

How to Deal With the Financing Problem of SMEs Under the Epidemic Situation

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ABSTRACT

In the trend of historical development, SMEs have increasingly developed into an important driving force for the development of national economy and social stability and harmony in contemporary China; under the sudden impact of COVID-19 epidemic in 2020, the survival and development situation of SMEs have become very severe. Based on the basic situation of the development of SMEs in China, this paper analyzed the difficulties and opportunities faced by SMEs in financing under the epidemic situation. The paper used citations to describe the impact of the epidemic and presented the financing problems of SMEs under the epidemic situation. By analyzing the current situation of typical enterprises, this paper can make managers deeply understand how to choose the correct measures to solve the financing problems faced by SMEs under the epidemic situation.

Keywords: *SMEs, COVID-19 epidemic, financing, status quo, measures*

1. INTRODUCTION

Financing difficulty is a major problem faced by SMEs in China. According to the report "Entrepreneurs and SMEs' Financing" published by the Organization of Economic Cooperation and Development, only 53.1% of Chinese SMEs successfully applied for loans from banks in 2017, down 10.0% from the previous year. At present, the source of funds for SMEs in China is mostly bank loan funds, but the small market scale of SMEs' production and the great risks they face make it difficult to obtain bank loan [1]. The spread of COVID-19 epidemic is a long process, which has a negative impact on the financing and development of SMEs. How to control the risks during the epidemic and alleviate the severe financing situation are the emphasis that SMEs should pay attention to.

2. THE DEVELOPMENT OF SMES IN CHINA UNDER THE EPIDEMIC SITUATION

2.1. Overview of SMEs

SMEs are also called small and medium-sized enterprises. At the same time, SMEs lack advantages in capital, technology, personnel, scale and management, which are all inferior to large enterprises. Therefore, SMEs have the characteristics of small-scale financing scope and intense demand for funds; Since the development of socialist market economy in China, the number of SMEs has been

increasing, which have already become an inseparable part of today's society and played a very important role in promoting the development of China's social economy, solving the problem of employment and promoting social harmony. However, SMEs are unable to cope with the great impact of the COVID-19 epidemic because of their weak ability to resist risks.

2.2. The Development Status of SMEs

2.2.1. The Scale of SMEs is expanding

According to the data of the National Bureau of Statistics, by the end of 2018, the total number of enterprises in China had reached 16.278 million, and the number of SMEs was 12.699 million. The income from the main business activities of SMEs in China was 57.9 trillion yuan, an increase of 8.4% over the previous period and 0.1% lower than the growth rate of enterprises in the same period (8.5%); Therefore, SMEs have become the main component of the current enterprise market of China and they are constantly splashing their vitality [2-3].

2.2.2. Financing difficulties of SMEs

Most SMEs are founded by partners, but there are a few cases where individuals provide funds to found the enterprise. Therefore, they have the inherent defect of lacking funds. With the expansion and development of enterprises, the demand for available funds becomes more

and more intense and huge; Due to the lack of liquidity, SMEs have to raise funds. However, SMEs have relatively few fixed assets, serious defects in guarantee ability and repayment ability, and great uncertainty in business activities. Therefore, it is difficult to obtain bank loans, and at the same time, the difficulty of obtaining financial support from large enterprises has correspondingly increased. They fell into the embarrassing situation of expecting to develop but lacking funds. Even in recent years, the central government and local government have repeatedly put forward in relevant documents and meetings that efforts should be made to solve the problem of increasing difficulties in financing loans for SMEs. However, due to many defects of their own, SMEs are still unable to pass the strict loan review procedures for some commercial banks and cannot obtain sufficient development liquidity [4]. SMEs seek the support of private loans because of the high loan interest. Private loans can temporarily alleviate the survival crisis. However, due to excessive interest expenses, enterprises need better financial support channels. Otherwise, the effect of private loans will gradually become worse, and it will be affected by a greater negative crisis than other large enterprises or state enterprises under the situation of increasing social risks.

3. ANALYSIS OF FINANCING PROBLEMS OF SMES UNDER THE EPIDEMIC SITUATION

3.1. Difficulties in Securing Loans for SMEs

It is particularly important for an enterprise to accurately analyze its financial situation and effectively manage its financial capital when it carries out corresponding financial activities. For SMEs with bright development prospects, the problem of financing loans in financial management is more prominent. In 2020, due to the spread of the COVID-19 epidemic, SMEs are in the middle area, and upstream raw material suppliers are unable to carry out good production. At the same time, the unsmooth transportation also makes the supply channels of raw materials unable to circulate with high quality; However, the orders for long-term cooperation will gradually and rapidly decrease, which will affect the stability of cooperation, and the benefits of enterprises will decrease instead of increasing. The main crisis faced by SMEs at the moment is the lack of funds. Under the situation that the degree of adapting to the economy is constantly improving, the market competition mechanism begins to emerge and gradually plays its special and key role. The business activities of enterprises are bound to have the definition of creditor's rights and debts; The maintenance of the relationship between the two needs the guarantee of a certain mechanism; For many SMEs in China, most of them are founded by partners, and there are also a few cases where individuals provide funds,

so they have the inherent defect of lacking funds; Therefore, it is greatly difficult for SMEs to find suitable guarantors. At the same time, due to the impact of the COVID-19 epidemic, enterprises with guarantee ability are not optimistic about the development of SMEs that need guarantee at this time. At the same time, the profitability of SMEs is poor and the risks they face increase with the development of the epidemic.

3.2. Bank Loan Financing for SMEs is limited

For small and medium-sized enterprises, loan financing activities in financial management through banks are the main and important external financing ways. At present, the source of funds for SMEs in China is mostly bank loan funds, but the small market scale of SMEs' production and operation and the great risks they face make it difficult to obtain bank loan. However, according to the actual situation, the success rate of SMEs obtaining loans through banks is still very low. With the arrival of the COVID-19 epidemic, the possibility of success of this approach has greatly reduced, even closing to 0. It is well known that banks need to complete a series of evaluation work when providing loans to related enterprises. Banks that provide loans need to observe and evaluate the financial situation, long-term and short-term solvency, credit and so on of enterprises, so as to get the results of whether to provide loans. For SMEs in the epidemic period, due to the obstruction of production and operation, employees' wages, factory rent, office rent and other expenses incurred during the epidemic shutdown period can not be guaranteed, but these expenses are just the majority of the production costs of enterprises; With the increasing risks and poor financial situation of enterprises, the possibility of providing loans to banks will be lower than before the outbreak. At this time, SMEs are greatly restricted in obtaining bank loans. If they want to make a breakthrough in this channel and approach, SMEs are bound to need the support and solution of relevant national policies.

3.3. Private Financing of SMEs is limited

Private loan is an important way for enterprises to raise funds, which plays an important role in alleviating the shortage of operating funds and the optimal allocation of resources for SMEs. The impact of COVID-19 epidemic on SMEs is serious, especially in the capital chain of SMEs and the resumption of work and production. Due to the spread of the COVID-19 epidemic, the upstream raw material suppliers are subject to strict shutdown measures and cannot provide the raw materials they should have to the enterprises. At the same time, the poor transportation also makes the supply channels of raw materials unable to circulate with high quality; However, the orders for stable cooperation will be reduced rapidly, and SMEs have to face the problem of capital turnover. During the epidemic, SMEs will seek the support of private loans because of the

large interest expenses and the difficulty of bank loans; For SMEs in the epidemic situation, private loans can temporarily alleviate the survival crisis, but due to the excessive interest expenses, enterprises need better financial support channels, otherwise, the effect of private loans will gradually become worse in the long run.

4. THE ACTUAL FINANCING ANALYSIS OF XIANMENG CLOTHING CO., LTD. UNDER THE EPIDEMIC SITUATION

4.1. Introduction of Xianmeng Clothing Co., Ltd

Xianmeng Clothing Co., Ltd. is located in Yongjia County, Wenzhou City, Zhejiang Province, and was registered and established in the local administrative bureau in December 2007; During the 12 years of development, the company mainly engaged in clothing sales, belonging to Wenzhou clothing yellow pages industry in Wenzhou city; Since the establishment of the company, Yongjia Xianmeng Clothing Co., Ltd. has always provided consumers with good products and technical support, adhered to the concept of "honesty and professionalism", and has a team of skilled and professional sales talents and technical advantages. Its product quality has been appreciated and praised by consumers and customers, and it pays attention to cultivating brand shaping power and influence. After continuous efforts and construction, it has become an enterprise with both scale and influence.

4.2. The Financing Status of Xianmeng Clothing Co., Ltd. Under the Epidemic Situation

4.2.1. Single financing form

Xianmeng Clothing Co., Ltd. is mainly engaged in clothing sales, and is also a professional processing company for leather clothing, footwear and other products. The product quality is unanimously appreciated by many companies in the industry, and the market demand is very large. However, due to the rapid development and spread of the COVID-19 epidemic, Xianmeng Clothing Co., Ltd. is in an awkward middle area, and the upstream raw material suppliers are unable to carry out good production due to strict shutdown measures. At the same time, they are also affected by poor transportation and logistics, and the company's production links cannot get enough raw materials for reproduction and reprocessing; Under the epidemic, Xianmeng Clothing Co., Ltd. had to face the problem of lack of funds and blocked production and

operation by means of financing; However, according to the current actual situation, Xianmeng Clothing Co., Ltd. was a company with a good development trend before the epidemic, and its financial situation is generally in good condition. Therefore, enterprises pay more attention to financial investment, operation and distribution in their usual financial activities; Therefore, the ability of risk control in financial financing is weak, facing the unfavorable situation of lack of financing channels, and also encountering the bad situation of lack of financing methods.

4.2.2. The endogenous financing capacity of enterprises has declined

The concept of endogenous financing is an aspect that needs great attention in financial management. As an important financing form and method preferred by SMEs, the internal financing of enterprises is one of the important sources of operating capital flow of enterprises, and it is also the embodiment process of enterprises' ability to continuously transform operating capital savings into investment in the process of operation and development. For a large number of SMEs in China, the endogenous financing ability is in an insufficient situation. Due to the impact of the epidemic, Xianmeng Clothing Co., Ltd. had to hoard a large number of clothing products. In addition, all parts of the country adopted strict traffic control policies to prevent and control the epidemic. The interruption of transportation and logistics links made the clothing production and sales of Xianmeng Clothing Co., Ltd. face great pressure. At the same time, the sales of Internet e-commerce also suffered from stagnation. The reduction of customer demand and the sharp drop in order volume made the enterprise's income drop rapidly, and the situation was very severe. At this time, Xianmeng Clothing Co., Ltd. couldn't get more working capital brought by business activities, and even had a deficit situation. The internal financing of Xianmeng Clothing Co., Ltd. began to decline and the decline rate was large, and the enterprise could not use the capital savings for investment activities.

5. THE FEASIBLE MEASURES TO SOLVE THE FINANCING PROBLEM OF SMES UNDER THE EPIDEMIC SITUATION

5.1. Improving the Credit Guarantee Mechanism for SMEs

SMEs in China are developing well, injecting irreplaceable and increasingly important power into the economy and society. In view of the fact that the development level of credit guarantee mechanism for SMEs in China is in a low range, the guarantee for SMEs' financial financing activities is not strong. Therefore, it is necessary for the

state and the government to take corresponding and correct measures to deal with the enterprise financing problems caused by the epidemic. First of all, it is necessary to further improve the credit guarantee system or mechanism of SMEs, so as to ensure that most enterprises can survive this difficult epidemic period through normal financing activities; Secondly, it is necessary to encourage policy banks to cooperate well with institutions so as to introduce more financing products and services that are conducive to enterprises to tide over the epidemic crisis; At the same time, we should also establish a credit evaluation system for SMEs, and ensure the effective improvement of the credit guarantee mechanism by dividing different credit ratings of SMEs, so as to set up a perfect risk prevention barrier for SMEs to cope with the epidemic and even possible crises in the future.

5.2. Broadening Financing Channels and Innovating Financing Forms and Means

At present, SMEs in China are mostly in a disadvantaged position in the market competition, lacking talents, backward technology, low added value, lacking core competitive advantage, and the mode of operation is solidified, lacking innovative thinking. Under the impact of COVID-19 epidemic, many SMEs are difficult to start work, so they are in a difficult situation and struggling. At the same time, there are few channels for enterprises to raise funds, which makes it difficult to get rid of the development dilemma. Therefore, in addition to the main channels such as bank loans and financial institution loans, we also need to continuously expand new financing channels, which can be used by financial institutions to continuously introduce financing products suitable for SMEs to survive the epidemic, or set up special loans for the epidemic to increase corporate financing channels, so as to obtain more timely access funds; At the same time, during the epidemic period, enterprises can be encouraged to carry out financing activities by private or financial leasing to provide new financing means and channels for SMEs, which helps solve the epidemic dilemma and promote the quality and smoothness of enterprise market financing activities.

5.3. Strengthening the Construction of Credit Concept, Enhancing the Sense of Integrity of SMEs

Honesty awareness is an indispensable core element in the operation and development of SMEs in today's market economy. If SMEs want to successfully overcome and solve the problem of financing difficulties during the epidemic and even in the future development process, they must strengthen the implementation and application of credit concept in actual operation and staff work in the internal construction of enterprises; Maintaining a high level of credit is conducive to financial financing activities,

which is also the standard that banks must evaluate in the process of lending to SMEs; Therefore, SMEs should strengthen their credit construction in these aspects during and after the epidemic: they should constantly improve the information disclosure mechanism to ensure the transparency and truthfulness of information and data in enterprise financial management; They should pay attention to the establishment of brand awareness, enhance corporate image and reputation, and standardize the quality of products and services; They should pay attention to the good cooperation with credit guarantee institutions and win the support of institutions with high credit.

6. CONCLUSION

SMEs have already become an inseparable part of society nowadays and have played a very important role in promoting social and economic development of China. Under the epidemic situation, SMEs in China are faced with a series of problems such as heavy pressure, insufficient supply, broken capital chain and so on, and the consequent result is a serious financing problem. At this time, the flagging SMEs are difficult to fight against the greater operational financing risks, and the situation becomes very difficult. It is the key of current work to solving the problem of overcoming financing difficulties in financial management and providing powerful help for SMEs to break away from the epidemic situation.

At present, the financing difficulties faced by SMEs need to be alleviated and overcome slowly for a long time. The state and the government must strengthen macroeconomic means, continuously broaden financing channels, and then create a healthier financing environment; Of course, the most important thing is that SMEs nourish themselves. They should constantly contact the actual status quo of financing, solve the main aspects in a targeted manner, and actively respond to relevant policy support; At the same time, They are suggested to strengthen the implementation of their own integrity concept; Therefore, with the support of various parties, SMEs will be able to successfully survive the epidemic crisis, solving and overcoming the financing difficulties in financial management, and better achieving sustainable and stable development.

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