Research on Empowering Small and Medium-Sized Enterprises' Transformation and Development Through Financial Service Innovation

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Abstract. In developing social productivity, small and medium-sized enterprises are gradually becoming the main force, which ranks among the top contributors to the national economy. Making headway in the financial services industry, the innovative transformation and gaining strong momentum in small and medium-sized enterprises are attracting increasing attention, and this issue is triggering the thinking of many scholars. This article analyzes the status and progress of research on the transformation and development of the financial services industry and small and medium-sized enterprises. It explores the management optimization of innovative financial services for small and medium-sized enterprises today. Finally, this article provides a comprehensive review of existing research, pointing out the problems encountered by small and medium-sized enterprises in the early stages, and listing a series of solutions. The main content is to improve and perfect the financing system and promote technological and service innovation and development. This article aims to provide a reference for researchers in the financial field and to offer some ideas and suggestions for future research.

Keywords: Financial services; innovation; small and medium-sized enterprises; transformation; development.

1. Introduction

As the global financial industry moves towards recovery and prosperity, the market will face severe challenges from financial globalization and financial informatization, and small and medium-sized enterprises (SAME) will face enormous pressure to transform in recent times. On the one hand, with emerging technologies coming a long way, such as big data, artificial intelligence, and cloud computing, the financial services industry, is undergoing a technological revolution. How to keep up with the trends of the times becomes a common challenge faced by the financial services industry and SAME. On the other hand, after the establishment of the World Trade Organization (WTO), the World Bank pushed towards globalization, and market demand and industry competition became the main issues. As an essential component of the global economy, SAME has a huge demand for financial services and their innovation which can provide more competitive products.

Modern finance and the service industry are interdependent and mutually reinforcing. Through the effective flow of financial capital, the deepening and improvement of financial markets, and the promotion of financial innovation, modern finance can provide a solid foundation and powerful driving force for the growth of the service industry [1]. Financial technology innovation significantly increases the proportion of entrepreneurial enterprises entering the industry. More importantly, this paper demonstrate that this innovation has a significant impact on companies within the industry, enhancing the strength of startups and small companies while increasing the competitive pressure on large companies. However, the issue of how financial service innovation can promote the transformation and development of SAME is not yet resolved.

This article analyzes the key issues in empowering SAME to transform, as well as develop through financial service innovation, and points out the main progress in research on financial service innovation. Through an in-depth analysis of relevant literature, the article reveals the key mechanisms and challenges of innovative development in the financial services industry and SAME transformation, aiming to stimulate broader discussions on the integration of innovation in the financial services industry and the development of SAME. For SAME-facing financing and technological issues, this article will list relevant solutions and explore the relationship between financial service innovation and SAME.

2. Problems in the Current Transformation and Development of Small and Medium-sized Enterprises

2.1. Difficulty in Financing

In the present era, the financial system of SAME is not perfect, and the accounting process is not truthful [2]. Nowadays, with the establishment of the WTO, economic activities and business matters are becoming increasingly complex. The previous financial system can no longer meet the current social conditions, resulting in huge difficulties and challenges in operating enterprise financial work. Therefore, it is necessary to improve the systematic financial system. For example, the basic accounting work system is not perfect [3]. The concepts of personal property and company property are unclear. In some SAME, investors are both managers and financial statement operators, so they often include their daily expenses in the company's general ledger, breaking the gap between private and public ownership and leading to the confusion of public and private. So, because of poor social credit status, the phenomenon of serious debt evasion is inevitable. Moreover, due to difficulties in cash flow, to cope with short-term funding gaps, some choose to delay payments or evade payments. Some companies give up honest management and engage in untrustworthy behavior in credit relationships, such as relying on credit, if possible, and deceiving if possible. The trust of guaranteed institutions in SAME to a certain extent, will be greatly reduced by these various behaviors that violate accounting ethics and laws, thereby greatly increasing the difficulty of financing for SAME.SAME needs to evaluate the feasibility and risk of new technologies and product development when facing them. Technological maturity is an important criterion for validating the market. Analyzing competitors and evaluating new and existing products is a test of a company's competitive advantage today. Intense markets will increase market risks. Additionally, SAME needs to conduct a rigorous analysis of market demand, understand whether new products and technologies meet the target market, and evaluate the scale and prospects of market demand. If the current market demand is insufficient or the future market prospects are not ideal, it may increase the risk of market acceptance after the product is launched. Balancing the market with new products and technologies is also a necessary means for successful enterprise transformation.

Not to mention, most SAME do not hire full-time professional accountants, resulting in frequent errors in account content and inconsistent technical standards. Some companies, to save costs and time, directly use part-time accountants or family members to prepare accounts and ledgers. These personnel do not know the internal finances of the enterprise, let alone the current operating conditions of the enterprise, which can lead to missing accounts and false projects. This will not only affect the future development of the enterprise but also greatly weaken the credit of the company. These personnel have weak accounting ethics and may overlook original vouchers during the accounting process.

The situation of arbitrarily altering project content without the signature confirmation of the responsible person. At the same time, they also have widely incorrect beliefs. These various phenomena can lead to irregular and inaccurate accounting of enterprises. At this point, individuals need to establish correct financial values and maintain a positive work attitude to enhance the credit and reputation of the company.

In short, there is a lack of sound accounting and financial management systems within SAME, resulting in a lack of financial information. Furthermore, the lack of moral awareness among financial personnel in SAME makes it difficult to obtain true financial information within the enterprise. This leads to high risks in bank loans, few guaranteed enterprises, and ultimately, difficulties in financing for SAME. Therefore, coordinating the relationship between financing for SAME, bank loans, and guarantee financial institutions becomes an urgent problem to be solved for the digitalization of SAME in the future.

2.2. Slow Technological Updates

The lack of new products and technologies has been a common problem for SAME in recent years. SAME are accustomed to past production methods but ignore the rapidly changing market environment. The establishment of the WTO and the trend towards globalization in economic development make import and export trade a major mainstream. Price wars, service wars, and value wars are constantly emerging, and innovation becomes the key to gaining a competitive advantage in the market. To stand out from numerous competitors, SAME need to establish their own brand effect and unique brand characteristics, improve existing business models and processes, and generate new products and technologies. Many SAME blindly pursue and follow new technologies without combining them with their actual business situation and reality. This not only fails to improve digital transformation but also has a counterproductive effect on their enterprises.

Besides that, SAME also lacks high-end technical talents. Compared with large enterprises and state-owned enterprises, SAME lacks competitive advantages. Even if these high-end talents can be attracted, how to retain them has become a problem faced by various enterprises. By providing flexible work arrangements, allowing employees to choose their working hours and locations, and regularly communicating with them to understand their needs and find solutions, these humane measures can enhance the loyalty and happiness of high-end talents. Moreover, companies should provide digital training for their internal staff, which can make it easier for employees to adapt to new work environments and demands.

In this era of information globalization, financial service innovation is the key to the transformation of SAME. The impact of financial service innovation on SAME is profound and extensive. It not only broadens their financing channels and reduces financing costs, but also improves operational efficiency and market competitiveness. At the same time, it enhances their risk management capabilities and optimizes policy support and regulatory environment. Enterprises should pay more attention to understanding the needs of consumers, continuously improve their innovation capabilities in market competition, and thus constantly adapt to market demands. In the future, with the continuous development and improvement of financial technology, the impact on SAME will greatly increase.

3. Management Optimization of Innovative Financial Services for Small and Medium-sized Enterprises

3.1. Establish and Improve the Financing System

The government and banks should vigorously develop cooperative finance and improve the guaranteed system for SAME [4]. With banks strictly controlling loan expenditures and following tight policies, it is increasingly difficult for SAME to obtain loans [5]. Given this, the government must establish a relevant guaranteed system to solve the problem. At the same time, credit deficiency is a common difficulty faced by SAME worldwide. Due to some minor flaws that SAME cannot solve, such as limited asset size, lack of collateral, and insufficient credit status. Banks and governments can provide timely and innovative guarantees, enabling SAME to better, faster, and more conveniently finance and raise funds. On the one hand, through government guarantees, for SAME that temporarily encounter operational difficulties, but have good development prospects, banks and governments should continue to increase credit support and adopt methods, such as issuing credit loans and medium - to long-term loans to help enterprises overcome difficulties, solve some financing problems of SAME, achieve sustainable development of enterprises, and promote their vitality. On the other hand, SAME that have obtained loans have expanded their scale, improved their funding chain, and stable customer sources, enhanced their ability to resist risks and become high-quality customers of banks, so they do not need government guarantees and can directly obtain loans.

The government should adjust the financial structure of society and promote keeping up with the times. The allocation of funds can shift from a highly centralized to a decentralized pattern, with investment entities shifting from the central to the local level. Funds cannot be concentrated solely in the central government but should be dispersed among local governments, giving them more autonomy. Expand financial support for SAME from point to area, and tailor measures to different SAME according to the situation, to improve their innovation faster and better. The power of fund allocation should be reasonably allocated to relevant departments, and there should be no situation where one company dominates, which can easily lead to abuse of power.

The government should improve and perfect the relevant laws on financing for SAME. Financing for SAME requires a healthy environment, and the government needs to play a leading role, strengthen relevant legal construction, introduce some systems, and regulate the behavior of SAME. At the same time, with the globalization of information and the emergence of gaps in government enforcement of relevant laws, it is necessary to promptly fill in the gaps and avoid unfair and unjust phenomena. Most SAME do not have real estate that can be used as collateral, making it difficult to obtain credit financing. Therefore, it is necessary to introduce chattel mortgages, floating mortgages, intellectual property rights, and even customs duties into credit practices [6]. This is conducive to solving the problem of financing difficulties for SAME. Additionally, the government should strengthen its support for SAME. Compared with large enterprises, SAME lacks funding and policy support, and the government needs to become a coordinator to promote its innovative transformation and development.

3.2. Promote Technological and Service Innovation and Development

Banks and related financial institutions should promote the combination of efficient markets and proactive governments and expand the business scope of financial institutions in serving SAME [7]. Innovate financial products and services, launch personalized loan products, such as entrepreneurship loans and business loans suitable for SAME, and list them on different platforms to meet the funding needs of different enterprises. Cross-border settlement is also a dilemma faced by SAME today. Banks can strengthen their business capabilities in international settlement, foreign exchange risk management, and other areas to safeguard SAME.

SAME should adhere to the principle that finance and technology are indispensable, and promote the globalization of information on online platforms. Transforming materialized data into online data and adding it to relevant enterprise platforms is beneficial for connecting upstream and downstream enterprises in the supply chain, achieving information transparency and facilitating online private financing for SAME. Enterprises themselves should improve the new generation comprehensive application system, and promote the integration of business processing, operation management, and customer processing systems. The space and time for business processing are no longer obstacles to transactions for SAME. Communicating on various platforms can reduce the differentiation of information and knowledge, help countries better cope with the challenges of globalization, and jointly promote innovation in the financial services industry.

Banks and SAME should optimize their internal management forms and provide precise financial services. There are many checkpoints within the bank, and the delivery time is slow. For example, approval requires signatures from different departments. Simplifying the internal operating system of banks, improving service efficiency, and meeting the requirements of SAME as soon as possible are the current social needs. With the globalization of information, banks can further improve transparency, disclose business operations, and publicly disclose internal control mechanisms. This is crucial for building trust with businesses and providing services to them. SAME can also achieve decentralized financial transactions, reduce intermediaries, improve transaction efficiency, and lower transaction costs. For the real economy, it provides more convenient and efficient financing and payment channels [8]. Besides, SAME can record customer information and credit into the intranet of each company through the Internet for permanent storage. This can not only simplify the process and provide efficiency but also reduce loan risks and avoid loan risks as much as possible.

Accelerate innovation in financial services and ecological construction [8]. The Internet provides more possibilities for the financial services industry, and the financial services industry has become gradually the main force of the Internet. In recent years, the financial industry has accelerated significantly the business innovation of green finance. Green financial products are the mainstream of global commodity innovation today. To better protect the earth and reduce the speed of global warming, some SAME has launched a new model of "finance+ecological restoration+carbon sink". This is conducive to reducing carbon emissions and transitioning from capital to ecology. At the same time, the drawbacks of the Internet financial industry also emerge endlessly, such as information leakage, weak supervision of related enterprises, and lack of government laws. How to strengthen supervision and reduce related problems becomes the current difficulty for the government. On the one hand, regulators should play their respective roles and formulate relevant regulations to restrict the code of conduct of financial institutions and Internet financial platforms. On the other hand, the Internet financial platform also needs to be monitored promptly to crack down on and report on some illegal acts. It is also a healthy and green platform to lay a solid foundation for the innovative transformation of SAME.

4. Conclusion

In summary, this study found that in the new situation, the transformation of SAME not only requires facing a rapidly changing external environment and continuously increasing their innovation capabilities, but also improving their ability to identify financial risks and prevent various risks. The government also needs to introduce a series of new policies to support the innovation of SAME and the transformation of the contemporary social financial structure, to minimize the obstacles that arise in the process of innovation for SAME and play a certain role in promoting their transformation and development. This study has practical significance for the management optimization of the transformation and innovative development of SAME, filling the gap in the relationship between financial service innovation and SAME. Based on the research on the innovative transformation of SAME, this article has certain limitations in the writing process, because of the constraints of one's own cognitive level and understanding ability. Among them, the problems of SAME are not comprehensive and do not cover all content. In response to this issue, SAME needs to make self-corrections based on their respective shortcomings. It is also necessary for SAME to conduct further research, deeply explore the problems encountered in their transformation and development, consider the factors of the government and the financial industry, and promote the innovation and development of financial services.

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