

Research on Optimization Strategy of Financial Management in Private Enterprises

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ABSTRACT

With the complex development trend of economic environment, enterprises are facing great challenges. It is necessary for modern enterprises to have scientific and professional financial management ability. Under the guidance of modern financial management theory, this paper systematically analyses the existing problems and optimization strategies of financial management in the it private enterprises, and strives to find out the effective financial management methods suitable for the sustainable development of private enterprises, so as to promote the sustainable development of private enterprises.

Keywords: *private enterprises; financial management; problems and causes; optimization strategy*

1. INTRODUCTION

Private enterprises are the ladder to promote the sustainable progress of society. They not only drive the sustainable and stable development of social economy, but also become a powerful driving force for social science and technology to continue to take the road of innovation and development. Financial management and control is very important for the sustainable and healthy development of private enterprises. It can not only improve the economic benefits of private enterprises [1] by ensuring the asset security, information security and legal operation of private enterprises, but also effectively prevent the occurrence of malpractices and other errors in private enterprises, so as to ensure the realization of the expected plan of private enterprises.

2. ANALYSIS OF THE EXISTING PROBLEMS IN FINANCIAL MANAGEMENT OF PRIVATE ENTERPRISES

2.1. Capital Structure

The generalized capital structure refers to the ratio of total debt to shareholders' equity [2], while the narrow sense capital [3] structure refers to the proportion of long-term debt and shareholders' equity. Whether the capital structure is reasonable or not can play a completely different role. If it is reasonable, it can become a pusher to promote the steady development of enterprises in a better direction. On the contrary, it will brew uncontrollable crisis. In the capital cost [1] comparison method, the capital structure

that can reduce the weighted average cost of capital is a reasonable capital structure. At present, most private enterprises do not choose the scheme with the lowest weighted average cost of capital [3], which leads to high cost and reduces the profit level of enterprises.

2.2. Financial Treatment

Most of the private enterprises are too loose in financial management, which obviously increases the difficulty of accounting treatment. The lack of rigor in accounting treatment leads to the loss of the function of financial information which should reflect the actual production and operation of enterprises [2]. One is that the accounts are not set up completely. Some private enterprises have accumulated a large amount of accounts receivable and are often full of bad debts. For this problem, we should consider reducing the financial risk of enterprises. The enterprises should estimate the possible loss of bad debts and set up the "bad debt reserves" account. For the expected receivable and uncollected bad debts, the bad debt reserves should be withdrawn according to the aging. However, the business accounting of bad debts has not been fully reflected in the accounting treatment of most enterprises, including the balance sheet. Second, the quality of accounting information is not high, and the focus is on processing business artificially, so the financial information data cannot effectively reflect the real operation status of the enterprise, resulting in the accounting information cannot be fully used, the phenomenon of financial fraud is too serious; third, some private enterprises set up unreasonable financial management departments, but also lack of professional accounting personnel, in the cash management side There is no perfect internal control system to prevent the occurrence of risks. The daily cash management is not

managed by professional accounting personnel. Most of the financial personnel employed are college degree or below, and even have no accounting qualification certificate, which makes the management of daily cash transaction part of private enterprises very messy, and the financial personnel of private enterprises often do not make the optimal cash holdings according to the actual situation of the enterprise in advance [3] and the preparation of the cash budget has not been implemented.

2.3. The Problem of Overdue Accounts Receivable

The operating condition of private enterprises is closely related to the management of working capital circulation. Generally speaking, the higher the turnover rate of accounts receivable and the shorter the turnover days of enterprises and the faster collection of accounts; the strong liquidity of operational assets indicates that the short-term solvency is strong. The management of working capital circulation is very important for private enterprises. On the one hand, it helps private enterprises to reduce capital costs, on the other hand, poor management will make private enterprises in trouble. Private enterprises expand the proportion of credit sales in order to increase sales volume, but many small and medium-sized enterprises have poor credit status [4], which leads to the accumulation of a large number of overdue accounts receivable. Private enterprises lack the corresponding management mechanism of accounts receivable, have no way to solve the problem of overdue accounts receivable, and do not take some special measures when necessary.

2.4. Return on Assets

The cost management of some private enterprises is carried out orderly according to cost planning [2], cost accounting, cost control, cost analysis and cost assessment. The content is complete and comprehensive. The management process is guided by budget and strictly controls the expenditure of various costs and expenses. It seems to be perfect. However, in fact, there is confusion in the collection of financial costs in the implementation process, and the cost budget intention of the Department to which the expenses belong with weak knowledge, random collection and lack of theoretical basis of cost accounting, cost management is regarded as the responsibility of financial department. The idea of how to deal with the cost of staff and management is inevitable. Under the constraint of budgetary examination, in order to fulfill the objectives of business performance evaluation issued by the top leaders, the cost is controlled within the budget range, and only some costs can be transferred to the large cost budget space, resulting in the cost analysis not to save costs, but to advance the division of the budget in order to better accomplish the

budget, and thus the cost control effect is minimal. Its small, reduced the potential of profit space growth.

2.5. Assessment Mechanism

At present, most private enterprises lack the concept of cost management and control, blindly pursue profit maximization assessment, and ignore the sustainable and healthy development of private enterprises [3], resulting in some unnecessary costs, affecting the real profits and economic efficiency of private enterprises. At the same time, because the private enterprises have not established and improved the relevant cost control and management system, and the lack of a systematic standard cost system, the relevant financial personnel cannot conduct a comprehensive and scientific comprehensive assessment of the enterprise's cost expenditure, obtain the corresponding reward incentive, slack in the implementation of financial cost control, and affect the profitability and long-term development of private enterprises.

3. ANALYSIS ON THE CAUSES OF THE LACK OF FINANCIAL MANAGEMENT IN PRIVATE ENTERPRISES

3.1. Single Financing Channel

Due to the external and internal factors, the financing process of private enterprises has been in a disadvantageous position [5]. Capital bottleneck and tax burden make business operation more onerous. Even though the government has issued relevant support strategies for the development of small and medium-sized enterprises, it still fails to meet the shortage of capital bottleneck for the development of enterprises. At the same time, the credit of private enterprises is relatively low [3], and the financing cost to be paid in the process of financing is relatively high. In our country, only a small part of the private enterprises get the bank's credit help, which accounts for about 10% of the total number of small and medium-sized enterprises. Finally, at present, China's loan mortgage mechanism is not mature enough, and the loan system for private enterprises is relatively limited. Moreover, due to their small business scale, private enterprises have less fixed assets in the asset structure, and the proportion of current assets is relatively high. Secondly, private enterprises do not have a large scale and lack of funds. When financing, the assets that can be used for mortgage are relatively small. If there are not enough mortgage assets, it is very difficult for private enterprises to obtain sufficient monetary funds.

3.2. Lack of Strategic Analysis

The existing problems of financial strategic management in private enterprises are as follows: the long-term strategic orientation is not clear, and the corresponding fund planning and management are not carried out in combination with the strategic development needs of enterprises. The financial management of private enterprises is mainly manifested in the implementation of some short-term financial strategic management planning with financial cost accounting as the main function. Moreover, the reason why some private enterprises do not pay enough attention to the financial strategic management [4] is that the enterprises are in the growth stage, and only need to pay attention to the current short-term financial plan can meet the needs of production and operation of enterprises, resulting in the imperfection of the existing financial management system. Therefore, from the perspective of long-term business philosophy, the lack of strategic analysis and management is still an important crux of many enterprises.

3.3. Absence of Effective Collection Mechanism

If the accounts receivable account for a large proportion in the current assets of the enterprise, and the accounts receivable aged more than one year account for a large proportion of the total amount, most of the accounts receivable of the enterprise cannot be recovered in time and effectively, which is prone to financial risks. In the daily production and operation process of growing private enterprises, in order to compete for resources and lead the market, they did not establish a sound enterprise credit evaluation level in the prior stage of accounts receivable, which led to the relevant departments agreeing to sell on credit to the enterprises with bad credit when they did not obtain a comprehensive investigation on the credit situation of customers and fully assess the risks; in the interim stage, there was no corresponding accounts receivable. After the event, the lack of corresponding bad debt management and collection mechanism leads to the difficulty in the recovery of accounts receivable and reduces the business efficiency of enterprises.

3.4. Lack of Scientific Methods to Reduce Costs

Most private enterprises have not established a strategic cost management system, which cannot guarantee the smooth implementation of strategic cost management from the system and organization. This is because all the units in the enterprise value chain first need to bear the corresponding responsibilities according to their functions, but also bear the task of cost management, so there will be contradictions between cost and efficiency, cost and quality, cost and progress. Without the establishment of the corresponding strategic cost management system, it cannot

guarantee that all units can seriously analyse, actively communicate and solve problems quickly and comprehensively when there are contradictions.

3.5. Lack of Scientific Assessment Mechanism

Private enterprises have not established a management system of separation of powers in the appointment of cadres, which means that the administrative director has the right to nominate, human resources has the right to comment, and the Party committee has the right to impeach. This system will provide a fair and objective competitive environment for management activities, and can effectively avoid financial risks caused by unilateral decision-making mistakes. However, most private enterprises are spared Management and control. In addition, the responsibilities of each person is not clear, and various departments cannot check and balance each other, so that the enterprise does not devolve power and cannot find the internal balance point.

4. THE STRATEGIC ORIENTATION OF FINANCIAL MANAGEMENT OPTIMIZATION IN PRIVATE ENTERPRISES

4.1. Financial Management Thought

If private enterprises want to maintain the effectiveness of financial strategic management, they should implement the financial management ideas, which will involve the overall coordination of many relevant departments. The forward promotion of financial strategic management needs the cooperation of other operation departments, and its effectiveness is also reflected in the achievements of other management and operation teams. At the same time, through the cultivation of value oriented financial management ideas, through the systematic mechanism design to stimulate the creativity of employees, in the cultivation process of this kind of corporate culture atmosphere, the enterprise's competitive advantage can be formed.

4.2. Fund Management

It is the only way for private enterprises to reduce capital cost and improve the utilization rate of funds. Private enterprises should strive to expand financing channels, control loan proportion, reduce loan interest rate and optimize capital structure to strengthen financing planning management, so as to reduce capital cost and control financial risk of enterprises.

4.3. Accounts Receivable

The management of accounts receivable is a dynamic and systematic process, and the future development trend tends to be systematic and detailed. The idea of accounts receivable management is to carry out the management with focus and target on the basis of all-round control in the three stages of before, during and after the event, combined with the risk points of respective accounts receivable of private enterprises.

4.4. Cost

We should carry out the optimization of strategic cost management. First of all, we should update the cost management concept of the staff of relevant departments [3], and carry out professional training for the staff, so that they can realize that the business activities of the enterprise are related to cost management, and can persist in continuous improvement. The result of improvement is to make the enterprise go further in the future, and finally realize the strategic cost management goal.

4.5. Enterprise Assessment Mechanism

The professional skills and attitude of financial management personnel will directly determine the effectiveness of financial strategy implementation. The financial management team of private enterprises still has the characteristics of low work enthusiasm, weak business ability and low management level, and solving the problems of current financial management personnel evaluation mechanism and performance incentive is the current focus. By strengthening the construction of overall management incentive mechanism, private enterprises carry out personnel training strategy, team building, feedback system and performance incentive and other aspects of the management system, so as to achieve the purpose of encouraging financial management personnel and mobilize the overall enthusiasm [4].

5. CONCLUSION

Financial management of private enterprises is a management practice with wide coverage and high comprehensiveness, which is interfered by various factors in the actual implementation process. With the rapid development of knowledge economy and the increasingly fierce competition of market economy [5], the optimization of financial management of private enterprises is the necessary condition to encourage enterprises to make more rational use of financial resources and sustainable development. By optimizing the financial management of private enterprises, the short-term business objectives and long-term development strategy can be effectively realized.

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