



Research on the Financing of Small and Micro Enterprises——Take Guangdong Province as an Example

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Abstract

Small and micro enterprises are at a competitive disadvantage in the market. The outbreak of the financial crisis has seriously affected the operation of small and micro enterprises. The main reason is the problem of financing. This paper takes some small and micro enterprises in Guangdong Province as the research object, explores the reasons for the financing difficulties of these enterprises, and gives corresponding targeted suggestions for their development. This paper believes that increasing the financing channels of enterprises is the way to solve the difficulties of small and micro enterprises.

Keywords: *small and micro enterprises; Guangdong Province; financing problems; countermeasures*

1. INTRODUCTION

In recent years, small and micro enterprises in Guangdong have developed at a very fast speed, paying a large amount of taxes to the state every year, contributing huge wealth to society and making great contributions to the development of China's economy; in addition, small and micro enterprises have also played a considerable role in foreign trade, market development, providing jobs, and maintaining social stability[1]. However, in recent years, due to the increasingly fierce competition in the market, enterprises are facing many difficulties in operation, and there are many factors affecting the further development of small and micro enterprises, among which the most prominent problem is financing, which brings us some questions worth thinking about, how should we optimize the development environment of small and micro enterprises, especially the financing environment[2]. To realize "accelerating transformation and upgrading and building a happy Guangdong", we need to further improve our understanding, change our ideas, reform and innovate, actively optimize the enterprise financing environment, provide advanced financing services for enterprises, and find out the key to solve the problem[3].

2. THE BASIC SITUATION OF THE RESPONDENTS AND THEIR FINANCING STATUS

2.1. The basic circumstances of the subjects of the investigation

According to the definition of Professor Lang Xianping, chief economist of China, the small-scale enterprises in China's economy and society, family based enterprises and individual enterprises are called small and micro enterprises, and the ownership and management rights of these enterprises are roughly the same. And the scale is generally very small. It has the characteristics of diversified investment entities and organizational forms, multiple sources and forms of capital contribution, flexible production and sales, and loose internal management.

The survey mainly focused on Major Cities such as Guangzhou, Shenzhen, Dongguan, Zhuhai, Zhongshan and Foshan (including Shunde) in Guangdong, involving nearly 100 enterprises, including manufacturing enterprises, service enterprises, commercial and trade enterprises, cultural and creative enterprises, real estate enterprises, and investment enterprises. The survey shows that on the one hand, the current rapid development of small and micro

enterprises in Guangdong Province; on the other hand, due to many reasons, some enterprises lack the funds needed to maintain positive development, the difficulty of enterprise financing has increased, and the financing environment is not optimistic[4].

2.2.The current situation of financing of the subject of the investigation

Diversification of financing purposes:

Through the survey, we found that the financing purpose of nearly 1 open enterprise with financing needs is also very different, both the need to maintain production and operation, the need to purchase machinery and equipment, innovative products and technologies to expand production, and the need to expand the market and other aspects.

Single financing method and narrow financing channels:

The survey shows that the financing methods of small and medium-sized enterprises are very limited, bank loans and self-financing are the main sources of funds for enterprises, while there are significantly fewer enterprises that use financing methods such as bond issuance, internal fund-raising, and private lending. Information asymmetry between banks and enterprises. At the same time, the bank also clearly stipulates that when applying for a loan, enterprises should use real estate as collateral. The higher the financing threshold undoubtedly makes the financing possibility even smaller.

3. ANALYSIS OF THE REASONS FOR THE DIFFICULTIES OF SMALL AND MICRO ENTERPRISES IN GUANGDONG PROVINCE

3.1.External environmental issues

1.Policy support for small and micro enterprise financing is weak

In recent years, Guangdong Province has issued a series of policies to help the development of small enterprises, but the role of these policies is limited. Enterprises cannot directly receive assistance from banks and capital markets[5]. There is no functional department that truly serves small and micro enterprises; the government also lacks corresponding departments and policies to provide financial services for small enterprises. They cannot provide responsible and effective help in terms of financing guarantees, administrative approvals, private property protection, and labor security. Compared with small and micro enterprises, large and medium-sized enterprises can more easily obtain financial services from traditional

financial institutions when they have financial needs. The existence of information asymmetry makes it difficult for small and micro enterprises to obtain ideal financial services from traditional financial institutions, such as banks. In addition, in order to meet market demand and cooperate with the development of small and micro enterprises, local commercial banks and credit unions have become the main borrowing institutions for small and micro enterprises. However, compared with large banking institutions, the financial strength of these borrowing institutions is far from meeting the large capital needs of small and micro enterprises. Therefore, this status quo has caused certain restrictions on the future development of small and micro enterprises.

2.Taxes and fees are heavy

At present, the regulation and control of real estate is more stringent, the structure of land transfer funds is declining, and the financial collection is declining[6]. At the same time, local finances focus on the tax burden of small and micro enterprises, many places have appeared to collect the phenomenon of "excessive tax", digging three feet into the ground, auditing historical old accounts, clearing "tax evasion", small and micro enterprises not only climb costs, tax burden is also increasing, which is undoubtedly "worse for small and micro enterprises".

3 Credit guarantee system.

Since small and micro enterprises lack a sound credit guarantee system, there are few professional departments or units which can provide guarantees for such companies. In addition, due to many conditions, private guarantee institutions have not built a more systematic cooperation and sharing mechanism, and these guarantee institutions can only bear the risks themselves. In addition, the incomplete compensation system makes the guarantee institutions have certain risks. diversification of risk.

4. The legal system.

Although the formulation of relevant laws has promoted the development of small and micro enterprises to a certain extent, there are relatively few legal norms and systems related to financing such as loans, listings, and guarantees, which shows that our country is better and faster in guaranteeing small and micro enterprises. The development of the legal system needs to be further improved.

3.2.Problems existing in the enterprise itself

1.The strength of small and micro enterprises is poor

Most small enterprises in Guangdong Province take product manufacturing and processing as their main business, most of which are labor-intensive, the

competition is very fierce, and the difficulty of survival and development can be imagined[7]. These industries have low pedestrian thresholds, low operating profits, general lack of innovation awareness and innovation ability, and poor anti-risk ability.

The level of enterprise management is low, the financial system does not have or does not improve the contracting system, private ownership of the mode of operation in Guangdong Province is widely available, although it has also received the education and edification of the separation of ownership and management rights of modern company management, but the actual family-style, extensive management model is still its mainstream, decision-making is relatively arbitrary, it is difficult to adapt to the development of modern market economy. At the same time, the lack of internal control system, imperfect financial system, untrue balance sheet tax declarations, and parallel two sets of accounts make it more difficult for financial institutions to grasp the real situation, so they cannot establish trust in small and micro enterprises and are unwilling to lend to them.

2. Low credit level and weak credit awareness

In Guangdong Province, especially some small and micro enterprises in the Pearl River Delta region, lack of credit awareness, weak legal concepts, maliciously defraud loans, and avoid debts after lending, financial institutions in order to reduce risks, their loan requests to retreat, thus artificially causing these small and micro enterprises to have difficulty in lending.

3 The financing channels are not smooth.

Under the existing conditions, the financing methods of small and micro enterprises lack diversity, and the main source of funds is bank loans. However, the credit process and credit conditions of banks are relatively complex, and the standards required for the financial status of small and micro enterprises are also relatively high, which often makes small and micro enterprises which are difficult to meet the credit conditions of banks, and as a result, they cannot obtain the ideal loan amount. Borrowing costs are high, which include not only financial expenses, such as the interest incurred by small and micro enterprises borrowing from traditional financial institutions such as banks, but also other costs and expenses. In addition, the lending process is cumbersome and the approval process is too slow for many enterprises to bear. Considering the above factors, the overall cost of financing for small and micro enterprises through banks is relatively high. Therefore, some small and micro enterprises in urgent need of funds have to use private usury loans for financing.

4. COUNTERMEASURES TO SOLVE THE FINANCING PROBLEMS OF SMALL AND MICRO ENTERPRISES

4.1. The government shall issue relevant policies for financing small and micro enterprises

In February last year, the Guangdong provincial government has formulated many policies to support the financing of small enterprises, which plays a great role in improving the financing ability of small enterprises and improving the financing methods of small enterprises, such as guiding banks to provide products for small enterprises. However, the establishment of special response agencies to solve the problems encountered by small and micro enterprises has not yet been realized. We suggest that in view of the ever-changing international and domestic market situation, government agencies should increase their research efforts, strengthen policy support by investigating the actual financing difficulties faced by small enterprises, effectively solve these development problems, ensure the stock of these enterprises, promote the increase of social employment rate and ensure the stable development of society.

4.2. Financial institutions should strengthen business and management reforms

In recent years, the grass-roots outlets of state-owned commercial banks have been shrinking and merging in large numbers, and there are fewer and fewer relatively small financial institutions providing cash for small and micro enterprises. Through investigation and analysis, we believe that in order to solve the financing difficulties of small enterprises, Guangdong Province needs to focus on building a small and medium-sized financial institution system dominated by private banks, and should give play to the supplementary role of various types of self-service credit cooperation institutions and private and state-not-controlled joint-stock commercial banks, and truly build a reasonable small and medium-sized financial institution that is compatible with local small and micro enterprises and has information symmetry

4.3. Measures for improving the operation and management of the enterprise itself

Strengthening the self-construction of small and micro enterprises and improving their own operation and management system are the keys to solving the firms' financing difficulties. in Guangdong Province. If you are strong, your management is scientific, and your system is perfect, you will inevitably establish credit. Small and micro enterprises in Guangdong Province

must first establish a modern enterprise system with clear property rights that matches the laws of the market, implement the reform of the enterprise property rights system to achieve the separation of ownership and management rights, widely absorb investment outside the family, and establish limited liability companies to enrich operating funds and diversify business risks.

It is necessary to actively find new financing channels, realize the diversification of financing channels. The country has relevant policies to support industries that are in line with social development and the direction of scientific and technological economic development, and the financing channels of small and micro enterprises can also use their unique project advantages to carry out industrial adjustment and scientific and technological transformation to strive for multi-way and multi-channel financing such as national innovation funds, financial fund discounts, and shareholding shares.

5. Conclusion

To sum up, the state has relevant policies to provide policy and financial support for industries that are in line with the direction of social development. Small and micro enterprises should actively use their unique project advantages to carry out industrial adjustment and technological transformation in order to win the national innovation fund, participate in shares. Financing in multiple ways and through multiple channels.

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