product of a single, low grade, science and technology content is low, lack of self-innovation capability. Secondly, the management mechanism of small and medium enterprises backward, pipe roof level is not high, enterprise managers quality is low, the property right is not clear, financial management confusion, credit is not high, the market risk and credit risk, banks are wary of the loan. Finally, the small and medium-sized enterprise loan has less demanding, high frequency, project risk is high, the

operating characteristics of higher cost and management cost, also make banks reluctant to give their loan business loans.

Second, from the bank's point of view, mainly is the information asymmetry between banks and enterprises to increase the difficulty and cost of bank enterprise risk screening. SMEs usually financial strength is very weak, not what accumulation, weak management, financial information opaque, and the large gap between the commercial bank financing conditions required. In order to avoid the risk, cost control, credit officers afraid to assume that moral hazard is not clear, to the small and medium-sized enterprise loan as "cautious", usually not willing to do the small and medium-sized enterprise small business loans.

Third, from a policy perspective, China's credit policy, credit policy bias, tend to infrastructure construction, large enterprises and personal goods, loans to SMEs is relatively less. Sustained high prices at the same time, along with the economic recovery trend gradually clear and inflation pressure, the demand of credit to the real economy is becoming more and more vigorous, the contradiction between financial institutions and in 2011 the gradual tightening of credit resources is more prominent, and therefore cannot be timely, fully meet the needs of enterprise credit phenomenon has appeared, exacerbated the SME loan difficult circumstances.

#### 4. Conclusions and Policy Recommendations

To solve the problem of financing SMEs, plays a great role in promoting the economic growth of our country, for this, need more efforts, whether the enterprise itself or the relevant financial institution.

##### **(1) To guide small and medium-sized enterprises to improve their own quality, improve financing ability**

Small and medium-sized enterprises should improve their own quality, the products do fine, fine, special, deep, improve market competitiveness, enhancing its ability to obtain financing support from the outside. To establish and improve the personnel management system, to attract professional management and technical personnel; to establish a sound financial system, strengthen the financial

transparency, to actively seek diversified financing channels; market positioning of products, timely adjustment of product structure.

##### **(2) Give full play to the functions of the government, perfect the system, create a favorable external environment for the financing of small and medium enterprises**

Public resources centralized government scarce strengthens infrastructure construction, to create a conducive to improving the financing of small and medium-sized enterprises and small and medium enterprises to improve the competitiveness of the environment. To establish and improve the financing of small and medium-sized enterprises is conducive to the development and the system of laws and regulations and judicial environment. Introduction of chattel mortgage guarantee system and the system of floating charge, to enhance the financing capacity of small and medium enterprises. To strengthen the construction of social credit system, the establishment of SME credit registration and consulting system and implementation of credit information sharing.

##### **(3) To promote financial innovation, promote the strengthening of the small and medium-sized enterprise financing support.**

Further opening of financial market, reform of the banking organization structure, accelerating interest rate marketization reform, strengthen the banking industry competition, the big banks gradually attention to small and medium-sized enterprises, to provide better services to small and medium sized enterprises. Specific to establish a framework for financial regulation is conducive to the development of the financing of small and medium enterprises, establish special SME lending institutions, flat bank structure. To establish SMEs credit scoring system especially according to the characteristics of small and medium enterprises, quantitative analysis and qualitative analysis, comprehensive assessment of the credit situation of SMEs. Credit innovation of banks should consider five main aspects, namely the mechanism, process, by way of security, product innovation and risk assessment system. The following table lists the innovation tool in some banks:

Nowadays, enterprises and banks are greatly improved, especially the positive innovation national policy and bank, believes that the future of bank loans to small and medium-sized enterprises will be more innovative products, which is more conducive to the financing of small and medium-sized enterprises, promote the economic development of our country.

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