

ANALYSIS OF FINANCING PROBLEMS OF SMALL AND MICRO ENTERPRISES IN HENAN PROVINCE UNDER THE NEW NORMAL ECONOMY

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ABSTRACT

In the new normal economy, small and micro enterprises have an important role to play in promoting the economic growth of Henan province but the financing problem has been further highlighted by the slowdown in the economy, through the analysis of the financing model and present situation of small and micro enterprises in Henan province in the new normal economy, the paper tries to find out the reasons why it is difficult to raise finance in the course of development, explore how to reduce and solve the financing obstacles of small and micro businesses, and propose solutions to provide theoretical basis and reference for solving small micro enterprise financing problems.

Keywords: small and micro enterprise; new normal economy; financing problems; countermeasures.

INTRODUCTION

At present, China is at a crucial stage of reform in the crucial stage of development and transformation, In the past few decades, China's rapid economic development, after experiencing the economic and financial crisis, China also accumulated rich experience in the economic development and ranks among the ranks of medium-sized developing countries, like other Asian countries, they face the problem of "middle-income trap."To achieve the transformation of the mode of economic development and increase the driving force of economic growth are the most important tasks for us to weather the storm. Economic growth is at a special stage of "triad plus", economic growth is at a special stage of "three superimposed". New that is different from the old, normal state that is inherently stable state, the new normal economy is the transition of economic development mode, paradigm shift and growth mode change. The concrete manifestation is that the shift of economic growth and the shift from high-speed to medium-high-speed development, the optimization and upgrading of industrial structure and the innovation-driven new development impetus have also brought new challenges and opportunities. It is a development model of scientific socialism that achieves sustainable social development.

Later in May 2014, he pointed out during his inspection in Henan that he should adapt to the new normal from the stage characteristics of China's economic development. In his speech at APEC in November, he pointed out that the new normalcy of the Chinese economy is mainly reflected in three aspects: speed growth, structural transformation and upgrading and dynamic diversification. Development is the number one priority. Economic growth is the eternal theme of financial research. The economy has grown from 10% in nearly 20 years to 7.8% in 2012, to 7.7% in 2013 and 7.4% in 2014, Will control the growth rate of 7% to 6%.In the

throes of economic structural adjustment and transformation, the difficulty in the management of enterprises, especially the private ones, has risen. Among them, the performance of small and micro-enterprises has become more prominent, further raising the risk of lending to small and micro enterprises. The rise in debt risk has not only increased small and micro-enterprise's own financing costs And banks and other financial institutions relative to the stability of large and medium-sized enterprises to a certain extent are not willing to lend to high-risk micro-small and micro enterprises. Therefore, under the background of interaction between such market environment and economic environment, studying the financing of small and micro enterprises is of great significance for alleviating the difficult financing of small and micro enterprises and for balancing the game between banks and enterprises.

Based on the introduction, the second part of this article analyzes the current situation of financing for small and micro-enterprises based on the actual situation in Henan Province. The third part looks for the reasons for the difficulties from the status quo. Finally, the fourth part gives the corresponding policy suggestions.

An Analysis of Financing Status of Small and Micro Enterprises in Henan Province under the New Normal Economy

With the slowdown of economic development, the small and micro enterprises are more difficult to raise funds in financing. According to the survey data of Henan Bureau of Industry and Commerce, up to the end of June 2015, there were 685,000 small and micro enterprises in the province, accounting for 90.6% of the total number of enterprises. Private small and micro enterprises are the mainstay of small and micro enterprises and the growth rate is relatively high. Geographical distribution mainly Zhengzhou accounted for 38.4% of the total province, followed by Luoyang and Nanyang; in the distribution of industries dominated by the tertiary industry. Increase the employment of large population in Henan Province, and promote economic growth.

The financial needs of small and micro enterprises in Henan Province are still strong under the condition of slowing economic growth. According to a survey conducted by the Henan Provincial Office of Industry and Information Technology, 86% of enterprises think financing is more difficult or difficult. Because of their own financial needs of small and micro enterprises, each financing demand is not large, frequent funding needs, emergency time and more urgent need to solve the temporary financial difficulties, but due to the lack of appropriate collateral and cannot meet the conditions for bank credit approval and the time requirement raised the interest rates of financing. Second, the small and micro enterprises have small scale, lack of management, inadequate innovation, low level of education and technical literacy. Compared with large and medium-sized enterprises, they are disadvantaged in attracting investment, more because the information asymmetry has increased the financing costs of small and micro enterprises.

The limited financing channels for small and micro enterprise financing in Henan Province are mainly single-source financing. Among the sources of funds for production and operation of enterprises, bank loans account for 21.7% of the total. Most small and micro enterprises are hard-pressed to obtain loans from banks. Only over 140 flour processing enterprises in Yongcheng City of Shangqiu City lack liquidity of more than 700 million yuan, of which 90% rely on private financing, bank loans accounted for only 10%, from which we can see the small and micro enterprises in Henan Province, narrow financing channels. By the small

and micro enterprises financing their own frequency, limited urgency and less features make it difficult for small and micro enterprises to issue shares and securities by way of financing, coupled with the government's support for small and micro enterprises funds limited so that small and micro enterprises can only through limited private loans, banks and other financial institutions to borrow, angel investment limited financing. First of all, private financing mainly includes small loan companies, loan sharks and close friends who make small loans among others. Although for small and micro-enterprises, the cost of capital obtained by some ways of private lending is higher, but due to the urgency of fund demand for small and micro enterprises in Henan Province, other financing methods will be more difficult, making private financing a major financing channel for small and micro enterprises in Henan Province. Taking into account the small size of small and micro enterprises themselves, the business cycle fast, fast turnover of funds, although the high cost of private financing for small and micro enterprises can digest. Angel Investment is a type of unorganized, high-risk venture capital investment that refers to an upfront investment made by an entrepreneur or rich person with successful entrepreneurial experience in the start-up phase of a small business. It links unused funds in society with potential entrepreneurial projects, inputs fresh blood and energy for economic and social development, and promotes progress and innovation, but also poses a great risk to investors, Most small and micro enterprises in Henan Province, lack of market competitiveness is difficult to get the favor of angel investors.

Due to the small and medium-sized enterprises' own operation scale and insufficient government credit support, the unfavorable influence of the financial environment makes financial institutions appraise the economic ability and repaying ability of small and micro enterprises not high. In order to avoid risks, they are reluctant or even refuse to lend to small and micro enterprises to cause their looting to small and micro enterprises. Although the government has, to a certain extent, noticed that it is necessary to give policy support to small and micro enterprises and also promulgate some policies, it does not supervise the effectiveness and implementation of the policies. However, the effectiveness of the implementation of the policy and its implementation are not well supervised, so that the plight of small and micro enterprises still exist.

An Analysis of the Reasons for Financing Difficulties of Small and Micro Enterprises in Henan Province

1. Own limitations

Due to the inherent limitations of small and micro enterprises in Henan Province, small-scale enterprises use family management, the overall quality of staff and professional and technical level of the height of less than the management experience of lack of management, and more use of traditional production methods make economic benefits low, lack of profitability and sustainability of the enterprise, the reform is not enough, making banks and other financial institutions are more inclined to invest in large enterprises to obtain a stable return. Internal management mechanism and organizational form is not perfect, there is no scientific management system to adapt to its own development, resulting in a series of inefficient problems.

Second, there are disadvantages in terms of credit, financial information disclosure and mortgage guarantee. Credit is the main investment project of financial institutions. However, the awareness of small and micro-enterprises in strengthening credit building is weak. If the losses of small and micro enterprises due to the lack of credit not only affect their economy, but also their overall external image suffered a great loss, and investors in order to reduce the

risk and loss there will be the phenomenon of looting of small and micro enterprises, making commercial banks or financial institutions to lend to small and micro enterprises at risk in the credit rating of its cost increases which in turn has caused difficulties in financing. Due to the management level and technical issues make the transparency of financial information is not high, in the investment audit so that the increased audit costs will be reflected in the loan interest rates. In short, the small and micro enterprises themselves limit the financing and development to a certain extent due to their scale of production, management level, technological innovation and lack of credit construction.

2. Financing model is limited

From the small and micro enterprise financing model in Henan Province, we can see that the financing mode of small and micro enterprises in Henan Province is mainly based on internal financing. With the low profit brought by the high interest rate of private lending and the subsequent risk, the financing method needs the improvement of related laws, regulations and policies to ensure the interests of both borrowers and lenders.

Second, for bank borrowings financing needs of different businesses, banks have set up small and micro enterprise financing service agencies for small and micro enterprises, providing various types of loans for small and micro enterprises. However, from the perspective of the bank, the risk brought by the shortage of small and micro enterprises in the loan mortgage guarantee in Henan Province is a major obstacle. Therefore, there is a need to adapt supporting procedures such as loans for small and micro enterprises and a risk assessment system to reduce the loan-lending phenomenon. Overall, the bank's small and micro enterprise loan business is worth the long-term investment business. Angel investment is a financing model with relatively low financing costs for small and micro enterprises. However, the limitations of small and micro enterprises themselves are lacking in innovation and core competitiveness. They are very difficult to obtain by angel investors, and the financing models of small and micro enterprises are limited. It can be seen from the above analysis that small and micro enterprises of different needs have limited financing models for small and micro enterprises in Henan Province and are all limited to some extent, making the financing difficult for small and micro enterprises.

3. Government credit support is not enough

The lack of government support is also one of the main reasons for the financing difficulties of small and micro enterprises in Henan Province. The development of small and micro enterprises cannot be separated from the support of the government. However, there are many small and micro enterprises in Henan Province and very few policies for small and micro enterprises. Government credit support is not enough to make financial institutions small and micro enterprises economic ability and repayment ability is not high, in order to avoid the risk of unwilling or even refusing to lend to small and micro enterprises caused by the phenomenon of micro-loans to small and micro enterprises caused by small and micro enterprises financing difficulties.

Moreover, the government is often guided by the support of small and micro enterprises, which are not in line with the actual needs of small and micro enterprises. The large number of small and micro enterprises in Henan Province can affect the stability of Henan's economy. However, the limited supporting policies promulgated by the government are not sufficient to solve the plight of small and micro enterprises. This may be due to insufficient communication between policy makers and business managers, Due to the high standard of

implementation of policies or the insufficient implementation of policies, the system of supervision and implementation is lacking.

4. Adverse effects of financial institutions and market conditions

Lack of financial institutions and unsound financial services for small and micro-sized enterprises make the favorable factors in the market environment flow to large enterprises, which are more willing to lend to large enterprises than small and micro enterprises. When financial institutions credit the small and micro enterprises, the examination costs and loan risks of financial institutions are raised due to the asymmetric information. To offset this part of the costs and risks, interest rates generally increase when loans are made to small and micro enterprises. When applying for approval of loans to small and micro enterprises, they are subject to stringent requirements, long examination and approval periods, and incomplete financial service systems.

Relative to the number of small and micro enterprises in Henan Province, the number of guarantee intermediaries is not enough, of which there are still irregularities in the system and unsoundness in the system. Various unfavorable factors in these markets will make it difficult for small and micro enterprises in Henan Province to make financing. The monopoly of financial monopolies under the conditions of inefficient allocation of resources in the financial markets has made loans to small and micro-enterprises even worse. Therefore, the imperfections of financial institutions, the imperfect financial system and the unfavorable market environment of financial monopoly have made it increasingly difficult for small and micro-enterprises to survive.

The Countermeasures and Proposals for the Financing Difficulties of Small and Micro Enterprises in Henan Province

From the analysis, we can see that there are many reasons for the financial difficulties of small and micro-enterprises, and propose countermeasures in the following aspects in order to alleviate the financing problems of small and micro enterprises in Henan Province.

1. Enhance their own image

Small and micro enterprises in Henan Province must first raise their own limitations, improve the internal financial management system for small and micro enterprises, standardize information disclosure, and train their employees in professional knowledge in accounting and finance to improve their skills and work efficiency, and formulate sound financial system. Establish a scientific management system that adapts to the development of the enterprise and step out from the limitations of the family business management model. The advanced management concepts are recognized by employees, improve the overall quality and professional skills of employees, improve the stability, profitability and sustainability of enterprises, reduce risks, enhance the image of enterprises in the public mind, and increase investor confidence in the enterprises.

Popularize laws and regulations in accounting and financial management so as to standardize statements and enhance the transparency of information, reduce information asymmetry and raise financing credit. Learn legal knowledge, raise the awareness of good faith in the formulation and implementation of contracts, and establish long-term mutual trust and cooperative relations with investors, maintain a good credit record and then use the theory of relationship-based borrowing to ease the financing dilemma and reduce the financing cost. In order to foothold in the fierce market competitive environment, the small and micro

enterprises in Henan Province need to optimize the product structure and constantly innovate to increase the market competitiveness, and then improve their own business conditions. Expanding financing, locate the consumer market, quickly occupy the market through innovation, and constantly update the technology to maintain the competitive advantage to win the attention of investors to improve the financing predicament.

2. Use financing theory to reduce financing costs and expand financing channels

The use of the theory of relationship-based borrowing can increase the daily exchanges between enterprises and banks so that banks and enterprises can get a better understanding and information disclosure more fully. Due to the mutual understanding between the two parties, financial institutions such as banks, in estimating their credit and economic conditions, will reduce the risk caused by asymmetric information and reduce the financing costs, and expand the financing channels for small and micro enterprises in a "soft" way.

Under the background of the new normal economic development in our country, the sustained and rapid development of the economy, as an emerging investment with great potential for development, angel investment will receive more and more attention in the future economy. It has increased the financing channels for small and micro enterprises so that the results of scientific and technological research can be quickly converted into wealth and laid a solid foundation for the survival and development of enterprises. For the development prospects, market-competitive angel investment products is a good financing channel, so small and micro enterprises to enhance innovation and market competitiveness of the core.

3. Formulate supportive policies and improve laws and regulations

The government should improve relevant laws to protect the rights and interests of small and micro enterprises so that they can get fair treatment in the financing process, strengthen the cooperation and cooperation between banks and enterprises. Moreover, it is necessary to break the unreasonable provisions on the access mechanism for small and micro enterprises and improve the market access mechanism.

In recent years, the government lacks policies for small and micro enterprises to formulate corresponding policies, such as preferential tax policies to reduce the liabilities of small and micro enterprises, preferential loan policies to reduce the risk of small and micro enterprise investors, and so on. Formulate appropriate legal policies to ease the tense external environment for small and micro enterprises so as to give timely help to the small and micro enterprises in difficulties. In terms of monetary policy, the government should formulate a policy of differentiation among large, medium and small enterprises and micro enterprises. In order to increase the power of financial institutions to lend to small and micro enterprises, the government can appropriately lower its deposit reserve ratio to encourage banks to support the development of small and micro enterprises. The scope of supply is expanded to make the investment more flexible. According to the financial needs of small and micro enterprises to establish an integrated micro-enterprise approval department, standardize the approval process, shorten the approval time.

4. Strengthen financial services and promote multi-level system construction

Establishing Multi - level Financial Market System and Perfecting the Financing Environment for Small and Micro Enterprises in Henan Province. The multi-level financial market system can adapt to the loan needs of enterprises at different levels, including diversified financing systems such as policy banks, commercial banks, small and medium-

sized financial institutions and non-governmental organizations. In breaking the financial monopoly can be introduced through the introduction of private capital to ease. In order to promote the sound development of small and micro-enterprises, credit rating should be improved and credit files should be set up to provide default costs to restrain small and micro enterprises from default. Reduce the unfavorable factors brought by the marketization of interest rates and improve the utilization rate of funds to implement measures. In addition to the banking institutions, they should also pay attention to the rapid development of non-banking institutions and expand their financing channels through the support of non-banking institutions.

In addition, the Henan provincial government should vigorously develop financial services for small and micro enterprises financing, promote the reform and development of small and medium financial institutions, and establish a sound credit rewards and punishments mechanism, on the one hand so that small and micro enterprises to enhance credit awareness to reduce the risk of lending to financial institutions, on the other hand enhancing the confidence of financial institutions in lending to small and micro enterprises, at the same time that the government should exercise self-discipline, the government should step up its supervision over its sustainable and healthy development so as to better serve the loans of small and micro enterprises.

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