Research on Financing Management Strategies of Small and Medium-sized Enterprises in the Post-Epidemic Era

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Abstract: Since the birth of small and medium-sized enterprises, it has always been accompanied by the problem of "difficult financing, expensive financing". The outbreak of the epidemic in the century has had an impact on the development of small and medium-sized enterprises, making this problem exposed to people once again. There are a large number of small and medium-sized enterprises, which play an irreplaceable role in absorbing employment, providing products and services, promoting economic development, etc. Therefore, it is of extremely important practical significance to help small and medium-sized enterprises do a good job in their own financing management and solve the difficulties that beset their development. This paper discusses the theoretical roots and practical factors of smes' "difficult and expensive financing", puts forward some optimization strategies and makes further prospects.

Keywords: Post-epidemic Small and Medium-sized Enterprises; Financing Management; Optimization Strategy

1. Introduction

By the end of 2022, the number of micro, small and medium-sized enterprises in China has exceeded 52 million, widely distributed in various fields of the national economy, and play an irreplaceable role in absorbing employment, providing products and services, and promoting the development of new quality productivity [1]. At the same time, China's smes are generally characterized by insufficient profitability, weak risk resistance, and short average life expectancy. Since 2020, the impact of the novel coronavirus epidemic has further exposed this shortcoming, profoundly changing the way smes obtain financing, and significantly affecting the development of the national economy. For a long time, an important pain point that blocks the development of small and medium-sized enterprises is "difficult and expensive financing", which is not only a global problem, but also has its own characteristics [2]. In the post-epidemic era, "the foundation for China's economy to continue to improve is not yet solid", "some small and medium-sized enterprises and individual businesses have difficulties in operation", in this context, small and medium-sized enterprises should learn the profound lessons of the epidemic impact, pay attention to the financing constraints of their own development, and take multiple measures to improve their financing management level.

2. Financing and Financing Management

Financing includes endogenous financing and exogenous financing. Endogenous financing refers to the process of reinvesting surplus funds into the daily operation of enterprises through their own accumulation. Exogenous financing refers to the process of raising funds from market entities other than enterprises according to their capital status and operating conditions.

In essence, financing management is a kind of financial management activity, that is, through the systematic management of the activities in which enterprises raise funds from external market entities and concentrate funds from within enterprises for production and operation [3]. The goal is to reduce the cost of capital of enterprises by controlling reasonable capital structure, so as to realize the steady operation of enterprises.

The financing and financing management discussed in this paper are mainly aimed at exogenous financing.

3. The Financing Status of Small and Medium-Sized Enterprises

First, financing channels and financing

methods are relatively unitary. There are two main ways of SME financing: equity financing and debt financing. Equity financing refers to raising funds from shareholders through rights issue and additional issuance of new shares. Bond financing refers to raising funds from creditors through issuing bonds, bank loans and other ways. At present, the financing of small and medium-sized enterprises in China is mainly creditor's debt financing, and mainly through bank lending, financing channels and financing methods are relatively simple.

Second, the financing cost is high. Limited by the imperfect financial system and insufficient credit level, smes have the disadvantage of high information cost and capital cost in the process of obtaining external financing. Traditional financial institutions, including banks, are unable to overcome the adverse selection caused by information asymmetry, so they are not willing to provide financing for smes [4]. This inevitably pushes up the operating costs of enterprises, compresses the profitability of enterprises, limits the accumulation of capital of enterprises, and has adverse effects on the expansion of enterprises' operation, strengthening innovation and sustainable development.

Third, the financing scale is small. Although small and medium-sized enterprises need a lot of funds in the development process, due to the constraints of the realistic environment of "difficult and expensive financing", it is difficult to obtain enough funds for development, so the overall financing scale is small.

4. Current Situation of Sme Financing Management

From the theoretical perspective, there are three ways to obtain financing: one is to obtain the required funds freely at a reasonable price in the capital market; The second is to obtain the required funds relatively freely at a certain premium; Third, it is impossible to obtain the required funds at a higher premium. The first is an ideal state, which should also be pursued by enterprises, and the latter two correspond to "financing expensive" and "financing expensive" respectively. From this perspective, the problem of "difficult financing" is more serious than that of "expensive financing". "Expensive financing" at least means that enterprises can still raise funds, so that enterprises can at least maintain their survival. The "financing difficulty" means that it is difficult for enterprises to finance, or even not to finance, so that enterprises face the risk of capital fracture and survival crisis.

There are many reasons for the "difficult and expensive financing" of smes. From the macro level, the institutions and laws supporting the development of smes are not perfect enough, the development of financial markets is not sound enough, and the development of smes is not friendly enough [5]. From the perspective of specific policies, some policy formulation lacks the incentive compatible mechanism, and the lack of grasp, so that the policy often stays in the document, the landing is difficult, and the effect is not significant; From the perspective of enterprises themselves, the financial information of smes is not transparent and the credit level is low, which makes financial institutions unwilling to provide financing support to them. Meanwhile, smes do not pay enough attention to financing management, which aggravates this situation.

In general, the low level of financing management of smes in China is mainly manifested by the lack of scientific financing management system and long-term financing management planning. This unsatisfactory reality is based on many reasons: first, the importance of financing management is not enough [6,7]. In the process of development, small and medium-sized enterprises do not realize the important significance of financing management for stable operation and long-term development, so they do not pay enough attention to it. Second, the lack of modern financing concepts and knowledge. Small and medium-sized business owners and operators generally lack modern financing concepts and corresponding knowledge, and can not see the door of how to do a good job in financing management, even if there is a desire to be powerless. Third, the lack of enterprise growth constraints. Many small and medium-sized enterprises do not develop smoothly and do not find a good profit model, which makes them hover on the edge of life and death, and it is difficult to have the energy to worry about "financing management", which seems to have nothing to do with the current survival of enterprises.

5. Importance of Good Financing

Management

"Financing is difficult and expensive", from a single individual enterprise, belongs to the micro level, but because of the large number of small and medium-sized enterprises, involving people's food, clothing, housing and transportation, has an important macro impact on the national economy, so it has a large negative external effect. The joint efforts of many entities, including the government, society and enterprises, to solve the financing difficulties of smes and help smes do a good job in financing management will help eliminate negative external effects and inject vitality into the stable and healthy development of the national economy.

For a long time, the Chinese government has attached great importance to the financing difficulties of small and medium-sized enterprises, and multiple departments have introduced a number of economic and financial policies, such as the "One chain, one policy and one batch" financing promotion action for small and medium-sized and micro enterprises jointly launched by the Ministry of Industry and Information Technology and other five departments in 2023, aiming to establish a "government-enterprise-financial institutions" docking and coordination mechanism. We will help micro, small and medium-sized enterprises improve the convenience and availability of financing. At the beginning of the epidemic, due to the needs of epidemic prevention and control, it was difficult for smes to have direct offline contact with banks and other financial providers [8,9]. Some platform enterprises and financial institutions seized the opportunity to launch a number of online financing products, which accelerated the implementation of the concept of digital inclusive finance in China, and many smes also gained tangible benefits.

Good financing management has irreplaceable value for the development of small and medium-sized enterprises and the healthy operation of national economy.

(1) Improve the margin of safety and reduce business risks. Efficient financing management helps enterprises to obtain financing smoothly from the outside, so that they can obtain enough capital security cushion, greatly improve the safety margin of enterprises, effectively reduce the business risks faced by enterprises in the development of the market environment, so that they can more calmly cope with various challenges brought by the market environment.

(2) Optimize the capital structure and reduce operating costs. In a sense, the capital structure of an enterprise is the result of long-term financing, reflecting the financial interest relationship between equity owners and creditors. Scientific financing management can help enterprises realize reasonable and efficient allocation of equity and creditor's rights, reduce operating costs and expand profit space of enterprises.

(3) Enhance the competitiveness of enterprises and invigorate the national economy. Sufficient sources of capital enable enterprises to invest in research and development, product development, marketing, service provision, market development and other aspects have more confidence, help to increase customer stickiness, enhance the market competitiveness of enterprises, improve the business income and profitability of enterprises, so that enterprises can fully explore their own potential and achieve long-term development. At the same time, the improvement of the financing environment and competitiveness of small and medium-sized enterprises will help fully release the vitality of the national economy and promote a virtuous cycle.

6. Optimize Financing Management Strategies

In order to change the current situation of difficult and expensive financing for smes, in addition to the government to formulate policies to support and guide, and the whole society should continue to protect the growth of smes and jointly create a friendly business environment, smes should pay enough attention to themselves, improve the efficiency of financing management, and lay a solid foundation for long-term healthy development.

6.1 Establishing a Sound Modern Enterprise System

Many small and medium-sized enterprises are born out of family enterprises, or are family enterprises themselves, and have not established a modern enterprise system in their development process, and their daily management often follows old "traditional" and local methods such as worldly wisdom.

This workhouse-style business model is not conducive to the financing of enterprises and is difficult to support the long-term development of enterprises [10]. Therefore, small and medium-sized enterprises must strive to establish and improve their own internal control system, financial system, information disclosure system, etc., so that they can conform to modern enterprise norms, and build a scientific financing management system and decision-making system in this process to enhance the information transparency and credit level of enterprises.

6.2 Expand Financing Channels and Methods

Traditional financial institutions represented by banks are the main source of financing for smes, and indirect financing is often the main one. On the one hand, enterprises need to actively maintain traditional financing channels by improving their own credit level; On the other hand, in view of the reality of narrow financing channels and single financing methods, smes themselves must change their thinking and not only focus on traditional banks and other financial institutions, but also walk on multiple legs and actively explore different financing methods such as equity financing (such as the New Third Board, Beijing Stock Exchange), financial leasing, pawn, etc., to escort their development.

6.3 Actively Connecting Digital Financial Inclusion

Large financing platforms make use of digital technology to more accurately evaluate the financial and operating conditions of smes, which facilitates the professional risk identification, assessment and judgment of capital providers, greatly reducing the financing guarantee required by smes and reducing the financing costs of enterprises. At the same time, due to the rapid development of digital technology, the financing process is more smooth, and it often takes only a few hours or even minutes to complete the process from the enterprise to issue the demand, upload the information to the platform to review the loan, which greatly saves the financing time and improves the financing efficiency. The development of digital inclusive finance has greatly facilitated the financing of small and medium-sized enterprises, making them obtain tangible benefits [11]. Smes should actively track and learn relevant policies and knowledge, connect with government departments and financing platforms, take the initiative to embrace the wave of inclusive finance, and do a good job in cost management and risk control to achieve sound operation.

6.4 Attach Importance to the Training of Financial Management Talents

Efficient financing management is inseparable from professional financial management talents. Although enterprises can directly introduce and recruit professional financial talents from outside, it may be difficult for smes to attract enough financial management talents due to their own capital strength and treatment level. At the same time, even if it can be hired through high salaries, it does not necessarily adapt to the development characteristics of small and medium-sized enterprises [12]. Therefore, a more realistic, economical and efficient way is to train such professionals from within the enterprise. Feasible ways include providing relevant training courses for employees, rewarding employees for obtaining relevant certificates, and encouraging employees to practice on the job.

6.5 Improving Efficiency in the Use of Financing Funds

Financing management is a continuous process, including not only the financing behavior itself, but also the efficiency management of the subsequent integration into the use of funds. In order to improve the efficiency of the use of funds, when the front-end capital demand is reported, it is necessary to scientifically control and accurately match, not only to grasp the proportion of equity and creditor's rights, but also to grasp the financing period matching; In the process of financing, it is necessary to track the information dynamics of the fund supplier in time, and strive to reduce the negotiation cost and opportunity cost; After the completion of financing, it is also necessary to establish incentive-compatible institutional arrangements to encourage the responsible personnel of each project to pay attention to the efficiency of the use of funds. Moreover, it is necessary to set scientific and reasonable assessment indicators to strengthen the performance assessment of the efficiency of the use of funds, and force enterprises to improve the efficiency of the use of integrated funds through the results [13].

7. Conclusion

In the post-epidemic era, China's consumption growth is relatively weak, the national economic recovery process is more tortuous, and the development of small and medium-sized enterprises is more difficult. Although the state has issued many policies to support, inclusive finance has also accelerated development, but considering various factors, the financing difficulties of small and medium-sized enterprises have been alleviated, but there is still a big gap between the complete solution of this problem.

The reason why the problem of "financing is difficult and expensive" of small and medium-sized enterprises is difficult to solve is its fundamental contradiction and conflict. Small and medium-sized enterprises and financial institutions, as the market subjects of capital demanders and capital providers, pursue the maximization of their own interests. As the risk producer, smes need to pay a certain price, that is, interest, to successfully integrate into the capital, and at the same time transfer the risk to financial institutions in this process. Financial institutions, as the other side of the risk transaction, price the risk by identifying the enterprise risk, and gain profits by bearing the default risk of the enterprise. However, in reality, due to the lack of an effective social credit evaluation system, the credit status and risk level of smes are difficult to be effectively identified, so financial institutions cannot effectively price their financing risks, which also leads to the failure of subsequent fund transactions.

Therefore, it is not difficult to see that the key to solving one of the dilemmas is how to establish an efficient market for risk identification and risk pricing, so that business risk and default risk (the risk that financial institutions cannot recover funds) can achieve limited allocation. In the next step, the government, financial institutions and smes need to work together to establish an efficient and mobile linkage mechanism and an information transparent risk market in the near future, so as to contribute to the ultimate overcoming of the financing dilemma of smes.

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