

Countermeasures for Improving the Financing Environment of “Precision Drip Irrigation” for Small and Micro Enterprises

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Abstract: With the continuous growth and development of small and micro enterprises in China, financing difficulty and high financing cost have become one of the key issues affecting the development and growth of small and micro enterprises. How to solve the financing problems of small and micro enterprises through innovative methods has become the focus of deep concern in all walks of life. Therefore, through the research on the financing tools of small and micro enterprises, the financing difficulties of small and micro enterprises and the countermeasures for improving the financing environment of “precision drip irrigation” of small and micro enterprises, this paper discusses the corresponding countermeasures, aiming to make efforts to further promote and drive the solution to the financing difficulties of small and micro enterprises.

Keywords: Small and micro enterprises; Financing environment; Precision drip irrigation; Improvement; Countermeasures

1. Introduction

Since the reform and opening up, China has made strong supports and efforts in supporting and propping up the innovation and entrepreneurial development of small and micro enterprises. Under the new normal, the changes and developments in the domestic and international economic environment provide new opportunities and challenges for us to grow and develop small and micro enterprises. How to ensure that small and micro enterprises do not suffer from difficulties in capital flow in the process of growth and development has become a very concerned issue of relevant government agencies and financial departments. The issue of financing and development of small and micro enterprises is crucial to support the regional economy’s continuous gains and whether it has the ability to continue to improve. Therefore, in-depth research on the “precision drip irrigation” financing environment improvement countermeasures has become a key breakthrough point for China to mobilize small and micro enterprises for innovation and entrepreneurship and obtain corresponding industrial dividends, and serve the national economy.

2. Research on Financing Tools of small and Micro Enterprises

2.1. Bank loan

Based on the traditional business model, bank loan has become the main channel for small and micro enterprises to obtain external capital resources. Bank loan has fixed procedures and routines. For example, the mortgage of fixed assets has become the underlying thinking logic and necessary process. However, many small and micro enterprises need capital resources just because of the “shortage” of fixed assets. So, small and micro enterprises are also in a state of “resource shortage” for fixed asset mortgages and corresponding valuable securities. Therefore, bank financing based on the mortgage of value assets is obviously not suitable for most small and micro enterprises to obtain external funding sources. The channel for small and micro enterprises to obtain funding sources is similar to the endless cycle of “whether the chicken or the egg came first”.

2.2. Financing by Issuing Stocks and Bonds

Small and micro enterprises also have fatal confusion about the financing method of securities margin trading. Because based on the norms of the securities market, the state has relatively high requirements for securities margin trading. However, most small and micro enterprises are in the stage of entrepreneurship and innovation, and it is difficult for them to meet the “threshold” conditions for securities margin trading. At the same time, most of the small and micro enterprises in the stage of innovation and entrepreneurship are not included in the New Third Board or Growth Enterprise Market listed companies.

Therefore, the method of securities margin trading is also an unattainable state for small and micro enterprises.

2.3. Commercial Credit

As for commercial credit, there are also key issues for small and micro enterprises. Most small and micro enterprises are in a stage of an industrial chain. So the problem of capital chain in the upstream and downstream of the industrial chain of small and micro enterprises will inevitably lead to the situation of capital chain crisis or even fracture of small and micro enterprises. Then, the commercial reputation of small and micro enterprises is kidnapped by the related enterprises in the upstream and downstream of the industrial chain, rather than the independent desire. Therefore, how to protect the commercial reputation of the actual controller of small and micro enterprises has become a very important issue. In fact, I hope that small and micro enterprises have good commercial reputation, and the industrial chain is unimpeded, but it requires a lot of further efforts to achieve what I want.

2.4. Financial Leasing

The financial leasing mode is also difficult for small and micro enterprises. Generally, financial leasing refers to the party that leases an asset and charges the party who leases the asset for operation. In the process of operation and management of small and micro enterprises, most of them are some kind of equipment operation enterprises, which cooperate with relevant banks in the form of financial leasing to realize the business activities of products and services of small and micro enterprises. However, for other enterprises that do not achieve sales through cooperation with banks in financial leasing, financial leasing basically loses the function of financing method. Because these enterprises do not rely on financial leasing to form business operations. What they need is the help of working capital needed by production and operation activities, so as to meet the needs of continuation and circulation of capital chain in the production and operation process.

2.5. Internet Platform Financing

As a product of the Internet era, Internet finance has indeed become the focus of the financial field in a certain period. However, due to the lack of standardized and reasonable operation methods and laws and regulations on the Internet, it is difficult to solve the financing needs of small and micro enterprises actually. For example, the once popular “crowdfunding mode”, P2P mode, and e-commerce micro loan mode and so on. It is almost impossible to solve the financing needs that help small and micro enterprises to operate and develop normally.

3. Difficulties in Financing of small and Micro Enterprises

3.1. High financing cost of small and micro enterprises

As far as their development stage is concerned, small and micro enterprises are not in the “stable” state of mature enterprises. Small and micro enterprises are facing the problems of whether the enterprises can be operated healthily and continuously. Various banking institutions and other types of financing institutions in China want to face customers who are in a “guaranteed” state. These banks or financing institutions hope to obtain the return on investment of financial capital by lending to operating enterprises. However, due to the state of their development stage, it is very difficult for small and micro enterprises to provide commitment to banks and other financial institutions for their production and operation to remain stable and maintain a certain level of profitability. Then, banks and other financial institutions will not be able to face the financial risks of this situation. Therefore, for small and micro enterprises, financing risks and a high degree of uncertainty have become the primary fatal issues for their financing.

3.2. Relatively single financing tools for small and micro enterprises

So far, the financing tools for small and micro enterprises have been focused on loans, savings, and insurance. These loan modes are basically the main financing modes operated by traditional banks or other financial institutions. However, for innovative small and micro enterprises, there is a strong form of “state asymmetry”. The “threshold” and term issues of the loan mode, the risk focus and methods of the insurance mode are quite different from the needs of small and micro enterprises. The issuance of various types of local bonds has little to do with small and micro enterprises, because the entrepreneurial aspirations of many small and micro enterprises are not part of the “planned economy” pattern and arrangement. Therefore, the direct financing methods and channels for small and micro enterprises are indeed scarce.

3.3. Government support and supervision need to be further improved

Due to the characteristics of the development stage of small and micro enterprises, namely the development and growth stage, its financing needs inevitably rely on the strong support of local governments. For small and micro enterprises, the intervention ways of loan financing need to be studied in depth. That is to say, if the so-called equity financing is adopted, since the shareholding system of small and micro enterprises has not yet been formed, how will equity investors adopt conventional methods to

intervene in the invested enterprises? If the financial investment method is adopted, how to control the safety and appreciation of investment capital? These problems are in the stage of being unsolved within the framework of the current financial system and financial management norms. In this case, how will local governments start to solve the financing difficulties of small and micro enterprises? Even through the local government, the liquidity guarantee companies for small and micro enterprises are difficult to provide financing services. Because the start-up of small and micro enterprises determines the characteristics of their unconventional operation. Therefore, it is not a problem that conventional financing channels and schemes can solve smoothly.

3.4. The construction of the credit system needs to be further improved

Finally, it is the issue of credit system of small and micro enterprises. At present, the credit system of small and micro enterprises is not complete nationwide. On the one hand, the characteristics of the start-up stage of small and micro enterprises are not in line with the criteria of "shortlisted conditions" of the credit system of the financial industry. On the other hand, limited by their own financing guarantee conditions, many small and micro enterprises are difficult to obtain the financing guarantee conditions from banks or financial institutions, including the guarantee of contract, order or letter of credit within their business scope. Therefore, because small and micro enterprises are in the stage of entrepreneurship, there is no history and no story, so it determines that small and micro enterprises don't have the identity qualification and conditions to effectively connect with banks or financial institutions, let alone financing.

4. Research on the Countermeasures for Improving the Financing Environment of "Precision Drip Irrigation" for small and Micro Enterprises

4.1. The necessity of improving the financing environment of small and micro enterprises

First of all, the development stage of small and micro enterprises is the stage that needs to be propped up and cultivated. Financing support has become a necessary condition for the sustainable development of enterprises. Medium, small and micro enterprises account for 99% of the total number of enterprises in China, and their contribution rate to the national economy exceeds 50%. At the same time, it solves a considerable number of employment. Therefore, in the early 1990s, China held the first small and medium-sized enterprise management seminar. After the experts' analysis and judgment at home and abroad, they considered that the randomness of small and micro enterprises' management strategy determination,

the scientificity of small and micro enterprises' management and control, and the support of tax, financing and relevant industrial policies that small and micro enterprises have obtained still remains space to be further improved. Therefore, to solve the survival and development of small and micro enterprises has become one of the key issues in China's economic development. The financing support for small and micro enterprises has become the fundamental problem to support the survival and development of small and micro enterprises.

Secondly, in China, small and micro enterprises build up one of the components of many leading industrial chains. That is to say, if the leading industries that lead the national economy in China are separated from the support of small and micro enterprises, there will be a loss of some stages of the industrial chain, which cannot form the closed-loop operation structure of the industrial chain. It can be seen that supporting small and micro enterprises will play an irreplaceable role and effect on the growth and development of China's national economy. The diversified and flexible operation mechanisms provided by small and micro enterprises also provide irreplaceable role values and contributions to the development and innovation of China's leading industries.

Moreover, at the county economy level, small and micro enterprises are the vital force of the county economy. Because the core of regional economy in China lies in the county economy. The county economy is not only an economic operation entity in a region, it also constructs a regional economic integration function which takes the county as the center and effectively connects the towns and the villages. It plays an important role in the economic development of agriculture, rural areas and farmers. Therefore, the value and role of supporting small and micro enterprises, especially innovation and entrepreneurship enterprises in the county economic environment, in a sense, have far exceeded the economic benefits achieved by simple financial institutions in supporting small and micro enterprises, and its social value is significant and far-reaching.

4.2. Implement countermeasures to improve the financing environment of "precision drip irrigation" for small and micro enterprises

First of all, the working capital financing guarantee companies for small and micro enterprises in financial management departments of various regions must truly assume their missions and responsibilities, and become the professional institutions for small and micro enterprises to obtain financial support and escort. On this basis, local financial institutions such as commercial banks and rural credit cooperatives in their regions need to form a strong backing to support the financing of small and micro enterprises together with the regional banking regulatory agencies. At the same time, the micro credit financial

institutions affiliated to various regions will surely become the new force focusing on the financing function of small and micro enterprises, which provide small and micro enterprises with accurate “drip irrigation” financing services, and undertake the indispensable and important mission.

Secondly, in view of the lack of financing collateral for small and micro enterprises, the innovation of financing and loan methods for small and micro enterprises by financial institutions has become a key issue of precise “drip irrigation” financing services. Then, the innovation of collateral during the loan operation of small and micro enterprises from financial institutions has become a leverage factor. For small and micro enterprises in the process of benign production and operation, their production and operation orders, accounts receivable and some fixed assets can be used as collateral provided to financial institutions for financial loans. And through the participation of small and medium-sized micro enterprise liquidity guarantee institutions, financial institutions can form an innovative loan mode to serve small and micro enterprises. These contents that can be used as collateral include government procurement project orders obtained by small and micro enterprises, and bank letters of credit issued by customers in the process of small and micro foreign trade. Therefore, opening up financing guarantee methods and paths for small and micro enterprises has become one of the important measures to solve the loan and financing difficulties of small and micro enterprises. Finally, in order to carry out precise “drip irrigation” financing operation for small and micro enterprises, we need to start from the credit environment of small and micro enterprises and the saving financial instruments to further broaden the solutions. Among them, to improve the credit environment of small and micro enterprises means to strengthen the cultivation of credit recognition mechanism in the financial field of small and micro enterprises, to include the operators of small and micro enterprises into the scope of credit supervision and inspection of financial institutions, to establish and improve the credit management and control system in the financial field of small and micro enterprises in accordance with the relevant operating procedures and systems, to construct a value system for credit intangible assets, to built the rule culture and connotation under the market economy environment with socialist characteristics, and to establish the credibility concept of the supremacy of the credibility of the operators of small and micro enterprises and continuously promote the construction of a good market operation environment for social credit management. At the same time, financial institutions can open up the function for special small and micro enterprise customers’ savings and insurance financial products, design the mode of financial collateral based on savings and

financial insurance, and open up new ways of financing guarantee for small and micro enterprises.

5. Conclusion

In summary, in order to solve the problems of financing difficulties and high cost for small and micro enterprises, the implementation of “precise drip irrigation” financing environment countermeasures will become an effective way and mode to promote the healthy and sustainable development of small and micro enterprises’ innovation and entrepreneurship in China. Therefore, in the financing process of small and micro enterprises, breaking through the problems of insufficient financing collateral, high financing cost and risk, single financing tool and method, further strengthening government support and establishing credit mechanism become the main directions to solve the financing difficulties of small and micro enterprises in the future. At the same time, under the guidance of local government departments, further establishing and improving the credit reporting system, continuously innovating financial guarantee products and strengthening the mission and responsibility of micro credit financial institutions will greatly improve the financing predicament of small and micro enterprises, show the vigorous creativity of the main force of innovation and entrepreneurship, and contribute to the construction of a well-off society.

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