

Evaluations for Financing Modes of Micro-Middle Size Corporations

Jingwei Tang *

LNU-MSU College of International Business, Liaoning Normal University, Dalian, China

* Corresponding author: jt64s@login.missouristate.edu

Abstract. As a matter of fact, micro-middle size corporations are an important part of China's economy and have contributed greatly to the prosperity and development of the economy and the full development of society, stability, and harmony. The competition between enterprises has also promoted the progress of technology, promoted the development of economy and finance, increased the disposable income of urban drama titles, and improved social production efficiency. They have gradually become the backbone of socio-economic, political, and cultural development. However, SMEs need a large amount of capital injection to achieve new development when they continue to expand their scale operations, and they miss out on opportunities because they cannot obtain the required funds in time. Although governments and scholars across the country have paid extensive attention to SMEs, the financing difficulties of SMEs have been a problem around the world in recent decades. Our financial system needs to be improved, the financial suppression reform has not been completed, the private financial restriction is more, resulting in small and medium-sized enterprises financing without a sound support mechanism, capital shortage predicament is becoming more prominent. At the present stage, policies and financing theories issued by the government generally apply to large enterprises of a certain scale, and they cannot raise funds under their guidance. Therefore, signing the important role, this paper discusses the financing difficulties in detail.

Keywords: Micro-middle size corporations, financing, financing modes.

1. Introduction

Contemporarily, most SMEs have problems such as small amount of financing, high frequency, low competitiveness as well as high risk, which have greatly increased the difficulty of SME financing. In recent years, the release of relevant national policies, first establishing a credit guarantee system funded by the government to provide services for SME financing, followed by the requirement for commercial banks to actively cooperate, have helped these SMEs to be able to finance successfully. With the government's support, it is very important to improve competitiveness in the highly competitive market and to successfully obtain financing [1].

From 1978-1998, non-state industrial enterprises accounted for 50% of the main business income of industrial enterprises. 1998-2008, in 1998, the number of private enterprises among industrial enterprises above the scale was only 6.5% The scale of assets, main business income and total profit were all below 5%. 2012 to present, private enterprises continue to strengthen their R&D investment, with R&D personnel accounting for more than The number of enterprises with more than 3% of R&D personnel rose from 267 to 313, and the ratio of enterprises rose from 53.4% to 62.6%. Haier planned to invest in the construction of factories in the United States in 1999. At that time, most people were critical and thought that the risk was too big and worried about Haier's prospects. At that time, Haier's decision-making level believed that they should dare to take risks and seize opportunities in the risk. Of course, daring to take risks did not mean that there were no measures to prevent risks. Haier made an adequate budget and plan, and finally successfully went global and became the navigator of Chinese enterprises to sea [2-5].

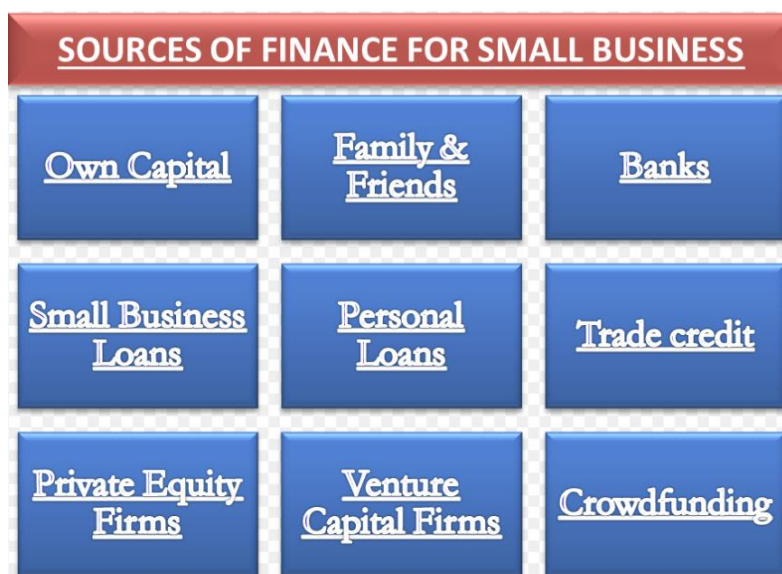


Figure 1. The sources for financing of small companies

In 1995, the Qingdao Municipal Government decided to transfer Red Star Group to Haier Group, but Haier faced a difficult task, that is, how to operate and develop. Later, after consultation, the decision-making level decided to import Haier culture into Red Star to achieve the consistency of corporate culture, so Haier with stuffer. The test of this cultural annexation finally created a successful case of Haier culture activating shock fish. In 1985, Haier introduced a line of world-class refrigerators made in Germany. The most innovative development is the corresponding group mentioned above, whereas the financing theory difficult problem has not been resolved. To vigorously support the innovation and development of science and technology-based small and medium-sized enterprises is not only a need to activate the market and promote employment, but also a need to realise the change of development mode and economic take-off again. There are several characteristics of S&T-based micro, small and medium-sized enterprises. The enterprise has a qualification certificate of high-tech enterprise within the validity period [6-8]. The typical sources of financing for small company are shown in Fig. 1.

Wuhan Diyuan Optoelectronics Technology Co., Ltd, led by Dong Zhijiang, grew rapidly in 2006, completing 200 million yuan of SME financing in just six months. This company began in August of that year, first relying on Wuhan Optoelectronics National Laboratory, with less than six months to build the first LED production line. Later, orders flew in large numbers, Diyuan released the news of SME financing for expansion, after which the U.S. Tiandi Fund injected the first funds, and later also received a lot of financing. Dong Zhijiang said, to choose the institutions of like-minded people. These institutions are related to the optoelectronic industry, all can help the company to develop better. At present, China has a group of gradually strong small and medium-sized enterprises, such as: Haier, Alibaba, etc., all make great contributions to the socialist modernization of China, these high-tech companies also inject new vitality into our market. In addition, they have great potential in joining the global market. All enterprise development is inseparable from the support of capital, and the most important reason limiting the development of SMEs is the shortage of capital, the contradiction has become more prominent in recent years, and the difficulty of financing for SMEs has become an important constraint affecting economic development. To break this deadlock, understanding the way to absorb money helps to successfully obtain financing [9, 10]. The types of business finance are shown in Fig. 2.

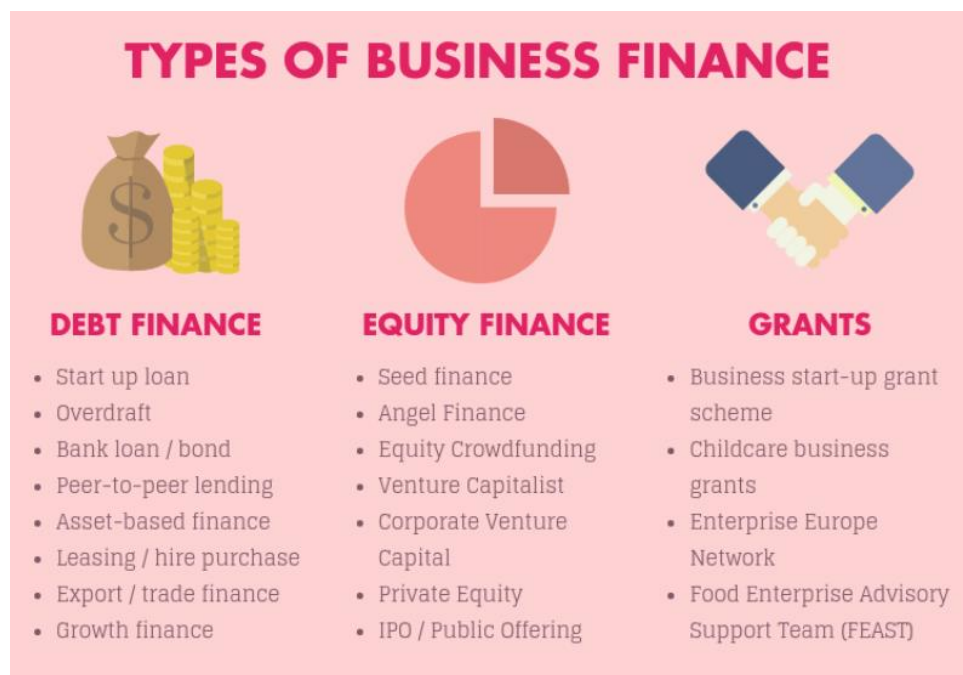


Figure 2. Types of business finance

"Information asymmetry" has led to an increase in the difficulty of financing for minor enterprises, which needs to be reduced for its financing costs. In addition, businesses are likely to falsify false financial information, thus adding the bank's distrust of it is embodied in the following points. It is difficult for small enterprises to collect their own "hard information", and small and medium-sized enterprises disclose information Mechanisms are often backward and inadequate, making it impossible for banks to be direct in a timely manner True information needed to obtain credit approval. Moreover, it has led to the existence of false reporting, concealment and fabrication of financial books. In addition, the allocation of financial resources has dual characteristics, they have natural information disadvantages, large commercial banks and large enterprises will be in a dominant position, have the right of preference, crowd out the opportunities, as well as destroy the market balance. Besides, intermediary institutions such as financing guarantee institutions lag behind in development, small and medium-sized enterprises have weak financial resources, and lack fixed assets of sufficient value, so they can only choose credit guarantees. Moreover, the social credit system regulatory system still needs to be developed, lacking relevant legal system establishment and provisions, communications infrastructure, relevant credit tools, and efficient mechanisms for punishing untrustworthiness.

2. Financing Modes

The first way is to absorb gold from the capital market. A garment company has been engaged in trade business for 18 years and is mainly responsible for garment processing, the textile industry is one of the stronger industries in the international market in China, but also with Europe and the United States to occur in a larger trade friction industry, and the company's business conditions have been good, the specific data are as follows Table.1 and Table.2.

Table 1. Company Funding data 1

year	Total assets	liquid asset	accounts receivable	stocks	Current liabilities	Other accounts payable	Total liabilities	Long-term borrowing	Ownership Equity
2004	849	800	385	233	450	420	450	0	399
2005	793	738	499	117	174	153	428	254	365
2006	809	701	416	128	199	121	430	231	379

Table 2. Company Funding data 2

year	Undistributed profit	Main business income	Net profit	Net profit %	liquidity ratio %	Inventory turnover %	Accounts receivable turnover %	Net profit margin on sales %
2004	177	2069	117	53	178	1616	505	5.6
2005	143	3734	96	54	424	1988	845	2.6
2006	157	903	14	53	352	693	197	1.6

The enterprise has been doing domestic and foreign settlement business with the relevant lending bank, the lending bank is very familiar with the operation of the enterprise, the authenticity of the trade is guaranteed, the borrower's operation is good and has a good reputation in the local textile export industry, good relations in the upstream industry, and in addition there are no other personal investment projects. In the loan process, all kinds of original materials are true and perfect all kinds of collateral with complete proof of ownership. All these make the loan company trust the enterprise, greatly improving the probability of success of the enterprise financing.

The second way is to draw money from private capital. Zhejiang folk lending, lending business has always been active, walking in Shaoxing, Taizhou, Wenzhou, Hangzhou, the streets, from time to time seen hanging signs of some personnel finance business money changers. It is estimated that there are more than ten such institutions in Yiwu alone. Due to the constraints of this book of finance, small and medium-sized private enterprises have many difficulties and restrictions on loans from banks, which also creates opportunities for the emergence of private loans. Open the city newspapers around Zhejiang, you will find many newspapers every day there are close to two pages of "financial guarantee companies" on the "goods" business advertising. In Wenzhou, Taizhou, Yiwu and other places with developed private economy, private borrowing is more common. However, at the same time, some "underground bank" has also caused a number of bad events, many loan sharks and guarantee circle also appeared, this financing method has a greater risk, must be carefully considered.

The third way is to government policy to absorb money, the most important way is to obtain funds through real estate mortgages. Yang is the general manager of a pharmaceutical agent, he recently planned to add a new agent brand, urgent working capital and a large mouth. Previously the company's operations and profitability in general, the company's operations at a normal level, income and cash flow stability, facing business expansion really cannot get so much money, and finally Yang tried to bank mortgage loans. This type of financing is faster, and is a low-risk product, generally there is a standardized process, and the approval speed will be faster. The collateral range is wide, and many kinds of real estate can be accepted as collateral. However, the loan may not be used for equity investment or securities market investment and business purposes or uses explicitly prohibited by national laws and regulations.

3. Suggestions & Implications

Regarding SME financing, the following suggestions are presented. First, broaden the channel of indirect financing, second, establish a fair, open and multi-level capital market, and third, establish a venture capital fund. The development of SMEs should focus on both the present and the long term. The Circular on Further Increasing Relief and Support for SMEs, the Practical List of "Specialized and New" SMEs, and the Measures to Enhance the Competitiveness of SMEs have been issued, and other documents have been deployed from different perspectives to improve the innovation capacity and specialization of SMEs, such as digital development, industrial design empowerment, and Low carbon green development. Only by enhancing the competitiveness of SMEs can the national industrial competitiveness be enhanced by further stimulating the development momentum and innovation capacity of SMEs. Fourth, countermeasures and suggestions to solve financing problems under information asymmetry. Building a broad system of from the perspective of their own business development direction, institutes are more willing to cooperate with small and medium enterprises, provide financial services, provide certain policy support to small and medium financial institutes,

support the differentiated operation of small and medium financial institutes, and form different financing strategies based on local industries or economic development. Additionally, standardise financial intermediaries, complete credit guarantee mechanisms, form a credit guarantee market structure led by policy-based guarantee institutions and Shanye credit guarantee institutions as the main body, and reduce credit financing difficulties for SMEs. Moreover, expedier establish a credit investigation and credit enhancement system for small and medium-sized enterprises, and actively develop credit investigation and third-party systems such as credit rating, improve the supporting credit assessment system, focus on developing private credit investigation, and identify scientific corporations.

4. Conclusion

In summary, this study investigates the difficulties and current status for financing of micro corporations. From experience, it is suggested that SMEs need to establish and improve SME credit rating agencies, build a comprehensive financing service platform, and establish professional financing service institutions for SMEs to solve financing difficulties. Through the relevant literature on the financing problems of small and medium-sized enterprises. Compared with China, foreign research in this area is relatively early, and their research results have also laid the foundation for later scholars' research. The reasons for the financing problems of small and medium enterprises are very complex, both at the micro and MIS levels and at the macroeconomic policy level. Most of the proposals put forward by the majority of scholars are to call for the establishment of a GEM, guarantee institutions, etc. In empirical research on the financing of small and medium-sized enterprises, different research areas and subjects often produce different results. This shows the diversity and complexity of small and medium-sized enterprises. Overall, these results offer implications as well as guideline for policy implementation of government to help small companies.

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